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STRICTLY PRIVATE & CONFIDENTIAL

February 06, 2020

The Board of Directors,
Minda Industries Limited
B-64/1, Wazirpur Industrial Area,
New Delhi – 110 052,

The Board of Directors,
Minda iConnect Private Limited
B-64/1, Wazirpur Industrial Area,
New Delhi – 110 052,

Sub: Recommendation of fair equity share exchange ratio for the proposed amalgamation of Minda iConnect Private Limited with Minda Industries Limited.

Dear Sir(s) / Madam(s),

We have been requested by Minda Industries Limited (hereinafter referred to as 'MIL' or the 'Transferee Company') and Minda iConnect Private Limited (hereinafter referred to as 'MIPL' or the 'Transferor Company') to issue a report containing recommendation of fair equity share exchange ratio for the proposed amalgamation of MIPL with MIL with effect from April 01, 2020 ('Appointed Date'). Our engagement letter for the same is dated January 23, 2020.

MIL and MIPL together with their subsidiaries are hereinafter collectively referred to as the 'Companies'.

1. SCOPE AND PURPOSE OF THIS REPORT

1.1 We have been informed by the management of MIL and MIPL (hereinafter collectively referred to as the 'Management') that it is considering a proposal for amalgamation of MIPL with MIL (hereinafter referred to as 'Amalgamation') pursuant to the Scheme of Amalgamation between MIL and MIPL and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act 2013, including rules and regulations made thereunder.

1.2 For the purpose of the proposed Amalgamation, we have been appointed by the Management to determine the fair value of equity shares of the Companies and to recommend the fair equity share exchange ratio.

This report is being furnished by SSPA & Co., Chartered Accountants ('SSPA') in the capacity of Chartered Accountants to comply with SEBI guidelines and by Parag S. Ved in the



individual capacity of Registered Valuer under section 247 of the Companies Act, 2013.

- 1.3 For the purpose of this valuation, the bases of value is 'relative value' and the valuation is based on 'going concern' premise. For the purpose of this valuation, February 05, 2020 has been considered as the 'Valuation Date'.
- 1.4 The report sets out our recommendation of the fair equity share exchange ratio and discusses the methodologies and approach considered in the computation of the ratio.

2. BRIEF BACKGROUND

2.1. MINDA INDUSTRIES LIMITED

- 2.1.1. MIL was incorporated on September 16, 1992. MIL is a supplier of automotive solutions to original equipment manufacturers. MIL along with its subsidiaries, joint ventures and associates offers a range of products across various verticals of auto components, such as switching systems, acoustic systems and alloy wheels, among other. Its business divisions include Lighting System Division, Switch & Handle Bar System Division, Acoustic Systems Division and Sensors Actuators and Controllers Division. Further, the company has business divisions, which are engaged in production of batteries for two wheelers, fuel cap, compressed natural gas (CNG)/liquid petroleum gas (LPG) kits, blow molding components and aluminum die casting.

The equity shares of MIL are listed on BSE Limited ('BSE') and the National Stock Exchange of India Limited ('NSE')

The issued, subscribed and paid up equity share capital of MIL as on September 30, 2019 is INR 52.44 crores consisting of 26,22,16,965 equity shares of face value of INR 2 each.

The shareholding pattern as on December 31, 2019:

Name of the shareholder	No. of Shares	% of holding
Promoter and Promoter Group	18,56,19,672	70.79%
Public Shareholders	7,65,97,293	29.21%
Total number of equity shares	26,22,16,965	100.00%

MIL has granted 10,12,259 ESOP under UNO Minda Employee Stock Option Scheme (hereinafter referred to as 'ESOS-2019'). Each ESOP is convertible into one equity share of face value of INR 2 each at an exercise price of INR 325 each. Based on the above, the diluted number of equity shares would work out to 26,32,29,224.

- 2.1.2. The Board of directors of MIL in its meeting held on February 14, 2019 approved composite scheme of amalgamation of Harita Limited, Harita Venu Private Limited, Harita Cheema Private Limited, Harita Financial Services Limited and Harita Seating Systems Limited with



MIL subject to various necessary approvals. The appointed date of the amalgamation as per scheme is April 01, 2019. Further, MIL has filed application before NCLT, New Delhi on September 05, 2019. As on date, the process of NCLT approval is under progress.

Considering, the NCLT approval for the above transaction is pending, the effect of the same have not been considered for the purpose of present valuation exercise.

- 2.1.3. The Board of directors of MIL in its meeting held on May 16, 2019 approved the composite scheme of merger of Company's wholly owned subsidiaries i.e. M J Casting Limited, Minda Distribution and Services Limited, Minda Auto Components Limited and Minda Rinder Private Limited, with MIL subject to various necessary approvals. The appointed date of the amalgamation as per scheme is April 01, 2019. Further, MIL has filed application before NCLT, New Delhi on September 13, 2019. As on date, the process of NCLT approval is under progress.

2.2. MINDA ICONNECT PRIVATE LIMITED

MIPL, incorporated on September 30, 2014, situated at B-64/1, Wazirpur Industrial Area, New Delhi – 110 052. MIPL is a part of UNO Minda group which is primarily engaged in delivering enhanced value to car owners and automobile manufacturers and fleet owners by offering end to end 'connected car' solutions under brand name of 'Carot'.

The issued, subscribed and paid up equity share capital of MIPL as on September 30, 2019 is INR 7.34 crores consisting of 73,37,841 equity shares of face value of INR 10 each.

The shareholding pattern as on December 31, 2019:

Name of the shareholder	No. of Shares	% of holding
Bar Investment and Finance Private Limited	24,14,199	32.90%
Minda Investments Limited	23,91,529	32.59%
Singhal Fincap Limited	12,35,875	16.84%
Minda Finance Limited	11,95,000	16.29%
Jaibeer Malik	83,334	1.14%
Nirmal Kumar Minda	9,900	0.13%
Mohd. Waseem Khan	3,202	0.04%
Rohit Kumar Mishra	2,748	0.04%
Shruti Yadav	1,954	0.03%
Harish Chander Dhamija	100	0.001%
Total number of equity shares	73,37,841	100.00%

3. SSPA & CO., CHARTERED ACCOUNTANTS

SSPA is a partnership firm, located at 1st Floor, Arjun Building, Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing various corporate consultancy services.



REGISTERED VALUER - MR. PARAG S. VED

I am a fellow member of The Institute of Chartered Accountants of India ('ICAI') practising as a partner with SSPA. I am also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV/06/2018/10092.

4. SOURCES OF INFORMATION

The valuation exercise is based on the following information which has been received from the Management and any information available in the public domain:

- (a) Annual Reports / consolidated / standalone audited financial statements of MIL and its Subsidiaries, Joint Ventures and Associates for the financial year ('FY') ended March 31, 2019.
- (b) Management certified provisional consolidated financial statements of MIL along with its Subsidiaries, Joint Ventures and Associates for 6 months period ended on September 30, 2019 ('6ME Sep19') and for 6 months period ended on September 30, 2018 ('6ME Sep18').
- (c) Audited financial statements of MIPL for FY 2018-19.
- (d) Management certified provisional financial statements of MIPL for 6ME Sep19.
- (e) Financial projections of MIPL comprising of balance sheet, profit & loss statement and capital expenditure for 6 months period ended on March 31, 2020 ('6ME Mar20') and from FY 2020-21 to FY 2024-25, as provided by the Management.
- (f) Other relevant details regarding the Companies such as their history, past and present activities and other relevant information and data.
- (g) Such other information and explanations as we required and which have been provided by the Management including Management Representations.

5. SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

- 5.1. This report is subject to the scope 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 and in the context of the purpose for which it is made. Further, our report on recommendation of fair equity share exchange ratio of MIL and MIPL is in accordance with ICAI Valuation Standards 2018.



- 5.2. This report has been prepared for Board of Directors of MIL and MIPL solely for the purpose of recommending a fair equity share exchange ratio for the proposed amalgamation of MIPL with MIL.
- 5.3. Valuation is not a precise science and the conclusions arrived at 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 value by applying certain formulae which are based on the information available, others may place a different value.
- 5.4. We have been represented by the Management that the Companies have clear and valid title of assets. No investigation on the Companies' claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid.
- 5.5. The draft of the present report (excluding the recommended fair equity share exchange ratio) was circulated to the Management for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.
- 5.6. For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Companies/auditors/consultants is that of the Companies. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Management that they have not omitted any relevant and material factors about the Companies. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements by the Management may materially affect our valuation analysis/conclusions. Our work does not constitute an audit, due diligence or certification of these information referred to in this report including information sourced from public domain. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any information referred to in this report and consequential impact on the present exercise. However, nothing has come to our attention to indicate that the information provided/obtained was materially misstated/incorrect or would not afford reasonable grounds upon which to base the report.
- 5.7. Valuation analysis and results are specific to the purpose of valuation and the Valuation Date mentioned in the report and is as per agreed terms of the engagement.
- 5.8. Our recommendation is based on the estimates of future financial performance as projected by the management of MIPL, which represents their view of reasonable



expectation at the point of time when they were prepared, after giving due considerations to commercial and financial aspects of MIPL and the industry in which MIPL operate. But such information and estimates are not offered as assurances that the particular level of income or profit will be achieved or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary from those contained in the statement and the variation may be material. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

- 5.9. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the fair value of the shares of the Companies including any significant changes that have taken place or are likely to take place in the financial position of the Companies. Events and transactions occurring after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.
- 5.10. The fee for the engagement and this report is not contingent upon the results reported.
- 5.11. Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed Amalgamation with the provisions of any law including companies, competition, taxation (including transfer pricing) and capital market related laws or as regards any legal implications or issues arising in India or abroad from such proposed Amalgamation.
- 5.12. Any person/party intending to provide finance/invest in the shares/convertible instruments/business of the Companies 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.
- 5.13. The decision to carry out the transaction (including consideration thereof) lies entirely with the Management and our work and our finding shall not constitute a recommendation as to whether or not the Management should carry out the transaction.
- 5.14. This Report is meant for the purpose mentioned in Para 1 only and should not be used for any purpose other than the purpose mentioned therein. It is exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required



under any law. This Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall SSPA assume any responsibility to any third party to whom the report is disclosed or otherwise made available.

- 5.15. SSPA nor its partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for/or based on or relating to any such information contained in the valuation.

6. VALUATION APPROACH AND METHODOLOGIES

- 6.1. For the purpose of valuation, generally following approaches can be considered, viz,

- (a) the 'Market' approach;
- (b) the 'Income' approach; and
- (c) the 'Cost' approach

- 6.2. The 'Cost' approach represents the value with reference to historical cost of assets owned by the company and the attached liabilities. Such value generally represents the support value in case of profit-making business and thus, has limited relevance in the valuation of the business of a going concern.

In the present case, the business of MIL and MIPL are intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the Cost approach is not adopted for the present valuation exercise.

6.3. MARKET APPROACH

- 6.3.1. Under the Market approach, since the equity shares of MIL are listed and frequently traded on recognized stock exchanges, we have thought fit to consider Market Price ('MP') Method under 'Market' approach for valuation of equity shares of MIL. For the purpose of valuation of MIPL, MP Method has not been adopted since it is not listed on any stock exchange.

6.3.2. MARKET PRICE METHOD

The market price of an equity share, as quoted on a stock exchange, is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.



As mentioned earlier, the equity shares of MIL are listed on recognized stock exchanges. Value under this method is determined for MIL considering the share prices observed on NSE for MIL over a reasonable period, to arrive at the value per equity share of MIL as on the Valuation Date.

6.3.3. COMPARABLE COMPANIES MULTIPLE METHOD

Under CCM method, the value of equity shares of MIL and MIPL is determined by using multiples derived from valuations of comparable 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. In the present case, Enterprise Value ('EV') to Earnings before Interest Tax Depreciation and Amortization ('EBITDA') multiples of comparable listed companies are used to arrive at EV of MIL and MIPL.

To the value so arrived, appropriate adjustments have been made for contingent liabilities, loan funds, value of investments, cash and cash equivalents and cash inflow on account of ESOP after considering the tax impact wherever applicable to arrive at the equity value.

The equity value as arrived above is divided by the outstanding/diluted number of equity shares to arrive at the value per share.

6.4. INCOME APPROACH

6.4.1. MIL is in cyclical industry and has a number of subsidiaries and associate companies. Due to these factors, the management of MIL has not prepared detailed long-term projections. Therefore, the 'Income' approach is not adopted for the present valuation exercise for MIL.

6.4.2. Under the 'Income' approach, shares of MIPL have been valued using 'Discounted Cash Flow' ('DCF') Method.

6.4.3. Under the DCF method the projected free cash flows from business operations after considering fund requirements for projected capital expenditure and incremental working capital are discounted at the Weighted Average Cost of Capital ('WACC'). The sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business.

6.4.4. The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are determined by adding back to profit before tax, (i) interest on loans, if any, (ii) depreciation and amortizations (non-cash charge) and (iii) any non-operating item. The cash flow is adjusted for outflows on account of (i) capital expenditure, (ii) incremental working capital requirements and (iii) tax.



- 6.4.5. WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the company. In other words, WACC is the weighted average of the company's cost of equity and debt. Considering an appropriate mix between debt and equity for MIPL, we have arrived at the WACC to be used for discounting the Free Cash Flows of MIPL.
- 6.4.6. To the value so arrived, appropriate adjustments have been made for loan funds and cash and cash equivalents after considering the tax impact wherever applicable to arrive at the equity value.
- The value as arrived above is divided by the outstanding number of equity shares to arrive at the value per share.

7. RECOMMENDATION OF FAIR EQUITY SHARE EXCHANGE RATIO

- 7.1. The fair basis of amalgamation of MIPL with MIL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under different methods, for the purposes of recommending a ratio of exchange it is necessary to arrive at a single value for the shares of MIL and MIPL. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of each company. Our exercise is to work out relative value of shares of MIL and MIPL to facilitate the determination of a ratio of exchange. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.
- 7.2. Attention may also drawn to Regulation 158 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ('ICDR Regulation') which specifies that preferential 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 ICDR Regulation. Further, it may be noted that ICDR Regulation 164 specifies the base price for issue of shares on a preferential basis. In the proposed amalgamation unlisted entity i.e. MIPL is amalgamating with MIL, a listed entity. We have therefore, given due cognizance to the base price derived using the formula prescribed under ICDR Regulation after considering the fair value of MIL while determining the swap ratio.



- 7.3. As mentioned above, we have considered a combination of 'Market' approach and 'Income' approach and have independently applied methods discussed above, as considered appropriate to arrive at the value per share of MIL and MIPL. The values under each of the approaches is given in the table below:

Method of Valuation	MIL		MIPL	
	Value per Share (INR)	Weights	Value per Share (INR)	Weights
Asset Approach*	NA	NA	NA	NA
Income Approach**	NA	NA	22.61	1
Market Approach				
- Market Price Method***	377.02	1	NA	NA
- CCM Method	358.35	1	22.81	1
Relative value per share (a) (Rounded Off)	367.70		22.70	
Value per share based on ICDR Pricing (b)	405.74		NA	
Relative value per share for the purpose of Exchange Ratio (max (a) or (b))	405.74		22.70	
Fair Equity Share Exchange Ratio (Rounded off)	17.90			

NA = Not Applied / Applicable

* Since, the businesses of MIL and MIPL are both intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the 'Asset' approach is not adopted for the present valuation exercise.

** Since, the management of MIL has not prepared detailed long term projection of MIL, therefore DCF Method under Income approach is not adopted for the present valuation exercise.

*** Since, the shares of MIPL are not listed on any stock exchange, therefore Market Price Method under Market approach is not adopted for the present valuation exercise.

- 7.4. The fair equity share exchange ratio has been arrived on the basis of a relative valuation of equity shares of MIL and MIPL based on the approaches explained herein earlier and various qualitative factors relevant to the companies and the business dynamics and growth potential of the businesses, having regard to information base, management representation and perceptions, key underlying assumptions and limitations.
- 7.5. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgement 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 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.'

7.6. In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report, in our opinion:

The fair equity share exchange ratio for the proposed amalgamation of MIPL with MIL is as under:

10 (Ten) equity share of MIL of INR 2 each fully paid up for every 179 (One Hundred Seventy Nine) equity shares of MIPL of INR 10 each fully paid up

Thanking you

For **SSPA & CO.**
Chartered Accountants
Firm registration number 128851W



Parag S. Ved



CA Parag S. Ved
ICAI Membership Number: 102432
Registered Valuer No.: IBBI/RV/06/2018/10092
UDIN: 20102432AAAAAA4338

Date: February 06, 2020
Place: Mumbai