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Private & Confidential

Dated: 30 November 2023

To,

The Audit Committee/ The Board of Directors, UltraTech Cement Limited B Wing, 2 nd floor, Ahura Centre Mahakali Caves Road, Andheri (East) Mumbai – 400 093 India	The Audit Committee/ The Board of Directors, Kesoram Industries Limited 9/1, R.N. Mukherjee Road, Kolkata - 700001, West Bengal, India
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Sub: Recommendation of fair share exchange ratios (“Share Exchange Ratios”) for the proposed demerger of cement business of Kesoram Industries Limited (“KIL” or “Demerged Company”) to UltraTech Cement Limited (“UltraTech” or “Resulting Company”)

Dear Sir/ Madam,

We refer to respective engagement letters of Bansi S. Mehta Valuers LLP (“BSM”) and PwC Business Consulting Services LLP (“PwC BCS”), whereby BSM and PwC BCS have been appointed by UltraTech and KIL, respectively, to recommend the fair share exchange ratio(s) for the proposed demerger of cement business of KIL (herein referred to as “Demerged Undertaking”) into UltraTech (referred to as “Demerger” or “Transaction”), proposed to be implemented through a composite scheme of arrangement (“Scheme”), pursuant to Section 230 to 232 and other applicable provisions of Companies Act, 2013.

UltraTech and KIL are hereinafter jointly referred to as the “Companies” or the “Clients”.

BSM and PwC BCS are hereinafter jointly referred to as “Valuers” or “we” or “us” in this Report.

Share Exchange Ratios mean the following:

- Share Exchange Ratio 1** is the ratio in which the equity shareholders of KIL shall be entitled to receive equity shares of UltraTech for demerging the cement business;
- Share Exchange Ratio 2** is the ratio in which 5% cumulative non-convertible redeemable preference shareholders of KIL shall be entitled to receive 7.3% non-convertible redeemable preference shares of UltraTech for demerging the cement business; and
- Share Exchange Ratio 3** is the ratio in which zero% optionally convertible redeemable preference shareholders of KIL shall be entitled to receive 7.3% non-convertible redeemable preference shares of UltraTech for demerging the cement business.

Share Exchange Ratio 1, Share Exchange Ratio 2 and Share Exchange Ratio 3 are collectively referred to ‘Share Exchange Ratios’.

Our deliverable for this engagement would be a report on Share Exchange Ratios (“Share Exchange Ratio Report” or “Report”). In our analysis, we have considered the businesses for Demerged Undertaking and Resulting Company on a “Going Concern” premise with 28 November 2023 being the “Valuation Date”.

BACKGROUND OF THE COMPANIES



Recommendation of Share Exchange Ratios for the proposed Demerger of the Demerged Undertaking from KIL to UltraTech

Kesoram Industries Limited ('KIL'), a public company domiciled and incorporated under the provisions of the Indian Companies Act, 1913, is a flagship company of B. K. Birla group of companies. It ventured into cement manufacturing in 1969, with its first plant set up in Basant Nagar, Telangana. The second plant was set up in 1986 in Sedam, Karnataka. It demerged its rayon yarn and transparent paper manufacturing business into Cygnet Industries Limited ("Cygnet") in 2016, its wholly owned subsidiary, in an internal restructuring. Its equity shares are listed on the BSE Limited, the National Stock Exchange of India Limited ("NSE") and Calcutta Stock Exchange ("CSE") in India. Its Global Depositary Receipts ("GDR") are listed on the Luxembourg Stock Exchange. The company produces grey cement and markets its cement products under "Birla Shakti" brand.

UltraTech Cement Limited ('UltraTech'), a company incorporated under the provisions of the Indian Companies Act, 1956 in India, is engaged in the business of manufacture and sale of various grades and types of cement, including grey cement, ready mix concrete and other cement related products. Its equity shares are listed on the BSE Limited and NSE. Its GDRs are listed on the Luxembourg Stock Exchange and Sustainability Linked Bonds are listed on the Singapore Exchange Securities Trading Limited.

SCOPE AND PURPOSE OF THIS REPORT

We understand from the management of Companies (collectively referred to as "Management") that the Companies are evaluating demerger ("Demerger") of cement business of KIL ("Demerger Undertaking") into UltraTech through a composite scheme of arrangement ("Scheme") under the provisions of Section 230 to 232 and the other applicable provisions of the Companies Act 2013. Further, we understand that the Scheme complies with definition of demerger as per section 2(19AA) and other provisions of the Income Tax Act.

In connection with the proposed Scheme/ Demerger, the Board of Directors of KIL and UltraTech have appointed PwC BCS and BSM, respectively as Registered Valuers, to recommend Share Exchange Ratios in accordance with generally accepted professional standards and provide Registered Valuers' Report for recommending the following, for the consideration of the Board of Directors of the Companies.

- Share Exchange Ratio 1** being the ratio in which the equity shareholders of KIL shall be entitled to receive equity shares of UltraTech for demerging the cement business;
- Share Exchange Ratio 2** being the ratio in which 5% cumulative non-convertible redeemable preference shareholders ("5% RPS") of KIL shall be entitled to receive 7.3% non-convertible redeemable preference shares ("RPS1") of UltraTech for demerging the cement business; and
- Share Exchange Ratio 3** being the ratio in which zero% optionally convertible redeemable preference shareholders ("OCRPS") of KIL shall be entitled to receive 7.3% redeemable preference shareholders ("RPS2") of UltraTech for demerging the cement business.

We are given to understand that both 5% RPS and OCRPS have been considered part of Demerged Undertaking and upon the coming into effect of this Scheme and in consideration of the Demerger, the existing issued and paid up preference share capital (5% RPS and OCRPS) of the Demerged Company shall be automatically reduced and cancelled.

The Report will be used by KIL and UltraTech only for the purpose, indicated in this Report, for which we have been appointed. The results of our analysis and our Report cannot be used or relied by the Clients 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.

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



Recommendation of Share Exchange Ratios for the proposed Demerger of the Demerged Undertaking from KIL to UltraTech

The scope of our services is to determine fair value of equity shares and preference shares (RPS1 and RPS2 - proposed to be issued) of UltraTech and cement business, 5% RPS and OCRPS of KIL on a relative basis and recommend Share Exchange Ratios in connection with the proposed Demerger in accordance with generally accepted professional standards.

The Valuers have worked independently in their analysis and arrived at different values per share of the Companies. However, to arrive at the consensus on the Share Exchange Ratios, appropriate minor adjustments/ rounding off have been done by the Valuers.

We have been provided with the audited financials of the Companies for the year ended 31 March 2023 and limited reviewed financial statements for the six months period ended 30 September 2023. We have also been provided with the Balance Sheet of the Demerged Undertaking as at 30 September 2023. We have taken into consideration the current market parameters in our analysis and have made adjustments for additional facts made known to us till the date of our Report. Further, we have been informed that all material information impacting the Companies and their operations have been disclosed to us.

We have been informed by the management of the Companies (the "Management") that:

- there would not be any capital variation in the Companies till the proposed Scheme becomes effective, except issuance and/or conversion of employee stock options/units in normal course of business of the Companies. In case, either of the Companies restructure their share capital by way of share split/consolidation/issue of bonus shares before the proposed Scheme becomes effective, the issue of shares pursuant to Share Exchange Ratios recommended in this Report shall be adjusted accordingly to consider the effect of any such corporate actions.
- there are no unusual/ abnormal events in the Companies materially impacting their operating performance/ financials after 30 September 2023 till the Report date.

We have relied on the above while estimating the Share Exchange Ratios for the proposed Demerger.

The Non-Convertible Debentures ('NCDs') of UltraTech are listed on the National Stock Exchange of India and NCD's of KIL are listed on the Bombay Stock Exchange, India. As per the Draft Composite Scheme of Arrangement for the proposed Demerger, the NCD holders of the Demerged Company as on the Effective Date will be transferred to the Resulting Company on same terms, including the coupon rate, tenure, redemption price, quantum, and nature of security, etc. Further, the NCD holders of the Resulting Company as on the Effective Date will continue to hold NCDs of the Resulting Company, without any interruption, on same terms, including the coupon rate, tenure, redemption price, quantum, and nature of security, ISIN, etc. Considering this the Scheme will not have any adverse impact on the holders of the NCDs and a separate exchange ratio on NCDs is not required. We have considered the fair value of NCDs to arrive at the Share Exchange Ratios for the proposed Demerger.

This Report is subject to the scope, assumptions, qualifications, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality and not in parts and in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with this exercise, we have received/obtained the following information about the Companies from the Management:

- Draft composite scheme of arrangement ("Scheme") for the proposed Demerger;
- Audited financials of the Companies for the year ended 31 March 2023 and limited reviewed financials for the six month period ended 30 September 2023;
- Balance Sheet of the Demerged Undertaking as at 30 September 2023;
- Financial Projections of UltraTech (on consolidated basis)/ Demerged Undertaking;
- Number of equity shares/ 5% RPS/ OCRPS of the Companies outstanding (on fully diluted basis) as on 28 November 2023;
- Details of employee stock options of UltraTech outstanding as on 28 November 2023;



Recommendation of Share Exchange Ratios for the proposed Demerger of the Demerged Undertaking from KIL to UltraTech

- Other relevant information and documents for the purpose of this engagement provided through emails or during discussion.

In addition, we have obtained information from public sources/ proprietary databases including quarterly results.

During discussions with the Management, we have also obtained explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise. The Clients have been provided with the opportunity to review the draft report (excluding the recommended Share Exchange Ratios) as part of our standard practice to make sure that factual inaccuracy/ omissions are avoided in our Report.

UltraTech and KIL have informed us that ICICI Securities Limited and DAM Capital Advisors Limited (individually or together referred to as "Fairness Team") have been appointed by the Companies respectively to provide fairness opinion on the Share Exchange Ratios for the purpose of the Proposed Transaction. At the request of the Companies we have had discussions with the Fairness Team in respect of our respective valuation analysis.

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, and clarifications regarding past financial performance.
- Considered data available in public domain related to the Companies/ Demerged Undertaking and their peers.
- Discussions (physical/ over call) with the Management to
 - understand the business and fundamental factors that affect its earning-generating capability and historical financial performance, as available in public domain.
- Undertook Industry Analysis:
 - researched publicly available market data including economic factors and industry trends that may impact the valuation.
 - analysed industry trends and valuation multiples of comparable companies using proprietary databases subscribed by us or our network firms.
- Selected internationally accepted valuation methodology/(ies) as considered appropriate by us, in accordance with the applicable Valuation Standards.
- Arrived at fair value of equity shares and RPS1 & RPS2 (proposed to be issued) of UltraTech and cement business, 5% RPS, and OCRPS of KIL on a relative basis in order to determine the Share Exchange Ratios for the proposed Demerger.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation 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.

The user to which this valuation is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at the Valuation Date. Due to possible changes in market forces and circumstances, this Report can only be regarded as relevant as at the Valuation Date.

This Report has been prepared for the purposes stated herein and should not be relied upon for any other purpose. Our Clients are the only authorized users of this report and use of the Report is restricted for the purpose indicated in the respective engagement letters. This restriction does not preclude the Clients from



Recommendation of Share Exchange Ratios for the proposed Demerger of the Demerged Undertaking from KIL to UltraTech

providing a copy of the Report to third-party advisors whose review would be consistent with the intended use. We do not take any responsibility for the unauthorized use of this Report.

While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the Client's existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information.

This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the Report Date; (iii) audited financials of the Companies for the year ended 31 March 2023 and limited reviewed financials of the Companies for six months period ended 30 September 2023 (iv) Balance Sheet of the Demerged Undertaking as at 30 September 2023 and (iv) other information obtained by us from the Companies from time to time (v) accuracy of information in public domain with respect to comparable companies including financial information. We have been informed that the business activities of the Companies have been carried out in the normal and ordinary course between 30 September 2023 and the Report date and that no material changes have occurred in their respective operations and financial position between 30 September 2023 and the Report date.

An analysis of such 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.

In no event shall we be liable for any loss, damages, cost and expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Clients or Companies, their directors, employees or agents.

The Clients and their management/ representatives warranted us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the Clients, their management and other third parties, if any, concerning the financial data, operational data and other information, except as specifically stated to the contrary in the Report. In no event, we shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or willful default on part of the companies, their directors, employee or agents.

Valuers are not aware of any contingency, commitment or material issue which could materially affect the Companies' economic environment and future performance and therefore, the valuation of the Companies.

We do not provide assurance on the achievability of the results forecast by the Management as events and circumstances do not occur as expected; differences between actual and expected results may be material. We express no opinion as to how closely the actual results will correspond to those projected/forecast as the achievement of the forecast results is dependent on actions, plans and assumptions of Management.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all their areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, 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 disclosed in the audited balance sheets of the Companies, if any, provided to us.

This Report does not look into the business/ commercial reasons behind the proposed Scheme of Arrangement, nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the proposed Scheme of Arrangement as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

The valuation analysis and result are governed by concept of materiality.



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It has been assumed that the required and relevant policies and practices have been adopted by the Companies and would be continued in the future.

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

The actual share exchange ratios may be higher or lower than our recommendation depending upon the circumstances of the proposed Transaction, the nature of the business. The knowledge, negotiating ability and motivation of the buyers and sellers will also affect the share exchange ratios achieved. Accordingly, our recommended Share Exchange Ratios will not necessarily be the share exchange ratios at which actual Transaction will take place.

We have also relied on data from external sources to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.

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 Clients) chooses to place reliance upon any matters included in the Report, they shall do so at their own risk and without recourse to us.

It should be understood that the valuation of any entity or its assets is inherently subjective and is subject to uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we have relied on explanations provided by the Management and have made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. This valuation could fluctuate with lapse of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions, financial and otherwise, of the companies, and other factors which generally influence the valuation of the Companies/ Demerged Undertaking and their assets.

We have not carried out any physical verification of the assets and liabilities of the Companies/ Demerged Undertaking and take no responsibility for the identification of such assets and liabilities.

This Report is subject to the laws of India.

In addition, this Report does not in any manner address the price at which equity shares of UltraTech/ KIL shall trade following announcement of the proposed Transaction and we express no opinion or recommendation as to how the shareholders of either of the Companies should vote at any shareholders' meeting(s) to be held in connection with the proposed Demerger. Our Report and opinion/ valuation analysis contained herein is not to be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities.

Any discrepancies in any table / annexure between the total and the sums of the amounts listed are due to rounding-off.

Though the Valuers are issuing a joint report, BSM will owe the responsibility only to UltraTech and PwC BCS will owe the responsibility only to KIL. The Valuers have been appointed under the terms of their respective engagement letters. We will not be liable for any losses, claims, damages, or liabilities arising out of the actions taken, omissions or advice given by any other person.



Recommendation of Share Exchange Ratios for the proposed Demerger of the Demerged Undertaking from KIL to UltraTech

DISCLOSURE OF RV INTEREST OR CONFLICT, IF ANY AND OTHER AFFIRMATIVE STATEMENTS

We do not have any financial interest in the Clients, nor do we have any conflict of interest in carrying out this valuation.

Further, the information provided by the Management have been appropriately reviewed in carrying out the valuation.

SHAREHOLDING PATTERN

UltraTech

The issued and subscribed equity share capital of UltraTech as of 30 September 2023 is INR 288.69 crores consisting of 28,86,86,345 equity shares with face value of INR 10/- each. The shareholding pattern is as follows:

Shareholding Pattern as on 30 September 2023	No. of Shares	% Shareholding
Promoter & Promoter Group	17,30,83,113	60.0%
Non Public	5,25,616	0.2%
Public	11,50,77,616	39.8%
Grand Total	28,86,86,345	100.0%

Source: www.bseindia.com

Basis Management information, we have considered the number of equity shares on diluted basis after taking into account an appropriate adjustments for ESOPs outstanding. Accordingly, the diluted number of equity shares as at the Valuation Date considered by us is 28,87,12,778 equity shares of INR 10/- each.

KIL

The issued and subscribed equity share capital of KIL as of 30 September 2023 is INR 310.66 crores consisting of 31,06,63,663 equity shares with face value of INR 10/- each. The shareholding pattern is as follows:

Shareholding Pattern as on 30 September 2023	No. of Shares	% Shareholding
Promoter	13,48,22,064	43.4%
Others	17,58,41,599	56.6%
Grand Total	31,06,63,663	100.0%

Source: www.bseindia.com

Basis Management information, there are no ESOP's outstanding as at the Valuation Date.

The Zero % Optionally Convertible Redeemable Preference Shares as on 30 September 2023 are as follows:

Particulars	Number of Shares	Amount in INR Crores
Zero % Optionally Convertible Redeemable Preference Shares (INR 100 each)	19,19,277	19.19
Total	19,19,277	19.19

The 5% Cumulative Non-Convertible Redeemable Preference Shares as on 30 September 2023 are as follows:

Particulars	Number of Shares	Amount in INR Crores
5 % Cumulative Non-Convertible Redeemable Preference Shares (INR 100 each)	90,00,000	90.00
Total	90,00,000	90.00



Recommendation of Share Exchange Ratios for the proposed Demerger of the Demerged Undertaking from KIL to UltraTech

We are given to understand that both 5% RPS and OCRPS have been considered part of Demerged Undertaking and upon the coming into effect of this Scheme and in consideration of the Demerger, the existing issued and paid up preference share capital (5% RPS and OCRPS) of the Demerged Company shall be automatically reduced and cancelled.

APPROACH FOR RECOMMENDATION OF SHARE EXCHANGE RATIOS

Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for the proposed Demerger and our reasonable judgment, in an independent and bona fide manner.

The valuation approach adopted by BSM and PwC BCS is given in Annex 1A and 1B respectively (Annex 1A and 1B together referred to as Annexes).

BASIS OF SHARE EXCHANGE RATIOS

The Share Exchange Ratios has been arrived at on the basis of fair value of equity shares and preference shares of UltraTech and cement business, 5% RPS and OCRPS of KIL on a relative basis, based on the various approaches/ methods explained herein after considering various qualitative factors relevant to UltraTech/ Demerger Undertaking, business dynamics and growth potentials of the businesses of the Companies, information base and the underlying assumptions and limitations. To arrive at the consensus on the Share Exchange Ratios for the proposed Scheme, suitable minor adjustments/ rounding off have been done.

While we have provided our recommendation of the Share Exchange Ratios 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 Ratios. The final responsibility for the determination of the Share Exchange Ratios at which the proposed Demerger shall take place will be with the Board of Directors of the respective Companies who should take into account other factors such as their own assessment of the proposed Scheme and input of other advisors.

In view of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove;

We recommend the following Share Exchange Ratios for the proposed Demerger involving the following:

1 (One) equity share of UltraTech of INR 10/- each fully paid up for every 52 (Fifty-Two) equity shares of KIL of INR 10/- each fully paid up.

54,86,608 (Fifty-Four Lakhs Eight Six Thousand Six Hundred and Eight) RPS 1 shares of UltraTech of INR 100/- each fully paid up for every 90,00,000 (Ninety Lakhs) 5% cumulative non-convertible redeemable preference shares of KIL of INR 100/- each fully paid up.

8,64,275 (Eight Lakhs Sixty Four Thousand Two Hundred and Seventy Five) RPS 2 shares of UltraTech of INR 100/- each fully paid up for every 19,19,277 (Nineteen Lakhs Nineteen Thousand Two Hundred and Seventy Seven) zero% optionally convertible redeemable preference shares of KIL of INR 100/- each fully paid up.



Recommendation of Share Exchange Ratios for the proposed Demerger of the Demerged Undertaking from KIL to UltraTech

Respectfully submitted,

BANSI S. MEHTA VALUERS LLP

Registered Valuer

Registration Number: IBBI/RV/E/06/2022/172

Drushti R. Desai

Drushti R. Desai

Partner

IBBI Registration No.: IBBI/RV/06/2019/10666

Place: Mumbai

Date: November 30, 2023

UDIN:



Respectfully submitted,

PwC Business Consulting Services LLP

Registered Valuer

Registration Number: IBBI/RV/E/02/2022/158

Neeraj Garg

Neeraj Garg

Partner

Registration Number: IBBI/RV/02/2021/14036

Place: Mumbai

Date: 30/11/2023

RVN: IOVRVF/PWC/2023-2024/2688



Annexure 1A- Approach to Valuation - BSM

It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose.

For the purpose of arriving at valuation of the Valuation Subjects, we have considered the valuation base as 'Fair Value'. Our valuation, and this report, is based on the premise of 'going concern value'. Any change in the valuation base, or the premise could have significant impact on our valuation exercise, and therefore, this Report.

It may be noted that the Institute of Chartered Accountants of India (ICAI) on June 10, 2018, has issued the ICAI Valuation Standards ("IVS") effective for all the valuation reports issued on or after July 1, 2018. IVS are mandatory for a valuation done under the Companies Act, 2013, and recommendatory for valuation carried out under other statutes/ requirements. We have given due cognizance to the same in carrying out the valuation exercise.

IVS 301 on Business Valuations deals with valuation of a business or business ownership interest (i.e., it includes valuation of equity shares).

IVS 301 specifies that generally, the following three approaches are used for valuation of business/business ownership interest:

1. Market approach
2. Income approach
3. Cost approach

Each of the above approaches are discussed in the following paragraphs.

1. Market Approach

Market approach is a valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities. The common methodologies under the Market Approach are as under.

a) Market Price Method:

This method involves determining the market price of an entity based on its traded price on the stock exchange over a reasonable period of time.

Equity shares of UTCL and KIL are listed on NSE and BSE and are frequently traded.

We have considered the market price of the shares of the Companies based on higher of the volume weighted average price for ten days and ninety days up to the Valuation Date basis their traded price on NSE (being stock exchange with higher turnover).

In case of KIL, we have reduced the reflection of market price attributed to the Residual business to arrive at the reflection of Demerged Undertaking in the market price of KIL.

b) Comparable Companies Multiple Method ("CCM")

This method involves valuing the valuation subject based on market multiples of comparable companies.

Under Comparable Companies Multiple Method, we have computed the fair value based on operating profits, capacity and turnover of the Valuation Subjects. We have used the EV/EBITDA and EV/Capacity multiple under this Method. To arrive at an average value under CCM we have given equal weights to values arrived using EV/EBITDA and EV/ Capacity multiple.

c) Comparable Transaction Multiple Method (“CTM”)

This method involves valuing the valuation subject based on multiples of comparable transactions. We have used the EV/Capacity multiple of comparable transactions the cement sector to determine value under this approach for Demerged Undertaking. In case of UltraTech, we have not used CTM due to lack of adequate transactions of similar size.

2. Income Approach

Income approach is a valuation approach that converts maintainable future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted, or capitalised) amount. An approach based on earnings is relevant in case of companies generating a steady stream of income. We have used this approach for valuation of the shares of UTCL and Demerged Undertaking.

- Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company's capital.

- Appropriate discount rate applied to cash flows to equity i.e., the cost of equity:

Discount rate, which is the opportunity cost of capital provided i.e. the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of computing value under the DCF Method, we have relied on the projections provided by the Management. It may be noted that projections are the responsibility of the Management. We have, therefore, not performed any audit, due diligence of any prospective information used and therefore, do not express any opinion with regards to the same. However, we have reviewed and analysed the projections for their acceptability.



3. Cost Approach:

It is a valuation approach that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). IVS 301 on Business Valuations and IVS 103 on Valuation Approaches and Methods specify that common methodologies for Cost Approach are Replacement Cost Method and Reproduction Cost Method. These methods involve determining the value of the asset based on the cost that will have to be incurred to recreate/replicate the asset with substantially the same utility as that of the asset under valuation.

In case of the Demerged Undertaking, we have used the Replacement Cost Approach based on benchmarks of cost for setting up the capacity. In case of UltraTech, in our view, the replacement cost approach may not capture the intangible assets on account of its size and market position. Hence, we have not used this method to determine its value.

Fair Valuation:

We have arrived at the fair value of equity shares of the Valuation Subjects under Market Approach by averaging the value derived under Market Approach, Income Approach and Cost Approach, as applicable. The value under Market Approach is computed by averaging the values under Market Price, Comparable Companies Multiple Method and Comparable Transaction Multiple Method (as applicable).

Preference Shares

We note that the RPS1 and RPS2 of UltraTech proposed to be issued as consideration pursuant to Share Exchange Ratio 2 and Share Exchange Ratio 3.

We have derived fair value of 5% RPS and OCRPS based on Income Approach. Preference shares of KIL are not listed hence market approach would not be relevant. We have considered present value of redemption proceeds receivable on the redemption date proposed in the terms of preference shares. The discounting of stream of redemption proceeds is done considering the arm's length yield attached to preference shares with similar credit rating.

The value of RPS1 and RPS 2 proposed to be issued is considered at par based on the terms of the preference shares and credit rating of UltraTech. The coupon, being the market yield based on tenure and credit rating.

Share Exchange Ratio 1

The computation of fair equity share exchange ratio for Demerger of KIL into UltraTech by BSM is tabulated below:

Valuation Approach	UltraTech (A)		KIL(B)	
	Value per Share of UltraTech (INR)	Weight	Value per Share of KIL (INR)	Weight
Cost Approach*	NA ¹	NA	189.6	33.3%



Recommendation of Share Exchange Ratios for the proposed Demerger of the Demerged Undertaking from KIL to UltraTech

Income Approach – DCF Method (i)	9,165.4	50%	170.7	33.3%
Market Approach				
Market Price Method (ii)	8,699.4	25%	110.4	11.1%
Comparable Transaction Method (iii)	NA ²	NA	168.6	11.1%
Comparable Companies Multiples method (iv)	7,520.1	25%	126.9	11.1%
Relative Value per Share [Weighted Average of (i),(ii), (iii) and (iv)]	8,637.6		165.2	
Fair Share Exchange Ratio (A:B) (Rounded)	1:52			

NA = Not Applied / Not Applicable

¹As mentioned earlier, we have not considered it appropriate to determine the value of equity shares of UltraTech under Cost Approach would not capture the intangible assets on account of its size and market position.

² We have not considered CTM to derive the value of equity shares of UltraTech due to lack of adequate transactions of similar size.

Share Exchange Ratio 2

Valuation Approach	UltraTech (A)		KIL (B)	
	Value per RPS ₁ (INR)	Weight	Value per 5% RPS (INR)	Weight
Income Approach	100	100%	61.0	100%
Share Exchange Ratio 2 (A:B) (Rounded)	54,86,608:90,00,000			

Share Exchange Ratio 3

Valuation Approach	UltraTech (A)		KIL (B)	
	Value per RPS ₂ (INR)	Weight	Value per OCRPS (INR)	Weight
Income Approach	100	100%	45.0	100%
Share Exchange Ratio 3 (A:B) (Rounded)	8,64,275:19,19,277			



Annex 1B - Approach to Valuation – PwC BCS

We have considered International Valuation Standards in carrying out our valuation analysis and delivering our valuation conclusion. There are several commonly used and accepted valuation approaches for determining the value of a business/ shares of a company, which have been considered in the present case, to the extent relevant and applicable:

1. Asset Approach - Net Asset Value method

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 cases where the firm is to be liquidated i.e., it does not meet the “going concern” criteria or in case where the assets base dominates earnings capability. A scheme of demerger would normally be proceeded with, on the assumption that the business would continue as going concern and an actual realization of the operating assets is not contemplated. In such a going concern scenario, the relative earning power is of importance to the basis of arrangement for Demerger, with the values arrived at on the net asset basis being of limited relevance.

2. 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/ cost of equity. The sum of the discounted value of such free cash flows is the value of the business/ firm/ equity shareholders.

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/ business that are available to all providers of the companies'/ business' capital – both creditors and shareholders.

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/ business. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

3. 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) listed companies or transactions in similar companies. 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 indicator of the fair value of the share especially where the market values are fluctuating in a volatile capital market or when the shares are thinly traded. Further, in the proposed Demerger, 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' Multiple (CCM) Method**

Under this method, value of a business/ company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. The market price, as a ratio of the comparable company's attribute such as book net worth, profit after tax, capital employed, earnings, etc. is used to derive an appropriate multiple. This multiple is then applied to the attribute of the asset being valued to indicate the value of the subject asset. 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 (CTM) Method**

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.

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuer and judgment taking into account all the relevant factors. There will always be several factors, e.g., 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 business/ share. The determination of a fair value of equity shares/ business undertaking/ preference shares/ Share Exchange Ratios 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. This concept is also recognized in judicial decisions. There is, therefore, no indisputable single fair value estimates/ Share Exchange Ratios. The fair value estimates/ Share Exchange Ratios rendered in this Report only represent our recommendation(s) based upon information till the date of this Report, furnished by the Management (or its representatives) and other sources, others may place a different value. The final responsibility for the determination of the Share Exchange Ratios at which the proposed Demerger shall take place will be with the Board of Directors who should take into account other factors such as their own assessment of the proposed Scheme and input of other advisors.

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. The valuation approaches/ methods used, and the values arrived at using such approaches/ methods by us have been tabled below.

The Share Exchange Ratio has been arrived at on the basis of a fair value estimates of equity shares and preference shares of UltraTech and cement business, 5% RPS and OCRPS of KIL on a relative basis, based on the various methodologies explained herein earlier and other factors considered relevant, having regard to information base, key underlying assumptions, and limitations. Though different values have been arrived at under each of the above methodologies, it is finally necessary to arrive at a single value for the proposed Demerger. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

In the current analysis, the arrangement involving proposed Demerger is proceeded with the assumption that on Demerger, the Resulting Company will continue as a going concern 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 the Transaction, with the values arrived at on the net asset basis being of limited relevance. Hence, while we have calculated the values of the equity shares of UltraTech and Demerged Undertaking under the Asset Approach, we have considered it appropriate not to give any weightage to the same in arriving at the Share Exchange Ratios.

Given the nature of businesses of UltraTech and the Demerged Undertaking, and the fact that we have been provided with projected financials for UltraTech (on consolidated basis) and the Demerged Undertaking, we

Recommendation of Share Exchange Ratios for the proposed Demerger of the Demerged Undertaking from KIL to UltraTech

have considered it appropriate to apply the DCF Method under the Income Approach to arrive the fair value of the equity shares of UltraTech and the Demerged Undertaking. Within the DCF method, equity value per share for UltraTech and Demerged Undertaking has been computed as follows:

- Enterprise value of UltraTech and Demerged Undertaking has been computed using DCF method;
- To arrive at the total value available to the equity shareholders for both UltraTech and Demerged Undertaking, value arrived as above is adjusted, as appropriate, for debt, cash and cash equivalents and surplus assets as appearing in the balance sheet, contingent liabilities and other matters;
- The remaining value thus determined is then divided by fully diluted equity shares (considering estimated ESOP exercise, as appropriate), to arrive at the value per equity share.

Further, in case of Demerged Undertaking, the DCF Method was used to arrive at fair value estimates of 5% RPS and OCRPS, considering expected cashflows, existing coupon rates and estimated market yields. These fair value estimates were adjusted from enterprise value of the Demerged Undertaking. Further, the Scheme envisages issue of preference shares ('RPS1 and RPS2') of UltraTech to preference shareholders of KIL. The proposed terms of these preferences share is in line with the market yields and their face value can be considered representative of their fair value.

For our analysis under Market Approach, we have considered the Market Price Method to arrive at the fair value of the equity shares of UltraTech. For determining the market price, the volume weighted share price over an appropriate period has been considered in this case. Given nature of Transaction involving Demerger, Market Price Method was not used to determine value of Demerged Undertaking.

Considering the stage of operations of the Companies, industry within which it operates and their historical and current profitability status, we have considered EV/EBITDA and EV/Revenue multiple of various listed comparable companies. We have relied on publicly available information and certain databases such as CapIQ, etc. to arrive at the comparable company multiple.

Comparable Companies' Transaction Multiple (CTM) method has not been used due to lack of information in the public domain on comparable transactions of similar scale. Further, the transaction multiples may include acquirer specific considerations, synergy benefits, control premium and minority adjustments.

For our final analysis and recommendation, we have considered the values arrived under the Income Approach and Market Approach to arrive at the fair value estimates of equity shares and preference shares of UltraTech and cement business, 5% RPS and OCRPS of KIL for the purpose of the proposed Demerger.

We have considered appropriate weights to the values arrived at under the various valuation approaches/methodologies.

In view of the above, and on consideration of the relevant factors and circumstances as discussed and outlined hereinabove, the table below summarises our workings for valuation of equity shares and preference shares of UltraTech and cement business, 5% RPS and OCRPS of KIL, and the Share Exchange Ratios as derived by us.



Recommendation of Share Exchange Ratios for the proposed Demerger of the Demerged Undertaking from KIL to UltraTech

Share Exchange Ratios for the proposed Demerger of Demerged Undertaking from Demerged Company to Resulting Company by PwC BCS is tabulated below:

Share Exchange Ratio 1

Approach	UltraTech (A)		Demerged Undertaking (B)	
	Value per Share (INR)	Weight	Value per Share (INR)	Weight
Asset Approach-Net Asset Value Method	1,944.9	0.0%	(5.5)	0.0%
Income Approach - Discounted Cashflow Method	9,173.8	50.0%	188.0	50.0%
Market Approach				
-Comparabale Companies Method (ii)				
EV/Revenue	7,544.8	8.3%	170.5	16.7%
EV/EBITDA	8,028.2	16.7%	135.2	33.3%
-Market Price Method (Higher of 10 trading days or 90 trading days VWAP)	8,699.4	25.0%	NA	0.0%
Relative Value per Share	8,728.5	100.0%	167.5	100.0%
Share Exchange Ratio 1 (A:B) *	1.0		52.0	

Share Exchange Ratio 2

Approach	UltraTech (A)		Demerged Undertaking (B)	
	Value per RPS ₁ (INR)	Weight	Value per 5% RPS (INR)	Weight
Income Approach	100	100%	61.0	100%
Share Exchange Ratio 2 (A:B) *	54,86,608:90,00,000			

Share Exchange Ratio 3

Approach	UltraTech (A)		Demerged Undertaking (B)	
	Value per RPS ₂ (INR)	Weight	Value per 0% OCRPS (INR)	Weight
Income Approach	100	100%	45.0	100%
Share Exchange Ratio 3 (A:B) *	8,64,275:19,19,277			

*Rounded



