

Fair Share Entitlement Ratio Report

Vedanta Limited (Demerged Company)

And

Iron Ore Company (Resulting Company)

September 2023



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Ref: LM/Sep29-67/2023

September 29, 2023

To

Board of Directors

Vedanta Limited

1st Floor, C wing, Unit 103,
Corporate Avenue Atul Projects,
Chakala, Andheri (E), Mumbai - 400093,
Maharashtra, India.

Dear Sir(s)/ Madam(s),

Sub: Recommendation of fair share entitlement ratio for the proposed demerger of the Iron Ore Undertaking of Vedanta Limited (“VEDL”) into Iron Ore Company (“Iron Ore Co”) on a going concern basis pursuant to Scheme of Arrangement between VEDL and Iron Ore Co and their respective shareholders and creditors under sections 230 to 232 and other relevant provisions of the Companies Act, 2013 (“the Act”).

We, BDO Valuation Advisory LLP (“**BDO VAL**” or “**We**” or “**Us**”), have been appointed vide Letter of Award of Contract dated May 26, 2023 to recommend the fair share entitlement ratio for the proposed demerger of the Iron Ore Undertaking of Vedanta Limited (“**VEDL**” or “**Demerged Company**”) into Iron Ore Company (“**Iron Ore Co**” or “**Resulting Company**”) on going concern basis pursuant to Scheme of Arrangement between VEDL and Iron Ore Co and their respective shareholders and creditors under sections 230 to 232 and other relevant provisions of the Companies Act, 2013 (“**the Scheme**”).

VEDL and Iron Ore Co shall hereinafter collectively be referred as “**the Companies**”.

We are pleased to present herewith our report (“**Report**”) on the same.

We have determined the fair share entitlement ratio for the proposed demerger as on September 29, 2023 (“**Valuation Date**” or “**Report Date**”). A summary of the analysis is presented in the accompanying Report, as well as description of the methodology and procedure we used, and the factors we considered in formulating our opinion.

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We believe that our analysis must be considered as a whole. Selecting portion of our analysis or the factors we considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. This letter should be read in conjunction with the attached Report.

For BDO Valuation Advisory LLP

IBBI No.: IBBI/RV-E/02/2019/103

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Lata Gujar More

Partner

IBBI No.: IBBI/RV/06/2018/10488

VRN No.: IOVRVF/BDO/2023-2024/2041



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1. Brief Background of the Companies

Vedanta Limited

- 1.1. Vedanta Limited is a company incorporated under the Companies Act, 1956 with Corporate Identification Number (“CIN”) L13209MH1965PLC291394 and registered office situated at 1st Floor, C wing, Unit 103, Corporate Avenue Atul Projects, Chakala, Andheri (East), Mumbai, Mumbai City, Maharashtra 400093, India.
- 1.2. The authorised, issued, subscribed and paid-up equity share capital of VEDL as on September 15, 2023 is as under:

Particulars	Amount (INR)
<u>AUTHORISED SHARE CAPITAL</u>	
44,02,01,00,000 equity shares of INR 1 each	44,02,01,00,000
3,01,00,00,000 preference shares of INR 10 each	30,10,00,00,000
Total	74,12,01,00,000
<u>ISSUED AND SUBSCRIBED SHARE CAPITAL</u>	
3,71,75,04,871 equity shares of INR 1 each	3,71,75,04,871
Total	3,71,75,04,871
<u>PAID-UP SHARE CAPITAL</u>	
3,71,75,04,871 equity shares of INR 1 each	3,71,75,04,871
Total	3,71,75,04,871
<u>LISTED CAPITAL</u>	
3,71,71,99,039* equity shares of INR 1 each	3,71,71,99,039
Total	3,71,71,99,039

* 3,05,832 shares are under abeyance category which are pending for allotment being sub-judice. Out of the said shares, 7,200 equity shares have been released from abeyance category during Q1 FY 24 and are pending listing approval.

- 1.3. Subsequent to above data, there has been no change in the authorised, issued and subscribed capital of the VEDL till the date of this report.
- 1.4. The equity shares of the Demerged Company are listed on the National Stock Exchange of India Limited and BSE Limited. The redeemable, non-cumulative non-convertible debentures of VEDL are listed on the BSE.

Iron Ore Undertaking

- 1.5. Iron Ore Undertaking means all the businesses, undertakings, activities, properties and liabilities of whatsoever nature and kind and wherever situated, pertaining and / or related to the Demerged Company's division engaged in mining and processing of Iron Ore, along with investments in shares, securities etc, as defined in the Scheme.

Iron Ore Co

- 1.6. Iron Ore Co is in the process of incorporation as the wholly owned subsidiary of Vedanta Limited. Its authorised, issued, subscribed and paid-up equity share capital at the time of incorporation will be as follow:

Particulars	Amount (INR)
<u>AUTHORISED SHARE CAPITAL</u>	
1,00,000 Equity Shares of INR 1/- each	1,00,000
Total	1,00,000
<u>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL</u>	
1,00,000 Equity Shares of INR 1/- each	1,00,000
Total	1,00,000

2. Purpose of Valuation

- 2.1. The Scheme inter alia provides for Demerger of the Iron Ore Undertaking of VEDL to Iron Ore Co, and corresponding issuance of equity shares of Resulting Company to the shareholders of VEDL and reduction and cancellation of the entire share capital of Resulting Company (“Proposed Demerger”).
- 2.2. The Proposed Structure of Iron Ore Co as a result of the Proposed Demerger is as follows:



- 2.3. In this regard, we have been appointed to determine the fair share entitlement ratio for the Proposed Demerger as part of the Scheme.
- 2.4. Further, as part of and provided in the Scheme, all the existing outstanding shares of Iron Ore Co shall stand cancelled by way of capital reduction.
- 2.5. The Appointed Date for the Scheme is the Effective Date as defined in the scheme.

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3. Terms of Engagement

Context and Purpose

- 3.1. BDO Val has been appointed to determine the fair share entitlement ratio for the Proposed Demerger as mentioned in Section 2 of this Report in accordance with generally accepted International Valuation Standards (“IVS”) issued by International Valuation Standards Council (“IVSC”) as recommended by IOV Registered Valuers Foundation. This valuation exercise and Valuation Report are solely for the purpose mentioned in the Report.

Restricted Audience

- 3.2. This Report and the information contained herein are absolutely confidential and are intended for the use of the Companies only for submitting to the statutory and regulatory authorities for compliance under sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and applicable provisions and circular issued by Securities and Exchange Board of India (“SEBI”) applicable to a scheme of arrangement. The results of our valuation analysis and our Report cannot be used or relied by the Companies for any other purpose or by any other party for any purpose whatsoever.
- 3.3. This Report will be placed before the Board of Directors of VEDL and Iron Ore Co and intended only for their sole use and information only. To the extent mandatorily required under applicable laws of India, this Report may be produced before judicial, regulatory or government authorities, in connection with the Proposed Demerger. We are not responsible to any other person or party, for any decision of such person or party based on this Report. Any person or party intending to provide finance/ invest in the shares/business of VEDL/Iron Ore Co or their holding companies, subsidiaries, associates, joint ventures shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. If any person/ party (other than the Companies) chooses to place reliance upon any matters included in the Report, they shall do so at their own risk and without recourse to BDO Val.
- 3.4. It is hereby notified that usage, reproduction, distribution, circulation, copying or otherwise quoting of this Report or any part thereof, except for the purpose as set out earlier in this Report, without our prior written consent, is not permitted, unless there is a statutory or a regulatory requirement to do so.



3.5. Without limiting the foregoing, we understand that the Companies may be required to share this Report with regulatory or judicial authorities including stock exchanges, SEBI, Regional Director, Registrar of Companies, National Company Law Tribunal, professional advisors of the Companies including merchant bankers providing fairness opinion on the fair share entitlement ratio, in connection with the Proposed Demerger (“**Permitted Recipients**”) and host this Report on the website of the Companies. We hereby give consent to such disclosure of this Report, on the basis that we owe responsibility only to Companies that has engaged us, under the terms of the engagement, and no other person; and that, to the fullest extent permitted by law, we accept no responsibility or liability to any other party, in connection with this Report. It is clarified that reference to this Report in any document and/or filing with Permitted Recipients, in connection with the Proposed Demerger, shall not be deemed to be an acceptance by us of any responsibility or liability to any person/ party other than Companies.

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4. Caveats, Limitations and Disclaimers

- 4.1. This Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- 4.2. This Report, its contents and the results herein are (i) specific to the purpose of valuation agreed as per the terms of our engagement; (ii) the Report Date and (iii) are based on the data detailed in the section - Sources of Information.
- 4.3. We were provided with sufficient information and time to make our opinion for this valuation exercise. However, our opinion may change if any material information is not disclosed / hidden from us during our valuation exercise.
- 4.4. The scope of the assignment did not include performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was used during the course of the work. Accordingly, we express no audit opinion or any other form of assurance on this information on behalf of the Companies. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence or legal title search of the assets or liabilities of the Companies and have considered them at the value as disclosed by the Companies in their regulatory filings or in submissions, oral or written, made to us.
- 4.5. Further, this Report is based on the extant regulatory environment and the financial, economic, monetary and business/market conditions, and the information made available to us or used by us up to, the date hereof, which are dynamic in nature and may change in future, thereby impacting the valuation of the Companies. Subsequent developments in the aforementioned conditions may affect this Report and the assumptions made in preparing this Report and we shall not be obliged to update, review or reaffirm this Report if the information provided to us changes. Further events occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.
- 4.6. We have no present or planned future interest in the Companies or any of their group companies.
- 4.7. The recommendation contained herein is not intended to represent value at any time other than the Valuation Date.
- 4.8. This Report is subject to the laws of India.
- 4.9. The fee for this engagement is not contingent upon the outcome of the Report.
- 4.10. In rendering this Report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.

- 4.11. This Report is based on the information received from the sources mentioned herein and discussions with the representatives of the Companies. We have assumed that no information has been withheld that could have influenced the purpose of our Report.
- 4.12. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the Companies. Nothing has come to our knowledge to indicate that the material provided to us was mis-stated or incorrect or would not afford reasonable grounds upon which to base our Report.
- 4.13. For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.
- 4.14. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of our Report or by virtue of fact that the details provided to us are incorrect or inaccurate.
- 4.15. We have arrived at a relative value based on our analysis. Any transaction price may however be significantly different and would depend on the negotiating ability and motivations of the respective buyers and sellers in the transaction.
- 4.16. Our scope is limited to recommendation of fair share entitlement ratio. The Report should not be construed as, our opinion or certifying the compliance of the Proposed Demerger with the provisions of any law including the Companies Act 2013, Foreign Exchange Management Act, 1999, taxation related laws, capital market related laws, any accounting, taxation or legal implications or issues arising from Proposed Demerger.
- 4.17. The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all their areas of operation unless otherwise stated and that the Companies will be managed in competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration to matters of legal nature, including issues of legal title and compliance with local laws, litigation and other contingent liabilities that are not recorded in the financial statements of the Companies.

- 4.18. This Report does not look into the business/commercial reasons behind the Proposed Demerger nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Demerger as compared with any other alternative business transaction or any other alternatives, whether or not such alternatives could be achieved or are available. The assessment of commercial and investment merits of the Companies are sole responsibility of the investors of the Companies and we don't express opinion on the suitability or otherwise of entering into any financial or other transactions with the Companies.
- 4.19. No investigation/inspection of the Companies' claim to the title of assets has been made for the purpose of this Report and the same has assumed to be valid. No consideration has been given to liens or encumbrances against such assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of legal nature.
- 4.20. The determination of a fair share entitlement ratio is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different opinion.
- 4.21. Whilst all reasonable care has been taken to ensure that the factual statements in the Report are accurate, neither us, nor any of our partners, officers or employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this Report.
- 4.22. We owe responsibility to only the Board of Directors of the Companies and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other party to the Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their directors, employees or agents. In the particular circumstances of this case, our liability, if any (in contract or under statute or otherwise) for any economic loss or damage arising out of or in connection with this engagement, howsoever the loss or damage caused, shall be limited to the amount of fees actually received by us from the Company, as laid out in the engagement letter, for such valuation work.

- 4.23. We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.
- 4.24. This Report does not in any manner address the prices at which equity shares of the Companies will trade following the announcement and/or implementation of the Proposed Demerger and we express no opinion or recommendation as to how the shareholders of the Companies should vote at the shareholders' meeting(s) to be held in connection with the Proposed Demerger.
- 4.25. The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Companies (or its representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).
- 4.26. Client has informed us that ICICI Securities Limited has been appointed to provide fairness opinion on the recommended fair share entitlement ratio for the purpose of aforementioned Scheme. Further at the request of the Companies, we have had discussions with the Fairness Opinion provider on the valuation approach adopted and assumptions made by us.
- 4.27. VEDL has been provided with the opportunity to review the draft Report (excluding the recommended share entitlement ratio) as part of our standard practice to make sure that factual inaccuracies/omissions are avoided in our final Report.

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5. Sources of Information

- 5.1. For the purpose of undertaking this valuation exercise, we have relied on the following sources of information provided by the management/ representatives of the Companies:
- Carved out / Set of financials of Iron Ore Undertaking of VEDL for Financial Year (“FY”) ended March 31, 2023;
 - Carved out / Set of financials of Iron Ore Undertakings of VEDL for the period ended June 30, 2023;
 - Shareholding pattern of VEDL as at June 30, 2023;
 - Draft Scheme of Arrangement between VEDL and Iron Ore Co and their respective shareholders and creditors under sections 230 to 232 and other relevant provisions of the Companies Act, 2013;
 - Proposed Capital Structure of Iron Ore Co as on the Effective Date (as defined in the Scheme); and
 - Other relevant data and information provided to us by the representatives of the Companies either in written or oral form or in form of soft copy of the Companies.
- 5.2. We have also obtained the explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise from the management of VEDL (“**Management**”). VEDL has been provided with the opportunity to review the draft Report (excluding the recommended Fair Share Entitlement Ratio) as part of our standard practice to make sure that factual inaccuracies/ omissions are avoided in our final Report.
- 5.3. The Management has informed us that there would be no significant variation between the draft Scheme and the final scheme approved and submitted with the relevant authorities.

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6. Procedures Adopted

6.1. Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including but not limited to the following:

- Discussion with the Management to:
 - o Understand the rationale for the Proposed Demerger and the Scheme;
 - o Understand the current and proposed capital structure of Iron Ore Co;
 - o Understand the business and fundamental factors that affect the operations of VEDL and Iron Ore Co;
- Requested and received financial (historical, Current & Projected) and qualitative information;
- Analysis of information shared by the Management;
- Reviewed the draft Scheme of Arrangement between the Companies;
- Reviewed the audited financial results/statements of VEDL for the FY ended March 31, 2023 and Carved out financials of Iron Ore Undertaking for the FY ended March 31, 2023 and for period ended June 30, 2023;
- Considered the shareholding pattern of VEDL as at June 30, 2023;
- Determined the fair share entitlement ratio for issue of equity shares of Iron Ore Co to the shareholders of VEDL as consideration for the Proposed Demerger after taking into consideration the proposed capital structure of Iron Ore Co and the effect of capital reduction in VEDL forming part of the Scheme.

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7. Approach for Determination of Fair Share Entitlement Ratio

- 7.1. As mentioned earlier, as per the Scheme, the Demerged Undertaking i.e. business of Iron Ore Undertaking is proposed to be demerged from VEDL into Iron Ore Co. VEDL has identified all the assets and liabilities of Iron Ore Undertaking of VEDL which are to be taken over by and transferred to Iron Ore Co. and corresponding issuance of equity shares of Resulting Company to the shareholders of VEDL and reduction and cancellation of the entire share capital of Resulting Company.
- 7.2. We understand that, upon the scheme being effective, the shareholding pattern of VEDL and Iron Ore Co will be identical. All the shareholders of VEDL would also become the shareholders of Iron Ore Co and every shareholder of VEDL will hold same percentage of equity ownership in Iron Ore Co as owned in VEDL and accordingly their shareholding in Iron Ore Co would mirror their existing shareholding in VEDL prior to the Scheme.
- 7.3. Taking into account the above facts and circumstance, any share entitlement ratio can be considered appropriate and fair for the Proposed Demerger as the proportionate equity shareholding of any shareholder pre-demerger and post-demerger would remain same and not vary. We have therefore not carried out any independent valuation of the subject business.
- 7.4. Based on the aforementioned and upon the Scheme becoming effective (post demerger), the set of shareholders and holding proportion in the Demerged Company shall be identical to that of Resulting Company. The beneficial economic interest of Demerged Company shareholders in Resulting Company will remain same as at the time of demerger and hence would not have any impact on the economic interest of the shareholders of the Demerged Company. The share entitlement ratio would not have any impact on the ultimate value of the shareholders of Demerged Company and the Proposed Demerger will be value-neutral to the Demerged Company's shareholders.

8. Recommendation of Fair Share Entitlement Ratio for the Proposed Demerger

8.1. On the basis of the foregoing, considering the proposed Capital Structure of Iron Ore Co as informed to us by the Management and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, a share entitlement ratio in the event of the Proposed Demerger would be as follows:

“1 (One) fully paid Equity Share of INR 1/- (Indian Rupee One) each in Iron Ore Co for every 1 (One) fully paid Equity Share of INR 1/- (Indian Rupee One) each held in Vedanta Limited”

8.2. Our Report and fair share entitlement ratio is based on the current equity share capital structure of VEDL and envisaged equity share capital of Iron Ore Co as mentioned above. Any variation in the equity share capital structure of VEDL and Iron Ore Co apart from the above-mentioned may have an impact on the fair share entitlement ratio.

8.3. Upon the Scheme being effective, fresh issue of shares would be made to the existing shareholders of VEDL on a proportionate basis such that their existing holding in VEDL is replicated in Iron Ore Co. Accordingly, we believe that any fair share entitlement ratio can be considered appropriate and fair for the Proposed Demerger as the inter-se proportionate equity shareholding of any shareholder pre-demerger and post-demerger would remain same and not vary and we have therefore not carried out any independent valuation of the subject business.

8.4. Accordingly, considering the approach and the rationale for the fair share entitlement ratio discussed in para 7 above, the valuation approaches as indicated in the format (as shown below) as prescribed by circular number NSE/CML/2017/12 of NSE and LIST/COMP/02/2017-18 of BSE have not been undertaken as they are not applicable in the instant case:

Valuation Approach	VEDL		Iron Ore Co.	
	Value Per Share (INR)	Weights	Value Per Share (INR)	Weights
Asset Approach	NA	NA	NA	NA
Income Approach	NA	NA	NA	NA
Market Approach	NA	NA	NA	NA
Value Per Share	NA		NA	
Share entitlement Ratio	NA		NA	

NA = Not Applicable