

**REPORT OF THE AUDIT COMMITTEE OF STERLITE TECHNOLOGIES LIMITED ("COMPANY")
RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN THE COMPANY AND
STERLITE POWER TRANSMISSION LIMITED**

Members Present:

Mr. Arun Todorwal:	Chairman (Independent Non-Executive Director)
Mr. A.R.Narayanaswamy:	Member (Independent Non-Executive Director)
Mr. Pravin Agarwal:	Member (Wholetime Director)

In Attendance:

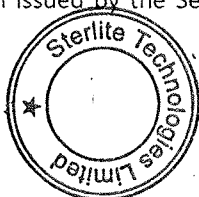
Mr. Anupam Jindal:	CFO (Chief Financial Officer)
Mr. Amit Deshpande:	Company Secretary

By Special Invitation:

Ms. Avaantika Kakkar	:	Independent Non-Executive Director
Dr. Anand Agarwal	:	CEO & Whole-time Director
Mr. Pratik Agarwal	:	Non-Executive Director
Mr. Lalit Ratadia	:	Managing Director – M&A Advisory, Axis Capital Limited
Mr. Gaurav Sharma	:	Vice President – M&A Advisory, Axis Capital Limited
Mr. Ranjan Wadhwan	:	Partner, Price Waterhouse & Co LLP
Mr. Swanand Deshpande:		Associate Director, Haribhakti & Co. LLP

1. Background

- 1.1. A meeting of the Audit Committee of Sterlite Technologies Limited ("**Company**") was held on 18 May 2015 to consider and recommend the proposed demerger of the Power Products and Transmission Grid Business into Sterlite Power Transmission Limited ("**SPTL**"), the wholly owned Subsidiary of the Company, w.e.f. 01 April 2015, (collectively known as "**Companies**"), to be implemented in terms of draft scheme of arrangement ("**Scheme**"), entered into between the Company, SPTL and their respective Shareholders and Creditors under Sections 391 - 394 read with Sections 100-103 of the Companies Act, 1956 and Section 52 of the Companies Act, 2013 and other applicable provisions of Companies Act, 2013.
- 1.2. This report of the Audit Committee is made in order to comply with the requirements of Circular No CIR/CFD/DIL/5/2013 dated February 4, 2013 read with Circular No CIR/CFD/DIL/8/2013 dated May 21, 2013 (which provides clarifications with respect to the aforementioned circular), both issued by the Securities and Exchange Board of India ("**SEBI Circulars**").



For Sterlite Technologies Limited

A.N. Deshpande
Amit Deshpande
Company Secretary

Sterlite Technologies Limited
Godrej Millennium
9 Koregaon Road, Pune 411001
Maharashtra, INDIA
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1.3. The following documents were placed before the Audit Committee:

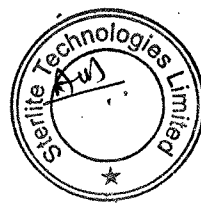
- Draft Scheme of Arrangement, duly initialed by the Company Secretary of the Company for the purpose of identification;
- Share Entitlement Report dated 18 May 2015 prepared by Price Waterhouse & Co. LLP, Independent Chartered Accountant, describing the methodology adopted by them in arriving at the Share Entitlement Ratio;
- Fairness Opinion dated 18 May 2015 prepared by Axis Capital Limited, a Category-I Merchant Banker providing the Fairness Opinion on the Share Entitlement Ratio as recommended by Price Waterhouse & Co. LLP ("Fairness Opinion");
- Valuation Reports dated 18 May 2015 prepared by Price Waterhouse & Co. LLP and Haribhakti & Co. LLP respectively, two Independent Chartered Accountants, providing the valuation of the equity shares and redeemable preference shares to be issued by the SPTL, the Resulting Company; and
- Draft Certificate obtained from the Statutory Auditors of the Company viz. S R B C & Co. LLP, on the accounting treatment prescribed in the Scheme.

2. Proposed Scheme of Demerger

2.1. The Audit Committee noted the rationale and the benefits of the Scheme, which including, *inter-alia*, are as follows:

- to allow each business to create a strong and distinct platform which enables greater flexibility to pursue long-term objectives;
- to offer shareholders a clear focussed investment opportunity in the telecom sector and thereby unlocking value of their holding;
- to enable accelerated growth of the telecom business and allowing the power business to explore suitable strategies to fund its growth plans; and
- to allow shareholders an option to align with their investment philosophy by continuing to participate in the long term capital intensive power sector if they choose or select available options to fairly and appropriately exit.

2.2. The Audit Committee also noted that upon demerger, the Company will continue to be publicly listed company and focus on the growth opportunities in the Telecom sector. The equity shares issued by SPTL will not be listed on any stock exchanges. However, the redeemable preference shares issued under the proposed Scheme shall be listed on recognized stock exchange.



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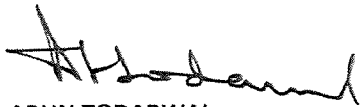
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- 2.3. Since equity shares of SPTL, will not be listed on any stock exchanges, the Audit Committee noted that Scheme envisage an exit mechanism for the all the public shareholders.
- 2.4. The Audit Committee reviewed the Share Entitlement Ratio Report and noted that the recommendations made therein. Further, the Fairness Opinion confirmed that the Share Entitlement Ratio in the Share Entitlement Ratio Report is fair to the shareholders of the Company and STPL.
- 2.5. The Audit Committee also noted Valuation Reports dated 18 May 2015 provided by Price Waterhouse & Co. LLP and Haribhakti & Co respectively, in relation to the equity shares and redeemable preference shares to be issued by SPTL, the Resulting Company pursuant to the Scheme.

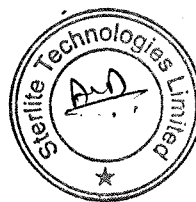
3. Recommendation of the Audit Committee

Taking into consideration the Share Entitlement Ratio Report, the Fairness Report, the Valuation Report and the exit mechanism provided in the Scheme, the Audit Committee recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee
For and on Behalf of
STERLITE TECHNOLOGIES LIMITED



ARUN TODARWAL
CHAIRMAN, AUDIT COMMITTEE



Place: Pune
Date: May 18, 2015

