



# Investment Banking

Date: July 2, 2020

**The Board of Directors  
Samvardhana Motherson International Limited,  
Unit 705, C Wing, One BKC,  
'G Block' Bandra Kurla Complex,  
Mumbai – 400 051**

Dear Sirs,

**Sub: Proposed composite scheme of amalgamation and arrangement between Motherson Sumi Systems Limited ("MSSL"), Samvardhana Motherson International Limited ("SAMIL" or the "Company"), a wholly owned subsidiary of MSSL (a new company being incorporated) ("Resulting Company") and their respective shareholders and creditors**

The Company has requested us to issue a fairness opinion ("Opinion") from a financial point of view on the Share Exchange Ratio (as defined below) in relation to the Merger (as defined below) described in the Scheme (as defined below).

## **Background of the Companies**

MSSL is engaged in the business of manufacturing of automotive components, *inter-alia*, wiring harness, manufacturing of vision system, manufacturing of moulded and polymer products etc. The equity shares of MSSL are listed on BSE Limited and National Stock Exchange of India Limited ("Stock Exchanges").

SAMIL is engaged in the business of holding and nurturing its investments in various subsidiaries and joint-venture companies in India and across the world and also provides strategic, operational and management support to its group companies. SAMIL is one of the promoters of MSSL and holds 33.43% of the share capital of MSSL, as on the date of this letter. The equity shares of SAMIL are not listed on any stock exchange.

## **Proposed Transaction**

Composite scheme of amalgamation and arrangement is being proposed to be entered between MSSL, SAMIL, Resulting Company and their respective shareholders and creditors ("Scheme"), under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 providing the following ("Proposed Transaction"):

- a) demerger of the Domestic Wiring Harness Undertaking (as set out in the Scheme) from MSSL involving Domestic Wiring Harness Business (as set out in the Scheme) into the Resulting Company ("Demerger"); and

**Kotak Mahindra Capital Company Limited**

CIN 67120MH1995PLC134050

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- b) amalgamation of SAMIL with MSSL by absorption, subsequent to the completion of the Demerger ("Merger");

Our scope is restricted to providing an Opinion on the Share Exchange Ratio for Merger as described in the Scheme.

In arriving at our Opinion, we have reviewed historical and future financial projections, business information of SAMIL and MSSL and listed stock price data of MSSL. We have also reviewed certain publicly available information, and have taken into account such other matters as we deemed necessary including our assessment of general economic, market and monetary conditions. We have also reviewed the joint valuation report dated July 2, 2020 issued by Price Waterhouse & Co. LLP ("PwC"), Chartered Accountants and BSR & Associates LLP ("BSR"), Chartered Accountants and the valuation report dated July 2, 2020 issued by Incwert Advisory Private Limited ("Incwert"), a Registered Valuer Entity with Insolvency and Bankruptcy Board of India recommending the share exchange ratio for Merger as 51 (fifty one) fully paid up equity shares of MSSL of face value of Rs. 1 each to be issued for every 10 (ten) fully paid up equity shares of SAMIL of face value Rs. 10 each (the "Share Exchange Ratio"). The shareholding of SAMIL in MSSL as on the record date will get cancelled in accordance with the Scheme.

We have also assumed that the final Scheme will be substantially the same as the scheme discussed with and reviewed by us.

In addition to above, we have had discussions with members of the management of SAMIL and MSSL on the past and current business operations of the concerned businesses, their future prospects and operations, and have received management representation letter from SAMIL and MSSL dated July 1, 2020.

Further, we have had discussions with PwC, BSR and Incwert, the valuation advisors, on such matters which we believed were necessary or appropriate for the purpose of issuing this Opinion.

Based on our examination and according to the information and explanation provided to us, we note that the Scheme inter-alia involves amalgamation of SAMIL with MSSL, post Demerger.

We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable and we would urge SAMIL and MSSL to carry out an independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment. We have further assumed that the Proposed Transaction would be carried out in compliance with applicable laws, rules and regulations.

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In giving our Opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of all information supplied or otherwise made available to us either in oral or written form, discussed with or reviewed by or for us, or publicly available. We have been given to understand that all information that was relevant for the purpose of our exercise was disclosed to us. We have not conducted any evaluation or appraisal of any assets or liabilities of SAMIL or MSSSL nor have we evaluated the solvency or fair value of SAMIL or MSSSL, under any laws relating to bankruptcy, insolvency or similar matters. In addition, we have not assumed any obligation to conduct any physical inspection of the properties or facilities of SAMIL or MSSSL.

Our Opinion does not factor overall economic environment risk and other risks and is purely based on the information and representations provided to us. We have not assumed the risk of any material adverse change having an impact on the businesses of SAMIL and MSSSL in arriving at our final Opinion. The Company has prepared the financial projections in good faith and on the basis of the information as available with the Company. A multitude of factors including, but not limited to, changes in demand, competition, technology, the effect of COVID 19 in India and globally, and any macroeconomic conditions in India and globally can cause actual events, performance or results to differ significantly from the financial projections.

We express no view as to, and our Opinion does not address, the underlying business decision of SAMIL and MSSSL to effect the Proposed Transaction or the merits of the Proposed Transaction. Our Opinion does not constitute a recommendation to any shareholder or creditor of SAMIL or MSSSL as to how such shareholder or creditor should vote on the Proposed Transaction or any matter related thereto. In addition, this Opinion does not address the fairness to, or any other consideration, to the creditors or other constituencies of SAMIL. We are not expressing any opinion herein as to the prices at which the equity shares of MSSSL will trade following the announcement or consummation of the proposed transaction or as to the prices at which the equity shares of MSSSL may be transacted.

We will receive a fee for our services in connection with the delivery of this Opinion from SAMIL. In addition, SAMIL has agreed to indemnify us from any claims arising out of our engagement in providing the Opinion.

We and our affiliates in the past five years have provided, and currently provide, services to SAMIL and MSSSL and their affiliates unrelated to the Proposed Transaction for which services we and such affiliates have received and expect to receive compensation, including, without limitation as lenders and creditors to SAMIL and MSSSL (as the case may be).

In the ordinary course of business, we and our affiliates may actively trade or hold securities of companies that may be the subject matter of this transaction for our own account or for the account of our customers and, accordingly, may at any time hold long or short position in such securities. In addition, we and our affiliates maintain relationships with SAMIL and MSSSL and their respective affiliates.

This Opinion is provided solely for the benefit of the Board of Directors of SAMIL and is for the purpose of submission to the Stock Exchanges under the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, and shall not confer rights or remedies upon, any shareholder of SAMIL or MSSSL, or any other person other than the members of the Board of Directors of SAMIL, or any other company involved in the Scheme or be used for any other purpose. This Opinion may not be used or relied upon by nor is it issued for the benefit of any third party for any purpose whatsoever or

disclosed, referred to or communicated by you (in whole or in part) except with our prior written consent in each instance. Provided however, this opinion may only be disclosed as may be required under any applicable law in India and may be kept open for inspection by shareholders of SAMIL, but we take no responsibility or liability for or arising out of any such disclosure. We specifically disclaim any responsibility to any third party to whom this Opinion may be shown or who may acquire a copy of this Opinion.

The laws of India govern all matters arising out of or relating to this Opinion (including, without limitation, its interpretation, construction, performance, and enforcement).

With respect to any suit, action or any other proceedings relating to this Opinion the courts of competent jurisdiction at India shall have exclusive jurisdiction.

On the basis of and subject to the foregoing, it is our view that, as of the date hereof, the proposed Share Exchange Ratio is fair and reasonable from a financial point of view.

Yours faithfully,

For Kotak Mahindra Capital Company Limited

  
Authorised Signatory