

Price Waterhouse & Co LLP

Chartered Accountants

Private and Confidential18th May 2015

Board of Directors
Sterlite Technologies Limited
Godrej Millennium
9, Koregaon Road
Pune - 411 001, India

Board of Directors
Sterlite Power Transmission Limited
Survey No. 68/1
Rakholi Village
Madhuban Dam Road, Silvassa
Dadar Nagar Haveli- 396230

Dear Sir,

Subject: Share Entitlement Ratio Report**1 CONTEXT AND PURPOSE**

- 1.1. We refer to the engagement letter ('EL') dated 30 April 2015 and the addendum dated 8 May 2015, wherein you have requested our report on the ratio of allotment of shares of the resultant company ('Resulting Company' or 'Sterlite Power Transmission Limited' or 'SPTL') to be issued to the shareholders of Sterlite Technologies Limited ('STL' or the 'Company'), in connection with the proposed demerger of the power business ('Power Business' or 'Specified Business') of Sterlite Technologies Limited into Sterlite Power Transmission Limited, with effect from 1 April, 2015.

2 BACKGROUND

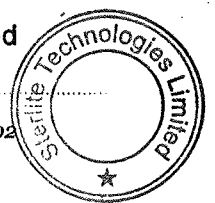
- 2.1 Sterlite Technologies Limited ('STL' or the 'Company') is a public limited company incorporated in India. The equity shares of STL are listed on the Bombay Stock Exchange ('BSE') and the National Stock Exchange ('NSE'). STL is primarily engaged in the manufacture and sale of power products, telecom products and solutions and setting up of power transmission infrastructure (through its transmission grid infrastructure subsidiaries).
- 2.1.1 The Power Business comprises power products and solutions business ('Power Products Business') and STL's investment interest in the transmission grid infrastructure companies ('Transmission Grid Business').
- 2.1.2 We understand that STL's investment interest in the Transmission Grid Business comprises its controlling interest in six wholly owned transmission grid infrastructure companies (Operating SPVs), i.e. East-North Interconnection Company Limited ('ENICL'), Bhopal-Dhule Transmission Company Limited ('BDTCL'), Jabalpur Transmission Company Limited ('JTCL'), Rajasthan Atomic Power Project ('RTCL'), Purulia & Kharagpur Transmission Company Limited ('PKTCL') and Northern Region Strengthening Scheme project ('NRSS').
- 2.1.3 STL holds controlling stake in these six Operating SPVs directly and through a structure of holding companies comprising Sterlite Power Grid Ventures Limited (SPGVL) and SPGVL's wholly owned subsidiaries i.e. Sterlite Grid Limited (SGL) and Sterlite Grid Limited 2 (SGL2). Further, SPGVL also holds 100% stake in Sterlite Grid Limited 3 (SGL3), currently a shell company.

For Sterlite Technologies Limited

A.V. Deshpande

Amit Deshpande
Company Secretary

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Price Waterhouse & Co (a Partnership Firm) converted into Price Waterhouse & Co LLP (a Limited Liability Partnership with LLP identity no: LLPIN AAC-2731) with effect from April 24, 2014. Post its conversion to Price Waterhouse & Co LLP, its ICAI registration number is 016844N/N-500015 (ICAI registration number before conversion was 016844N)

- 2.1.4 We further understand that in year 2014 Standard Chartered Financial Holdings ('StanC PE') invested in SPGVL against which it was allotted Optionally Convertible Preference Share ('OCPS'). As per the Management these OCPS on conversion will give StanC PE, a significant minority stake in SPGVL.
- 2.2 We understand that the Management of STL ('Management') intends to de-merge the Specified Business of STL into its wholly owned unlisted subsidiary, Sterlite Power Transmission Limited ('SPTL' or 'Resulting Company'), with effect from 1 April, 2015 ('Appointed Date') (the 'Transaction' or the 'Restructuring' or the 'Demerger'). The Demerger is proposed to be carried out through a Scheme of Arrangement ('Scheme of Demerger') under the provision of section 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956.
- 2.3 In connection with the Demerger, the management of STL ('Management') has requested Price Waterhouse & Co LLP ('PW & Co'/'us'/'we') to provide a report on the ratio of allotment of shares of the Resulting Company to be issued to the shareholders of STL ('the Services'). Such ratio of allotment was proposed by the Management of STL.
- 2.4 We also understand that pursuant to the Demerger the equity holding of STL in SPTL will be cancelled and its equity shares will remain unlisted.

3 PROCEDURES

- 3.1 The procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including, but not necessarily limited to the following:
- Considered the audited financial statements of STL for the year ended 31 March 2014 and carve-out financials of the Specified Business for the year ended March 31, 2015;
 - Considered the number of shares of the Resulting Company proposed to be issued to the shareholders of STL on the Demerger of the Specified Business into the Resulting Company;
 - Considered the draft Scheme of Arrangement for the Demerger;
 - Considered the existing shareholding pattern of STL and the envisaged shareholding pattern of the Resulting Company;
 - Interviews and correspondence with the Management, on which we have relied; and
 - Such other analyses, reviews and inquiries, as we considered necessary.

4 RATIO OF ALLOTMENT

- 4.1 The Management has proposed the following Share Entitlement Ratio under which all the equity shareholder of STL, on the Record Date, shall have an option to choose:
- a) 1 fully paid-up equity share having face value of INR 2/- each of the Resulting Company for 5 fully paid-up equity share of INR 2/- each in STL;¹ or
 - b) 1 fully paid-up redeemable preference share, having face value of INR 2/- and premium of INR 110.30 each, of the Resulting Company for 5 fully paid up equity share of INR 2/- each in STL.
- 4.2 We understand that the equity shares of the Resulting Company are not proposed to be listed and the Shareholders of STL are provided an exit opportunity in the Scheme of De-merger. Shareholders of STL will have an option to choose redeemable preference shares in the Resulting Company which will be listed on a recognized stock exchange.

We have considered the outstanding number of equity shares of STL and the envisaged number of equity shares of the Resulting Company as follows:

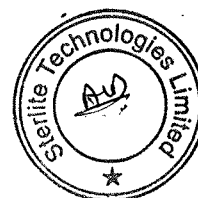
¹ Assuming all equity shareholders of STL exercises the option stated in 4.1 (a) above, the Resulting Company shall issue 78,811,801 equity shares of Rs 2/- each to all the shareholders of STL.



- As of the report date, the issued, subscribed and paid up capital of STL consists of 39,40,59,001 equity shares of INR 2/- each;
 - As of the report date, the initial issued, subscribed and paid up capital of the Resulting Company consists of 50,000 equity shares of INR 10/- each. The entire paid-up and issued capital of the Resulting Company is held by STL prior to the Demerger.
- 4.4 The Scheme of Demerger provides that in case any member's shareholding in STL is such that such member becomes entitled to a fraction of a security of the Resulting Company, the Resulting Company shall not allot fractional shares to such member but shall consolidate such fractions and issue consolidated securities to a separate trustee identified by Resulting Company in that behalf, who shall sell such securities and distribute the net sale proceeds (after deduction of applicable taxes and other expenses incurred) to the shareholders entitled to the same in proportion to their fractional entitlements.
- 4.5 Pursuant to the Scheme of Demerger, the Resulting Company, in order to comply with the intent of maintaining the economic interest of the shareholders of STL, shall either issue equity or preference shares, to the Shareholders of STL, as outlined in 4.1 above, and the initial issued, subscribed and paid up capital of the Resulting Company consisting of 50,000 equity shares of INR 10/- each shall stand cancelled.
- 4.6 Based on the aforementioned, in particular read with paragraphs 2 and 4.1 – 4.5 above and caveats outlined in clause 5 and 6, the Share Entitlement Ratio is fair in relation to the Demerger, considering that all the current shareholders of STL are and will, upon demerger, be entitled/eligible to accept/receive shares (equity or preference) in the Resulting Company in proportion to their holding in STL.

5 SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

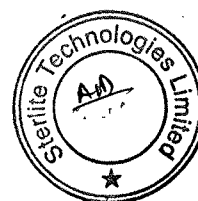
- 5.1 We have relied upon the information, data and explanations detailed in paragraphs 2, 3 and 4 above, for the purpose of reporting on the ratio of allotment of the equity shares of the Resulting Company to the shareholders of STL in connection with the proposed Demerger.
- 5.2 For the purpose of opining on the Share Entitlement Ratio we have used financial and other information provided by the Management, which we believe to be reliable and our conclusions are dependent on such information being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the financial and other information provided to us by the Management. We have, therefore, not carried out any due diligence review, independent audit or other test or validation of such financial and other information to establish the accuracy or sufficiency of the financial statements referred to above or of the information, explanations and representations provided to us. We have thus relied upon the audits carried out by S. R. Batliboi & Co. LLP of the financials of STL provided to us. Accordingly, we do not express any opinion or any other form of assurance thereon and accept no responsibility for the same.
- 5.3 The Business of STL is proposed to be demerged into the Resulting Company with effect from the Appointed Date and we have considered the financial statements of STL and carved out financial statement sheet of the Specified Business as at 31 March 2015. The Management has explained that the Business would be carried on in due course of business from the Appointed Date and subsequently, till the Scheme is approved. The Management has represented that financial statements of STL and the carved out financial statement of the Specified Business as at 31 March 2015, provided to us, include all disclosures necessary for a fair presentation of its financial position and results of operations in accordance with generally accepted accounting principles in India consistently applied, and disclosures otherwise required by the laws and regulations to which they are subject.



- 5.4 Our scope of work is limited to expression of our view on the proposed Share Entitlement Ratio and its impact on the economic interest of the shareholders of the Specified Companies. Our report is not, nor should it be construed as, our opining or certifying the compliance of the proposed demerger of the Demerged Undertaking with the provisions of any law including companies, FEMA and taxation related laws or as regards any legal implications or issues arising from such proposed demerger.
- 5.5 The fee for this engagement is not contingent upon the results of the Valuation Report.
- 5.6 We understand that the equity shares of the Resulting Company shall not be listed on any stock exchange and the shareholders of STL are being provided an exit opportunity in the Scheme of Demerger. Shareholders of STL will have an option to choose redeemable preference shares in the Resulting Company which will be listed on a recognized stock exchange. We are not required to comment on non-listing of the equity shares of SPTL and the fairness / adequacy of the exit option being provided to the shareholders.
- 5.7 Determination of Share Entitlement Ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single Share Entitlement Ratio. While we have provided our view on the Share Entitlement Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion. You acknowledge and agree that you have the final responsibility for determination of the Share Entitlement Ratio for the proposed Demerger and factors other than our report will need to be taken into account in determining such ratios; these will include your own assessment of the proposed Demerger and may include the input of other professional advisors.
- 5.8 We owe responsibility to only the Board of Directors of the Companies which have retained us, and nobody else. We do not accept any liability to any third party in relation to the issue of this Report. 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. It is understood that this analysis does not represent a fairness opinion.
- 5.9 In addition, this Report does not in any manner address the prices at which equity shares will trade following consummation of the Transaction and we express no opinion or recommendation as to how the shareholders of either Company should vote at any shareholders' meeting(s) to be held in connection with the Transaction.
- 5.10 This Report is subject to the laws of India.

6 DISTRIBUTION OF OUR REPORT

- 6.1 This letter report is prepared for the Board of Directors of STL and the Resulting Company and to the extent mandatorily required under applicable laws of India, may be produced before judicial, regulatory or government authorities, stock exchanges where shares of STL are listed, the shareholders of STL, Registrar of Companies, Regional Director, Official Liquidator, High Court of the state where the registered office of STL is located and disclosed on the Company website if required under any applicable laws in India, in connection with the Transaction.



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- 6.2 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 STL or the Resulting Company, their directors, employees or agents. In no circumstances shall the liability of Price Waterhouse & Co LLP, its partners, directors or employees, relating to the services provided in connection with the engagement set out in this report exceed the amount paid to us in respect of the fees charged for these services.

We would like to record our appreciation for the courtesy and co-operation received by us during the course of our work.

Yours faithfully



Rajan Wadhawan

Partner

Membership Number: 090172

For and on behalf of

Price Waterhouse & Co LLP

ICAI Registration No 016844N/ N-500015

