



SHARP & TANNAN

Chartered Accountants

Firm's Registration No. 109982W

Annexure - 5

FOR MUKAND LIMITED
[Signature]
K. J. MALLYA
Company Secretary

14th July, 2018

Strictly Privileged & Confidential

The Board of Directors

Mukand Limited

3rd Floor, Bajaj Bhawan,
Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai
- 400 021, Maharashtra

The Board of Directors

Mukand Engineers Limited

3rd Floor, Bajaj Bhawan,
Jamnalal Bajaj Marg, 226, Nariman Point,
Mumbai - 400 021, Maharashtra

Dear Sir/Madam,

Re: Recommendation of share exchange ratio for the proposed amalgamation of Mukand Engineers Limited into Mukand Limited.

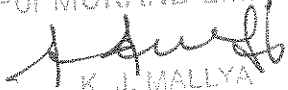
This is with reference to our engagement letter dated 01st June, 2018 and discussions held from time to time, whereby we M/s Sharp & Tannan (referred to as "Valuer" or "We" or "us"), have been appointed to recommend share exchange ratio for the proposed restructuring, wherein, including, *inter alia*, Mukand Engineers Limited ("MEL") shall be amalgamated with Mukand Limited ("ML") with effect from the Appointed Date of 1st April, 2019 (hereinafter referred to as "Proposed Amalgamation"). We are pleased to present herewith our report on the same.

1. BRIEF BACKGROUND

1.1 Mukand Limited (ML)

1.1.1 ML is part of the Bajaj Group of companies with Shah Family being co-promoter. In the year 1937, Mukand Ltd. (known as Mukand Iron & Steel Works Limited at that time) was established under the provisions of Indian Companies Act 1913 & was later acquired by the present promoter families, Shri Jamnalal Bajaj and Shri Jeevan Lal Shah, in the year 1939. The company then operated re-rolling mills and a foundry in Reay Road Bombay and Lahore respectively. The company was rechristened Mukand Ltd. in the year 1989 and had grown to become a multi division, multi product conglomerate. With manufacturing facilities in Kalwe, Maharashtra and Hospet, Karnataka, ML produces over 400 grades of specially engineered steel to suit stringent customer requirements in the form of bars, bright bars, wire rods and



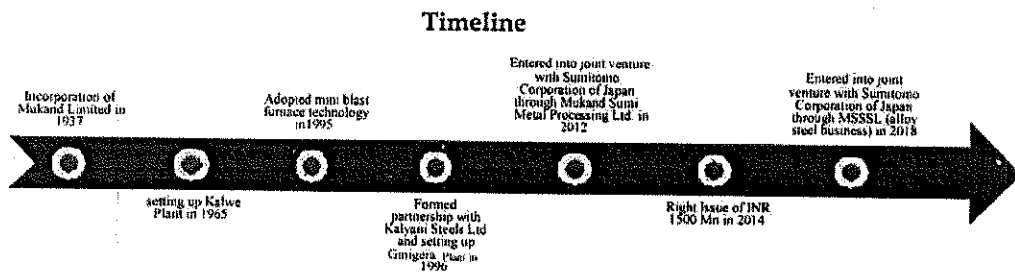
For MUKAND LIMITED

 K. J. MALLYA
 Company Secretary

wires. Apart from steel, it also operates in Industrial Machinery and Engineering Contracts, and others segments.

- 1.1.2 ML, a listed public company, has its registered office in Mumbai, Maharashtra. Equity shares and 0.01% cumulative redeemable preference shares of ML are listed on the National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE").
- 1.1.3 The company produces, blooms, billets and converts them into rounds, wire rods, bars, of special and alloy steel, it also offers alloy steel through Joint Venture with Sumitomo Corporation. Its stainless steel products are sold domestically and also exported to developed and developing countries like USA, Germany, Italy, Netherlands, Switzerland, UAE and other South Asian countries etc.
- 1.1.4 ML has a strategic partnership through Hospet Ltd. in Steel Plant at Hospet with Kalyani Steels Ltd. having three blast furnaces with a total capacity of 700000 MTPA. Hospet Ltd. operates two of the said three blast furnaces to produce close to 600000 MTPA of steel per annum. ML has a share of 58.62% in this production which brings its capacities at ~351000 MTPA of steel.
- 1.1.5 In addition, the company offers material handling machinery, such as EOT cranes, gantry cranes, port cranes and bulk material handling equipment; heavy machinery for process plants in ferrous and non-ferrous industries; specialty steel long products; and equipment for rolling mills, power, nuclear, and defense applications.

Further, in the previous years the company was also involved in the execution of road construction projects in the state of Uttar Pradesh with National Highway Authority of India along with Centrodorstroy Russia. Apart from the core assets, ML is also enriched with large land bank in the industrial area Thane.

- 1.1.6 **Timeline of ML:** The below timeline describes the key events of ML in chronological order:



➤ Incorporation of Mukand Ltd in 1937



SHARP & TANNAN

LETTER NO: _____

SHEET NO: _____

For MUKAND LIMITED
K. J. MALLYA
Company Secretary

- Shifting of Steel Foundry from Lahore to Kurla, Bombay in 1950.
- Setting up Kalwe Steel Plant in 1965.
- Adopted Mini Blast Furnace Technology in Strategic Alliance with Kalyani Steels in 1995
- Entered into Joint Venture for Bright Bar Operations with Sumitomo Corporation of Japan through Mukand Sumi Metal Processing Ltd. in 2012
- Mukand Ltd.'s Rights Issue of INR 1,500 Mn in 2014
- Entered into Joint Venture for Alloy Steel operations with Sumitomo Corporation of Japan through Mukand Sumi Special Steel Ltd. in 2018

1.1.7 The subscribed & paid up equity share capital of ML as at March 31, 2018 was INR 141.41 Crs. divided into 14,14,05,861 equity shares of INR 10/- each (face value). The Shareholding pattern of ML as on March 31, 2018 is as hereafter:

Sl. No.	Names of the Shareholder	No. of Shares	% holding
1.	Promoter & Promoter Group	10,33,94,145	73.12%
2.	Public	3,80,11,716	26.88%
Total		14,14,05,861	100.00%

1.1.8 Further, 56,26,320 Cumulative Redeemable Preference share of INR 10 each (face value), fully paid up have been reflected as Preference Share Liability under the head Borrowings as at March 31, 2018 by ML. We have been given to understand that there has not been any change in equity share capital of ML after 31st March, 2018.

1.2 Mukand Engineers Limited (MEL)

1.2.1 MEL is a listed public company, incorporated on January 30, 1987 under the provisions of the Companies Act, 1956 and having its registered office in Mumbai, Maharashtra. The equity shares of MEL are, at present, listed on NSE & BSE. As on March 31, 2018, 36.11% shares of MEL are held by ML.

1.2.2 MEL offer services in areas of engineering construction including feasibility studies, planning, procurement, construction, erection and commissioning of projects across industries such as petro chemicals, oil exploration and refineries, fertilizers, steel plants, aluminum plants, thermal and nuclear plants.

Page 3 of 15



FOI MUKAND LIMITED
[Signature]
 K. J. MALLYA
 Company Secretary

- 1.2.3 In addition, MEL also undertakes turnkey packages, including design, supply, fabrication, civil, electrical, piping, instrumentation, refractory/insulation, installation, and commissioning works for gas holders, water and utility systems, fired heaters, furnaces, reformers, and flare stacks. Further, it engages in the engineering, procurement, and construction of civil and structural works, plant equipment, and electrical and automation, as well as water, fire protection, air conditioning, air pollution control, and ventilation systems. Additionally, the company provides ERP implementation and InfoTech services. It serves steel, non-ferrous, hydrocarbon, power, nuclear, infrastructure, and defense industries.
- 1.2.4 The subscribed & paid up equity share capital of MEL as at March 31, 2018 was INR 12.57 Crs divided into 1,25,72,400 equity shares of INR 10/- each (face value). The Shareholding pattern of MEL as on March 31, 2018 is as follows:

Sl. No.	Names of the Shareholder	No. of Shares	% holding
1.	Promoter & Promoter Group	66,64,933	53.01%
2.	Public	59,07,467	46.99%
Total		1,25,72,400	100.00%

We have been given to understand that there have not been any change in equity share capital of MEL after 31st March, 2018.

- 1.2.5 As on date hereof, as given to understand, MEL holds 0.48% equity shares of ML and 0.93% preference shares of ML.
- 1.3 Mukand Sumi Metals Processing Ltd. ("MSMPL")
- 1.3.1 ML has entered into a JV with Sumitomo Corporation to manufacture and market cold finished bars & wires. MSMPL is performing well for the last 3 fiscals and is expected to continue in same fashion for the coming years. MSMPL's total capacity is at 72,000 MTPA of cold finished bright bars and wires of which at present company utilizes the capacities to the tune of 4500 MT per month. 60.07% stake in MSMPL is held by ML and balance 39.93% by Sumitomo Corporation.
- 1.4 Mukand Sumi Special Steel Ltd. ("MSSSL")
- 1.4.1 Alloy Steel Rolling and finishing business operations of ML is being carried out through a JV with Sumitomo Corporation. Alloy Steel product portfolio of ML includes Wire Rods and Bar Rods. Its products are being used in various automobile industry products like wheel bearings, cold forgings, pinions, crankshafts, brake flanges, fuel injection nozzles, transmission gears, and springs, as well as for commercial vehicle joint and roller bearing wire applications; wire



FOTMUKAND LIMITED
K. J. MALLYA
Company Secretary

rods for solenoid valve application; and banitic steel. 51% stake in MSSSL is held by ML and balance 49% by Sumitomo Corporation.

2. SCOPE & PURPOSE

2.1 We have been given to understand that, *inter alia*, MEL is proposed to be amalgamated with ML, with effect from the Appointed Date of 1st April, 2019, by way of a Scheme of Amalgamation pursuant to the provisions of Sections 230 to 232 of Companies Act, 2013 & other relevant provisions made there under. As part of the Proposed Amalgamation, all assets and liabilities of MEL as on the Appointed Date shall stand transferred to and vested with ML. Pursuant to the Proposed Amalgamation, ML shall discharge consideration by issuing its equity shares to the equity shareholders of MEL.

2.2 For this purpose, as requested, we have carried out (i) valuation of equity shares of ML & (ii) valuation of equity shares of MEL, as on the Valuation Date of (31st March, 2018) with a view to recommend an Exchange Ratio in connection with the Proposed Amalgamation.

2.3 Upon the proposed Scheme becoming effective, ML shall issue its shares having face value of INR 10 each to the shareholders of MEL, except ML itself, pursuant to the amalgamation, as consideration for amalgamation.

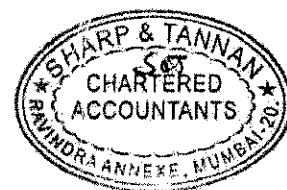
2.4 This Exchange Ratio Report ("Exchange Ratio Report" or "Report") may be produced before Audit Committee, judicial, regulatory or government authorities, in connection with the Proposed Amalgamation to the extent mandatorily required under applicable laws of India.

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

3. SOURCES OF INFORMATION

In connection with preparing this Report, we have received & relied upon the following sources of information:

- ❖ Management certified financial statements of MEL, MSSSL and MSMPL for FY 2017-18 and division wise Management certified Balance sheet of ML as on 31st March 2018.
- ❖ Financial Projections of ML (division wise for Stainless, Alloy Steel Bar and Bloom manufacturing and Industrial Machinery), MEL, MSSSL and MSMPL with key financial assumptions, from FY 18-19 to FY 2022-23, as made available to us;

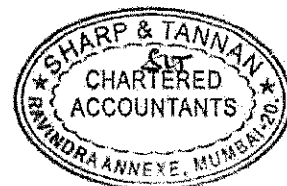


FOTMUKAND LIMITED
[Signature]
K. J. MALLYA
Company Secretary

- ❖ Income Tax Return for AY 2017-18 & draft computation of Total Income for AY 2018-19 for ML, MEL and MSMPL;
- ❖ Details of Contingent Liabilities as on 31st March 2018 of ML, MEL and MSMPL
- ❖ Certified copy on project viability report dated 23rd May 2017 obtained from Deodhar Associates for 5.96 acres of plot of land owned by ML at LBS Marg, Kurla, Mumbai.
- ❖ Various other agreements &/or documents &/or information related with ML and MEL;
- ❖ List of assets and liabilities pertaining to Road Construction Division of ML.
- ❖ Details of Free hold and lease hold land of ML as on 31st March 2018.
- ❖ Details in relation to order backlog and future orders to be received of Machine Building Division of ML and MEL.
- ❖ Brief Overview of ML and MEL and their past and current operations provided by the Management;
- ❖ Amount and cost of long term and short term debt of ML, MEL, MSSSL and MSMPL as on 31st March 2018.
- ❖ Draft Scheme of Amalgamation for contemplated restructuring.
- ❖ Published & secondary sources of data, whether or not made available by the companies.
- ❖ Management Representation dated 12th July, 2018 containing various data, documents and information relating to ML and MEL, which is relevant for the transaction;
- ❖ Other information provided as well as discussions held with the Management and other key personnel regarding past, current and future business operations;
- ❖ Such other analysis, reviews and inquiries, as we considered necessary for the purpose of this engagement.

4. SCOPE, ASSUMPTIONS, EXCLUSIONS AND LIMITATION

4.1 This Exchange Ratio Report, its contents and the results herein are (i) specific to the purpose mentioned in this report; (ii) specific to the date of this Report and (iii) based on the balance sheet of the companies as at 31st March, 2018. The Management has represented that the business activities of ML, MEL & its subsidiaries & JVs have been carried out in the normal and ordinary course and we have been given to understand that there has not been any material change since 31st March 2018 and date hereof, except receipt of funds from Sumitomo



FOR MUKAND LIMITED
[Signature]
K. J. MALLYA
Company Secretary

Corporation towards subscription of 49% equity of MSSSL, in their respective operations and financial position. Further, we have also been given to understand that business of ML (including its subsidiaries, JVs & Associate Company) and MEL is expected to be operated in the normal course of business till Appointed Date.

- 4.2 In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of information made available to us by the companies and (ii) the accuracy of the information that was publicly available, and formed substantial basis for this Report. We have not carried out a due diligence or audit of the Companies, nor have we independently investigated or otherwise verified the data provided by the companies. We do not express any form of assurance that the financial information or other information as prepared and provided by the companies is accurate. Also, with respect to explanations and information sought from the companies, we have been given to understand by the companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.
- 4.3 Our conclusions are based on these assumptions and information given by/on behalf of the companies. The respective Management of the companies has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the companies and their impact on the Exchange Ratio Report. However, nothing has come to our attention to indicate that the information provided was materially misstated / incorrect. 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.
- 4.4 During the course of work, we have relied upon the Financial Projections of ML, MEL, MSSSL and MSMPPL as provided to us by the Management. The realizations of the projections are dependent on the continuing validity of the assumptions on which they are based. Since, the projections relate to the future, actual results may be different from the projected results because events and circumstances do not occur as expected, and differences may be material.
- 4.5 Valuation work, by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. Given the same set of facts and using the same assumptions, expert opinion may differ due to number of separate judgement decisions, which have to be made. There can therefore be no standard formulae to establish an undisputable value, although certain formulae are helpful in assessing reasonableness. There is, therefore, no undisputable single

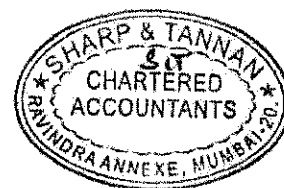



For MUKAND LIMITED


K. J. MALLYA
Company Secretary

exchange ratio. While we have provided our recommendation of the exchange ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the exchange ratio. You acknowledge and agree that you have the final responsibility for the determination of the exchange ratio at which the transaction shall take place and factors other than this Report will need to be taken into account in determining the exchange ratio; these will include your own assessment of the transaction and may include the input of other professional advisors.

- 4.6 This report and its contents is prepared for the companies and to be used only for the specific engagement and regulatory reporting purposes and must not be copied, disclosed or circulated or referred to or quoted in any correspondence, registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or discussion with any person. The report is confidential to the companies and it is given on the express undertaking that will not be communicated, in whole or in part, to any third party without prior written consent of the Valuer. Neither this report nor its contents may be used for any other purpose other than in connection with this Proposed Amalgamation without prior written consent of the Valuer.
- 4.7 Whilst all reasonable care has been taken to ensure that the facts stated in the report are accurate and the opinions given are fair and reasonable, neither ourselves, nor any of our partners, officers or employees shall in any way be responsible for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of completeness, authenticity or accuracy of such statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report. We owe responsibility only to the Board of Directors of the companies and nobody else. We are not liable to any third party in relation to the issue of this report. In no event we shall be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or wilful default on the part of the Companies, their management, directors, employees or agents.
- 4.8 A valuation of this nature is necessarily based on 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. However, we reserve the right to amend or replace the report at any time in the event of any material change in the facts presented to us.
- 4.9 The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the companies will be



FOR MUKAND LIMITED

K.V. MALLYA
Company Secretary

managed in a competent and responsible manner. Our conclusion of value assumes that the assets & liabilities of the companies, reflected in their respective latest balance sheets remain intact as of the date hereof.

4.10 In addition, we express no opinion or recommendation as to how the shareholders or creditors of companies should vote at their respective meeting(s) to be held in connection with the Proposed Amalgamation.

4.11 The fee for this engagement is not contingent upon the results of this report.

5. VALUATION APPROACH

5.1 Approaches for Valuation

There are three generally accepted approaches to valuation:

- a. "Cost" Approach
- b. "Income" Approach
- c. "Market" Approach

a. Cost Approach

Cost approach 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). The following are the two most commonly used valuation methods under the cost approach

Replacement Cost Method:

Replacement Cost Method, also known as 'Depreciated Replacement Cost Method' involves valuing an asset based on the cost that a market participant shall have to incur to recreate an asset with substantially the same utility (comparable utility) as that of the asset to be valued, adjusted for obsolescence.

The following are the major steps for deriving value under Replacement Cost Method:

- ❖ Estimate the costs that will be incurred by a market participant for creating an asset with comparable utility as that of the asset to be valued;
- ❖ Assess whether there is any loss on account of physical, functional or economic obsolescence in the asset to be valued; and



For MUKAND LIMITED


K. J. MALLYA
Company Secretary

- ❖ Adjust the obsolescence value, if any as determined under (b) above from the total costs estimated under (a) above, to arrive at the value of the asset to be valued.

We have used replacement cost method for our valuation exercise by estimating the net replacement/realizable value of Land and investments and assuming all other assets and liabilities would be realized at book value. To the value so arrived, adjustment are made towards contingent liability & fair value towards the preference share capital, as applicable, to arrive at the value for the equity shareholders

Reproduction Cost Method

Reproduction Cost Method involves valuing an asset based on the cost that a market participant shall have to incur to recreate a replica of the asset to be valued, adjusted for obsolescence.

The following are the major steps in deriving a value using the Reproduction Cost method

- ❖ Estimate the costs that will be incurred by a market participant for creating a replica of the asset to be valued.
- ❖ Assess whether there is any loss of value on account of physical, functional or economic obsolescence in the asset to be valued.
- ❖ Adjust the obsolescence value, if any as determined above from the total estimated costs, to arrive at the value of the asset to be valued.

b. Income Approach

The "Income" approach focuses on the profit/earnings potential of the business being valued. The Income Approach to valuation includes Discounted Cash Flow ("DCF") Method. The "Income" approach focuses on the income generated by the company as well as its future earning capability.

DCF Method:

- ❖ The DCF Method seeks to arrive at a value of a business based on the strength of its future cash flows. This method also captures the risk involved with these cash flows.
- ❖ Under this method, the business is valued by discounting its free cash flows for an explicit forecast period and the perpetuity value thereafter. The free cash flows to the firm



For MUKAND LIMITED
[Signature]
K. J. MALLYA
Company Secretary

("FCFF") represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by Weighted Average Cost of Capital ("WACC"). WACC is an appropriate rate of discount to calculate the present value of the future free cash flows as it considers debt-equity risk and also debt-equity ratio of the company/industry.

- ❖ To the present value of the cash flows so arrived, adjustments are made for the value of debt, surplus/non-operating assets including investments, surplus cash & bank balance, contingent assets/liabilities and other liabilities and value towards preference share capital, as applicable, in order to arrive at the value for the equity shareholders.
- ❖ We have used DCF method for our valuation by using projections provided to us by management.

c. **Market Approach**

Market Price Method:

Under this method, the market price of an equity share as quoted on a recognized 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 frequently traded. The market value generally reflects the investors' perception about the true worth of the company.

Since the shares of ML and MEL are listed on NSE and BSE and there are regular transactions in their equity shares with reasonable volumes. In the circumstances, the share price of ML and MEL, over an appropriate period has been considered for determining the value of ML and MEL, under the market price methodology.

Market Multiple Method:

- ❖ Under Market Multiple Method, the value is determined on the basis of multiples derived from valuations of companies in the same industry, as manifested through stock market valuations of listed companies.
- ❖ This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.



For MUKAND LIMITED

K.J. MALLYA
Company Secretary

- ❖ ML is a diversified company having different nature of business operations, so, we could not find the exact comparable company for ML. In the absence of sufficient comparable companies, we have not used this approach for ML. Further, for MEL also, we have not applied Market Multiple Method.

Market Transactions Method:

- ❖ With regard to the multiples applied in an earnings based valuation, they are generally based on data from the recent transactions in a similar sector, but with appropriate adjustment after due consideration has been given to the specific characteristics of the business being valued.
- ❖ In the absence of any comparable transaction in the recent past in respect of which complete details of deal structure, etc. are not available in public domain, we are unable to apply Market Transaction method.

5.2 Valuation Methodologies Applied


Arriving at the share exchange ratio for the Proposed Amalgamation would require determining the value of the equity shares of MEL in terms of the value of the equity shares of ML. These values are to be determined independently but on a relative basis.

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

The application of any particular method of valuation depends on the purpose for which the valuation is done. In arriving at the value of the equity shares of ML and MEL, from amongst the generally accepted valuation methodologies, we have applied methodologies most relevant, applicable and appropriate to the circumstances.

A brief overview of the valuation methodologies applied for each company is outlined below:



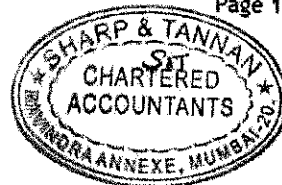
For MUKAND LIMITED

 K. J. MALLYA
 Company Secretary

5.2.1 ML

- ❖ **Income Approach - DCF Method:** Under this method, the operating business of ML has been valued by discounting the free cash flows for an explicit forecast period and the perpetuity value thereafter by WACC. To the present value of the cash flows so arrived, adjustments have been made for Contingent liabilities and MAT credit to arrive at the Enterprise Value. To the Enterprise Value, appropriate adjustment has been made for net debt, non-operating assets (i.e. Surplus Land, Non-Current Investments) & other Net assets of the company to arrive at Value for Equity & Preference shares of ML and post reduction of present value of preference shares to the above value, equity value for equity shareholder has been worked out.
- ❖ **Market Price Approach - Market Price Method:** Under this method, equity value of ML has been determined based on 6 months Volume Weighted Average Price as on 13th July, 2018 using NSE data¹.
- ❖ **Cost Approach - Replacement Cost Method:** In the replacement cost approach for all assets and liabilities we have considered the book value as replaceable value except investment and land in use whose replacement value has been estimated based on the current market value. For the land which are surplus in nature, it has been assumed that the same will be sold in near future & net realizable value (post tax & transaction cost) has been considered. To the value so arrived at, adjustments have been made for Contingent liability and present value of preference shares to arrive at value for the equity shareholders.
- ❖ Appropriate weightage has been applied to each of the above mentioned methods to arrive at the Weighted Average Equity Value of ML.
- ❖ For arriving at the equity value of ML, we have applied various methods as summarized below:

Valuation Approach	ML
Cost Approach	√
Income Approach	√
Market Approach	√

¹ Since equity shares of ML are more frequently traded on NSE as compared with BSE.



For MUKAND LIMITED

 K. J. MALLYA
 Company Secretary

5.2.2 MEL

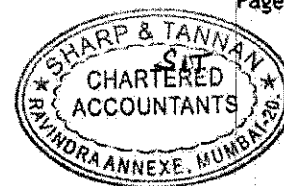
- ❖ **Income Approach - DCF Method:** Under this method, the operating business of MEL has been valued by discounting the free cash flows for an explicit forecast period and the perpetuity value thereafter by WACC. To the present value of the cash flows so arrived, adjustments have been made for Contingent liabilities. Appropriate adjustment has been made for net debt, non-operating assets & other assets of the company to arrive at Equity Value of MEL.
- ❖ **Market Price Approach - Market Price Method:** Under this method, equity value of MEL has been determined based on 6 months Volume Weighted Average Price as on 13th July, 2018 using NSE data².
- ❖ **Replacement Cost Method:** In the replacement cost approach, for all assets and liabilities we have considered the book value as replaceable value except investments whose replaceable value has been estimated based on the current market value. To the value so arrived, adjustments have been made for Contingent liability to arrive at replacement cost value for equity shareholders.
- ❖ Appropriate weightage has been applied to each of the above mentioned methods to arrive at the Weighted Average Equity Value of MEL.
- ❖ For arriving at the equity value of MEL, we have applied various methods as summarized below:

Valuation Approach	MEL
Cost Approach	√
Income Approach	√
Market Approach	√

5.3 Valuation Summary

Valuation Approach	ML		MEL	
	Price/share (INR)	Wgt (%)	Price/share (INR)	Wgt (%)
Cost Approach	132.18	20%	28.16	20%
Income Approach	111.87	40%	41.10	40%
Market Approach	74.94	40%	41.66	40%
		100.0%		100.0%
Wgt Avg. Price/ share	101.16		38.74	
Share Swap Ratio	1 : 2.61			
Share Swap Ratio (rounded off)	1 : 2.60 or 5 : 13			

² Since equity shares of MEL are more frequently traded on NSE as compared with BSE.



SHARP & TANNAN LIMITED
[Signature]
J. J. MALLYA
Company Secretary

6. RECOMMENDATION OF EXCHANGE RATIO

- 6.1 In light of the above and on consideration of all the relevant factors and circumstances as discussed & outlined hereinabove referred to earlier in this report for Amalgamation and upon the proposed Scheme becoming effective, in our opinion, we recommend fair share exchange ratio for the amalgamation of MEL with ML of:

"5 equity shares of ML of INR 10/- each fully paid up for every 13 equity share of MEL of INR 10/- each fully paid up"

Thanking You,

Yours faithfully,

For Sharp & Tannan
Chartered Accountants
Firm Registration No. - 109982W

[Signature]
Edwin Augustine
(Partner)
Membership No. - 043385

Date: 14th July, 2018
Place: Mumbai

