TRC Corporate Consulting Private Limited
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Mukesh Chand Jain
IBBI/RV/05/2020/13666
Munirka Apartments, Sector 9
Plot No 11, Dwarka, New Delhi - 110075

To,

14th November 2023

Board of Directors, **Lily Commercial Private Limited** 404 Akashdeep Building, 26A, Barakhamba Road, New Delhi - 110001	**Board of Directors,** **DCM Shriram Industries Limited** 6th floor, 610 Kanchenjunga Building 18, Barakhamba Road, New Delhi- 110001	**Board of Directors,** **DCM Shriram Fine Chemicals Limited** 6th floor, Kanchenjunga Building, 18, Barakhamba Road, New Delhi, Delhi 110001	**Board of Directors,** **DCM Shriram International Limited** 6th floor, Kanchenjunga Building, 18, Barakhamba Road, New Delhi, Delhi 110001

Subject: Recommendation of Fair Equity Exchange ratio for the proposed Amalgamation of Lily Commercial Private Limited into and with DCM Shriram Industries Limited and subsequent share entitlement ratio for the proposed demerger of Chemical and Rayon Undertakings of DCM Shriram Industries Limited into DCM Shriram Fine Chemicals Limited and DCM Shriram International Limited.

Dear Sir/Madam,

This is in accordance with the terms of reference set out in our engagement letter dated 4th July 2023, wherein **Mr. Mukesh Chand Jain, Registered Valuer/ IBBI/RV/05/2020/13666** (hereinafter referred to as 'We') and **TRC Corporate Consulting Private Limited** (hereinafter referred to as 'TRC' and collectively referred to as 'Valuer') have been appointed for providing valuation services to DCM Shriram Industries Limited (hereinafter referred to as 'DCMSR') and Lily Commercial Private Limited (hereinafter referred to 'LCPL' and collectively referred to as 'Client' or 'amalgamating companies') in connection with estimating Fair Equity Exchange ratio for the amalgamation of LCPL into and with DCMSR and subsequent share entitlement ratio for the proposed demerger of Chemical Undertaking and Rayon Undertaking of DCMSR, into two separate companies, namely, DCM Shriram Fine Chemicals Limited ('DSFCL' or 'Resultant Company 1') and DCM Shriram International Limited ('DSIL' or 'Resultant Company 2'), respectively with demerged DCMSR being the residual undertaking (DSFCL and DSIL are hereinafter collectively referred to as the "Resultant Companies" and DCMSR, shall be referred to as the transferor) (hereinafter amalgamating Companies and resultant companies shall collectively be referred as 'Companies').

1. Purpose of this Report

We understand that the Board of Directors of DCMSR believes that (a) the 3 (three) segregated business verticals of sugar (including alcohol and power), chemicals and rayon (including defence and engineering projects) being diverse in nature with no critical business inter-dependencies, would be best placed in independent companies; (b) the separated undertakings being part of separate companies would have a greater possibility of inviting specialised and strategic investors and joint venture partners, and the demerger would likely increase shareholder value and focus each company on specific business, leading to faster growth and better price discovery; and (c) the family members constituting the 'promoter and promoter group' of DCMSR should have direct ownership in each vertical (instead through investment company(ies)) so that they can take independent decisions on their respective shareholdings.

In view of above, the Board of Directors of each of the companies has preferred a composite scheme of arrangement (the 'Scheme') which deals with the amalgamation of LCPL and DCMSR as the first step and the subsequent demergers of the Chemical Undertaking and the Rayon

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Undertaking of DCMSR to DSFCL and DSIL, respectively, as it is more efficient, less costly and in the interest of its shareholders, creditors and employees, so that simultaneously three separate verticals namely sugar, chemical and rayon, emerge at the end of the process after the Scheme is sanctioned as a whole.

The Scheme is expected to provide the following benefits to the Companies and its various stake holders:

(i) greater management focus on each business vertical (being Chemical Undertaking, Rayon Undertaking and Residual Undertaking);

(ii) better administrative efficiency;

(iii) operational rationalisation, organisational efficiency and optimum utilisation of resources;

(iv) focused approach to respective line/stream of business;

(v) ability to leverage financial and operational resources for each business;

(vi) allows shareholder to have a choice of investment in some and not all the businesses;

(vii) better price discovery as performance of each business can be evaluated and projected without counter balancing of other businesses;

(viii) unlocking shareholder value and opportunity for the public shareholders to exploit the individual potential of DCMSR and each of the Resultant Companies, pursuing options of independent joint ventures, collaborations on a sectoral basis i.e., separate ventures for sugar, chemical and rayon and creating a strong and distinctive platform with more focused management teams, which will enable greater flexibility to pursue long term objectives and independent business strategies;

(ix) providing scope for independent growth, collaboration and expansion of the three segregated business verticals, including for enhancing their valuations and efficient capital allocation;

(x) provide diversity in decisions regarding use of cash flows and exploring various opportunities;

(xi) allowing the Chemical Undertaking, the Rayon Undertaking and the Residual Undertaking, which are independent, self-sufficient and standalone undertakings (with no critical business inter-dependencies), to continue to function with efficiency and efficacy, and synergies with a seamless transition;

(xii) streamlining promoter shareholding of DCMSR by eliminating shareholding tiers and simplification of promoter shareholding into a clear structure directly identifiable with the promoters; focused management and direct commitment, attention and long term stable leadership to chemical, rayon and sugar businesses of DCMSR, comprising the Chemical Undertaking, the Rayon Undertaking and the Residual Undertaking, respectively; and

(xiii) facilitating succession planning in the future in an orderly and strategic manner, without any business disruption, which is key to secure the long-term stability,

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leadership, transparency and operational clarity of DCMSR and the Resultant Companies.

In this regard, we have been requested to recommend Fair Equity Exchange Ratio for the Proposed Amalgamation and share entitlement ratio for the Proposed Demerger.

2. Background of Companies

2.1. Lily Commercial Private Limited. (LCPL)

Lily Commercial Private Limited (LCPL) is a Private Company, which was incorporated on 27th March 1985. The CIN of LCPL is U65923DL1985PTC306331 and its registered office is Flat No. 404, Akashdeep Building, 26-A, Barakhamba Road, New Delhi Central Delhi DL 110001.

A composite scheme of amalgamation for the merger of Versa Trading Private Limited, Bantam Enterprises Private Limited, Hi-Vac Wares Private Limited and HR Travels Private Limited into and with the LCPL with effect from 1 April 2023 (which is the appointed date under the scheme) has been filed with the National Company Law Tribunal, Bench at Delhi ("Pending Merger Scheme") and is currently pending sanction. In the interim period, LCPL has made a Rights Issue of shares and the shareholding pattern of LCPL including the same and on sanction of the Pending Merger Scheme shall be as under:

Name of Shareholders	Number of shares	% Holding
Mr. Alok B. Shriram (Karta- L.Bansi Dhar & Sons)	3,02,199	27.60
M/s Akshay Foundation	74,779	6.83
Mrs. Urvashi Tilak Dhar	1,47,971	13.51
Mrs. Divya Shriram	91,638	8.36
Mrs. Suman Bansi Dhar	44,147	4.03
Mrs. Karuna Shriram	1,03,975	9.50
Mr. Madhav B Shriram	1,09,278	9.98
Ms. Kanika Shriram	36,589	3.34
Mr. Rudra Shriram	24,089	2.20
Mr. Akshay Dhar (Karta Tilak Dhar & Sons HUF)	12,767	1.17
Mr. Akshay Dhar	31,997	2.92
Ms. Aditi Dhar	31,928	2.91
Mr. Alok B. Shriram	60,020	5.48
Mr. Uday Shriram	23,528	2.15
Mr. Rohan Shriram	212	0.02
Mr. S.K. Jain	8	0.00
Total	10,95,125	100.00

(Source: As per Information provided by the management)

2.2. DCM Shriram Industries Limited (DCMSR)

DCM Shriram Industries Limited is a public limited company incorporated under the Companies Act,1956 on 21st February 1989. It is listed on the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) in India. It has its registered office at Kanchenjunga Building 18, Barakhamba Road, New Delhi- 110001, India. Its CIN is L74899DL1989PLC035140. It is a manufacturing company with a portfolio of products comprising sugar, alcohol, fine chemicals, industrial fibers, Defense and engineering products.

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2.3. DCM Shriram Fine Chemicals Limited (DSFCL)

DCM Shriram Fine Chemicals Limited is a public limited company incorporated on 29th September 2021 under the Companies Act 2013 and has its registered office at 6th Floor, Kanchenjunga Building, 18 Barakhamba Road, New Delhi - 110001, India. It bears the Corporate Identification number U24296DL2021PLC387429. DSFCL which is a wholly owned subsidiary of DCMSR. The main objects of the DSFCL are production and sale of chemicals and their by-products and to undertake contract manufacturing of chemical products.

2.4. DCM Shriram International Limited (DSIL)

DCM Shriram International Limited is a public limited company incorporated on 7th September 2022 under the Companies Act 2013 and has its registered office at 6th Floor, Kanchenjunga Building, 18 Barakhamba Road, New Delhi - 110001, New Delhi, India. It bears the Corporate Identification Number U17299DL2022PLC404291. DSIL which is a wholly owned subsidiary of DCMSR. The main objects of the DSIL are manufacturing and dealing in industrial fibres, automobiles, agricultural implements and defense related equipment.

3. Proposed Transaction

We understand that the Board of Directors of the Companies is contemplating to undertake the Proposed Transaction, which shall occur and become effective and operative only in the sequence and in the order as mentioned below:

Step 1: Amalgamation of LCPL into DCMSR, and consequently DCMSR to issue Equity Shares to shareholders of LCPL; and

Step 2: Following the amalgamation referred to above, demerger of the Chemical undertaking and Rayon undertaking from DCMSR into Resultant Company 1 ('DSFCL'), and Resultant Company 2 ('DSIL'), respectively, and consequently, DSFCL and DSIL to issue Equity Shares to Shareholders of DCMSR.

The Appointed Date for the Scheme means the opening of business hours on April 01, 2023 or such other date as the NCLT may direct / allow. The Scheme will come into effect from the Effective Date (as defined in the Scheme), being the date on which all conditions and matters referred to in Clause 7.1 of the Scheme occur or have been fulfilled, obtained or waived, as applicable, in accordance with the Scheme.

4. About Valuer

TRC Corporate Consulting Private Limited was incorporated on 30th August 1999. It provides services including, valuation & business advisory services, risk advisory & internal audit services, governance, risk and compliance services, asset management services, IBC Advisory, etc.

Mr. Mukesh Chand Jain is an IBBI Registered Insolvency Professional and IBBI Registered Valuer in 'Asset Class- Securities or Financial Assets' under the Registration number IBBI/RV/05/2020/13666. He has carried out a number of valuations under the provisions of the

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Companies Act 2013 which include valuation of mergers/acquisitions, ESOPS, Intangible assets, Purchase Price Allocation, etc.

5. Scope of Report

5.1. Mr. Mukesh Chand Jain, an IBBI registered valuer has been appointed by the client in accordance with the requirement of Company Law and Security and Exchange Board of India for the purpose of current valuation along with TRC Corporate Consulting Private Limited (TRC). Mr. Mukesh Chand Jain has independently verified the information and carried out the valuation exercise and TRC has provided support in collating/arranging the information & data.

5.2. Management of DCMSR ("Management") is contemplating the Proposed Transaction. In consideration thereof, equity shares of DCMSR will be issued to the equity shareholders of LCPL in lieu of their shareholding in LCPL equivalent in aggregate to LCPL shareholding in DCMSR. Thereafter, equity shares of Resultant Company 1 and Resultant Company 2 will be issued to the equity shareholders of DCMSR in lieu of their shareholding in DCMSR. The Fair Equity Share Exchange Ratio and Share Entitlement Ratio of this document refer to the number of equity shares of DCMSR, which would be issued to equity shareholders of LCPL in lieu of their equity shareholding in LCPL, and subsequently, equity shares of Resultant Company 1 and Resultant Company 2 which would be issued to the equity shareholders of DCMSR in lieu of their shareholding in DCMSR, pursuant to the Proposed Transaction.

5.3. For the aforesaid purpose, the management of amalgamating companies has appointed Mr. Mukesh Chand Jain (Reg No. IBBI/RV/05/2020/13666) and TRC Corporate Consulting Private Limited to recommend the Fair Equity Share Exchange Ratio/ Equity Share Entitlement Ratio, for the issue of DCMSR's equity shares to the equity shareholders of LCPL, and subsequent issue of equity shares of Resultant Company 1 and Resultant Company 2 to the equity shareholders of DCMSR, to be placed before the Board of Directors of Companies, and, to the extent mandatorily required under applicable laws of India, this document may be produced before statutory or regulatory authorities as may be required, in connection with Proposed Transaction.

5.4. The scope of our service is to conduct a relative (and not absolute) valuation of the equity shares of the Companies and report on the Fair Equity Share Exchange Ratio/ Equity Share Entitlement Ratio for the Proposed Transaction in accordance with ICAI Valuation Standards 2018 issued by the Institute of Chartered Accountant of India and rules and regulations issued by Security and Exchange Board of India.

5.5. For the purpose of arriving at the valuation of the Companies, 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.

5.6. We have considered financial information of the Companies up to 31st March 2023 ("Valuation Date") in our analysis and the Companies have represented that there is no material change in the financial position till the date of this report which will have a bearing on the valuation analysis. Further, the Managements have informed us that they do not expect any events which are unusual or not in normal course of business up to the effective date of the Proposed Transaction, other than the events specifically mentioned in this report. We have relied on the above while arriving at the Fair Equity Share Exchange Ratio/ Equity Share Entitlement Ratio for the Proposed Transaction.

5.7. This report is our deliverable in respect of our recommendation to the Companies of the Fair

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Equity Share Exchange Ratio/ Equity Share Entitlement Ratio for the Proposed Transaction.

5.8. This report and the information contained herein is absolutely confidential. Our report will be used by the Companies only for the purpose, as indicated in this report, for which we have been appointed. The results of our valuation analysis and our report cannot be used or relied by the Companies for any other purpose or by any other party for any purpose whatsoever. We are not responsible to any other person / party for any decision of such person / party based on this report. Any person / party intending to provide finance / invest in the shares/ business of the Companies/ their holding companies/ subsidiaries/ associates/ investee companies/ other group companies, if any, shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. If any person / party (other than the Companies) chooses to place reliance upon any matters included in the report, they shall do so at their own risk and without recourse to us. It is hereby notified that usage, reproduction, distribution, circulation, copying or otherwise quoting of this report or any part thereof, except for the purpose as set out earlier in this report, without our prior written consent, is not permitted, unless there is a statutory or a regulatory requirement to do so.

5.9. It is clarified that reference to this valuation report in any document and / or filing with aforementioned tribunal/ judicial/ regulatory authorities/ government authorities/ stock exchanges / courts / shareholders / professional advisors / merchant bankers, in connection with the Proposed Transaction, shall not be deemed to be an acceptance by us of any responsibility or liability to any person / party other than the Companies. In any case, our aggregate liability shall be restricted to the fee that we have received from this assignment, as set out in our engagement letter.

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

6. Source of Information

For the purpose of undertaking this exercise, we have relied on the following sources of information provided by the management of LCPL and DCMSR:

6.1 Management signed Balance Sheet of LCPL, as on 31st March 2023, based on post amalgamation position, the scheme in regard to which is pending in NCLT (refer para 2.1 of this report).

6.2 Draft Composite Scheme of Arrangement of the proposed transaction

6.3 Necessary information and explanations including the Transaction structure, are required for the purpose of our estimation.

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

6.5 The Companies have been provided with the opportunity to review the draft report (excluding the recommended Fair Equity Share Exchange Ratio/ Equity Share Entitlement Ratio) as part of our standard practice to make sure that factual inaccuracies/omissions are avoided in our final report.

7. Limitation and Disclaimer

7.1. Valuation analysis and result are specific to the purpose of valuation and the transaction date mentioned in the valuation report which is 31st March 2023. It may not be valid for any

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other purpose or as at any other date. We assume no responsibility to update valuation report for events and circumstances occurring after the date of this report.

7.2. This report is intended only for the use by Companies and its relevant authorities and for the purpose mentioned in the report, and accordingly, will not be copied, referred to or disclosed, in whole or in part, to outside parties for any other purpose without our prior express written consent, unless the Companies are required to do so under applicable laws.

7.3. Our report is not nor should it be construed as our opining or certifying the compliance of the Proposed Transaction with the provisions of any law / standards including companies, foreign exchange regulatory, accounting and taxation (including transfer pricing) laws / standards or as regards any legal, accounting or taxation implications or issues arising from such Proposed Transaction. Our report is not nor should it be construed as our recommending the Proposed Transaction or anything consequential thereto / resulting therefrom. This report does not address the relative merits of the Proposed Transaction as compared with any other alternatives or whether or not such alternatives could be achieved or are available. Any decision by the Companies / their shareholders / creditors regarding whether or not to proceed with the Proposed Transaction shall rest solely with them. We express no opinion or recommendation as to how the shareholders/ creditors of the Companies should vote at any shareholders'/ creditors' meeting(s) to be held in connection with the Proposed Transaction. This report does not in any manner address, opine on or recommend the prices at which the securities of the Companies could or should transact at following the announcement/ consummation of the Proposed Transaction. Our report and the opinion / valuation analysis contained herein is not nor should it be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities or as providing management services or carrying out management functions. It is understood that this analysis does not represent a fairness opinion. It should be noted that our valuation neither constitute recommendations to you as to whether or not to proceed with the Proposed Transaction nor constitute an offer for or invitation to any third party for investing in, or in the assets and liabilities of the Company. Any third user intending to provide finance / invest in the shares/business of the company and/or the client, its subsidiaries, 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.

7.4. This report is based on the information provided by the Companies. We have not independently verified or checked the accuracy or timeliness of the same. Valuation is not a precise art and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment and management assumptions. There is, therefore, no indisputable single exchange ratio.

7.5. The Companies may disclose this report to their professional advisors involved in the proposed transaction, provided that when doing so the Companies inform them that, to the fullest extent permitted by law, we accept no responsibility or liability to them in connection with our report and our work for the Companies, and disclosure by them (save for their own internal purposes) is not permitted without our consent.

7.6. We have not, pursuant to the Letter of Engagement, perform any management functions for you nor make any decisions. You are responsible for making management decisions, including accepting responsibility for the results. Additionally, management of Companies is responsible for designating a management-level individual or individuals responsible for overseeing the services provided, evaluating the adequacy of the services provided, evaluating any findings or recommendations, establishing and maintaining internal controls, and monitoring on going activities.

7.7. Competent management assumed - It should be specifically noted that the valuation assumes

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the property/business will be competently managed and maintained over the expected period of ownership. This appraisal engagement does not entail an evaluation of Companies' management effectiveness, nor are we responsible for future marketing efforts and other management or ownership actions upon which actual results will depend. This report has given no consideration to matters of legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited / unaudited balance sheets of the Companies/ their holding/ subsidiary/ associates / joint ventures/ investee companies, if any.

7.8. The future projections are the responsibility of the respective management of the Companies. The assumptions used in their preparation, as we have been explained, are based on the management 's present expectation of both - the most likely set of future business events and circumstances and the respective management's course of action related to them. It is usually the case that some events and circumstances do not occur as expected or are not anticipated and therefore, actual results during the forecast period may differ from the forecast and such differences 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. In accordance with the terms of our engagement, we have carried out relevant analyses and evaluations through discussions, calculations and such other means, as may be applicable and available, we have assumed and relied upon, without independently verifying, (i) the accuracy of the information that was publicly available, sourced from generally accepted databases and formed a substantial basis for this report and (ii) the accuracy of information made available to us by the Companies. While information obtained from the public domain or external sources have not been verified for authenticity, accuracy or completeness, we have obtained information, as far as possible, from sources generally considered to be reliable. We assume no responsibility for such information. Our valuation does not constitute as an audit or review in accordance with the auditing standards applicable in India, accounting / financial / commercial / legal / tax / environmental due diligence or forensic / investigation services, and does not include verification or validation work. In accordance with the terms of our engagement letters and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed, certified, carried out a due diligence, or otherwise investigated the historical and projected financial information, if any, provided to us regarding the Companies / their holding / subsidiary / associates / joint ventures/ investee companies, if any. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the historical financials/ financial statements and projections. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the Companies. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusion is based on the assumptions and information given by/on behalf of the Companies. The respective Managements of the Companies have 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 report.

7.9. We accept no responsibility for any error or omission in the report which is due to an error or omission in data, information or statements supplied to us by other parties including the Companies ('Data'). We have not independently verified such Data and have assumed it to be accurate, complete, reliable and current as of the date of such information and accordingly, express no opinion or make any representation concerning its accuracy and completeness and to that extent, the information may not be reliable. We accept no

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responsibility for matters not covered by the report or omitted due to limited nature of our analysis.

7.10. We are not responsible for determining the difference between price-sensitive and non-price sensitive information. All information supplied to us (in whatever form) that is not in the public domain is confidential information for the purposes of this engagement. We recommend that you obtain legal advice to ensure that information supplied to us is not in contravention of any applicable laws and regulations.

7.11. The Valuers are independent of the Client/Company and have no current or expected interest in the Company or its assets. The fee paid for the services in no way influenced the results of the valuation analysis.

7.12. In case of Dispute - Any dispute or disputes shall be first resolved by attempted negotiation at the highest executive levels between the parties. In the event such executive negotiation is unsuccessful, the dispute or disputes shall either be decided by a sole Arbitrator mutually appointed by the parties or as approved by concerned authority. The arbitration proceeding under this clause will be in accordance with the provisions of the Arbitration and Conciliation Act, 1996 and any statutory modifications or re-enactment in lieu thereof. The arbitration proceedings shall be in English language, venue of the arbitration shall be New Delhi and cost of arbitration will be borne by the parties in equal share. The award of the Arbitrators shall be final, conclusive and binding on both the parties.

8. Procedure Adopted

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

- Requested and received financial information;
- Obtained data available in public domain;
- Undertook industry analysis such as researching publicly available market data including economic factors and industry trends that may impact the valuation;
- Discussion with the management to understand the business and fundamental factors that could affect its earnings-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance;
- Selection of valuation methodology/(ies) as per ICAI Valuation Standards;
- Determined the fair equity share exchange swap ratio based on the selected methodology.

9. Valuation Approach

9.1. In accordance with ICAI Valuation Standards 2018, ("Ind VS") issued by the Institute of Chartered Accountants of India, valuation in case of Proposed Transaction would require determining Fair Equity Share Exchange Ratio/ Equity Share Entitlement Ratio considering relative values of each company involved. These values are to be determined independently but on a relative basis, and without considering the effect of the Amalgamation.

9.2. The three valuation approaches are the market approach, income approach and cost approach. There are various methods under these approaches which are commonly used for valuation purpose such as:

Under Market Approach, following methods are commonly used

- Market Price Method

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- Comparable Companies Multiple (CCM) Method
- Comparable Transaction Multiple Method

Under Income Approach, following methods are commonly used

- Discounted Cash Flow (DCF) Method
- Relief from Royalty Method
- Multi-period Excess Earning Method
- Option Pricing Model

Under Cost Approach, following methods are commonly used

- Replacement Cost Method
- Reproduction Cost Method

9.3. **Market Approach:** It 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, such as a business. The market approach is the most commonly used method to assess the value of a company using the financial metrics of similar companies in the same industry.

Further, as per Regulation 164 (1) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 ('ICDR'), if the equity shares of the issuer have been listed on a recognised stock exchange for a period of twenty-six weeks or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be computed as per the above mentioned regulations.

9.4. **Income Approach:** This approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow (DCF) Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows. DCF method is considered the most theoretically sound, scientific and acceptable method for determination of the value of a business undertaking. Under this technique, the projected free cash flows from business operations are discounted at "Weighted Average Cost of Capital" to the providers of capital to the business. The sum of the discounted value of such free cash flows is the value of the business.

9.5. **Cost Approach:** It is a valuation approach that reflects the amount that would be required currently to replace the service capacity of an asset.

9.5.1. 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.

9.5.2. 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.

This valuation approach is mainly used in case where the assets base dominates earnings capability. A scheme of amalgamation would normally be proceeded with, on the assumption that the companies amalgamate as going concerns and an actual realization of the operating assets is not contemplated.

LCPL is an investment company holding **4,35,88,680 equity shares** in DCMSR and nominal residual positive net assets amounting INR 1,23,46,243 (comprising of cash balance and other receivables) as on 31.03.2023, after eliminating the value derived from investment held in DCMSR. LCPL has subsequently made a Rights Issue of Equity Shares resulting in an inflow of INR 4,50,00,000. LCPL does not have any other major business operations except receiving dividend income from DCMSR. The number of shares held by LCPL pre and post amalgamation shall not lead to change in shareholding as per the scheme and accordingly, the use of valuation methodologies in current valuation is not applicable and therefore, we have not carried out valuation of these companies under generally accepted valuation approaches namely cost approach, income approach and market approach, being not applicable.

10. Basis of Fair Equity Share Exchange Ratio/ Equity Share Entitlement Ratio

10.1. The basis of the Fair Equity Share Exchange Ratio/ Equity Share Entitlement Ratio for the Proposed Transaction would have to be determined after taking into consideration all the factors, approaches and methods considered appropriate. Though different values could have been arrived at under each of the above approaches/ methods, for the purposes of recommending the Fair Equity Share Exchange Ratio/ Equity Share Entitlement Ratio it is necessary to arrive at a single value for the shares of the companies involved in a Proposed Transaction. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of the Companies but at their relative values to facilitate the determination of a Fair Equity Share Exchange Ratio/ Equity Share Entitlement Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each approach/ method.

10.2. In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion by the valuer and judgments considering all the relevant factors. There will always be several factors, e.g., quality of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. There is, therefore, no indisputable single exchange ratio. While we have provided our recommendation of the Fair Equity Share Exchange Ratio/ Equity Share Entitlement 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 Fair Equity Share Exchange Ratio/ Equity Share Entitlement Ratio of the equity shares of LCPL and DCMSR. The final responsibility for the determination of the exchange ratio at which the Proposed Transaction shall take place will be with the Board of Directors of Companies who should consider other factors such as their own assessment of the Proposed Transaction and input of other advisors.

10.3. Fair Equity Share Exchange Ratio/ Equity Share Entitlement Ratio

Step1: Amalgamation of LCPL into DCMSR

LCPL is investment company which post approval of Composite Scheme of Arrangement (refer Para 2.1 of this report) shall hold **4,35,88,680 equity shares** in DCMSR. The value of LCPL post amalgamation is majorly derived from such investment in DCMSR. LCPL has a residual positive net asset value of INR 1,23,46,243 (comprising of cash balance and other net receivables) as on 31.03.2023, after eliminating the value derived from investment held in DCMSR and has also done a Rights Issue of Equity Shares subsequently resulting in inflow of INR 4,50,00,000. As per the scheme of arrangement, the cost scheme of arrangement of amalgamation of LCPL with DCMSR shall be borne by LCPL/ shareholders of LCPL and accordingly the residual assets of LCPL and the proceeds of rights issue shall be utilized to bear the cost of amalgamation etc., and accordingly equivalent number of shares shall be issued to shareholder of LCPL as held by LCPL in DCMSR post sanction of composite scheme of arrangement (refer para 2.1 of this report)

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Accordingly, we have considered the following to arrive at the share exchange ratio:

- On amalgamation, the equity shares held by LCPL in DCMSR shall be cancelled and DCMSR shall issue Equity Shares directly to the shareholders of LCPL.
- The determination of share exchange ratio would not influence the ultimate value for the LCPL and DCMSR and as such the valuation as per methods discussed under Para 9 of this report is not applicable and thus not adopted.

In light of the above, and on consideration of all the relevant factors and circumstances as discussed and outlined herein above, in respect of the proposed Amalgamation of LCPL into and with DCMSR, the following is the computation of Fair Equity Share Exchange Ratio:

"1 (One) Equity Share of DCMSR of face value of INR 2/- each fully paid up shall be issued for every 1 (One) Equity Share held by LCPL in DCMSR to the shareholders of LCPL in proportion to their shareholding in LCPL"

Step2: Demerger of DCMSR into DSFCL and DSIL

From discussions with the management and from the Scheme, we understand that:

- The management of DCMSR is contemplating to demerge Chemical undertaking and Rayon Undertaking from DCMSR into DSFCL and DSIL respectively.
- DSFCL and DSIL are wholly owned subsidiaries of DCMSR.
- Upon the Scheme becoming effective, the equity shares held by DCMSR and its nominees in DSFCL and DSIL will be cancelled and shareholders of DCMSR will be entitled to the shares of the Resultant Companies
- Simultaneously and concurrent with the above cancellation upon the scheme becoming effective, shareholders of DCMSR will be entitled to shares in DSFCL and DSIL in the same proportion in which they own shares in DCMSR.
- Upon the scheme becoming effective, the beneficial economic interest of the shareholders of DCMSR in the paid up equity share capital of DSFCL and DSIL would be the same as it is in the paid up equity share capital of DCMSR.
- Upon the Scheme becoming effective, all equity shares of Resultant Company 1 and Resultant Company 2 shall, subject to the execution of the listing agreement, be listed on the Stock exchanges, and/or admitted to trading if any.

The determination of share entitlement ratio would not impact the ultimate value for the shareholders of DCMSR and the proposed demerger of the Chemical undertaking and Rayon undertaking of DCMSR into DSFCL and DSIL respectively, will be value neutral to DCMSR's shareholders. Therefore, the determination of share entitlement ratio in the instant case and a detailed valuation of the companies to determine the share entitlement ratio would not be applicable in the present case. Accordingly, we have not carried out valuation of these companies under generally accepted valuation approaches namely cost approach, income approach and market approach, being not applicable.

Based on the aforesaid discussion, considering that all shareholders of DCMSR are and will, upon demerger, become shareholders of DSFCL and DSIL, holding beneficial interest in the same proportion as they hold in DCMSR, the following proposed share entitlement ratio is fair to the shareholders of DCMSR in relation to the proposed demerger.

"1 (One) Equity Share of DSFCL of face value of INR 2/- each fully paid up for every 1 (One) equity share of DCMSR of face value of INR 2/- each fully paid up"; and

"1 (One) Equity Share of DSIL of face value of INR 2/- each fully paid up for every 1 (One) equity share of DCMSR of face value of INR 2/- each fully paid up"

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11. Conclusion

Based on the foregoing, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the following share exchange/ entitlement ratios for consideration:

Pursuant to amalgamation of LCPL into DCMSR

"1 (One) Equity Share of DCMSR of face value of INR 2/- each fully paid up shall be issued for every 1 (One) Equity Share held by LCPL in DCMSR to the shareholders of LCPL in proportion to their shareholding in LCPL";

In view of above share exchange ratio, the number of DCMSR shares held by LCPL shall stand cancelled.

Pursuant to demerger of the Chemical Undertaking and Rayon Undertaking of DCMSR into the DSFCL and DSIL respectively.

"1 (One) Equity Share of DSFCL of face value of INR 2/- each fully paid up for every 1 (One) equity share of DCMSR of face value of INR 2/- each fully paid up"; and

"1 (One) Equity Share of DSIL of face value of INR 2/- each fully paid up for every 1 (One) equity share of DCMSR of face value of INR 2/- each fully paid up"

Our Equity Share Exchange ratio/Equity share entitlement ratio is based on the equity share capital structure of LCPL and DCMSR and, any variation in the equity exchange capital of LCPL and DCMSR may have a material impact on the Fair Equity Share Exchange Ratio/ Equity Share Entitlement Ratio.

Authorised Signatories:

For TRC Corporate Consulting Private Limited Mr. Kshitij Goel Director Date: 14.11.2023 Place: Gurugram, India	**Registered Valuer** Mr. Mukesh Chand Jain Reg No: IBBI/RV/05/2020/13666 UDIN: F010483E0018644467 Date: 14.11.2023 Place: Delhi, India