Project Vriddhi

Security cover

Price Waterhouse & Co LLP Building 10C, 17th & 18th floor, DLF Cyber City Gurgaon – 122002, Haryana India	B S R & Associates LLP Chartered Accountants Lodha Excellus, 1st Floor, Apollo Mills Compound, N.M. Joshi Marg, Mahalakshmi, Mumbai 400 011, India

Dated: 02 July 2020

To

Board of Directors Motherson Sumi Systems Limited Unit 705, C Wing, One BKC, G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra 400051	**Board of Directors** Samvardhana Motherson International Limited Unit 705, C Wing, One BKC, G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra 400051

Sub: Recommendation of Share Exchange ratio for the proposed merger of Samvardhana Motherson International Limited into Motherson Sumi Systems Limited

Dear Sir / Madam,

We refer to the

- engagement letter whereby Motherson Sumi Systems Limited (hereinafter referred to as "MSSL" or the "Amalgamated Company" or "Transferor Company") and Samvardhana Motherson International Limited (hereinafter referred to as "SAMIL" or "Amalgamated Company 1") have requested Price Waterhouse & Co LLP (hereinafter referred to as PW&Co); and
- engagement letter whereby MSSL and SAMIL have requested B S R & Associates LLP (hereinafter referred to as "B S R")

for recommendation on the share entitlement ratio and the share exchange ratio of equity shares for the proposed Transactions defined hereinafter.

SAMIL and MSSL are together hereinafter referred to as the 'Companies'.

B S R and PW&Co has been hereafter referred to as "Valuers" or we" or "us" and individually referred to as "Valuer" in this joint share exchange ratio Report ("Share Exchange Ratio Report" or "Report").

SCOPE AND PURPOSE OF THIS REPORT

Motherson Sumi Systems Limited is a public limited company incorporated on December 19, 1986, under the Laws of India, having its registered office at Unit 705, C Wing, One BKC, G Block, Bandra Kurla Complex, Mumbai 400 051, Maharashtra. The CIN of MSSL is L34300MH1986PLC284510. The equity shares of MSSL are listed on BSE Limited and National Stock Exchange of India Limited. The non-convertible debentures ("NCDs") issued by MSSL are listed on BSE Limited. 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., directly and/or through subsidiaries. MSSL reported consolidated revenue from operations and profit after tax of INR 635,368.7 million and INR 12,944.4 million, respectively for the year ended 31 March 2020. MSSL has a consolidated networth of INR 112,609.4 million on 31 March 2020. MSSL businesses can be classified into the following segments/verticals ("MSSL Segments"):

- Domestic Wiring Harness Business ("DWH");
- Other Domestic Business ("Non DWH") in standalone MSSL;
- International Wiring Harness business ("International Wiring Harness") comprising MSSL Estonia WH OU consolidated (includes the PKC Group), MSSL Consolidated Inc. (USA) and other international subsidiaries[1], engaged in wiring harness and moulded products;
- 51% stake in Samvardhana Motherson Automotive Systems Group BV ("SMRPBV"). SMRPBV is an Investment holding Company which houses three businesses (i) Samvardhana Motherson Reflectec Group ("SMR"), which is engaged in manufacture and sale of rear-view vision systems; (ii) Samvardhana Motherson Peguform GmbH ("SMP"), which is engaged in manufacture and sale of polymer based interior and exterior products for automotive industry; and (iii) Samvardhana Motherson Reydel Companies ("SMRC"), which is engaged in manufacture and sale of polymer based interior products for automotive industry; and
- Investments in other domestic Joint Ventures[2].

Samvardhana Motherson International Limited is a public limited company incorporated on December 9, 2004, under the Laws of India, having its registered office at Unit 705, C Wing, One BKC, G Block, Bandra Kurla Complex, Mumbai 400 051, Maharashtra. The NCDs issued by the Amalgamating Company are listed on BSE Limited. The CIN of the Amalgamating Company is U74900MH2004PLC287011. The Amalgamating Company is a non-deposit taking systemically important core investment company (CIC-ND-SI) registered with the Reserve Bank of India. Amalgamating Company 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

[1] Key international subsidiaries include MSSL (GB) Limited (UK) and its subsidiaries, Motherson Electrical Wires Lanka Private Limited, MSSL (S) Pte Limited (Singapore) and its subsidiaries, MSSL Global RSA Module Engineering Limited (South Africa), Vacuform 2000 (Pty) Limited (South Africa) and MSSL Australia Pty Limited

[2] These include Kyungshin Industrial Motherson Limited, Calsonic Kansei Motherson Auto Products Limited, SMR Automotive Systems India Limited and Motherson Compounding Solution Limited

strategic, operational and management support to its group companies. The Amalgamating Company, directly or indirectly through its subsidiaries, is contemplating the commencement of new businesses, including civil aviation.
SAMIL businesses can be classified into the following segments/verticals ("SAMIL Segments"):

- 33.43% equity shareholding in MSSL;
- 49% equity stake in SMRPBV;
- Standalone operations of SAMIL which includes providing strategic, operational and management support to its group companies and Investments in subsidiaries/ JVs and associates[3] which are engaged in manufacture and sale of various components for auto industry.

We understand that under a Composite Scheme of Amalgamation and Arrangement ("Scheme") the Management of the Companies are *inter alia* contemplating the following:

a) Demerger of the Domestic Wiring Harness Business of MSSL ("Transaction 1") into a new company which is in the process of being incorporated as a wholly owned subsidiary of MSSL(the "Resulting Company" or the "New Co."); and
b) Merger of SAMIL with MSSL ("Transaction 2"), subsequent to the completion of Transaction 1 i.e. demerger of DWH business referred above.

in accordance with the provisions of Sections 230 to 232, and other applicable provisions, of the Companies Act, 2013, including the rules and regulations issued thereunder, as may be applicable.

Transaction 1 and Transaction 2 are together referred to as "Transactions".

In this report post demerger of Domestic Wiring Harness Business, MSSL is referred to as "MSSL (excluding DWH)".

We understand from the Scheme that as a consideration for

i) Transaction 1, the equity shareholders of MSSL would be issued equity shares of Resulting Company. Simultaneous with the issuance of such Equity Shares to the shareholders of MSSL, the existing issued and paid up equity share capital of the Resulting Company, as held by MSSL, shall be automatically cancelled; and
ii) Transaction 2, the equity shareholders of SAMIL would be issued equity shares of MSSL (excluding DWH). Simultaneous with the issuance of such Equity Shares to

[3] The key subsidiaries/ JVs/ Associate companies of SAMIL include CTM India Limited ("CTM"), Magneti Marelli Motherson Auto System Private Limited ("MMM"), MS Global India Automative Private Limited ("MSGI"), Magneti Marelli Motherson Shock Absorbers India Private Limited ("MMSA"), Valeo Motherson Thermal Commercial Vehicles India Limited ("VMTL"), Fritzmeier Motherson Cabin Engineering Private Limited ("FMCPL"), Samvardhana Motherson Innovative Solutions Limited ("SMISL"), Motherson Techno Tools Limited ("MTTL"), Motherson Auto Solution Limited ("MASL"), Motherson Sumi Infotech and Design Limited ("MIND"), Anest Iwata Motherson Private Limited ("AIM") and Matsui Technologies India Limited ("MTIL"), Motherson Moulds and Diecasting Limited ("MMDL")

the shareholders of SAMIL, the existing issued and paid up equity share capital of MSSL, as held by SAMIL, shall be automatically cancelled.

For the aforesaid purpose, the Board of Directors of MSSL and SAMIL have appointed PW&Co and B S R to submit a joint report recommending:

a) Opinion on the Share Entitlement Ratio for the proposed demerger of DWH business from MSSL into Resulting Company (Transaction 1); and
b) Share Exchange Ratio for Transaction 2 i.e. merger of SAMIL with MSSL (excluding DWH), referred as 'Share Exchange Ratio'

on a going concern basis with 31 March 2020 being the Valuation Date, for the consideration of the Board of Directors (including audit committees, as applicable) of the Companies in accordance with the applicable Securities and Exchange Board of India ("SEBI"), the relevant stock exchanges', and relevant laws, rules and regulations.

It is clarified that reference to this valuation report in any document and/ or filing with aforementioned tribunal/ judicial/ regulatory authorities/ government authorities/ stock exchanges/ courts/ shareholders/ professional advisors/ merchant bankers, in connection with the Transaction, shall not be deemed to be an acceptance by the Valuers of any responsibility or liability to any person/ party other than the Boards of Directors of the Companies.

We understand that you did not require us to perform this valuation as a registered valuer under the Companies Act 2013 ("Act"), the Companies (Registered Valuers And Valuation) Rules, 2017 or as per any other rules, regulations, standards, bye-laws, ordinance, notifications issued pursuant to such Act or Rules.

As per the Scheme we understand that the Appointed Date for Transaction 1 is 01 April 2021; Appointed Date for Transaction 2 shall be one day after the date on which Transaction 1 is completed and shares have been issued by Resulting Company to the shareholders of MSSL.

The report will be used by the Companies only for the purpose, as indicated in this report, for which we have been appointed. 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. We are not responsible to any other person/ party for any decision of such person/ party based on this Report.

The scope of our services is to conduct a relative (and not absolute) valuation of the equity shares of the Companies and recommend on a Share Exchange Ratio for the Transaction 2 in accordance with generally accepted professional standards and also confirm the Share Entitlement Ratio for Transaction 1.

The Valuers have been appointed severally and not jointly. We have worked independently in our analysis and after arriving at a consensus on fair exchange ratio, are issuing this Share Exchange Ratio Report.

This Report is our deliverable for the above engagement. This Report is subject to the scope,

1st Floor, Lodha Excelus, Apollo Mills Compound, N.M. Joshi Marg, Mahalaxmi, Mumbai-400011, India. B S R & Associates LLP Chartered Accountants assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information received from the Management (via the data room set up by the Companies) and gathered from public domain:

- Annual reports of MSSL and its subsidiaries;
- Audited/ provisional standalone and consolidated historical financial information of MSSL and its subsidiaries/JVs/ associate companies for the 3 years ended 31 March 2020;
- Carve out historical financial information of MSSL (excluding DWH) for the 3 years ended 31 March 2020;
- Carve out historical financial information of DWH for the year ended 31 March 2020;
- Audited standalone and consolidated historical financial information of SAMIL and its subsidiaries/JVs/ associate companies for the 3 years ended 31 March 2020;
- Projected financials (comprising Statement of Profit and Loss and Balance Sheet) for 5 years ending 31 March 2025 for DWH, MSSL (excluding DWH), its subsidiaries, JVs and associate companies;
- Projected financials (comprising Statement of Profit and Loss and Balance Sheet) for 5 years ending 31 March 2025 for SAMIL, its subsidiaries, JVs and associate companies;
- Desktop Financial Due Diligence report on SAMIL and certain key subsidiaries/ JVs/ Associate companies of SAMIL[4].
- Details of surplus assets such as real estate and valuation report/estimates thereof;
- Discussions with the Management of the respective Companies in connection with the business operations of the respective Companies, past trends and non-recurring/abnormal items, future plans and prospects, etc.;
- Draft Composite Scheme of Amalgamation and Arrangement dated 01 July 2020;
- Other information and documents that we considered necessary for the purpose of this engagement.

During the discussions with the Management of both Companies, we have also obtained explanations and information considered reasonably necessary for our exercise. The Companies have been provided with the opportunity to review the draft report (excluding the recommended entitlement and exchange ratios) as part of our standard practice to make sure that factual inaccuracies / omissions are avoided in our final report.

Price Waterhouse & Co LLP Chartered Accountants

B S R & Associates LLP Chartered Accountants 1st Floor, Lodha Excelus, Apollo Mills Compound, N.M. Joshi Marg, Mahalaxmi, Mumbai-400011, India.

[4] CTM, MMM, MSGI, MMSA, VMTL, FMCPL, SMISL, MTTL, MASL, MIND and AIM.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This Report, its contents and the results herein are specific to (i) the purpose of relative valuation agreed as per the terms of our engagement; (ii) the date of this Report and (iii) are based on the audited balance sheets of the Companies as at 31 March 2020 and other information provided by Management. As per the Management the business activities of MSSL and SAMIL have been impacted due to Covid-19 pandemic and the consequent lockdown in various countries including India. The respective Managements have represented that the impact of Covid-19 on the business operations of the Companies have been considered/ factored in the projections. Our opinion is based on prevailing market, economic and other conditions at the Report date and corresponds with a period of significant volatility in global financial markets and widespread macro-economic uncertainty. To the extent possible, we have reflected these conditions in the Report. However, the factors driving these conditions can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the Companies being valued specifically, could impact upon value in the future, either positively or negatively. The Management has further represented that other than the Covid-19 impact no material adverse change has occurred in their respective operations and financial position of the Companies between 31 March 2020 and the Report date.

An analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. 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.

The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information till the date of this Report, 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. Any person/ party intending to provide finance/ invest in the shares/ businesses of the Companies/ their holding companies/ subsidiaries/ joint ventures/ associates/ investee/ group companies, if any, 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 the Valuers.

We must emphasize that the projected financial information has been prepared by the Managements of the respective companies and provided to us for the purpose of our analysis. The fact that we have considered the projected financial information in this exercise should not be construed or taken as our being associated with or a party to such projections. Realizations of free cash flow forecast used in the analysis will be dependent on the continuing validity of assumptions on which they are based. Our analysis, therefore, will not, and cannot be directed to provide any assurance about the achievability of the projected financial information. Since the projected financial information relates to future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences may be material.

It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Companies.

In accordance with the terms of our respective engagements, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this Report and (ii) the accuracy of information made available to us by the Companies. In accordance with our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information provided to us. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/on behalf of the Companies. Management of the Companies has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the Report. However, nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited/unaudited balance sheet of the Companies. Our conclusion assumes that the assets and liabilities of the Companies, reflected in their respective latest balance sheets remain intact as of the Report date.

No investigation of the Companies' claim to title of assets has been made for the purpose of this Report and the Companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

B S R & Associates LLP
1st Floor, Lodha Excelus, Apollo Mills Compound, N.M. Joshi Marg, Mahalaxmi, Mumbai-400 011, India.
Chartered Accountants

This Report does not look into the business/ commercial reasons behind the restructuring proposed nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the restructuring as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. We have not examined or advised on accounting, legal or tax matters involved in the Transactions.

The fee for the engagement is not contingent upon the results reported.

We owe responsibility to only the Boards of Directors of the respective Companies that has appointed us under the terms of our respective engagement letters and nobody else. We do not accept any liability to any third party in relation to the issue of this Report. 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 to the Companies, their directors, employees or agents. 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 no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this Report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

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.

This Share Exchange Ratio Report is subject to the laws of India.

Neither the Share Exchange Ratio Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme/Transaction, without our prior written consent. In addition, this Report does not in any manner address the prices at which MSSL's equity shares will trade following consummation of the Transactions/ restructuring 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 Transactions.

SHARE CAPITAL DETAILS OF THE COMPANIES

<u>Motherson Sumi Systems Limited</u>

The issued and subscribed equity share capital of MSSL as at 31 March 2020 is INR 3,158 million consisting of 3,157,934,237 equity shares of face value of INR 1 each. The shareholding pattern of MSSL at 31 March 2020 is as follows:

Shareholders	No of Shares	% Share Holding
Promoter & Promoter Group		
SAMIL	1,055,750,653	33.43%
Sumitomo Wiring Systems Limited	792,637,291	25.10%
HK Wiring Systems Limited	7,660,351	0.25%
Others	93,238,251	2.95%
Sub-total Promoter & Promoter Group (A)	**1,949,286,546**	**61.73%**
Non-Promoter		
Institutions	917,420,383	29.05%
Others	291,227,308	9.22%
Sub-total Non-Promoter (B)	**1,208,647,691**	**38.27%**
Grand Total (A +B)	**3,157,934,237**	**100.0%**

Source: BSE filing

Samvardhana Motherson International Limited

The issued and subscribed equity share capital of SAMIL as at 31 March 2020 is INR 4,736 million consisting of 473,613,855 equity shares of face value of INR 10 each.
The shareholding pattern is as follows:

Shareholders	No of Shares	% Share Holding
Promoter and Promoter Group *	458,286,154	96.8%
Employees	15,327,701	3.2%
Grand Total	**473,613,855**	**100%**

**includes 6.5% Equity Stake held by Sojitz Corporation*
Source: SAMIL Management

The Managements has informed us that, without approval of the shareholders, there would not be any variation in the Equity Capital of the Companies till the proposed scheme becomes effective.

APPROACH & METHODOLOGY - BASIS OF TRANSACTION

The proposed Scheme of Amalgamation and Arrangement contemplates (i) Demerger of DWH Business from MSSL into Resulting Company; and (ii) merger of SAMIL with MSSL (excluding DWH).

To opine on the Share Entitlement Ratio for Transaction 1 we have considered the impact of Transaction 1 (i.e. demerger) on the economic interest of the shareholders of MSSL.

For arriving at the Share Exchange Ratio for Transaction 2, we have determined the value per equity share of MSSL (excluding DWH) and SAMIL. These values are determined on a relative basis.

There are several commonly used and accepted approaches for determining the value of the equity shares of a company / business, which have been considered in the present case, to the extent relevant and applicable:

1. Market Approach (Market Price Method, Comparable Companies' Quoted Multiple ('CCM'), Comparable Companies' Transaction Multiples)
2. Income Approach (Discounted Cash Flow Method)
3. Net Asset Value Approach

Market Approach – Under this approach, value of a Company is assessed basis its market price (i.e. if its shares are quoted on a stock exchange) or basis multiples derived using comparable (i.e., similar) companies or similar Transactions. Following are the methods under Market Approach:

- **Market Price (MP) Method**

  The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

- **Comparable Companies' Quoted Multiple (CCM) method**

  Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

- **Comparable Companies' Transaction Multiples**

  Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable transactions. This valuation is based on the principle that transactions taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

Income Approach (Discounted Cash Flows (DCF) Method)

Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to all providers of the company's capital – both debt and equity.

Appropriate discount rate to be applied to cash flows i.e. the cost of capital:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the capital providers/ equity capital providers (namely shareholders). The opportunity cost equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of DCF valuation, the free cash flow forecast is based on projected financials as provided by the Management. While carrying out this engagement, we have relied on historical information made available to us by the management of the Companies and the respective projected financials for future related information. We did not carry out any validation procedures or due diligence with respect to the information provided/ extracted or carry out any verification of the assets or comment on the achievability of the assumptions underlying the financial projections, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.

Net Asset Value (NAV) Approach

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base dominate earnings capability. A Scheme of Amalgamation would normally be proceeded with, on the assumption that the companies amalgamate as going concerns and an actual realization of the operating assets is not contemplated. The operating assets have therefore been considered at their book values. In such a going concern scenario, the relative earning power is of importance to the basis of merger, with the values arrived at on the net asset basis being of limited relevance.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

Out of the above methods, the Valuers have used approaches/ methods as considered appropriate by them respectively. The valuation approaches/ methods used, and the values arrived at using such approaches/ methods by the Valuers have been tabled in the next section of this Report.

BASIS OF SHARE ENTITLEMENT RATIO FOR DEMERGER (TRANSACTION 1)

We understand from the Scheme that upon demerger of DWH business into Resulting Company, the Management proposes to issue 1 equity shares of Resulting Company (of INR 1 each fully paid up) to all the shareholders of MSSL, in lieu of 1 equity share of MSSL (of INR 1 each fully paid up).

The proposed demerger shall entail allotment of equity shares of the Resulting Company to all the shareholders of MSSL, on a proportionate basis, and all shareholders of MSSL shall be the beneficial economic owners of the Resulting Company, i.e. the Shareholding pattern of Resulting Company shall mirror the shareholding pattern of MSSL.

BASIS OF EQUITY SHARE EXCHANGE RATIO (TRANSACTION 2)

In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion by the valuer and judgments taking into account all the relevant factors. There will always be several factors, e.g. quality of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. The determination of exchange 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 judgment. This concept is also recognized in judicial decisions. There is, therefore, no indisputable single exchange ratio. While we have provided our recommendation of the Share Exchange Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the Share Exchange Ratio of the equity shares of MSSL (excluding DWH) and SAMIL. The final responsibility for the determination of the exchange ratio at which the Transactions shall take place will be with the Board of Directors of the Companies who should take into account other factors such as their own assessment of the Transactions and input of other advisors.

The Share Exchange Ratio has been arrived at on the basis of a relative equity valuation of MSSL (excluding DWH) and SAMIL based on the various approaches/ methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of these companies, having regard to information base, key underlying assumptions and limitations.

Valuers, have independently applied methods discussed above, as considered appropriate, and arrived at their assessment of the relative values per equity share of MSSL (excluding DWH) and SAMIL. To arrive at the consensus on the Share Exchange Ratio for Transaction 2, suitable minor adjustments/ rounding off have been done in the relative values arrived at by the Valuers.

In the current analysis, the amalgamation of MSSL (excluding DWH) and SAMIL is proceeded with on the assumption that MSSL (excluding DWH) and SAMIL would merge as going concerns and an actual realization of the operating assets is not contemplated. In such a going concern scenario, the relative earning power, as reflected under the Income and Market approaches, is of greater importance to the basis of amalgamation/ merger, with the values arrived at on the net asset basis being of limited relevance. Hence, while we have calculated the values of the shares of MSSL (excluding DWH), and SAMIL under the Asset Approach, we have considered it appropriate not to give any weightage to the same in arriving at the Share Exchange Ratio.

Given the nature of the businesses of MSSL (excluding DWH) and SAMIL, and the fact that we have been provided with projected financials for each of the MSSL Segments (including subsidiaries, joint ventures and associates) and each of the SAMIL Segments (including subsidiaries, joint ventures and associates), we have considered it appropriate to apply the DCF Method under the Income Approach to arrive at the relative fair value of the shares of MSSL (excluding DWH) and SAMIL for the purpose of arriving at the Share Exchange Ratio.

Within the DCF Method, equity value per share for MSSL (excluding DWH) and SAMIL is computed as follows:

- Equity values for each of the businesses comprising MSSL Segments (including subsidiaries, joint ventures and associates) is computed separately using DCF Method and added up after adjusting for a) the value of debt, cash and cash equivalents and surplus assets as appearing in the balance sheet at 31 March 2020 and b) the shareholding and non-controlling interests of MSSL (excluding DWH) to arrive at equity value of MSSL (excluding DWH). To arrive at the price per equity share of MSSL (excluding DWH) we have considered the total issued and paid up equity shares of MSSL at 31 March 2020.
- Equity values for each of the businesses comprising SAMIL Segments (including subsidiaries, joint ventures and associates) is computed separately using DCF Method and added up after adjusting for a) the value of debt, cash and cash equivalents and surplus asets as appearing in the balance sheet at 31 March 2020 and b) the shareholding and non-controlling interests of SAMIL, to arrive at equity value of SAMIL. To arrive at the price per equity share of SAMIL we have considered the total issued and paid up equity shares of SAMIL at 31 March 2020.

In the present case, the equity shares of MSSL are listed on BSE and NSE. However, pursuant to Transaction 1, the Domestic Wiring Business shall be demerged from MSSL and hence, Market Price Method cannot be used for the valuation of MSSL (excluding DWH). The equity shares of SAMIL are not listed on any stock exchange and hence, Market Price Method cannot be used for the valuation of SAMIL. Therefore, for our analysis under Market Approach, we have considered the Comparable Companies' Multiples method to arrive at the relative fair value of the shares of MSSL (excluding DWH) and SAMIL for the purpose of arriving at the Share Exchange Ratio.

Within the Comparable Companies' Method, equity value per share for MSSL (excluding DWH) and SAMIL is computed as follows:

- Equity values for each of the businesses comprising MSSL Segments (including subsidiaries, joint ventures and associates) is computed separately using Comparable Companies' Method and aggregated after adjusting for a) the value of debt, cash and cash equivalents and surplus assets as appearing in the balance sheet at 31 March 2020; and b) the shareholding and non-controlling interests of MSSL (excluding DWH) to arrive at equity value of MSSL (excluding DWH). To arrive at the price per equity share of MSSL (excluding DWH) we have considered the total issued and paid up equity shares of MSSL at 31 March 2020.

- Equity values for each of the businesses comprising SAMIL Segments (including subsidiaries, joint ventures and associates) is computed separately using Comparable Companies' Method and aggregated after adjusting for a) the value of debt, cash and cash equivalents and surplus asets as appearing in the balance sheet at 31 March 2020; and b) the shareholding and non-controlling interests of SAMIL to arrive at equity value of SAMIL. To arrive at the price per equity share of SAMIL we have considered the total issued and paid up equity shares of SAMIL at 31 March 2020.

For our final analysis and recommendation we have considered the the values arrived under the Income Approach and the Market Approach, to arrive at the relative fair value of the equity shares of MSSL (excluding DWH) and SAMIL for the purpose of the Transaction 2.

The basis of the proposed merger would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above methodologies, it is finally necessary to arrive at a single value. It is important to note that we are not attempting to arrive at the absolute equity values of the MSSL (excluding DWH) and SAMIL but at their relative values to facilitate the determination of a fair exchange ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

In view of the above, and on consideration of the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the following Share Exchange Ratio for the Transaction 2 whose computation is as under:

The below tables summarises workings for the value per share of MSSL (excluding DWH) and SAMIL and the Share Exchange Ratio as derived by PW&Co:

Method	**MSSL (excluding DWH)**		**SAMIL**	
	Value per share (INR)	Weight	Value per share (INR)	Weight
Income Approach (DCF Method)	103.90	50%	531.15	50%
Market Approach (CCM method)	97.11	50%	494.48	50%
Net Asset Value Method	34.36	0%	148.37	0%
Relative Value per share	**100.51**	**100%**	**512.81**	**100%**
Exchange Ratio (rounded)	**51 Equity Shares of MSSL (excluding DWH)**		**For every 10 Equity Shares of SAMIL**	

The below tables summarises workings for the value per share of MSSL (excluding DWH) and SAMIL and the Share Exchange Ratio as derived by B S R:

Method	**MSSL (excluding DWH)**		**SAMIL**	
	Value per share (INR)	Weight	Value per share (INR)	Weight
Income Approach (DCF Method)	108.37	50%	560.70	50%
Market Approach (CCM method)	95.25	50%	477.83	50%
Net Asset Value Method	34.36	0%	148.37	0%
Relative Value per share	**101.81**		**519.27**	
Exchange Ratio (rounded)	**51 Equity Shares of MSSL (excluding DWH)**		**For every 10 Equity Shares of SAMIL**	

In light of the above, and consideration of all relevant factors and circumstances as discussed and outlined hereinabove we recommend that:

1. The Share Entitlement Ratio of 1 equity shares (of INR 1 each fully paid up) of the Resulting Company for every 1 equity share of MSSL for Transaction 1 i.e. demerger of DWH business is fair as the beneficial economic interest of the shareholders in the equity of the Resulting Company will be the same as it is in the equity of MSSL.

2. The Share Exchange Ratio for Merger of SAMIL with MSSL (excluding DWH) is assessed as 51 Equity shares of MSSL (of INR 1 each fully paid up) for every 10 Equity shares of SAMIL (of INR 10 each fully paid up);

Respectfully submitted,

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