Fair Equity Share Exchange Ratio

in relation to the

‘Scheme of Merger by Absorption’

May 2021

Tel: +91 22 33321600
Fax: +91 22 2439 3700
www.bdo.in

BDO Valuation Advisory LLP
The Ruby, Level 9, North East Wing
Senapati Bapat Marg, Dadar (W)
Mumbai 400028, India

Ref. No.: LM/May28-20/2021 May 28, 2021

To,

The Board of Directors
Mahindra & Mahindra Limited
Gateway Building, Apollo Bunder,
Fort, Mumbai 400 001.

The Board of Directors
Mahindra Electric Mobility Limited
Mahindra Towers, Dr. G. M. Bhosale Marg,
P. K. Kurne Chowk,
Worli, Mumbai 400 018.

Dear Sir(s)/ Madam(s),

Sub: Fair Equity Share Exchange Ratio in relation to the Proposed Scheme of Merger by Absorption

We, BDO Valuation Advisory LLP **('BDO Val' or 'We' or 'Us')**, have been appointed vide letter dated April 26, 2021 bearing reference number LM/Apr261/2021 to recommend the fair equity share exchange ratio for merger of Mahindra Electric Mobility Limited (**'MEML'**) with Mahindra & Mahindra Limited **('M&M Ltd')** (together referred to as **'Client(s)' or 'Companies'**) on a going concern basis, as per the Proposed Scheme of Merger by Absorption pursuant to provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 **('Proposed Scheme')**.

We are pleased to present herewith our report on the same.

The cut-off date for the present valuation exercise has been considered as at March 31, 2021 and the market factors have been considered till May 27, 2021. The attached report details the valuation methodologies, calculations and conclusions with respect to this valuation.

We believe that our analysis must be considered as a whole. Selected portions of our analysis or the factors we considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.
This letter should be read in conjunction with the attached report.

Regards,
For BDO Valuation Advisory LLP
IBBI No.: IBBI/RV-E/02/2019/103

BDO VALUATION ADVISORY LLP

Lata R. Gujar More
IBBI Regn No.: IBBI/RV/06/2018/10488
Partner

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1. Brief Background of the Companies

Mahindra & Mahindra Limited ('M&M Ltd' or 'Transferee')

1.1. M&M Ltd (CIN: L65990MH1945PLC004558) is an Indian multinational corporation headquartered in Mumbai, Maharashtra, India. It was established in 1945 as Muhammad & Mahindra Limited and later renamed as Mahindra and Mahindra Limited. It is the flagship company of Mahindra group ('Group'), an Indian conglomerate. The Group operates in various segments including Trucks & Buses, Two Wheelers, Vehicle & Equipment Finance, Aerospace, Aftermarket, Agri industry, Automotive, Boats, Clean energy, Construction equipment, Consulting, Defence, Farm Equipment, Hospitality, Information Technology, Insurance Broking, Logistics, Power Backup, Real Estate & Infrastructure, Retail, Rural Housing Finance and Steel.

1.2. M&M Ltd brands its products as "Mahindra" and is engaged in the manufacturing of SUVs, saloon cars, pickups, lightweight commercial vehicles, heavyweight commercial vehicles, two-wheeled motorcycles, and tractors. M&M Ltd also manufactures agricultural implements, internal combustion engines, industrial petrol engines, spare parts, machine tools, etc.

1.3. M&M Ltd is one of the largest vehicle manufacturers by production in India and the largest manufacturer of tractors in the world.

1.4. The ordinary equity shares of M&M Ltd are listed on National Stock Exchange of India Limited ('NSE') & BSE Limited ('BSE'). The Global Depository Receipts (GDRs) of M&M Ltd are listed on the Luxembourg Stock Exchange and are also admitted for trading on International Order Book (IOB) of the London Stock Exchange.

1.5. The issued, subscribed and paid-up share capital of M&M Ltd as on March 31, 2021 was INR 6,216.0 Mn divided into 1,24,31,92,544 ordinary equity shares of INR 5/- each.

1.6. The summarized shareholding pattern of M&M Ltd as on March 31, 2021 is as follows:

Shareholder Category	No. of Equity Shares	% Holding
I. Promoter and Promoter Group	23,48,24,018	18.89%
II. Public	92,28,24,820	74.23%
III. Non Promoter-Non Public	8,55,43,706	6.88%
Total	**1,24,31,92,544**	**100.00%**

Mahindra Electric Mobility Limited ('MEML')

1.7. MEML (CIN: U34101MH1996PLC325507) operates as an automotive company. MEML designs, develops, and manufactures electric powertrains, motor controllers, systems integration, and electric vehicles. MEML is engaged in the business of manufacturing, assembling and selling of electric vehicles and components for electric vehicles and is a step-down subsidiary of M&M Ltd.

1.8. Mahindra Vehicle Manufacturers Limited ("MVML") which is a 100% subsidiary of M&M Ltd, holds 99.35% stake (35,60,82,447 equity shares) in MEML as on March 31, 2021 which is currently in the process of being merged with M&M Ltd.

1.9. The issued, subscribed and paid-up share capital of MEML is INR 3,584.2 Mn divided into 35,84,16,345 equity shares of Rs. 10 each as on March 31, 2021.

2. Purpose of Valuation

2.1. We understand that following is the Proposed Scheme of Merger by Absorption ("Proposed Scheme"):

- Merger of MEML into M&M Ltd on a going concern basis.
- Under Proposed Scheme, as consideration for the merger of MEML with M&M Ltd, the minority equity shareholders of MEML will be issued ordinary equity shares of M&M Ltd and shares held by M&M Ltd or its subsidiaries held directly and jointly with its nominee shareholders shall be cancelled.

Companies under the Proposed Scheme and their respective shareholders will comply with the provisions of section 230 to 232 and other relevant provisions of the Companies Act, 2013, along with the applicable provisions of Securities and Exchange Board of India ('SEBI') - if any.

2.2. In this regard, we have been appointed to undertake the valuation to recommend the fair equity share exchange ratio for the Proposed Scheme as required under the Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957.

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3. Exclusions and Limitations

3.1. Our report is subject to the limitations detailed hereinafter. This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

3.2. The scope of work is restricted to recommendation of fair equity share exchange ratio for merger of MEML into M&M Ltd.

3.3. This report, its contents, and the analysis herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement, (ii) the Report date and (iii) are based on the audited financial statements of MEML as at March 31, 2021. The management of the Companies have represented that the business activities of the Companies have been carried out in the normal and ordinary course till the Report date and that no material changes are expected in their respective operations and financial position to occur post March 31, 2021 and the Report date.

3.4. This report and the information contained herein are absolutely confidential and are intended for the use of management and representatives of the companies for providing select information and only in connection with the purpose mentioned above or for sharing with shareholders, creditors, Regional Directors, Registrar of Companies, SEBI (including disclosures required under the SEBI Regulations on the Companies' website), Stock Exchanges, National Company Law Tribunal and office of other regulatory or statutory authorities. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without our written consent. In the event, the companies or their management or their representatives intend to extend the use of this report beyond the purpose mentioned earlier in the report, with or without our consent, we will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report.

3.5. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. 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 or legal title search of the assets or liabilities of the Companies or any of its subsidiaries or associated companies and have considered them at the value as disclosed by the Companies in their regulatory filings or in submissions, oral or written, made to us.

3.6. In rendering this report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.

3.7. Any matters related to legal title and ownership are outside the purview and scope of this valuation exercise. Further, no legal advice regarding the title and ownership of the subject property has

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been obtained while conducting this valuation exercise. Valuation may be significantly influenced by adverse legal, title or ownership, encumbrance issues.

3.8. This report is based on the information received from the sources mentioned herein and discussions with the representatives of the Companies. We have assumed that no information has been withheld that could have influenced the purpose of our report.

3.9. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the companies. Nothing has come to our knowledge to indicate that the material provided to us was mis-stated or incorrect or would not afford reasonable grounds upon which to base our report.

3.10. During the course of our work, we have relied upon the certain opinion documents made available by the management and representatives of the Companies. Though we have reviewed it, we have not independently verified the same. As these opinions/assumptions require the exercise of judgment and are subject to uncertainties, there can be no assurance that these assumptions are accurate.

3.11. For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.

3.12. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of our report or by virtue of fact that the details provided to us are incorrect or inaccurate.

3.13. Further, this report is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us up to, the date hereof. Subsequent developments in the aforementioned conditions may affect this report and the assumptions made in preparing this report and we shall not be obliged to update, revise or reaffirm this report if the information provided to us changes.

3.14. We have considered relevant valuation approaches based on our analysis. Any transaction price may however be significantly different and would depend on the negotiating ability and motivations of the respective buyers and sellers in the transaction.

3.15. Our scope is limited to the purposes stated hereinabove. The Report should not be construed as, our opinion or certifying the compliance of the Proposed Scheme with the provisions of any law

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including the Companies Act 2013, taxation related laws, capital market related laws, any accounting, taxation or legal implications or issues arising from the Proposed Scheme.

3.16. Valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different value on this business.

3.17. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations taking into consideration the economic, social and market patterns existing at that point in time but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event will occur or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates and the variations may be material.

3.18. Whilst all reasonable care has been taken to ensure that the factual statements in the report are accurate, neither us, nor any of our partners, officers or employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report. We are not liable to any party in relation to the issue of this report.

3.19. BDO Val owes responsibility to only the Boards of Directors of MEML and M&M Ltd; with reference to terms of engagement letter and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to the Clients. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their directors, employees or agents. In no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this Report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

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

3.21. Further this Report does not in any manner address the prices at which the equity shares of the Companies will trade following the announcement of the Scheme and we express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders' meeting to be held in connection with the Proposed Scheme.

3.22. The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Clients (or its representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this report.

3.23. Further, after declaration of Covid-19 as a pandemic by World Health Organization and consequent imposition of lockdown in India has caused a widespread disruption in businesses as well as on financial markets in India and globally alike. Our assumptions for the valuation is surrounded by these unprecedented uncertainty across all the industries and sectors including the time period over which these circumstances could prevail. The valuation assumptions, the underlying projections and the outcome of the valuation analysis could materially change as a result of the continued or increased uncertainty around the prevalence of Covid-19 circumstances and hence a reliance on our valuation must be placed considering these unprecedented circumstances.

4. Sources of Information

4.1. For the purpose of undertaking this valuation exercise, we have relied on the following sources of information provided by the management representatives of the Companies:

- Audited financial statements of MEML for the year ended March 31, 2020;
- Audited financial statements of MEML for the year ended March 31, 2021 along with details of contingent liabilities outstanding as on March 31, 2021;
- Shareholding pattern of MEML as at March 31, 2021;
- Projected financial statements of MEML for the period starting from FY22 to FY30;
- Income Tax Return (ITR) of MEML for FY20;
- Details of carried forward losses and unabsorbed depreciation of MEML from Assessment Year (“AY”) 2003 to AY21;
- Details of actual sales volume of MEML for FY20 and forecasted sales volumes for the period from FY21 to FY30;
- Details with respect to outstanding Employee Stock Option Plans (“ESOPs”) of MEML;
- Details with respect to borrowings and cost of borrowings of MEML as on March 31, 2021;

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- Relevant data and information provided to us by the management and representatives of the Clients either in written or oral form or in form of soft copy and information available in public domain;
- Draft Composite Scheme of Merger by Absorption; and
- Management Representation Letter.

5. Procedures Adopted

5.1. 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;
- Detailed analysis of Comparable Companies for the business;
- Discussions (over call/emails/conferences) with the management to understand the business and fundamental factors that could affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance;
- Selection of valuation methodology/(ies) as per internationally accepted valuation methodologies;
- Presentation to Executive Committee consisting of independent director on underlying assumptions of business model, approach & methodology, and valuation of MEML and M&M Ltd. Determined the fair equity share exchange ratio based on the selected methodology.

For the purpose of arriving at the valuation of the Companies/businesses we have considered the valuation base as 'Fair Value' and the premise of value is 'Going Concern Value'. Any change in the valuation base, or the premise could have significant impact on our valuation exercise, and therefore, this report.

The Companies have been provided with the opportunity to review the draft Report (excluding the recommended fair equity share exchange ratio) as part of our standard practice to make sure that factual inaccuracies/omissions are avoided in our final Report.

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6. Valuation Approaches

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

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

6.3. It may be noted that BDO Valuation Advisory LLP is enrolled with IOV Registered Valuers Foundation, which has recommended to follow International Valuation Standards (“IVS”) for undertaking valuation and accordingly we have considered the International Valuation Standards issued by International Valuation Standards Council (‘IVSC’) in carrying out the valuation exercise.

6.4. The Report Date is the valuation date ('**Valuation Date**'). For valuation exercise, market parameters have been considered up to and including May 27, 2021.

6.5. There are three generally accepted approaches to valuation:

(a) “Asset” / "Cost" Approach

(b) "Income" Approach

(c) "Market" Approach

Within these three basic approaches, several methods may be used to estimate the value. An overview of these approaches is as follows:

Asset / Cost Approach

Summation Method

The summation method, also referred to as the underlying asset method, is typically used for investment companies or other types of assets or entities for which value is primarily a factor of the values of their holdings.

This valuation approach is mainly used in case where the assets base dominates earnings capability. Since the current valuation analysis is on a going concern basis, we have not used the asset / cost approach for the valuation of equity shares of MEML and M&M Ltd.

Income Approach

The income 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 Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

Discounted Cash Flow Method

Under the Discounted Cash Flow (**'DCF'**) method, the value of the undertaking is based on expected 'cash flows for future, discounted at a rate, which reflects the expected returns and the risks associated with the cash flows as against its accounting profits. The value of the undertaking is determined as the present value of its future free cash flows.

Free cash flows are discounted for the explicit forecast period and the perpetuity value thereafter. Free cash flows represent the cash available for distribution to both, the owners and creditors of the business.

Discount rate is the Weighted Average Cost of Capital (**'WACC'**), based on an optimal vis-à-vis actual capital structure. It is appropriate rate of discount to calculate the present value of future cash flows as it considers equity-debt risk and also debt-equity ratio of the firm.

The perpetuity (terminal) value is calculated based on the business's potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies an expected constant level of growth (for perpetuity) in the cash flows over the last year of the forecast period.

The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business's future operations.

The Business/Enterprise Value so derived, is further reduced by value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of business. The surplus assets / non-operating assets are also adjusted.

In case of free cash flows to equity, the cash available for distribution to owners of the business is discounted at the Cost of Equity and the value so arrived is the Equity Value before surplus/ non-operating assets. The surplus assets / non-operating assets are further added to arrive at the Equity Value.

MEML is engaged in the business of manufacturing and selling of electric vehicle and its components, which is an emerging sector globally and in India. The process of building ecosystem around electric vehicle is in process. Therefore, the future earning capability of the business is important. Accordingly, we have considered DCF Method under Income Approach for valuation of MEML.

Market Approach

Under the Market approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors' perception about the true worth of the company.

i. Market Price Method

Under this method, the market price of an equity shares of the company as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the trading. The market value reflects the investors' perception about the true worth of the company.

ii. Comparable Companies Multiple Method

Under the Comparable Companies Multiple ('**CCM**') method, the value is determined on the basis of multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

To the value of the business so arrived, adjustments need to be made for the value of contingent assets/liabilities, surplus Asset and dues payable to preference shareholders, if any, in order to arrive at the value for equity shareholders.

iii. Comparable Transactions Multiple Method

Under the Comparable Transactions Multiple ('**CTM**') method, the value of a company can be estimated by analyzing the prices paid by purchasers of similar companies under similar circumstances. This is a valuation method where one will be comparing recent market transactions in order to gauge current valuation of target company. Relevant multiples have to be chosen carefully and adjusted for differences between the circumstances. This valuation approach is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

Under Market Approach, we have considered Market Price Method for valuation of M&M Ltd. The equity shares of MEML are not listed on any recognized stock exchange in India. Further, in absence of availability of comparable companies exactly comparable to business of MEML and non-availability of comparable transactions for similar business, we have not considered CCM / CTM method for valuation of MEML.

7. Conclusion on Valuation Approach

7.1. In order to consider reasonable methods for the valuation exercise, we have referred to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation 2018 as amended from time to time **('ICDR Regulations')** and the specific information/explanations available of MEML and M&M Ltd. We have considered the following respective methods for the valuation:

M&M Ltd: Market Price Method under the Market Approach have been considered for valuation of M&M Ltd as M&M Ltd is listed on Indian stock exchange. We considered ICDR Regulations which provide guidelines to estimate the market price.

In a going concern scenario, the earning power, as reflected under the Income and Market approaches, is of greater importance to the basis of merger, than the values arrived at on the net asset basis being of limited relevance. Therefore, we have not considered Asset / Cost approach for valuation since the asset / cost approach does not reflect the intrinsic value of the business in a "going concern scenario".

Further, Discounted Cash Flow Method under the Income Approach has not been considered as M&M Ltd is a listed entity and the management has not provided us the information related to future profit and loss account, balance sheet and cash flows being price sensitive.

MEML: Comparable Companies Multiple Method ('CCM') and Comparable Transactions Multiple Method ('CTM') under the Market Approach have not been considered for the valuation of MEML in absence of exact comparable companies to business of MEML and non-availability of comparable transactions for similar business. We have not considered market price method as the shares of MEML are not listed on recognized stock exchange.

We have considered the Discounted Cash Flow Method under Income Approach to MEML as the true worth of the MEML's business would be reflected in its future earnings potential.

DCF Method

7.2. We have relied on the projected financial statements and projected capex requirements of MEML as provided by the Management for the purpose of Valuation. The Management has provided us with the going concern projections for the period from April 1, 2021 to March 31, 2030 for the purpose of current valuation exercise and the same has been considered as the explicit period for current valuation exercise.

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7.3. The key assumption considered in DCF method is determination of an appropriate rate to discount the future cash flows. The Free Cash Flows to Firm (“FCFF”) have been calculated for MEML as on the Valuation Date based on the financial projections provided by the Management.

7.4. FCFF refers to cash flows that are available to all the providers of capital, i.e., equity shareholders, preference shareholders and lenders.

7.5. In FCFF, the free cash flows available to the firm are discounted by Weighted Average Cost of Capital (“WACC”) to arrive the net present value and terminal period cash flows. We have considered, Capital Asset Pricing Model (CAPM) for the calculation of Cost of Equity.

7.6. We have considered a WACC of 17.2% for the current valuation exercise. Olectra Greentech Limited is in a different segment of manufacturing of electric buses with different customer segments and margins and hence not comparable to MEML however we have considered the beta of the same to represent the volatility of the equity shares in the electric vehicles segment.

7.7. We have discounted the projected net cash flows to their present value using mid-year discounting convention. The use of mid-year convention better reflects the assumption that net cash flows will be generated throughout the year, rather than at the beginning or at the end of each year.

7.8. We have considered a terminal growth rate of 4.0% to calculate the cash flows arising post explicit period, taking into account the growth estimated in explicit period. We have used Gordon Growth Model to arrive at the terminal value.

7.9. Based on above, the Enterprise Value (“EV”) of MEML, determined as an aggregate of the present value of explicit period and terminal period cash flows, is arrived at INR 17,387.9 Mn.

7.10. The Enterprise Value so arrived at above is then adjusted for debt outstanding, surplus cash & bank balances, contingent liabilities and surplus assets as at the Valuation Date to arrive at the Equity Value of MEML.

7.11. Based on above, the Equity Value of MEML is arrived at INR 14,019.2 Mn.

7.12. The number of equity shares of MEML have been considered based on fully diluted basis for outstanding Employee Stock Option Plans (ESOPs).

7.13. Based on above, the value per Equity share of MEML for the merger of MEML into M&M Ltd, is arrived at INR 38.19/-.

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8. Basis of Fair Equity Share Exchange Ratio

8.1. The basis of the fair equity share exchange ratio for the Proposed Scheme would have to be determined after taking into consideration all the factors and methods mentioned hereinabove including various qualitative factors relevant to the company / undertaking and the business dynamics and growth potentials of the businesses, having regard to information base, key underlying assumptions and limitations.

8.2. The equity shares of M&M Ltd are traded on BSE and NSE. In the present case, the share price of M&M Ltd on the NSE has been considered, as the trading volumes are higher at NSE as compared to BSE as per the requirements of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 and Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations 2011 guidelines, as applicable, on a recognized stock exchange during the twelve calendar months preceding the relevant date.

8.3. Attention may also be drawn to Regulation 158 of ICDR Regulations which specifies that issue of equity shares to shareholders of an unlisted entity pursuant to a National Company Law Tribunal approved scheme shall conform with the pricing provisions of preferential issue specified under Regulation 164 of the said regulations. Further it may be noted that Regulation 164 specifies the minimum price for issue of shares on a preferential basis. The Pricing Formula provided in Regulations 164 (1) has been considered for arriving at the value per equity share of M&M Ltd under the Market Price Method. The market price is considered as higher of following:

(a) average of the weekly high and low of the volume weighted average price during the 26 weeks preceding May 27, 2021; or

(b) average of weekly high and low of the volume weighted average price during the 2 weeks preceding May 27, 2021.

8.4. Further as discussed earlier we have used Market Price Method under Market Approach to arrive at valuation of M&M Ltd, whereas MEML is valued as per Discounted Cash Flow Method under Income Approach.

8.5. We have independently applied methods discussed above, as considered appropriate, and arrived at a fair equity share exchange ratio.

8.6. As per the scheme of merger by absorption, we understand that the ESOP holders of MEML will be issued Employee Stock Options of M&M ('M&M ESOPs') under the existing Transferee Company ESOP scheme having an M&M ESOP exercise price of INR 5 and accordingly, the Transferee Company's board of directors or any committee thereof, in the interest of the employees, shall issue such number of M&M ESOPs to the ESOP holders of MEML as arrived at after taking into account the share exchange ratio adjusted for the existing exercise price and M&M ESOP exercise price or any other method as it may, in its absolute discretion, deem fit.

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9. Conclusion

9.1. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion 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 sentiments 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. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Honorable Supreme Court of India in the case reported in 176 ITR 417 as under:

"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible".

9.2. In the light of the above, and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion the fair equity share exchange ratio for the merger of MEML into M&M Ltd would be as follows (recommendation):

a) In the event of merger of MEML into M&M Ltd:

Valuation Approach	Valuation Method	MEML Value Per Share (INR)	MEML Weights	M&M Ltd Value Per Share (INR)	M&M Ltd Weights
Income Approach	DCF Method	38.19	100%	NA	NA
Market Approach	Market Price Method	NA	NA	796.64	100%
Asset/Cost Approach	Summation Method	NA	NA	NA	NA
Relative Value Per Share		**38.19**		**796.64**	
Share Exchange Ratio		**0.048**		**NA**	
Share Exchange Ratio (Rounded Off) (No. of ordinary equity shares of M&M Ltd per 10,000 equity shares of MEML)		**480**			

NA= Not Adopted/Not Applicable

b) In a going concern scenario, the earning power, as reflected under the Income and Market approaches, is of greater importance to the basis of merger, than the values arrived at on the net asset basis being of limited relevance. Therefore, we have not considered Asset / Cost approach for valuation of M&M Ltd as well as MEML since the asset / cost approach does not reflect the intrinsic value of the business in a “going concern scenario”.

c) Further, Discounted Cash Flow Method under the Income Approach has not been considered for M&M Ltd as M&M Ltd is a listed entity and the management has not provided us the information related to future profit and loss account, balance sheet and cash flows being price sensitive.

d) Comparable Companies Multiple Method (‘CCM’) and Comparable Transactions Multiple Method (‘CTM’) under the Market Approach have not been considered for the valuation of MEML in absence of exact comparable companies to business of MEML and non-availability of comparable transactions for similar business. We have not considered market price method as the shares of MEML are not listed on recognized stock exchange.

9.3. Recommendation:

Therefore, the following is the recommended Fair Equity Share Exchange Ratio:

1. 480 ordinary equity shares of face value INR 5/- each fully paid up of M&M Ltd for every 10,000 equity shares of face value of INR 10/- each fully paid of MEML for the merger of MEML into M&M Ltd.

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