Incwert Valuation Research

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Date: 02 July 2020

Board of Directors

MOTHERSON SUMI SYSTEMS LIMITED,

Unit 705, C Wing, One BKC, G Block, Bandra Kurla Complex,
Mumbai 400 051, Maharashtra
India

Board of Directors

SAMVARDHANA MOTHERSON INTERNATIONAL LIMITED,

Unit 705, C Wing, One BKC, G Block, Bandra Kurla Complex,
Mumbai 400 051, Maharashtra
India

Sub: Recommendation of Share Entitlement Ratio and Share Exchange Ratio pursuant to the Composite Scheme of Amalgamation and Arrangement amongst Motherson Sumi Systems Limited ("MSSL"), Samvardhana Motherson International Limited, a wholly-owned subsidiary of the MSSL which in the process of being incorporated and their respective Shareholders and Creditors

Dear Sir/Madam,

We refer to our engagement letter ("LoE") dated 21 June 2020 whereby the management of Motherson Sumi Systems Limited ("MSSL" or the "Transferor Company"), and Samvardhana Motherson International Limited ("SAMIL" or "Amalgamating Company") (individually and collectively herein referred to as the "Client" or "You" or "the Company" or "the Companies" or "respective Companies", as the context may require) have requested Incwert Advisory Private Limited ("Incwert" or "Valuer" or "Registered Valuer" or "RV" or "We" or "us") for recommending the fair demerger share entitlement ratio and merger share exchange ratio for the proposed restructuring pursuant to a Composite Scheme of Amalgamation and Arrangement under provisions of Sections 230 to 232 of the Companies Act, 2013, and other applicable provisions of the Companies Act, 2013 (**"Scheme" or "Composite Scheme of Amalgamation and Arrangement"**).

Incwert is a Registered Valuer Entity with Insolvency and Bankruptcy Board of India ("IBBI") for the asset class 'Securities or Financial Assets' having registration number IBBI/RV-E/05/2019/108.

In the following paragraphs, we have summarised our valuation analysis together with the description of the valuation approaches, methodologies and limitations in our scope of work. Our deliverable for this engagement is this Share Entitlement and Exchange report ("Share Entitlement and Exchange Report" or "Report").

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Incwert Advisory Private Limited is an Indian Private limited company.

CIN U74999HR2018PTC075916

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CONTEXT AND PURPOSE OF THIS REPORT

Overview

Motherson Sumi Systems Limited

Motherson Sumi Systems Limited is a public limited company incorporated on December 19, 1986. 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 (**"BSE"**) and National Stock Exchange of India Limited (**"NSE"**), and the non-convertible debentures ("**NCDs**") issued by MSSL are listed on BSE.

Resulting Company

The Resulting Company is a new company which is currently in the process of being incorporated under the Companies Act, 2013 as an unlisted public limited company ("**Resulting Company**"). The Resulting Company, on incorporation, will be a wholly-owned subsidiary of the Transferor Company.

Samvardhana Motherson International Limited

Samvardhana Motherson International Limited is an unlisted public limited company incorporated on December 9, 2004. The NCDs issued by SAMIL are listed on BSE. SAMIL is a non-deposit taking systemically important core investment company (CIC-ND-SI) registered with the Reserve Bank of India and 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 31 March 2020.

Context and purpose

We have been given to understand that pursuant to the Scheme, the management of the Companies ("Management") are contemplating the following restructuring exercise (**"Proposed Transaction"**):

a) Demerger of the DWH Undertaking (as defined in Section I of the Scheme) of the Transferor Company and vesting of the same with the Resulting Company; and
b) Amalgamation of the Amalgamating Company (as defined in Section II of the Scheme) into and with MSSL, by absorption, subsequent to the completion of the demerger referred to in (a) above.

Appointed date for the demerger is 01 April 2021 or such subsequent date (if any) as may be decided by the Board of Directors of the Transferor Company and Resulting Company or such other date as the NCLT may direct.

Appointed date for amalgamation of the Amalgamating Company into and with MSSL is the date when the amalgamation of Amalgamating Company with MSSL becomes effective, in accordance with Section II of the Scheme.

The Proposed Transaction, would involve the following steps:

Step 1: Demerger of the DWH Undertaking from MSSL into the Resulting Company, pursuant to which demerger, the shareholding pattern of the Resulting Company will be a mirror-image of the shareholding pattern of MSSL;

Step 2: Amalgamation of SAMIL into MSSL.

For the purpose of the aforesaid Proposed Transaction, the demerger share entitlement ratio and merger share exchange ratio (**Share Entitlement and Exchange ratios**) have to be calculated by a Registered

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Valuer (as defined under Section 247 of the Companies Act, 2013) and hence the Client has approached us to calculate the Share Entitlement and Exchange Ratios to be used for the Proposed Transaction.

The **Demerger Share Entitlement Ratio** *for the Proposed Transaction refers to*

The consideration of the demerger of the DWH Undertaking (as defined in Section I of the Scheme) of the Transferor Company and vesting of the same with the Resulting Company: The number of equity share(s) of the face value of Rs. 1 (Indian Rupees One) each credited as fully paid up in the share capital of the Resulting Company which would be issued to the equity shareholders of MSSL for every 1 equity share of the face value of Rs. 1 (Indian Rupees One) each of MSSL

The **Merger Share Exchange Ratio** *for the Proposed Transaction refers to*

The consideration of the amalgamation of the Amalgamating Company into and with MSSL, by absorption, subsequent to the completion of the demerger referred to above: The number of equity share(s) of the face value of Rs. 1 (Indian Rupees One) each credited as fully paid up in the share capital of MSSL which would be issued to the equity shareholders of SAMIL for every 1 equity share the face value of Rs. 10 (Indian Rupees Ten) each of SAMIL

BASIS OF VALUATION

In transactions of the nature of – merger or amalgamation of companies or merger or demerger of businesses, the consideration is often discharged primarily by issue of securities of the acquirer or transferee entity with reference to an exchange ratio or entitlement ratio, considering the relative values.

Such relative values are generally arrived at by applying an appropriate valuation approach or a combination of valuation approaches. If a combination of valuation approaches or methodologies is adopted, appropriate weights are assigned to arrive at a single value. Relative values are usually derived by using similar valuation approaches, methodologies and weights. However, the use of differing methodologies or approaches may be justified in circumstances, e.g., a merger of a listed company and an unlisted company, or where the listed company is infrequently traded.

Base of valuation

The base of valuation has been "Fair value".

The definition of "Fair value" as per Indian Valuation Standards issued by the Institute of Chartered Accountants of India, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

Fair value is the price in an orderly transaction in the principal (or most advantageous) market at the valuation date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

We have given due cognisance to the valuation standards issued by the Institute of Chartered Accountants of India in carrying out the valuation exercise.

Premise of value

The premise of value refers to the conditions and circumstances of how an asset is deployed. As part of our analysis, we have considered the following assumption to be appropriate:

- Going-concern basis - Going concern value is the value of a business enterprise that is expected to continue to operate in the future.
- As-is-where-is basis – considers the current use of the asset which may or may not be its highest and best use.

Intended users

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This report is intended for the consumption of the Board of Directors (including audit committees) of MSSL and SAMIL and for the purpose of submission to the relevant regulatory or statutory authorities in India, including National Company Law Tribunal, Regional Directors, Registrar of Companies, SEBI, Stock exchanges, and for complying with the applicable provisions of the Companies Act, 2013 and other applicable laws.

We understand that this Report will be used by the Client for the above-mentioned purpose only and on the express understanding that it shall not be copied, disclosed or circulated or referred to in correspondence or discussion with any third party or used for any other purpose, other than the purpose mentioned above, without RV's prior written consent.

In the event, the Companies or Management of the Companies or representatives of the Company intend to extend the use of this report beyond the purpose mentioned herein above, with or without our consent, we will not accept any responsibility to any other party to whom our report may be shown or who may acquire a copy of the report issued by Incwert.

SOURCES OF INFORMATION

This Report is prepared based on the below sources of information as provided to us by the management of Client:

- Draft Composite Scheme of Amalgamation and Arrangement;
- Audited historical financial statements of MSSL and SAMIL along with its subsidiaries, step down subsidiaries and JVs for the financial year ended 31 March 2017, 31 March 2018 and 31 March 2019;
- Audited financial statement of MSSL for the 12 months ended 31 March 2020;
- Provisional accounts for the 12 months ended 31 March 2020 were provided for
    - SAMIL along with its subsidiaries, step down subsidiaries and JVs
    - Subsidiaries, step down subsidiaries and JVs of MSSL;
- Projected financial statements for MSSL and SAMIL along with its subsidiaries, step down subsidiaries and JVs for the 5-year period from 01 April 2020 to 31 March 2025;
- Details of quoted and unquoted investments;
- Details of contingent liability as of 31 December 2019;
- Other data and information provided by respective companies, as may be requested by us;
- Discussions with the Management to obtain requisite explanation and clarification of data provided;
- Interviews and correspondence with the respective company's management on which we have relied;

The management of the Companies were provided with an opportunity to review a draft of our Report *(excluding the valuation and recommended Share Entitlement and Exchange ratios)* as part of our standard practice to ensure that factual inaccuracies/omissions are avoided in our final report.

Further at the request of the Management, we have had discussions with other valuation advisors on the valuation approach & methodologies adopted and assumptions made by us.

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PROCEDURES ADOPTED AND VALUATION METHODS FOLLOWED

In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- Requested and received financial and qualitative information
- Used data available in the public domain
  - Where available, published general market data, including economic, government and industry information which may affect the value of the businesses;
  - Where available, financial data for publicly traded or private companies engaged in the same or similar lines of business to develop appropriate multiples and operating comparisons as part of the market approach of valuation.
- Discussion (physical/ or over a phone call) with the Management to:
  - Understand the business and fundamental factors that affect its meaning-generating capability, including strengths, weaknesses, opportunity and threats analysis and historical financial performance.
- Undertook Industry Analysis:
  - Research publicly available market data including economic factors and industry trends that may impact the valuation
  - Analysis of key trends and valuation multiples of comparable companies/comparable transactions using proprietary databases subscribed by us
- Selection of internationally accepted valuation methodologies as considered appropriate by us.

DISCLOSURE OF INTEREST/ CONFLICT

We hereby certify that, to the best of my knowledge and belief that:

- Valuer is not affiliated to the Client in any manner whatsoever.
- Valuer does not have a prospective interest in the business, which is the subject of this Report.
- Details of services for the Client performed within a three-year period immediately preceding acceptance of this engagement, as an appraiser or in any other capacity – not applicable.
- Valuer's fee is not contingent on an action or event resulting from the analyses, opinions or conclusions in this Report.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Our work in preparing the Report was undertaken, and our Report has been produced in accordance with the terms of our engagement with MSSL and SAMIL. Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, diligence services, consulting/ tax-related services.

This Report, its contents and results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement along with subsequent discussions with the management; (ii) the date of this Report and (iii) are based on the data detailed in the section – Sources of information. 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, and the information made available to us. 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.

Management has represented that the business activities of the Companies have been carried out in the normal and ordinary course. However, material events could have occurred in their respective operations due to outbreak of COVID-19 in India between mid-February 2020 and date of issue of this Report. Management has represented that their business plan has been adjusted for the COVID-19 impact.

The Report Date is the valuation date ("Valuation Date"). For the valuation exercise, market parameters have been considered up to and including 26 June 2020.

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Further, for the purpose of this engagement and Report, we have made no investigation of, and assume no responsibility for, the title to the assets or liabilities against the Company. Our conclusion of value assumes that the title to the assets and liabilities of the respective companies reflected in their respective audited/provisional latest financial statements is intact as at the date of this Report.

The financial forecasts used in the preparation of the Report reflects judgment of respective management of Companies, based on present circumstances prevailing around the valuation date, as to the most likely set of conditions and the course of action it is most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period almost always may differ from the forecasts and as such differences may be material.

The final analysis will have to be tempered by the exercise of reasonable discretion by the valuer and judgement, considering all the relevant factors. There will always be several factors example given, management capability, present and prospective competition, the yield on comparable securities, market sentiments among others, which are not evident from the face of the balance sheet but will strongly influence the worth of a share. This concept is well recognised in judicial decisions and pronouncements.

The recommendation rendered in this Report only represents our recommendation based upon information to date, furnished by the management of the Client and other sources. The said recommendation shall be considered to be in the nature of non-binding advice.

Our recommendation in this Report is not intended to advise anybody to take buy or sell decision for which specific opinion needs to be taken from expert advisors.

The Report does not constitute an offer or invitation to any section of the public to subscribe for or purchase any securities in, or the other business or assets or liabilities of the Companies.

The determination of a share entitlement/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 judgement. There is, therefore, no single undisputed share exchange ratio. While we have provided our recommendation of the share exchange ratio based on the information made available to us and within the scope of our engagement, others may have a different opinion. The final responsibility for the determination of the share exchange ratio at which the Proposed Transaction shall take place will be with the Board of Directors of the Companies who should take into account other factors such as their assessment of the Proposed Transaction and input of other advisors.

Our work did not constitute an audit of the financial statements, and accordingly, we do not express any opinion on the truth and fairness of the financial position, as indicated in this Report. Our work did not constitute a validation of the financial statements of the companies/ businesses, and accordingly, we do not express any opinion on the same. Also, with respect to explanations and information sought from the management, we have been given to understand that the management has 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 provided by the management of the Client. Any omissions, inaccuracies or misstatements may materially impact our valuation analysis and outcome.

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 the 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 expressly stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of lawful title and compliance with local laws, litigations and other contingent liabilities that are not recorded in the audited/ unaudited balance sheet of the Companies.

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This Report does not investigate the business / commercial reasons behind the Proposed Transaction nor the likely merits of such transaction. Similarly, it does not address the relative benefits of the Proposed Transaction as compared with any other alternative business transaction or other alternatives or whether such options could be achieved or are available.

The fee for this engagement is not contingent upon the valuation conclusions.

This Report sets out Valuer's conclusions on a) relative valuation of relevant businesses as part of the demerger/merger and b) Share Entitlement and Exchange Ratio and has been prepared in accordance with LoE. The Report will be used by the Client for purposes agreed in the LoE. The Report will be issued by us on the express understanding that it shall not be copied, disclosed or circulated or referred to in correspondence or discussion with any third party or used for any other purpose without Valuer's prior written consent, unless agreed in the LoE.

This Report is based on the information provided by the Client and has been confirmed by the Client. We have not independently verified or checked the accuracy or timeliness of the same.

We have based our analysis based on information provided to us by the Management and stated under "Sources of Information". Any changes in the basis of preparation of financial statements of the Companies may significantly impact our analysis and therefore, the valuation.

For our analysis, we have relied on published and secondary sources of data, whether or not provided by the Client. We have not independently verified the accuracy or timeliness of the same.

The Valuer is not responsible for updating this Report because of events or transactions occurring subsequent to the date of issue of this Report.

The Valuer has not considered any finding made by other external agencies in carrying out the Valuation analysis other than those which are made available as part of disclosures in the annual report of the Companies.

This Report is prepared on the basis of the sources of information listed in the above section. We have relied upon written representation provided by the Management that the information contained in the Report is materially accurate and complete, fair in its manner of portrayal and therefore, forms a reliable basis for the Valuation.

Neither the 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, without our prior written consent except for disclosures to be made to relevant regulatory/statutory authorities. We owe no duty (whether in contract or in tort or under statute or otherwise) with respect to or in connection with the attached Report or any part thereof to a party other than our Client. We do not accept any liability to any third party in relation to the issue of this Report.

It is understood that the analysis presented herein does not represent a fairness opinion on either the valuation of the business undertakings or the Share Entitlement and Exchange Ratio.

Any decision by the Client regarding whether to proceed with Proposed Transaction shall rest solely with the Client.

This Report is subject to the laws in India and should be used in connection with the proposed scheme.

This Report does not in any manner address the prices at which equity shares of the Companies or any other listed shareholder will trade after the announcement of the Proposed Transaction, and we express no opinion or recommendation as to how shareholders of the companies involved in the restructuring should vote at the shareholders' meeting(s) to be held in connection with the Proposed Transaction.

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SHAREHOLDING PATTERN OF THE COMPANIES

The issued and subscribed equity share capital of Motherson Sumi Systems Limited as on 31 March 2020 is INR 315.79 crores consisting of 3,157,934,237 equity shares of the face value of INR 10/- each. The shareholding pattern is as follows:

Sr. no.	Category of shareholder	Percentage holding
1	Samvardhana Motherson International Limited (SAMIL) (India)	33.43%
2	Sumitomo Wiring Systems (SWS) (Japan)	25.34%
3	Other Promoter Group	2.96%
4	Public & others	38.27%
	Total	100%

Upon incorporation of the Resulting Company, the proposed issued and subscribed equity share capital of the company shall be INR 5,00,000 consisting of 5,00,000 equity shares of the face value of INR 1/- each.

The issued and subscribed equity share capital of Samvardhana Motherson International Limited as on 31 March 2020 is INR 473.6 crores consisting of 473,613,855 equity shares of the face value of INR 10/- each. The shareholding pattern is as follows:

Sr. no.	Category of shareholder	Percentage holding
1	Shri Sehgals Trustee Company Private Limited	25.67%
2	Vivek Chaand Sehgal	21.23%
3	Renu Alka Sehgal (as trustee of Renu Sehgal Trust)	23.19%
4	Radha Rani Holdings Pte Limited	14.10%
5	Sojitz Corporation	6.46%
6	Others (less than 5% shareholding)	9.35%
	Total	100%

Source: Management information

APPROACH & METHODOLOGY

Valuation approach and methodologies

There are several commonly used and accepted methods for determining the value and the Share Entitlement and Exchange Ratio which have been considered in the present case, to the extent relevant and applicable, including:

1. Market Approach:
    a. Market Price method
    b. Comparable Companies Multiples
    c. Comparable Transaction Multiple Method
2. Income Approach: Discounted Cash Flows Method
3. Cost Approach: Net Asset Value Method

As discussed below for the Proposed Transaction, we have considered these methods to the extent relevant and applicable.

This valuation could fluctuate with the lapse of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions financial and otherwise

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of the Companies, and other factors which generally influence the valuation of companies and their assets.

We have relied on the judgment of the Management as regards contingent and other liabilities.

It should be understood that the valuation of any company or its assets is inherently subjective 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 valuation subjects, and other factors.

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

The valuation methodologies, as may be applicable, which have been used to arrive at the value of the Companies are discussed hereunder.

Market Price (MP) Method

The market price of an equity share as quoted on a Stock Exchange is generally 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 share price of one company against that 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.

In the present case, equity shares of MSSL are traded on NSE and BSE. However, as the price of DWH Undertaking is not observable, the price of the Remaining Business cannot be ascertained from MP method. Resulting Company is under incorporation and SAMIL does not have traded equity shares on any stock exchange. Hence, we have not used this method for the valuation of any of the Companies.

Comparable Companies Market Multiple ("CCM") Method

Under this method, the value of the equity shares of a company/ business undertaking is arrived at by using multiples derived from valuations of comparable companies, as apparent 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 for the assessment of the value of the company.

Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. We have used this method for the various business segments of MSSL (minus DWH) and SAMIL wherever publicly listed comparable companies were available.

Comparable Companies Transaction Multiple (CTM) Method

Under the CTM method, the value of the equity shares of a company/ business undertaking is arrived at by using the prices implied by reported transactions/ deals of comparable companies.

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Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

Considering the uniqueness of the business structure of MSSL, it is difficult to find a similar transaction to benchmark. For MSSL or other group companies, we have not been able to identify any comparable company for which a majority stake-sale transaction has taken place in the last one year. We believe that the older transactions are not relevant for our valuation considering share price movements and changes in the macro-economic situation in India. Also, transactions multiples tend to be biased due to premium which may be embedded in the price for strategic benefits and synergies which an acquirer may perceive in the target. Accordingly, we have not applied the Comparable Transactions Multiple Method.

<u>Discounted Cash Flows (DCF) Method</u>

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 is 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 all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

The value so computed by discounting the cash flows to the firm is adjusted for net borrowings, surplus asset including investments, minority interests, equity instruments granted as part of the share-based payment, and other matters to arrive at an aggregate equity value of the company.

In the present case, we have considered this method for valuing these companies/businesses where applicable.

<u>Net Asset Value (NAV) Method</u>

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 realisable value basis or replacement cost basis. The cost approach assumes that a prudent investor would pay no more for an entity than the amount for which he could replace or re-create it or an asset with similar utility. Under a going-concern premise, the cost approach usually is best suited for valuing asset-intensive companies, such as investment or real estate holding companies, or companies with unstable or unpredictable earnings.

In the present case, considering that the businesses are going concerns, and hence we have considered it appropriate to not provide any weightage to NAV method.

BASIS OF VALUATION AND SHARE EXCHANGE RATIO

Basis of the **Demerger Share Entitlement Ratio**:

- The demerger of DWH from MSSL into Resulting Company will be done with mirror shareholding of MSSL. Hence, the beneficial/economic interest of the shareholders of MSSL in the Resulting Company will be in the same ratio as it is in the share capital of the Transferor Company.
- The determination of the Demerger Share Entitlement Ratio will therefore not have any economic

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impact on the ultimate value of the shareholders of MSSL upon the proposed demerger. The Proposed Transaction will be value-neutral to the shareholders of the Transferor Company.

Basis of the **Merger Share Exchange Ratio**:

The Merger Share Exchange Ratio has been arrived at on the basis of a relative equity valuation of MSSL (minus 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 the information base, key underlying assumptions and limitations.

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

In the current analysis, the amalgamation of MSSL (minus DWH) and SAMIL is proceeded with on the assumption that MSSL (minus DWH) and SAMIL would merge as going concerns and an actual realisation of the operating assets is not contemplated. The operating assets have therefore been considered at their book and non-operating/ surplus assets, if any at their fair values under the Asset Approach. 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 (minus DWH) and SAMIL under the Asset Approach, we have considered it appropriate not to give any weightage to the same in arriving at the Merger Share Exchange Ratio.

Given the nature of the businesses of MSSL (minus 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 (minus DWH) and SAMIL for the purpose of arriving at the Merger Share Exchange Ratio.

Within the DCF Method, equity share values for MSSL (minus DWH) and SAMIL is computed as follows:

- Equity share 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 (minus DWH) to arrive at equity share value of MSSL (minus DWH).
- Equity share 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 assets as appearing in the balance sheet at 31 March 2020 and b) the shareholding and non-controlling interests of SAMIL to arrive at an equity share value of SAMIL.

In the present case, the equity shares of MSSL are listed on BSE and NSE. However, pursuant to the Proposed Transaction, the DWH business shall be demerged from MSSL and hence, Market Price Method cannot be used for the valuation of MSSL (minus 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, we have also considered the CCM method under the Market Approach to arrive at the relative fair value of the shares MSSL (minus DWH) and SAMIL for the purpose of arriving at the Merger Share Exchange Ratio.

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

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- Equity share values for each of the businesses comprising MSSL segments (including subsidiaries, joint ventures and associates) is computed separately using CCM 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 (minus DWH) to arrive at equity share value of MSSL (minus DWH).

- Equity share values for each of the businesses comprising SAMIL segments (including subsidiaries, joint ventures and associates) is computed separately using CCM 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 SAMIL to arrive at equity share value of SAMIL.

- To arrive at the price per equity share of MSSL (minus DWH) we have considered the total issued and paid-up equity shares of the company as at 31 March 2020.

To arrive at the price per equity share of SAMIL we have considered the total issued and paid-up equity shares of SAMIL as at 31 March 2020.

For our final analysis and recommendation we have considered the values arrived under the Income Approach and the Market Approach, to arrive at the relative fair value of the equity shares of MSSL (minus DWH) and SAMIL for the purpose of Step 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 (minus 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 Merger Share Exchange Ratio for the Step 2 of the Transaction as outlined in the section below.

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CONCLUSION

Step 1 – Demerger of DWH from MSSL into Resulting Company

Based on the foregoing, the demerger of DWH from MSSL into Resulting Company will be done with mirror shareholding of MSSL.

Hence, the beneficial/economic interest of the shareholders of MSSL in the Resulting Company will be in the same ratio as it is in the share capital of the Transferor Company.

Based on the aforementioned, we believe that the determination of share entitlement ratio will not have any economic impact on the ultimate value of the shareholders of MSSL upon the proposed demerger. The Proposed Transaction will be value-neutral to the shareholders of the Transferor Company.

Hence, any ratio as recommended by the Management can be considered for the purpose of the Demerger Share Entitlement Ratio for demerger under Step 1.

Step 2- Amalgamation of SAMIL into MSSL (minus DWH)

Based on the foregoing, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the following Merger Share Exchange Ratio for the proposed amalgamation of SAMIL into MSSL (minus DWH) pursuant to the Section II of the Scheme coming into effect for the Board of Directors' consideration:

- **51 (Fifty one) equity shares of the face value of Rs. 1/- (Indian Rupee One) each credited as fully paid up in the share capital of MSSL for every 10 (Ten) fully paid-up equity share of the face value of Rs. 10/- (Indian Rupees Ten) each held in SAMIL**

  Or

- **5.1 (Five point one) equity shares of the face value of Rs. 1/- (Indian Rupee One) each credited as fully paid up in the share capital of MSSL for every 1 (one) fully paid-up equity share of the face value of Rs. 10/- (Indian Rupees Ten) each held in SAMIL**

Respectfully submitted,
For Incwert Advisory Private Limited
Registered Valuer Entity under Companies (Registered Valuers and Valuation) Rules, 2017
IBBI Registration No. IBBI/RV-E/05/2019/108
Asset class: Securities or Financial Assets

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Punit Khandelwal
Director
Registered Valuer under Companies (Registered Valuers and Valuation) Rules, 2017
IBBI Registration No. IBBI/RV/05/2019/11375
Asset class: Securities or Financial Assets

Enclosed: Appendix – 1

Appendix - 1

The computation of Merger Share Exchange Ratio for amalgamation of SAMIL into MSSL (minus DWH) is computed as below

Method	MSSL (minus DWH)		SAMIL	
	Value per share (in INR)	Weight	Value per share (in INR)	Weight
Income Approach (DCF method)	107	50%	556	50%
Market Approach (CCM method)	95	50%	475	50%
Net asset value method	34	0%	148	0%
Relative value per share	**101**		**516**	
Exchange ratio (rounded)	**51 Equity shares of MSSL (minus DWH)**		**For every 10 equity share of SAMIL**	

NA = Not applicable/adopted
NM = Not meaningful

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End of report