SHARP & TANNAN
Chartered Accountants
Firm's Registration No. 109982W

5th November, 2016

Strictly Privileged & Confidential

The Board of Directors
Odisha Cement Limited
Dalmiapuram
Lalgudi
Dist. Tiruchirapalli
Tamil Nadu 621-651

The Board of Directors
Dalmia Bharat Ltd.
Dalmiapuram
Dist. Tiruchirapalli
Tamil Nadu 621-651

Dear Sir/Madam,

Re: Recommendation of share exchange ratio for the proposed amalgamation of Dalmia Bharat Limited into and with Odisha Cement Limited.

This is with reference to our 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*, Dalmia Bharat Limited ("**DBL**") shall be amalgamated with Odisha Cement Limited ("**ODCL**") with effect from the Appointed Date of 1st January, 2015 (hereinafter referred to as "**Proposed Amalgamation**").

1. BRIEF BACKGROUND

1.1 ODCL

1.1.1 ODCL, an unlisted public limited company, was incorporated on 12th July, 2013 and has its registered office at Dalmiapuram, Lalgudi, Dist. Tiruchirapalli, Tamil Nadu - 621651. The Company is authorised to carry on *inter alia*, the business of manufacturing and selling cement. As on date, OCL India Limited ("**OCL**"), along with its nominees, holds the entire equity share capital of ODCL.

1.1.2 We have been given to understand that Board of Director of OCL, ODCL, Dalmia Cement East Ltd. ("**DCEL**"), Dalmia Bharat Cement Holdings Ltd. ("**DBCHL**") and Shri Rangam Securities Holdings Ltd. ("**SRSHL**"), in March 2016, had approved a proposal of restructuring including inter-alia, amalgamation of OCL, DCEL, DBCHL and SRSHL with ODCL. [**"Scheme 1"**]. Upon Scheme 1 becoming effective, ODCL shall be renamed as OCL India Ltd. as part of the Scheme. Further, we are also given to understand that Scheme 1 is pending for approval before Odisha High Court & Madras High Court as on the date of this report.

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1.1.3 Pursuant to Scheme 1 becoming effective, ODCL shall comprise of business of OCL, DBCHL, SRSHL and DCEL and shares of ODCL shall be listed on BSE Limited & National Stock Exchange of India Limited. Total Revenue of ODCL shall primarily comprise of revenue from Cement & Refractory Business of OCL and DCEL.

1.1.4 Upon Scheme 1 becoming effective, ODCL shall have:

(i) Total installed cement capacity of 9.3 MTPA. Manufacturing facilities are located at Rajgangpur [4.0 MTPA] & Kapilas [1.35 MTPA] in Odisha, Medinipur [1.35 MTPA] in West Bengal and Bokaro [2.6 MTPA] in Jharkhand, &

(ii) Captive thermal power plant of 54 MW situated in Rajgangpur, solar power plant of 5.5 MW situated in Mednipore and 2.5 MW situated in Kapilas.

(iii) Total installed refractory capacity of 131.4 KMT with manufacturing facilities located at Rajgangpur [106.4 KMT] & Liaoning, China [25 KMT] (through OCL China Ltd.).

1.1.5 ODCL shall have adequate proven reserves of limestone in its captive mine closer to its Rajgangpur facility, and a long-term contract for supply of clinker & slag with JAL and SAIL respectively w.r.t to plant located in Bokaro.

1.1.6 As given to understand by the management, ODCL shall continue to cater to the markets covered by OCL & DCEL i.e. in East and Central India in Odisha, West Bengal, Chhattisgarh, Eastern Uttar Pradesh, Jharkhand and Bihar under the brand names of 'Konark', 'Konark DSP' and 'Dalmia Cement'. We have been given to understand that post launch of "Dalmia DSP" in FY 2016-17, sales under brand name "Konark DSP" has been replaced by "Dalmia DSP".

1.1.7 The issued & paid-up equity share capital of ODCL as at 30th September, 2016 is INR 0.05 Crs divided into 50,000 equity shares of INR 10/- each (face value). We have been given to understand that post Scheme 1, issued & paid-up equity share capital of ODCL shall be INR 56.90 Crs divided into 5,69,00,220 equity shares of INR 10/- each (face value).

1.1.8 We have been given to understand that as part of proposed restructuring, capital reduction is proposed to reduce the face value of share capital of ODCL from INR 10 per share to INR 2 per share as an integral part of the Scheme.

1.2 **DBL**

1.2.1 DBL, a listed public limited company, was incorporated on 10th February, 2006 and has its registered office at Dalmiapuram, Dist. Tiruchirapalli, Tamil Nadu - 621651. The Company is the flagship company of the seven decades old, Dalmia Bharat Group. The equity shares of DBL are, at present, listed on National Stock Exchange of India Limited & BSE Limited in India.

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1.2.2 DBL presently holds 92.62% equity stake in DCBL and residual 7.38% through its wholly owned subsidiary i.e. Adwetha Cement Holdings Limited (“**Adwetha**”). Promoters holds ~57.4% equity stake in DBL while public shareholders & employee trust holds ~39% and ~3.6% equity stake in DBL respectively.

1.2.3 DBL currently is in possession of & own various Brands. Such Brand is used by various group companies. Further, we have been given to understand that DBL also provides various management services to the group companies, which is yielding significant benefits to the group companies.

1.2.4 DBL is a pioneering and leading player in the cement manufacturing space with an installed capacity of 25 MTPA along with 186 Megawatt (“MW”) of power generation capacity that primarily accounts for its captive requirement. The group grew their cement capacity from 1.2 MTPA in 2005 to 25 MTPA presently, all in less than a decade, possibly one of the fastest capacity additions by any cement Group in India; graduating to fourth largest cement player in India after ‘UltraTech’, ‘Holcim & Lafarge’ & ‘Shree Cements’. 25 MTPA cement plants are owned by subsidiaries of DBL. DBL, through its subsidiaries, owns (i) 100% of DCBL [12.1 MTPA], (ii) 100% of Adhunik Cement Ltd [1.5 MTPA], (iii) 97% of Calcom Cement Ltd [2.12 MTPA], (iv) 74.66% of ODCL[1] [9.3 MTPA]. Proportionate cement capacity owned by DBL is 22.6 MTPA.

1.2.5 DBL as a group is well-diversified geographically with 11 cement manufacturing facilities located in 8 states across East & South India, of which 48% of the cement capacities are located in Southern India and the balance 52% in Eastern (including North East) India.

1.2.6 The issued & paid up equity share capital of DBL as at 30th September, 2016 is INR 17.76 Crs divided into 8,87,99,303 equity shares of INR 2/- each (face value). The Management of DBL represented that DBL has 9,93,000 outstanding employee stock option as on the date hereof. Apart from the above, it does not have any outstanding warrants, as at the date hereof.

2. SCOPE & PURPOSE

2.1 We have been given to understand that, *inter alia*, DBL shall be amalgamated with ODCL, with effect from the Appointed Date of 1st January, 2015 under purchase method. Further, we have also been given to understand that the proposed Scheme shall be effective only after Scheme 1 becoming effective.

2.2 This is proposed to be achieved by way of a Scheme of Arrangement and Amalgamation pursuant to the provisions of Sections 391 to 394 of the Companies Act, 1956 & other relevant provisions made there-under and the Companies Act, 2013. As part of the Proposed Amalgamation, all assets and liabilities of DBL as on the Appointed Date shall stand transferred to and vested with ODCL. Pursuant to the Proposed Amalgamation, ODCL shall discharge consideration by issuing its equity shares to the shareholders of DBL.

[1] Post Scheme 1 becoming effective

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2.3 For this purpose, as requested, we have carried out (i) valuation of equity shares of ODCL & (ii) valuation of equity shares of DBL, as on the **Valuation Date of 30th September, 2016** with a view to recommend an Exchange Ratio in connection with the Proposed Amalgamation.

2.4 Upon Scheme 1 becoming effective, ODCL shall issue its equity shares having face value of INR 10 each to the shareholders of OCL. Further, we have been given to understand that as part of the proposed Scheme, it is proposed that face value per share of ODCL shall be reduced from INR 10 per share to INR 2 per share by capital reduction without any consideration. Post capital reduction becoming effective, effect of amalgamation of DBL with ODCL shall be given. That being so, upon the proposed Scheme becoming effective, ODCL shall issue its shares having face value of INR 2 each to the shareholder of DBL pursuant to the amalgamation.

2.5 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.

2.6 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:

- Audited Annual Accounts of ODCL, DBL & its subsidiaries, OCL., DBCHL, SRSHL and DCEL for FY 2013-14 to FY 2015-16;
- Management Certified Un-audited Financial Results of ODCL, DBL & its subsidiaries, OCL, DBCHL, SRSHL and DCEL for 6 months ended on 30th September, 2016;
- Financial Projections of OCL, DCEL, DBL & its subsidiaries, as necessary, with key financial assumptions, from FY 16-17 to FY 2020-21, as made available to us;
- Income Tax Return, Tax Audit Report & Draft computation of Total Income of ODCL, DBL & its subsidiaries, OCL, DBCHL, SRSHL and DCEL for AY 2016-17;
- Equity Shareholding Pattern of ODCL, DBL & its subsidiaries, OCL, DBCHL, SRSHL and DCEL as on 30th September, 2016;
- Various other agreements &/or documents &/or information related with ODCL, DBL & its subsidiaries, OCL, DBCHL, SRSHL and DCEL;
- Management Representation dated 4th November, 2016 containing various data, documents and information relating to ODCL, DBL & its subsidiaries, OCL, DBCHL, SRSHL and DCEL , which is relevant for the Transaction;
- Brief Overview of ODCL & DBL and their past and current operations provided by the Management;

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- Scheme of Arrangement and Amalgamation related to Scheme 1 presently filed with High Court.
- Draft Scheme of Arrangement and Amalgamation for contemplated restructuring.
- Details of ESOPs outstanding in DBL;
- 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 Valuation Report, its contents and the results herein are (i) specific to the purpose mentioned in this report; (ii) specific to the date of this Valuation Report and (iii) based on the balance sheet of the Companies as at 30th September, 2016. The Management has represented that the business activities of ODCL & DBL 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 1st October, 2016 and date hereof in their respective operations and financial position.

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 mis-statements 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 Valuation 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 OCL, DCEL, DBL & its subsidiaries, as necessary provided to us by the Management. The realizations of the projections are dependent on the continuing validity of the assumptions on which they are

SHARP & TANNAN S&T CHARTERED ACCOUNTANTS RAVINDRA ANNEXE, MUMBAI-20 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 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.

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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 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**

The "Cost" approach focuses on the net worth or net assets of a company. The Cost Approach to valuation includes two methods - Break Value (**"BV"**) Method and Net Asset Value (**"NAV"**) Method.

BV Method:

- Under the BV Method, the assets and liabilities are considered at their realizable/market value including intangible assets & contingent liabilities, if any, which are not stated in the balance sheet. From the realizable value of the assets, the potential liabilities, which would have to be paid, would be deducted and resultant figure would be the BV of the company.

- This valuation approach is mainly used in case where the asset base dominate earnings capability or in case where the valuing entity is a Holding Company deriving significant value from its Assets & Investments.

NAV Method:

- Under this method, total value of the business is based on the Net Assets Value as recorded in the balance sheet.

- NAV methodology is most applicable for the business where the value lies in the underlying assets and not the ongoing operations of the business.

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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 ("**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 and contingent assets/liabilities and other liabilities, if any, in order to arrive at the value for the equity shareholders.

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.

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.

Market Transactions Method:

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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.

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 DBL in terms of the value of the equity shares of ODCL. 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 the Companies, 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:

5.2.1 ODCL

- As mentioned above proposed Scheme is condition precedent to Scheme 1 becoming effective and hence to arrive at equity value of ODCL, we have combined (i) equity value of OCL India Ltd., (ii) equity value of DCEL & its holding companies (SRSHL and DBCHL). Further, appropriate adjustment has also been made for optionally convertible redeemable preference shares ("OCRPS") to be issued by ODCL upon Scheme 1 becoming effective.

- For arriving at the equity value of ODCL, we have applied various methods as summarized below:

Company	Valuation Method			
	DCF	Market Multiple		Market Price
		EV/ EBITDA	EV/ Ton	
OCL	√	√	√	√
DCEL	√	√	√	X

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5.2.2 DBL

- For arriving at the equity value of DBL under income approach, we have determined the present value of the operating cash flows of DBL. Operating cash flows have been projected by the company considering agreements entered with the group companies for brand and technical know-how. To the value so arrived at, we have added equity value of various subsidiaries of DBL determined as per income approach.

- For arriving at the equity value of DBL as per market multiple under market approach, we have considered proportionate consolidated cement capacity (MTPA) and proportionate consolidated EBIDTA of DBL (after adjusting for minority interest, wherever applicable).

- Further, market price at which equity shares of DBL has been traded at stock exchange has been considered for deriving equity value of DBL.

- We have been given to understand that DBL receives royalty income & management service income from its group companies on the basis as per prevalent executed agreements. Further, we understand that DBL and OCL both have registered trademark which contributes to the operating income. Since the present valuation exercise is relative valuation & is being undertaken for determining share exchange ratio, we have not separately undertaken valuation of Brand & technical know of DBL & OCL and the same is in built in the equity valuation of DBL including all its subsidiaries.

- With respect to shares to be issued on exercise of outstanding Employee Stock Options, we have given appropriate adjustment, wherever required.

- Value of the subsidiaries & step down subsidiaries of DBL is arrived at using methodologies most relevant, applicable and appropriate to the circumstances. For arriving at the equity value of DBL, we have applied various methods as summarized below:

Company	Income Approach	Market Approach		
		Market Multiple		Market Price
	DCF	EV/ EBITDA	EV/ Ton	
DCBL	√	√	√	X
ODCL (OCL + DCEL)	√	√	√	√
Adhunik	√	√	√	X
Calcom	√	√	√	X
DCB Power	√	X	X	X

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6. RECOMMENDATION OF EXCHANGE RATIO

6.1 As mentioned in Para 2.4 above, face value of equity shares of ODCL shall be reduced from INR 10 per share to INR 2 per share pursuant to proposed Scheme becoming effective.

6.2 The Exchange Ratio proposed in this report is based on:

- ODCL's fully dilutive shareholding of 5,69,00,220 equity shares upon Scheme 1 becoming effective at face value of INR 2/- per share;

- DBL's fully dilutive shareholding of 8,97,92,303[2] equity shares as on the date hereof at face value of INR 2/- per share.

6.3 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 Transaction and upon the proposed Scheme becoming effective w.r.t. reduction of face value of equity shares of ODCL from INR 10 per share to INR 2 per share, in our opinion, we recommend fair share exchange ratio for the amalgamation of DBL with ODCL of:

"2 (two) equity shares of ODCL of INR 2/- each fully paid up for every 1 (one) equity share of DBL of INR 2/- each fully paid up"

Thanking You,

Yours faithfully,

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

Edwin Augustine
(Partner)
Membership No. - 043385

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Date: 5th Nov, 2016
Place: Mumbai

[2] Including 9,93,000 equity shares to be issued on conversion of ESOP