

STRICTLY PRIVATE & CONFIDENTIAL

December 4 , 2018

The Board of Directors
Kesoram Industries Limited
9/1, R.N. Mukherjee Road
Kolkata – 700001

The Board of Directors
Birla Tyres Limited
9/1, R.N. Mukherjee Road
Kolkata - 700001

**Re: Share Entitlement Ratio Report for proposed demerger of "Tyre Business "
of Kesoram Industries Limited into Birla Tyres Limited**

Dear Sirs,

We have been requested by the Management of Kesoram Industries Limited (hereinafter referred to as "KIL") and Birla Tyres Limited (hereinafter referred to as "BTL"), (collectively referred to as "Companies") to issue share entitlement ratio report for issue of equity shares of BTL, in connection with proposed demerger of "Tyre Business " (as defined in the scheme) of KIL into BTL.

1. BACKGROUND

1.1 KESORAM INDUSTRIES LIMITED

1.1.1 KIL is a public Company, limited by shares , incorporated under the provisions of the Companies Act, 1913, under Corporate Identity No L17119WB1919PLC003429 and having its registered office at 8th Floor, Birla Building, 9/1 R N Mukherjee Road Kolkata 700 001 ("Demerged Company") and has two primary business segments, being cement business and tyre business.

1.1.2 The equity shares of KIL are listed on Bombay Stock Exchange Limited, National Stock Exchange of India Limited, Calcutta Stock Exchange Limited. Global Depository Receipts of KIL are listed on Luxembourg Stock Exchange.



1.2 BIRLA TYRE LIMITED

1.2.1 BTL is a Public Limited Company formed under Companies Act, 2013. The equity shares of BTL are not listed.

1.3 The management of KIL is considering demerger of its "Tyre Business " into BTL with effect from Appointed Date of January 1, 2019.

1.4 We have been informed that the Tyre Business of KIL will be transferred to BTL and in consideration, equity shares of BTL would be issued to the equity shareholders of KIL.

2. SOURCES OF INFORMATION

For the purposes of this exercise, we have relied upon the following sources of information:

- a) Consideration of audited Financial Statements of KIL for the financial year ended 31.03.2018 and the unaudited figures pertaining to the demerged business and retained business as at 30.09.2018
- b) Management Certified provisional position of assets and liabilities of the "Tyre Business" of KIL as on September 30, 2018 prepared in compliance with section 2(19AA) of the Income Tax Act, 1961.
- c) Current and proposed shareholding pattern of BTL as per draft scheme provided to us.
- d) Such other information and explanation as we required and which have been provided for by the Management of KIL and BTL on which we have relied.

3. LIMITATIONS AND EXCLUSIONS

3.1 In the context of the proposed demerger of the Tyre Business undertaking of KIL to BTL, the Managements of KIL and BTL have approached us to assist in arriving at Share Entitlement Ratio for the purposes of issuing equity shares in BTL to the shareholders of KIL.



3.2 Our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

3.3 Our report is not nor should it be construed as our opinion or certifying the compliance of the proposed demerger of "Tyre Business " of KIL with the provisions of any law including Companies Act, 2013, Income Tax Act, 1961, RBI and Capital Market related laws or as regards any legal implications or issues arising from such proposed demerger.

3.4 The information contained herein and in our report is intended only for the sole use and information of the Companies, and only in connection with the proposed demerger as aforesaid including for the purpose of obtaining requisite approvals. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed demerger as aforesaid, can be done only with our prior permission in writing.

3.5 No investigation or verification on the Companies claims to title of assets has been made for the purpose of this report and their claim to such rights has been assumed to be valid. Therefore, no responsibility is assumed for matters of a legal nature.

3.6 We have not carried out an audit of the information provided for the purpose of this engagement. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.

3.7 Our work does not constitute certification of the historical financial statements including the working results of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Our analysis and results are specific to the purpose of this report as per agreed terms of our engagement. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

3.8 Any third person/party intending to provide finance/invest in the shares/businesses of any of the Companies / Tyre Business, 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.

3.9 This report is prepared only in connection with the proposed demerger and transfer exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required under any law.

3.10 Kothari and Company nor its partners, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which this report is being issued. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in this report.

4. BASIS FOR DETERMINATION OF RATIO

4.1 The existing share capital of BTL will stand cancelled, extinguished and paid off on proposed demerger.

4.2 The management of the Companies are proposing to issue equity shares in the ratio of 1 (One) fully paid up equity share of face value INR 10 (Rupees Ten) each of BTL for every 1 (One) fully paid up equity share of INR 10 (Rupees Ten) each held in KIL.

4.3 We understand -that for the proposed demerger of the "Tyre Business " of KIL into BTL, the ratio of allotment of equity shares in BTL has been decided based on the Management desired capital structure of BTL and avoiding fractional entitlement in the hands of the shareholders.

4.4 The share entitlement ratio and the number of shares to be allotted pursuant to demerger, under the draft scheme,, is of no material relevance since there will be no loss of economic interest in the hands of shareholders of KIL. Accordingly, for the purpose of recommending a share entitlement ratio we are not attempting to arrive at the absolute value of shares of each company.



5. CONCLUSION

Based on the above, a ratio of 1 (One) fully paid up equity share of face value INR 10 each of BTL for every 1 (One) fully paid up equity share of INR 10 (Rupees Ten) each held in KIL in consideration for the demerger of "Tyre Business " would be fair and reasonable, considering that all the shareholders of KIL are and will, upon demerger, be the ultimate beneficial owners of BTL in the same ratio (inter se) as they hold shares in KIL.

Yours faithfully,

For Kothari & Company
Chartered Accountants
FR No. 301178E

M Kothari

Manaswy Kothari
Partner
Membership No.- 064601



Place: Kolkata

ANNEXURE

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The valuation report shall display the workings, relative fair value per share and fair share exchange ratio in the following manner:

Computation of Fair Share Exchange Ratio

Valuation Approach	Kesoram Industries Limited		Birla Tyres Limited	
	Value per Share	Weight	Value per Share	Weight
Asset Approach Income Approach Market Approach	NA			
Relative Value per Share	NA	NA	NA	NA
Exchange Ratio (rounded off)				

RATIO:

1(One) fully paid up equity share of Kesoram Industries Limited of INR 10 each fully paid up for every 1(One) fully paid up equity shares of Birla Tyres Limited of INR 10 each fully paid up

Note: The valuation report is not required in proposed arrangement, since it's a mirror shareholding, hence share entitlement report is issued.

