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Strictly Private and Confidential

To,

Board of Directors
Dalmia Refractories Limited
4, Scindia House
Connaught Place
New Delhi – 110001

Board of Directors
Sri Dhandauthapani Mines and Minerals
Dalmiapuram,
Dist. Tiruchirappalli,
Tamil Nadu- 621651

Board of Directors
Ascension Commercio Private Limited
Dalmiapuram,
Dist. Tiruchirappalli,
Tamil Nadu- 621651

Date: 14 November 2019

Sub: Recommendation of Fair Share Exchange Ratio pursuant to the Scheme of Amalgamation and Arrangement between Dalmia Refractories Limited and GSB Refractories India Private Limited and Sri Dhandauthapani Mines and Minerals Limited and Ascension Commercio Private Limited and their Respective Shareholders and Creditors

Dear Sir / Madam,

We refer to our Engagement Letter dated 17 October 2019 whereby the Management of Dalmia Refractories Limited (the "Management") has requested Walker Chandiok & Co LLP ("WCC" or the "firm") for recommending Fair Share Exchange Ratio for the proposed restructuring exercise, as on 30 September 2019 (hereinafter referred to as the "Valuation Date") pursuant to a Scheme of Amalgamation and Arrangement under provisions of Sections 230 to 232 of the Companies Act, 2013, and other applicable provisions of the Companies Act, 2013 ("Scheme" or "Scheme of Amalgamation and Arrangement").

Dalmia Refractories Limited, GSB Refractories India Private Limited, Sri Dhandauthapani Mines and Minerals Limited and Ascension Commercio Private Limited are hereinafter together referred to as Specified Companies.

WCC has been hereafter referred to as 'Valuer' or 'we' in this report ('Report').

In the following paragraphs, we have summarized our valuation analysis together with the description of the methodologies used and limitations on our scope of work.

CONTEXT AND PURPOSE

Dalmia Cement (Bharat) Limited ("DCBL")

DCBL, incorporated in 1996, is a public limited company engaged in the business of manufacturing and selling cement, refractory operations, generating power, maintaining and operating rail systems and solid waste management system which provide services to the cement business. It is a 100% subsidiary of Dalmia Bharat Limited ("DBL").

Standalone refractory business of DCBL and the refractory business of its subsidiary, OCL Global Limited, along with its step-down subsidiary is collectively hereinafter referred to as "Refractory Business of DCBL".

Sri Dhandauthapani Mines and Minerals Limited ("SDMM")

SDMM, incorporated in 2006, is a public limited company. SDMM is an entity identified to carry out the refractory operations of the Dalmia Bharat Group. Pursuant to separate Scheme of Arrangement amongst Dalmia Cement (Bharat) Limited and Sri Dhandauthapani Mines and Minerals Limited and their respective shareholders and creditors, the Refractory Business of DCBL will be transferred to SDMM in the manner and on terms set out in that scheme (**"Scheme 1"**).

Dalmia Refractories Limited ("DRL")

DRL, incorporated in 1956, is engaged in the business of production, mining, manufacturing and to treat, purchase, sell or otherwise deal with:

a) Bricks, tiles, stoneware, pipes, pottery, earthenware, sanitaryware, china and terra-cotta, dolomite, Sulphur, pyrites, graphite, cement, reinforced cement concrete pipes and cement products of all kinds, refractories and ceramic ware of all kinds;

b) Fire clay, china clay, magnesite, quartzite and products thereof and all other refractory materials and products;

c) Details of DRL's investments are as follows:
   i. Dalmia Seven Refractories Limited ("Dalmia Seven"), Joint Venture ('JV') in which DRL holds 51%;
   ii. Dalmia Refractories Germany GMBH ("DRGG"), 100% subsidiary of DRL;
   iii. GSB Refractories India Private Limited ("GSB India"), in which DRL holds 41.81%;
   iv. Other surplus investments
   v. Further, DRGG holds 100% in GSB Group GMBH ("GSB Germany") and the remaining 58.19% of GSB India is held by GSB Germany.

Equity shares of DRL are listed on the Calcutta Stock Exchange Limited and Metropolitan Stock Exchange of India Limited.

GSB Refractories India Private Limited

GSB Refractories India Private Limited ("GSB India"), incorporated in 2011. GSB India is involved in the manufacture of all types of pre-cast shapes likes lances and snorkels and other refractory items. DRL directly holds 41.81% stake in GSB India and balance stake is held by a step down subsidiary of DRL.

Ascension Commercio Private Limited ("ACPL")

ACPL, incorporated in 2018, currently is not carrying on any operations but proposes to enter the business of being manufacturers, producers, processors, importers, exporters, buyers, sellers, miners of raw materials etc. of all types of refractory material or ingredients of any other kind used or that could be connected with refractories.

Proposed Transaction

We have been given to understand that pursuant to Scheme 1, the Refractory Business of DCBL will be transferred to SDMM against issue and allotment of Compulsorily Convertible Debentures ("CCD's") and Equity Shares. Pursuant to Scheme 1 becoming effective, the Refractory Business of DCBL shall therefore be vested in SDMM.

We understand that the management of the Specified Companies are contemplating a restructuring exercise with the objective of consolidating the refractory business of SDMM, DRL and GSB ("Proposed Transaction") under a Scheme of Amalgamation and Arrangement, which shall only come to effect on Scheme 1 becoming effective. The Proposed Transaction, would involve following steps:

Step 1: Amalgamation of DRL with SDMM against issue and allotment of equity shares of SDMM to the shareholders of DRL of the face value of INR 10 each

Step 2: Amalgamation of GSB India with SDMM. No equity shares to be issued to GSB India as SDMM will be ultimate shareholder of GSB India subsequent to Step 1;

Step 3: Consolidation of Refractory Business of SDMM ("Refractory Undertaking") comprising of following:

- Refractory Business of DCBL transferred to SDMM pursuant to Scheme 1
- Refractory business transferred to SDMM on merger of DRL and GSB India with SDMM

Under this Step Refractory Undertaking of SDMM will be transferred to ACPL against issue and allotment of CCD's of face value of INR 10 each to SDMM and DCBL.

In this connection, the Management has appointed WCC to submit a report recommending the Fair Share Exchange Ratio pursuant to the Proposed Transaction for the consideration of the Board of

Directors (including audit committees, as applicable) of DRL and SDMM and ACPL in accordance with the applicable Securities and Exchange Board of India ("SEBI") and the relevant stock exchanges laws, rules and regulations.

We understand that this report is required to meet with the applicable SEBI and the relevant stock exchanges' laws, rules and regulations only and you did not require us to perform this valuation as a registered Valuer under the Companies Act 2013 ("Act"), the Companies (Registered Valuers And Valuation) Rules, 2017 or as per any other rules, regulations, standards, bye-laws, ordinance, notifications issued pursuant to such Act or Rules. Accordingly, our valuation analysis and this Report does not constitute nor can be construed as a valuation carried out by a registered valuer in accordance with such Act or Rules or as per any rules, regulations, standards, bye-laws, ordinance, notifications issued pursuant to such Act or Rules and any such use of our valuation analysis and this Report is not permitted.

This Report is our deliverable for the above engagement.

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

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information received from the Management and/or gathered from public domain:

1. Historical financial statements of Standalone DRL along with its subsidiaries, step down subsidiaries and JV viz., GSB Germany, GSB India and Dalmia Seven;
2. Audited financial statements for FY19 and the provisional financial statements for six months' period ended 30 September 2019 of DRL along with its subsidiaries, step down subsidiaries and JV;
3. Statement of assets and liabilities as on 31 October 2019 for SDMM and ACPL;
4. Projected Financial Statements for DRL along with its subsidiaries, step down subsidiaries and JV;
5. Draft Scheme of Amalgamation and Arrangement;
6. International Database; World Wide Web;
7. Correspondence with the Management including Management Representation Letter;
8. In addition to the above, we have also obtained such other information and explanations which were considered relevant for the purpose of our analysis.

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

Management has informed us that IDFC Securities Private Limited and RBSA Capital Advisors LLP have been appointed to provide fairness opinion on the recommended Fair Share Exchange Ratio for the purpose of aforementioned Proposed Transaction. Further at the request of the Management, we have had discussions with the Fairness Opinion provider mentioned above on the valuation approach adopted and assumptions made by us.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. These services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

The recommendation contained herein is not intended to represent value at any time other than the date of the Report.

This Report, its contents and the results herein are (i) specific to the purpose of valuation agreed as per the terms of our engagement; (ii) the Valuation Date and (iii) are based on the data detailed in the section – Sources of Information. An analysis of this nature is necessarily based on the information made available to us, the prevailing stock market, financial, economic and other conditions in general and industry trends in particular, as of the Valuation Date. 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.

The recommendation rendered in this Report only represents our recommendation based upon information till date, furnished by the Management (or its representatives) and other sources and the said recommendation 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).

The determination of a Fair Share Exchange Ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no single undisputed Fair Share Exchange Ratio. While we have provided our recommendation of the Fair Share Exchange Ratio based on the information available to us and within the scope of our engagement, others may have a different opinion. The final responsibility for the determination of the Fair Share Exchange Ratio at which the Proposed Transaction shall take place will be with the Board of Directors of the Specified Companies who should take into account other factors such as their own assessment of the Proposed Transaction and input of other advisors.

In the course of the valuation, we were provided with both written and verbal information, including information as detailed in the section - Sources of Information. In accordance with the terms of our engagement, we have assumed and relied upon, (i) the accuracy of the information that was publicly available and formed a basis for this Report and (ii) the accuracy of information made available to us by DRL. As per our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical and projected financial information provided to us. We have not independently investigated the data provided by the DRL. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the DRL, we have been given to understand by the Specified Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/on behalf of the Specified Companies. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Also, we assume no responsibility for technical information furnished by the Specified Companies.

Accordingly, we assume no responsibility for any errors in the information furnished by the Management or obtained from public domain and their impact on the Report. However, nothing has come to our

WALKER CHANDIOK & CO LLP CHARTERED ACCOUNTANTS attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Report.

The Management has represented that the business activities have been carried out in the normal and ordinary course between Report Date and the Valuation Date for the Specified Companies and that no material adverse change has occurred in their respective operations and financial position between the respective aforementioned dates.

The Report assumes that the Specified Companies, their subsidiaries and JVs comply fully with relevant laws and regulations applicable in all their areas of operations unless otherwise stated, and that all the companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited/unaudited balance sheet of the Specified Companies, their subsidiaries and JVs. Our conclusion of value assumes that the assets and liabilities of the Specified Companies, their subsidiaries and JVs, reflected in their respective latest balance sheets remain intact as of the Report Date.

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

No investigation / inspection of the companies' claim to title of assets has been made for the purpose of this Report and the companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

The fee for the engagement is not contingent upon the results reported.

We owe responsibility to only the Boards of Directors of DRL that has appointed us under the terms of our 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 advisor to the Specified Companies. 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 Specified Companies, their directors, employees or agents.

We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion on the Fair Share Exchange Ratio. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.

This Report is subject to the laws of India.

The Report should be used in connection with the Scheme.

Neither this Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties other than in connection with the Proposed Schemes of Amalgamation and Arrangement, without our prior written consent.

This Report does not in any manner address the prices at which equity shares of DRL will trade following announcement of the Proposed Transaction and we express no opinion or recommendation as to how the shareholders of DRL should vote at the shareholders' meeting(s) to be held in connection with the Proposed Transaction.

Any discrepancies in any table / annexure between the total and the sums of the amounts listed are due to rounding-off.

SHARE HOLDING PATTERN OF COMPANIES

SDMM

The issued and subscribed equity share capital of SDMM as on 13 November 2019 was INR 0.7 million consisting of 70,000 equity shares of face value of INR 10 each. The shareholding pattern was as follows:

Sr. No.	Shareholder	Percentage
1.	DCBL	99.99%
2.	Others	00.01%
	Total	**100.00%**

DRL

The issued and subscribed equity share capital of DRL as on 13 November 2019 was INR 31.5 million consisting of 3,152,084 equity shares of face value of INR 10 each. The shareholding pattern was as follows:

Sr. No.	Shareholder	Percentage
1	Promoter and Promoter Group	64.83%
2	Public	35.17%
	Total	**100.00%**

Further, 165,000 Employee Stock Options (ESOP) are granted by DRL and are not lapsed as on the Valuation Date. The diluted number of equity shares, as on the date of this Report, after considering the exercise of all the granted ESOP would be 3,317,084 equity shares. We have considered diluted equity share capital for the purpose of our valuation analysis.

ACPL

The issued and subscribed equity share capital of ACPL as on 13 November 2019 was INR 0.2 million consisting of 20,000 equity shares of face value of INR 10 each. The shareholding pattern was as follows:

Sr. No.	Shareholder	Percentage
1	SDMM	100.00%
	Total	**100.00%**

VALUATION APPROACH & METHODOLOGY

Valuation Base: Valuation base means the indication of the type of value being used in an engagement. Different Valuation bases may lead to different conclusions of value. In transaction of the nature of merger or amalgamation of companies or merger or demerger of businesses, the consideration is often discharged primarily by issue of securities of the acquirer or transferee entity with reference to an exchange ratio considering the relative values.

Considering the nature of this exercise, we have considered Relative Value as the Valuation base.

Premise of Value: Premise of Value refers to the conditions and circumstances how an asset is deployed. We have considered Going Concern Value and 'As-is-where-is' Value as applicable to the companies being valued, as the Premise of Value.

Intended Users: This report is intended for consumption of the Board of Directors of DRL and SDMM and ACPL for the purpose of submission to the relevant regulatory authorities.

Summary of the Scheme:

a) Part III of the Scheme contemplates amalgamation of DRL into SDMM and recommendation of Fair Share Exchange Ratio based on relative valuation of equity shares of DRL and SDMM.
b) As per Part IV, GSB India will be merged with SDMM and no equity shares will be issued as SDMM will be the shareholder in GSB India on Part III of the Scheme being effective;
c) Under Part V of the Scheme, Consolidated Refractory Undertaking of SDMM will be transferred to ACPL against issue and allotment of CCD's to SDMM and DCBL.

The Scheme contemplates the Proposed Transaction pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

Valuation Approach

The three main valuation approaches are the market approach, income approach and asset approach. As discussed below, there are several commonly used and accepted methods for determining the Fair Share Exchange Ratio for the Proposed Transaction, which have been considered in the present case, to the extent relevant and applicable, including:

1. Market Approach:
    a. Market Price method
    b. Comparable Companies Multiples
2. Income Approach: Discounted Cash Flows Method
3. Cost Approach: Net Asset Value Method

It should be understood that the valuation of any entity or its assets is inherently subjective and is subject to uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we have relied on explanations provided by the Management and have made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. This valuation could fluctuate with lapse of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions financial and otherwise, of the companies, and other factors which generally influence the valuation of companies and their assets.

We have relied on the judgment of the Management as regards contingent and other liabilities.

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, regulatory guideline and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

The generally accepted valuation methodologies, as may be applicable, which have been used to arrive at the value of the companies are discussed hereunder:

Market Approach – Market Price (MP) Method

The market price of an equity share as quoted on a Stock Exchanges is normally considered as the 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.

In the present case, equity shares of DRL are listed on the Calcutta Stock Exchange Limited and Metropolitan Stock Exchange of India Limited. However, there is no information about trading of DRL's shares on these exchanges. Hence, we have not used this method for valuation of DRL.

Market Approach - Comparable Companies Multiple ("CCM") Method

Under this method, value of the equity shares of a company/ business undertaking is arrived at by using multiples derived from valuations of comparable companies/ transactions traded on active market. 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. We have used this method wherever publicly listed comparable companies were available.

Income Approach - Discounted Cash Flows (DCF) Method

The DCF method values the asset by discounting the cash flows expected to be generated by the asset for the explicit forecast period and also the perpetuity value (or terminal value) in case of assets with indefinite life.

Using the DCF analysis involves determining the following:

- **Estimating future free cash flows:**
  Free cash flows are the cash flows expected to be generated by the company that are available to all providers of the company's capital – both debt and equity.

- **Appropriate discount rate to be applied to cash flows i.e. the cost of capital:**
  This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

Considering that DCF method is based on future potential of the business & is widely accepted, we have used DCF for the valuation of the companies having operations.

Cost Approach - Net Asset Value (NAV) Method

The asset-based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the 'going concern' criteria or in case where the assets base dominates earnings capability.

We have considered NAV method of valuation for arriving at the value of non-operating or not fully operational companies as on the Valuation Date.

Valuation Approach for Companies

a) **DRL** - DRL has refractory business operations in the standalone entity and its subsidiaries/ JV's. Thus, equity value of DRL has been arrived at on a 'sum of the parts' basis, considering value of its own business operations, value of its quoted and unquoted investments as well as value of surplus land. We have used DCF method for valuation of operating companies, NAV method for valuation of investment holding companies and CCM method wherever applicable.

b) **SDMM** – We have considered NAV method for arriving at equity value of SDMM as the company does not have any significant business operations.

c) **ACPL** – We have considered NAV method for valuation of ACPL as the company does not have any significant business operations.

BASIS OF SHARE EXCHANGE RATIO

The fair basis of the Proposed Transaction would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above methodologies, for the purposes of recommending a Fair Share Exchange Ratio it is necessary to arrive at a single value for each of the business' / subject companies' shares. It is however important to note that in doing so we are not attempting to arrive at the absolute equity values of the business' / companies and / or their JV's and subsidiaries but at their relative values to facilitate the determination of a Fair Share Exchange Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion by us and judgments taking into account all the relevant factors. There will always be several factors, e.g. quality of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets, but which will strongly influence the worth of a share. The determination of exchange ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. This concept is also recognized in judicial decisions. There is, therefore, no indisputable single exchange ratio.

While we have provided our recommendation of the Fair Equity Share Exchange ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the Fair Equity Share Exchange ratio of the equity shares of the Companies. The final responsibility for the determination of the exchange ratio at which the proposed merger shall take place will be with the Board of Directors of the respective companies who should take into account other factors such as their own assessment of the Proposed Transaction and input of other advisors.

Based on the separate report issued for Scheme 1, we have recommended issue of 6,848,926 equity shares of Face Value of INR 10 each at a Premium of INR 180.6/- per share and 22,500,000 CCDs of INR 100 each to DCBL for transfer of its refractory business.

The Fair Share Exchange Ratio has been arrived at based on a relative equity valuation of SDMM and DRL derived using various methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the companies, having regard to available information base, key underlying assumptions and limitations.

CONCLUSION

Based on the forgoing, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove:

Step 1:
Pursuant to the amalgamation of DRL into SDMM, we recommend the Fair Share Exchange Ratio to be 768 (Seven Hundred and Sixty-Eight) fully paid up Equity Shares of Face Value of INR 10 each of SDMM for every 100 (Hundred) fully paid up Equity Shares of Face Value INR 10 each held in DRL

Step 2:
Pursuant to the transfer of Refractory Undertaking of SDMM to ACPL, we recommend issue of 24,984,524 fully paid up CCD's to SDMM and 10,227,273 fully paid up CCD's to DCBL of Face Value INR 10 each (in lieu of CCDs issued to DCBL pursuant to Scheme 1).

Respectfully submitted,
For **Walker Chandiok & Co LLP**
Chartered Accountants
ICAI Firm Registration No: 001076N/ N500013

Neeraj Goel

Neeraj Goel
Partner
Membership No: 099514
Date: 14 November 2019
UDIN: 19099514AAAAFX3360

WALKER CHANDIOK & CO LLP
CHARTERED ACCOUNTANTS

Annexure 1

The Computation of Fair Share Exchange Ratio as derived by us, is given below.

Valuation Approach	DRL		SDMM	
	Value per share (INR)	Weight (%)	Value per share (INR)	Weight (%)
Market Approach				
Market Price Method	N.A.		N.A.	
Comparable Companies Method	1,456.8	50%	N.A.	
Income Approach	1,470.1	50%	N.A.	
Cost Approach	559.0	0%	190.6	100%
Relative Value Per Share	**1,463.4**		**190.6**	
Exchange Ratio (rounded off)	**100**		**768**	

NA= Not Applicable/Adopted

1. Market Price Method is not considered for SDMM as its equity shares are not listed on any stock exchange. We have also not considered this method for DRL as there is no information of trading of equity shares of DRL on Calcutta Stock Exchange Limited and Metropolitan Stock Exchange of India Limited.
2. CCM method is considered for the valuation of DRL and its certain subsidiaries, JV's and step-down subsidiaries.
3. Income Approach has been considered for the valuation of DRL as this methodology shall capture the future cash flows planned for DRL and its subsidiaries, JV's and step-down subsidiaries and its subsidiaries.
4. Cost approach is adopted in case of SDMM, since it has no significant operations. This methodology is not adopted in case of DRL as it does not capture the full potential of the companies based on the future cash flows planned for DRL and its subsidiaries, JV's and step-down subsidiaries.

Share Exchange Ratio
768 (Seven Hundred and Sixty-Eight) equity shares of SDMM (Face Value of INR 10/- each fully paid up) for 100 (Hundred) equity shares held in DRL (Face Value of INR 10/- each fully paid up)

Annexure 2

Net Asset Value of ACPL

Particulars	Value (INR Mn)
Total Assets	4.4
Total Liabilities	0.0
Net Asset Value	**4.4**
Total No. of Shares	20,000.0
Value per share (INR)	**220.0**

Annexure 3

The number of CCD's to be issued pursuant to the Scheme is as under:

Issue of CCD's by ACPL Face Value of INR 10 and premium of INR 210		
	Value (INR Mn)	Number of CCD's
To SDMM	5,496.6	2,49,84,524
To DCBL	2,250.0	1,02,27,273
Total	**7,746.6**	**3,52,11,796**

WALKER CHANDIOK & CO LLP * CHARTERED ACCOUNTANTS

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Date: 14 November 2019

Board of Directors

Dalmia Refractories Limited,
Dalmiapuram, Dist.
Tiruchirapalli,
Tamil Nadu - 621 651,
India

Board of Directors

Sri Dhandauthapani Mines And Minerals Limited,
Dalmiapuram, Dist.,
Tiruchirappalli,
Tamil Nadu- 612651
India

Board of Directors

Ascension Commercio Private Limited,
Dalmiapuram, Dist.
Tiruchirappalli,
Tamil Nadu- 621651, ,
India

Sub: Report on recommendation of Share Exchange Ratio pursuant to the Scheme of Amalgamation and Arrangement amongst Dalmia Refractories Limited and GSB Refractories India Private Limited and Sri Dhandauthapani Mines and Minerals Limited and Ascension Commercio Private Limited and their respective Shareholders and Creditors

Dear Sir/Madam,

We refer to the engagement letter ("LoE") whereby the respective Boards of Dalmia Refractories Limited ("DRL"), Sri Dhandauthapani Mines and Minerals Limited ("SDMM")and Ascension Commercio Private Limited ("ACPL") (individually and collectively herein referred to as the "Client" or "You" or "the Company" or "the Companies" or "respective Companies" as the context may require), have requested Incwert Advisory Private Limited ("Incwert" or "Valuer" or "Registered Valuer" or "RV" or "We" or "us") for:

- Recommendation of Share Exchange Ratio ("Share Exchange Ratio") for the proposed transaction involving the merger of Dalmia Refractories Limited ("DRL") into SDMM
- Valuation of the refractory business of SDMM ("Refractory Undertaking") for the purpose of transfer of the Refractory Undertaking of SDMM to Ascension Commercio Private Limited ("ACPL") against issue of compulsorily convertible debentures ("CCDs") to SDMM and Dalmia Cement (Bharat) Limited ("DCBL")

Incwert is a Registered Valuer Entity with Insolvency and Bankruptcy Board of India ("IBBI") for the asset class 'Securities or Financial Assets' having registration number IBBI/RV-E/05/2019/108.

Valuation is required for the Proposed Transaction pursuant to a Scheme of Amalgamation and Arrangement amongst SDMM, DRL, GSB Refractories India Private Limited ("GSB India") and ACPL and their respective shareholders and creditors under section 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Scheme") to be filed with the Honourable National

Company Law Tribunal

Valuation date considered for the Proposed Transaction is 30 September 2019 ("Valuation Date").

In the following paragraphs, we have summarised our valuation analysis together with the description of the valuation approaches, methodologies and limitations in our scope of work.

CONTEXT AND PURPOSE OF THIS REPORT

Overview

Dalmia Bharat Group is a diversified business group which was incorporated in 1935. The group has three major businesses – cement business, sugar business and refractory business. The group is spread across south, east, north and north east regions of India.

The refractory business is currently spread across more than one entities within the group and majorly operated under two entities – Dalmia Refractories Limited and Dalmia Cement Bharat Limited.

Dalmia Cement (Bharat) Limited

DCBL, incorporated in 1996, is a public limited company engaged in the business of manufacturing and selling cement, refractory operations, generating power, maintaining and operating rail systems and solid waste management system which provide services to the cement business. It is a 100% subsidiary of Dalmia Bharat Limited ("DBL").

Standalone refractory business of DCBL and the refractory business of its subsidiary, OCL Global Limited, along with its step-down subsidiary is collectively hereinafter referred to as "Refractory Business of DCBL".

Sri Dhandauthapani Mines and Minerals Limited

SDMM, incorporated in 2006, is a public limited company. SDMM is an entity identified to carry out the refractory operations of the Dalmia Bharat Group. Pursuant to separate Scheme of Arrangement amongst Dalmia Cement (Bharat) Limited and Sri Dhandauthapani Mines and Minerals Limited and their respective shareholders and creditors, the Refractory Business of DCBL will be transferred to SDMM in the manner and on terms set out in that scheme ("Scheme 1").

Dalmia Refractories Limited ("DRL")

DRL, incorporated in 1973 under the provisions of the Companies Act, 1956 and has its registered office at Dalmiapuram, Dist. Tiruchirappalli, Tamil Nadu 621651. DRL is engaged in the business of, mining, manufacturing and selling of refractory products and services.

c) Details of DRL's investments are as follows:

i. Dalmia Seven Refractories Limited ("Dalmia Seven"), Joint Venture ("JV") in which DRL holds 51%;

ii. Dalmia Refractories Germany GMBH ("DRGG"), 100% subsidiary of DRL;

iii. GSB Refractories India Private Limited ("GSB India"), in which DRL holds 41.81%;

iv. Other surplus investments

v. Further, DRGG holds 100% in GSB Group GMBH ("GSB Germany") and the remaining 58.19% of GSB India is held by GSB Germany

Equity shares of DRL are listed on the Calcutta Stock Exchange Limited and Metropolitan Stock Exchange of India Limited.

GSB Refractories India Private Limited

GSB Refractories India Private Limited ("GSB India"), incorporated in 2011. GSB India is involved in the manufacture of all types of pre-cast shapes likes lances and snorkels and other refractory items. DRL directly holds 41.81% stake in GSB India and balance stake is held by a step-down subsidiary of DRL.

Ascension Commercio Private Limited

ACPL, incorporated in 2018, currently is not carrying on any operations but proposes to enter the business of being manufacturers, producers, processors, importers, exporters, buyers, sellers, miners of raw materials etc. of all types of refractory material or ingredients of any other kind used or that could be connected with refractories.

Context and purpose

We have been given to understand that pursuant to Scheme 1, the Refractory Business of DCBL will be transferred to SDMM against issue and allotment of Equity Shares and Compulsorily Convertible Debentures ("CCDs"). Pursuant to Scheme 1 becoming effective, the Refractory Business of DCBL shall therefore be vested in SDMM.

We understand that the management of the Companies are contemplating a restructuring exercise with the objective of consolidating the refractory business of SDMM, DRL,GSB India and ACPL ("Proposed Transaction") under a Scheme of Amalgamation and Arrangement, which shall only come to effect on Scheme 1 becoming effective. The Proposed Transaction, would involve following steps.

Step 1: Amalgamation of DRL with SDMM against issue and allotment of equity shares of SDMM to the shareholders of DRL of the face value of INR 10 each

Step 2: Amalgamation of GSB India with SDMM. No equity shares to be issued to the shareholders of GSB India as SDMM and its subsidiary will be the shareholders of GSB India subsequent to Step 1.;

Step 3: Consolidation of Refractory Business of SDMM ("Refractory Undertaking") comprising of following:

- Refractory Business of DCBL transferred to SDMM pursuant to Scheme 1
- Refractory business transferred to SDMM on merger of DRL and GSB India with SDMM

Under this step, Refractory Undertaking of SDMM will be transferred to ACPL against issue and allotment of CCD's of face value of INR 10 each to SDMM and DCBL.

For the purpose of the above Proposed Transaction, the valuation of the respective companies or business undertakings and the swap ratio have to be calculated as prescribed under section 230-232 of the Companies Act, 2013. The same has to be calculated by a Registered Valuer (as defined under section 247 of the Companies Act, 2013) and hence the Companies have approached us to calculate Share Exchange Ratio and also the value of the refractory business of SDMM and the consideration to be discharged for the same.

This report ("Report" or "Valuation Report") is our deliverable in this regard.

This Report has been prepared by the RV solely for the purpose, as stated above.

We understand that this Report will be used by the Client for the above-mentioned purpose only and on the express understanding that it shall not be copied, disclosed or circulated or referred to in correspondence or discussion with any third party or used for any other purpose, other than for a) complying with the applicable provisions of the Companies Act, 2013 or b) submitting it to regulatory authorities/regulators for the purpose mentioned above, without RV's prior written consent.

BASIS OF VALUATION

Base of valuation

The base of valuation has been "Fair value" as at the Valuation Date.

The definition of "Fair value" as per Indian Valuation Standards issued by the Institute of Chartered Accountants of India, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

Fair value is the price in an orderly transaction in the principal (or most advantageous) market at the valuation date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Premise of value

The premise of value refers to the conditions and circumstances of how an asset is deployed. As part of our analysis, we have considered the following assumption to be appropriate:

- Going-concern basis - Going concern value is the value of a business enterprise that is expected to continue to operate in the future.
- As-is-where-is basis – considers the current use of the asset which may or may not be its highest and best use.

SOURCES OF INFORMATION

This Report is prepared based on the below sources of information as provided to us by the management of Client:

- Draft Scheme of Amalgamation and Arrangement
- Historical financial statements of Standalone DRL along with its subsidiaries, step down subsidiaries and JV viz., GSB Germany, GSB India and Dalmia Seven;
- Audited financial statements for FY19 and the provisional financial statements for six months' period ended 30 September 2019 of DRL along with its subsidiaries, step down subsidiaries and JV;
- Statement of assets and liabilites as on 31 October 2019 for SDMM and ACPL;
- Projected Financial Statements for DRL along with its subsidiaries, step down subsidiaries and JV;
-
- International Database: World Wide Web;
- Details of quoted and unquoted investments
- Other data and information provided by respective companies, as may be requested by us;
- Discussions with the Management to obtain requisite explanation and clarification of data provided;
- Interviews and correspondence with the respective company's management on which we have relied;
- Where available, published general market data, including economic, government and industry information which may affect the value of the businesses;
- Where available, financial data for publicly traded or private companies engaged in the same or similar lines of business to develop appropriate multiples and operating comparisons as part of the market approach of valuation.
- The management of the Companies were provided with an opportunity to review a draft of our Valuation Report (excluding the valuation and recommended Share Exchange Ratio) as part of our standard practice to ensure that factual inaccuracies/omissions are avoided in our final report.

DISCLOSURE OF INTEREST/ CONFLICT

We hereby certify that, to the best of my knowledge and belief that:

- RV is not affiliated to the Clientin any manner whatsoever.
- RV does not have a prospective interest in the business, which is the subject of this Report.
- Details of services for the Client performed within a three-year period immediately preceding acceptance of this engagement, as an appraiser or in any other capacity – not applicable.
- RV's fee is not contingent on an action or event resulting from the analyses, opinions or conclusions in this Valuation Report.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Our work in preparing the Report was undertaken, and our Report has been produced in accordance with the terms of our engagement with DRL, SDMM and ACPL. Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, diligence services, consulting/ tax-related services.

This Valuation Report, its contents and results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement along with subsequent discussions with the management; (ii) the date of this Valuation Report and (iii) are based on the data detailed in the section – Sources of information. An analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular, and the information made available to us as of the Valuation Date. Events occurring after the Valuation Date may affect this Valuation Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Valuation Report.

The Management has represented that the business activities of the Companies have been carried out in the normal and ordinary course and that no material adverse change has occurred in their respective operations between Valuation Date and date of issue of Valuation Report.

Further, for the purpose of this engagement and Report, we have made no investigation of, and assume no responsibility for, the title to the assets or liabilities against the Company. Our conclusion of value assumes that the title to the assets and liabilities of the respective companies reflected in their respective provisional financial statements as at 30 September 2019 is intact as at the date of this Report. For the purposes of this engagement, we are not required to carry out a valuation of tangible/intangible assets of the Companies.

The final analysis will have to be tempered by the exercise of reasonable discretion by the valuer and judgement, considering all the relevant factors. There will always be several factors example given, management capability, present and prospective competition, the yield on comparable securities, market sentiments among others, which are not evident from the face of the balance sheet but will strongly influence the worth of a share. This concept is well recognised in judicial decisions and pronouncements.

The recommendation rendered in this Valuation Report only represents our recommendation based upon information till date, furnished by the management of the Client and other sources. The said recommendation shall be considered to be in the nature of non-binding advice.

Our recommendation in this Valuation Report is not intended to advise anybody to take buy or sell decision for which specific opinion needs to be taken from expert advisors.

The Valuation Report does not constitute an offer or invitation to any section of the public to subscribe for or purchase any securities in, or the other business or assets or liabilities of the Companies.

The determination of a share exchange ratio is not a precise science, and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no single undisputed share exchange ratio. While we have provided our recommendation of the share exchange ratio based on the information made available to us and within the scope of our engagement, others may have a different opinion. The final responsibility for the determination of the share exchange ratio at which the Proposed Transaction shall take place will be with the Board of Directors of the Companies who should take into account other factors such as their assessment of the Proposed Transaction and input of other advisors.

Our work did not constitute an audit of the financial statements, and accordingly, we do not express any opinion on the truth and fairness of the financial position, as indicated in this Valuation Report. Our work did not constitute a validation of the financial statements of the companies/ businesses, and accordingly, we do not express any opinion on the same. Also, with respect to explanations and information sought from the management, we have been given to understand that the management has not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information provided by the management of the Client. Any omissions, inaccuracies or misstatements may materially impact our valuation analysis and outcome.

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.

The Valuation Report assumes that the Companies comply fully with the 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. Further, except as expressly stated to the contrary, this Valuation Report has given no consideration to matters of a legal nature, including issues of lawful title and compliance with local laws, litigations and other contingent liabilities that are not recorded in the audited/ unaudited balance sheet of the Companies.

This Valuation Report does not investigate the business / commercial reasons behind the Proposed Transaction nor the likely merits of such transaction. Similarly, it does not address the relative benefits of the Proposed Transaction as compared with any other alternative business transaction or other alternatives or whether such options could be achieved or are available.

The fee for this engagement is not contingent upon the valuation conclusions.

This Valuation Report sets out RV's conclusions on: a) valuation of relevant businesses as part of the slump exchange and b) Share Exchange Ratio and has been prepared in accordance with LoE. The Report is confidential to the Client and will be used by the Client for purposes agreed in the LoE. The Report will be issued by us on the express understanding that it shall not be copied, disclosed or circulated or referred to in correspondence or discussion with any third party or used for any other purpose without RV's prior written consent, unless agreed in the LoE.

This Report is based on the information provided by the Client and has been confirmed by the Client. We have not independently verified or checked the accuracy or timeliness of the same.

We have based our analysis based on information provided to us by the Management and stated under "Sources of information". Any changes in the basis of carving out the financial statements of the Companies may significantly impact our analysis and therefore, the valuation.

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

The Valuer is not responsible for updating this Valuation Report because of events or transactions occurring subsequent to the date of issue of this Report.

The Valuer has not considered any finding made by other external agencies in carrying out the Valuation analysis.

This Report is prepared on the basis of the sources of information listed in the above section. We have relied upon written representation provided by the Management that the information contained in the Report is materially accurate and complete, fair in its manner of portrayal and therefore, forms a reliable basis for the Valuation.

The Valuation is not intended for general circulation or publication and is not to be reproduced without our prior written consent or used for any purpose other than for the purposes stated above and cannot be relied upon by third parties. Neither the Valuation Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties other than in connection with the proposed Scheme, without our prior written consent except for disclosures to be made to relevant authorities including National Company Law Tribunal. We owe no duty (whether in contract or in tort or under statute or otherwise) with respect to or in connection with the attached Report or any part thereof to a party other than our Client. We do not accept any liability to any third party in relation to the issue of this Valuation Report.

It is understood that the analysis presented herein does not represent a fairness opinion on either the valuation of the business undertakings or the Share Exchange Ratio.

This Report forms an integral whole and cannot be split into parts. The outcome of the valuation can only lead to proper conclusions if the Valuation Report as a whole is taken into account.

Any decision by the Client regarding whether to proceed with Proposed Transaction shall rest solely with the Client.

This Valuation Report is subject to the laws in India and should be used in connection with the proposed scheme.

This Valuation Report does not in any manner address the prices at which equity shares of the Companies or any other listed shareholder will trade after the announcement of the Proposed Transaction, and we express no opinion or recommendation as to how shareholders of the companies involved in the restructuring should vote at the shareholders' meeting(s) to be held in connection with the Proposed Transaction.

SHAREHOLDING PATTERN OF THE COMPANIES

The issued and subscribed equity share capital of Sri Dhandauthapani Mines and Minerals Limited as on 13 November 2019 is INR 700,000 consisting of 70,000 equity shares of the face value of INR 10/- each. The shareholding pattern is as follows:

Sr. no.	Category of shareholder	Percentage holding
1	Dalmia Cement (Bharat) Limited	99.99%
2	Others	0.01%
	Total	100.00%

Source: Management information

The issued and subscribed equity share capital of Dalmia Refractories Limited as on 13 November 2019 is INR 31,520,840 consisting of 3,152,084 equity shares of the face value of INR 10/- each. The shareholding pattern is as follows:

Sr. no.	Category of shareholder	Percentage holding
1	Promoter and Promoter Group	64.83%
2	Others	35.17%
	Total	100.00%

Source: Management information

Further, 165,000 Employee Stock Options (ESOP) are granted by DRL and are not lapsed as on the Valuation Date. The diluted number of equity shares, as on the date of this Report, after considering the exercise of all the granted ESOP would be 3,317,084 equity shares. We have considered diluted equity share capital for the purpose of our valuation analysis.

The issued and subscribed equity share capital of Ascension Commercio Private Limited as on 13 November 2019 is INR 200,000 consisting of 20,000 equity shares of the face value of INR 10/- each. The shareholding pattern is as follows:

Sr. no.	Category of shareholder	Percentage holding
1	SDMM	100.00%
	Total	100.00%

Source: Management information

APPROACH & METHODOLOGY

Summary of the Scheme:

a) Part II of the Scheme contemplates amalgamation of DRL into SDMM and recommendation of Share Exchange Ratio based on relative valuation of equity shares of DRL and SDMM.

b) As per Part IV, GSB India will be merged with SDMM and no equity shares will be issued as SDMM and its subsidiary will be the shareholders of GSB India on Part II of the Scheme being effective;

c) Under Part V of the Scheme, Consolidated Refractory Undertaking of SDMM will be transferred to ACPL against issue and allotment of CCD's to SDMM and DCBL.

The Scheme contemplates the Proposed Transaction pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

Valuation approach and methodologies

There are several commonly used and accepted methods for determining the value and the Share Exchange Ratio which have been considered in the present case, to the extent relevant and applicable, including:

1. Market Approach:

a. Market Price method

b. Comparable Companies Multiples

c. Comparable Transaction Multiple Method

2. Income Approach: Discounted Cash Flows Method

3. Cost Approach: Net Asset Value Method

As discussed below for the Proposed Transaction, we have considered these methods to the extent relevant and applicable.

This valuation could fluctuate with the lapse of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions financial and otherwise of the Companies, and other factors which generally influence the valuation of companies and their assets.

We have relied on the judgment of the Management as regards contingent and other liabilities.

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

The valuation methodologies, as may be applicable, which have been used to arrive at the value of the Companies are discussed hereunder.

Market Price (MP) Method

The market price of an equity share as quoted on a Stock Exchange is generally considered as the 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.

In the present case, equity shares of DRL are listed on the Calcutta Stock Exchange Limited and Metropolitan Stock Exchange of India Limited. However, there is no information about trading of DRL's shares on these exchanges. Hence, we have not used this method for valuation of DRL.

Comparable Companies Market Multiple ("CCM") Method

Under this method, the value of the equity shares of a company/ business undertaking is arrived at by using multiples derived from valuations of comparable companies, as apparent 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 for the assessment of the value of the company.

Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. We have used this method wherever publicly listed comparable companies were available.

Comparable Companies Transaction Multiple ("CTM") Method

Under the CTM method, the value of the equity shares of a company/ business undertaking is arrived at by using the prices implied by reported transactions/ deals of comparable companies.

Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

We have not been able to identify any comparable company to any of the Companies for which a transaction has taken place in the last one year. We believe that the older transactions are not relevant for our valuation considering share price movements and changes in the macro-economic situation in India. Also, transactions multiples at times tend to be biased due to premium which may be embedded in the price for strategic benefits and synergies which an acquirer may perceive in the target. Accordingly, we have not applied the Comparable Transactions Multiple Method.

Discounted Cash Flows (DCF) Method

Under the DCF method, the projected free cash flows to the firm are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that is available to all providers of the company's capital — both debt and equity.

Appropriate discount rate to be applied to cash flows, i.e. the cost of capital:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

The value so computed by discounting the cash flows to the firm is adjusted for net borrowings, surplus asset including investments, minority interests, equity instruments granted as part of the share-based payment, and other matters to arrive at an aggregate equity value of the company.

In the present case, we have considered this method for valuing these companies/businesses where applicable.

Net Asset Value (NAV) Method

The asset-based valuation technique is based on the value of the underlying net assets of the business either on a book value basis or realisable value basis or replacement cost basis. The cost approach assumes that a prudent investor would pay no more for an entity than the amount for which he could replace or re-create it or an asset with similar utility. Under a going-concern premise, the cost approach usually is best suited for use in valuing asset-intensive companies, such as investment or real estate holding companies, or companies with unstable or unpredictable earnings.

In the present case, we have considered this method for at the value of non-operating or not fully operational companies as on the Valuation Date.

Valuation Approach for Companies

a) DRL - DRL has refractory business operations in the standalone entity and its subsidiaries/ JV's. Thus, equity value of DRL has been arrived at on a 'sum of the parts' basis, considering value of its own business operations, value of its quoted and unquoted investments as well as value of surplus land. We have used DCF method for valuation of operating companies, NAV method for valuation of investment holding companies and CCM method wherever applicable.

b) SDMM — We have considered NAV method for arriving at equity value of SDMM as the company does not have any significant business operations.

c) ACPL — We have considered NAV method for valuation of ACPL as the company does not have any significant business operations.

BASIS OF VALUATION AND SHARE EXCHANGE RATIO

The premise of arriving at the valuation and Share Exchange Ratio for the Proposed Transaction would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. The valuations and Share Exchange Ratio is based on the various methods explained herein earlier and various qualitative factors, business dynamics and growth potentials of the relevant company/business undertaking, having regard to the information base, critical underlying assumptions and limitations. It is however important to note that in doing so we are not attempting to arrive at the absolute equity values of the business' / companies and / or their JV's and subsidiaries but at their relative values to facilitate the determination of a Fair Share Exchange Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

As considered appropriate, we have applied methodologies discussed above and arrived at an assessment of the value of the business undertakings forming a part of the slump exchange for computation of the Share Exchange Ratio.

Based on the separate report issued for Scheme 1, we have recommended issue of 8,848,926 equity shares of Face Value of INR 10 each at a Premium of INR 180.6/- per share and 22,500,000 CCDs of INR 100 each to DCBL for transfer of its refractory business.

The Share Exchange Ratio has been arrived at based on a relative equity valuation of SDMM and DRL derived using various methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the companies, having regard to available information base, key underlying assumptions and limitations.

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CONCLUSION

Step 1 - Merger of DRL with SDMM

Based on the foregoing, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, pursuant to the merger of DRL into SDMM, we recommend the following Share Exchange Ratio for consideration by SDMM to the shareholders of DRL:

768 (Seven Hundred and Sixty Eight) fully paid-up equity share of Face Value of INR 10 each of SDMM for every 100 (Hundred) fully paid-up share of Face Value of INR10 each held in DRL

Step 3- Transfer of Refractory Undertaking of SDMM to ACPL

Based on the foregoing, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, pursuant to the transfer of the Refractory Undertaking of SDMM to ACPL, we recommend consideration:

24,984,524 fully paid up CCDs to SDMM and 10,227,273 fully paid up CCD's to DCBL of Face Value INR 10 each (in lieu of CCDs issued to DCBL pursuant to Scheme 1).

Respectfully submitted,
For Incwert Advisory Private Limited
Registered Valuer Entity under Companies (Registered Valuers and Valuation) Rules, 2017
IBBI Registration No. IBBI/RV-E/05/2019/108
Asset class: Securities or Financial Assets

INCWERT ADVISORY PRIVATE LIMITED
F-1502
GPL EDEN HEIGHTS
SECTOR-70
GURUGRAM-122101
INDIA

Punit Khandelwal
Director
Registered Valuer under Companies (Registered Valuers and Valuation) Rules, 2017
IBBI Registration No. IBBI/RV/05/2019/11375
Asset class: Securities or Financial Assets

APPENDIX

APPENDIX - 1

Computation of Share Exchange Ratio					
Valuation approach	Method	DRL		SDMM	
		Value per share	Weight (%)	Value per share	Weight (%)
Market approach	Comparable companies method	1,458.7	50%	n/a	n/a
Income approach	DCF	1,470.1	50%	n/a	n/a
Cost approach	NAV	n/a	n/a	190.6	100%
Relative value per share		1,463.4		190.6	
Exchange Ratio (rounded off)		**100**		**768**	

n/a = Not applicable/adopted

a) Market Price Method is not considered for SDMM as its equity shares are not listed on any stock exchange. We have also not considered this method for DRL as there is no information of trading of equity shares of DRL on Calcutta Stock Exchange Limited and Metropolitan Stock Exchange of India Limited.

b) CCM method is considered for the valuation of DRL and its certain subsidiaries, JV's and step-down subsidiaries.

c) Income Approach has been considered for the valuation of DRL as this methodology shall capture the future cash flows planned for DRL and its subsidiaries, JV's and step-down subsidiaries and its subsidiaries.

d) Cost approach is adopted in case of SDMM, since it has no significant operations. This methodology is not adopted in case of DRL as it does not capture the full potential of the companies based on the future cash flows planned for DRL and its subsidiaries, JV's and step-down subsidiaries.

e) Equity shares to be issued pursuant to the scheme shall be issued at a premium of INR 180.6/- per share.

Share Exchange Ratio: 768 (Seven Hundred and Sixty-Eight) equity shares of SDMM (Face Value of INR 10/- each fully paid up) for 100 (Hundred) equity shares held in DRL (Face Value of INR 10/- each fully paid up).

APPENDIX – 2

NAV of ACPL	
Particulars	**Value (INR Mn)**
Total assets	4.4
Total liabilities	0
Net Asset Value (NAV)	4.4
Total no. of shares	20,000
Value per share (INR)	**220**

APPENDIX – 3

Number of CCDs to be issued by ACPL pursuant to the Scheme Face value of INR 10 and premium of INR 210		
	Value (INR Mn)	No. of CCDs
To SDMM	5,497	2,49,84,524
TO DCBL	2,250	1,02,27,273
Total	**7,747**	**3,52,11,796**

End of report