



CONFIDENTIAL

11th September 2013

The Board of Directors
UltraTech Cement Limited
Ahura Centre, B Wing
Mahakali Caves Road,
Andheri (E), Mumbai 400093

Dear Members of the Board:

I. Engagement Background

We understand that the Board of Directors of UltraTech Cement Limited ("Transferee Company") is considering the acquisition of entire undertaking and business units engaged in the manufacture and sale of cement and cement packaging bags in the State of Gujarat ("Demerged Undertaking") of Jaypee Cement Corporation Limited ("Transferor Company") through a Scheme of Arrangement under Section 391-394 of the Companies Act, 1956.

The scheme envisages demerger of the Demerged Undertaking of the Transferor Company to, and vesting the same in, the Transferee Company as per the terms and conditions more fully set forth in the Scheme of Arrangement to be placed before the Board of Directors ("Board") for their approval.

In consideration of the demerger of the Demerged Undertaking of the Transferor Company into the Transferee Company pursuant to the Scheme of Arrangement, the Transferee Company shall issue and allot fully paid up equity shares to the shareholders of the Transferor Company.

In connection with the aforesaid, you have requested our Fairness Opinion ("Opinion") as of the date hereof, as to the fairness of the Enterprise Value ("Enterprise Value") of the Demerged Undertaking and the Exchange Ratio ("Exchange Ratio").

SEBI Merchant Banker Regn.No. : MB/INM/000006856: AMBI Membership No. : AMBI/020. Member Of: The Stock Exchange Mumbai, National Stock Exchange of India Ltd.
Regd. & Corp.Office: Axis House, C-2, Wadia International Centre, R.B. Marg, Worli, Mumbai - 400 025. Tel: (022) 435 6536

**Certified True Copy
For UltraTech Cement Limited**



**S. K. Chatterjee
Company Secretary**

II. Basis of Opinion

The Rationale of the Scheme as explained to us by the Management of the Transferee Company are: a) Availability of land and mining leases in Gujarat to cater to the growing western market; b) Strategic fit for serving existing market and also to cater additional volume linked to coastal markets; c) Synergies in manufacture and distribution process and logistics alignment; and d) Create value for shareholders of the Transferee Company.

A brief history of each of the aforesaid companies is as under –

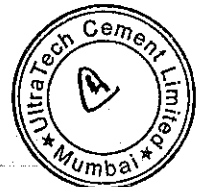
UltraTech Cement Limited is a public limited company listed on the BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"). It was incorporated in August 2000 and is registered under the provisions of The Companies Act, 1956 (the "Act", which word shall include any statutory re-enactment or modification thereof, or amendment thereof, from time to time) and has its registered office at Ahura Centre, B Wing, Mahakali Caves Road, Andheri (E), Mumbai 400093. The Transferee Company is one of the leading cement manufacturing companies in India, with a capacity of ~54mn Metric Tons per annum. The issued, subscribed and paid up share capital of the Transferee Company as on August 31, 2013 stood at 27,41,96,541 equity shares of Rs 10/- each

Jaypee Cement Corporation Limited is a public limited company limited by shares, incorporated in the year 1996 under the Act (as hereinafter defined), having its registered office at Sector 128, Noida, Dist. Gautam Buddha Nagar, UP, 201304. It is a wholly owned subsidiary of Jaiprakash Associates Limited ("Parent Shareholder") and is engaged, inter alia, in the manufacture and sale of cement in the State of Gujarat and in other parts of India. The issued, subscribed and paid up share capital of the Transferor Company as on August 31, 2013 stood at 62,75,00,000 equity shares of Rs 10/- each and 10,00,00,000 12% Non Cumulative Redeemable Preference Shares of Rs 100/- each.

The key features of the Scheme and other information provided to and relied upon by us for forming an Opinion are as under:

1. The Transferee Company is a listed Public Company. The Transferor Company is wholly owned by Jaiprakash Associates Ltd. Demerger is to be carried out under section 391 to 394 read with section 100 and other applicable provisions of the Companies Act, 1956

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2. Upon the Scheme becoming effective, the Demerged Undertaking in its entirety shall, pursuant to Sections 391 to 394 read with other relevant provisions of the Act and without any further act, instrument, deed, matter or thing, be transferred to and vested in or be deemed to have been transferred to and vested in the Transferee Company on a 'going concern' basis for the consideration as set out in the Scheme
3. The "Effective Date" is defined to mean the date on which the Scheme becomes effective in accordance with its terms, which shall be the Closing Date
4. "Closing Date" is defined in Clause 10 of the Scheme as: Closing shall occur on the date 28th day following the later of (i) the date of the receipt of the last High Court Order (or High Courts orders for condonation of delay in filing form 21, if applicable); (ii) date of approval granted by SEBI in terms of the SEBI Circulars; and (iii) date of the grant of approval under the Competition Act, 2002 and the Combination Regulations (the "Closing Date").
5. As Consideration for the demerger, fully paid up equity shares in the Transferee Company shall be issued to the shareholders of the Transferor Company.
6. The Consideration for the Demerger shall be determined as follows;
 - i. An amount of INR 3,800.00 Cr:
 - a) reduced by the Financial Indebtedness of INR 3,664.69 Cr as set out in Annexure III of the Scheme; and
 - b) increased by the Net Working Capital of INR 12.33 Cr as set out in Annexure III of the scheme.
 - ii. The amount so arrived at shall be the "Consideration", which amount shall be subject to adjustments to be made pursuant to Clause 6(iv) below. As per the Scheme, the amounts stipulated in Annexure III of the Scheme are based on figures as of 30th June, 2013 provided by the Transferor Company.
 - iii. The Consideration shall be discharged by the Transferee Company in terms of the Scheme by the Issuance of equity shares of the Transferee Company to the preference and equity shareholders of the Transferor Company aggregating to the Share Entitlement, with a minimum of 1 (One) equity share for each of the preference and equity shareholder, in the following manner;
 - a) 1 equity share of the face and paid up value of Rs. 10/- each in the Transferee Company for every 10,00,000 outstanding preference shares



of the face and paid up value of Rs. 100/- each in the Transferor Company provided however that the value of such equity shares to be issued to the preference shareholders of the Transferor Company shall not exceed the Consideration; and

- b) The remaining shares (i.e. after deducting the shares issued to the preference shareholders of the Transferor Company under sub-clause (a) above from the number of shares equal to the Share Entitlement) to the equity shareholders of the Transferor Company in proportion to the equity shares held by them in the Transferor Company
- c) "Share Entitlement" (to be rounded off to the nearest whole number and subject to adjustments to the Consideration pursuant to Clause 6(iv)) = $\text{Consideration} / \text{Price Per Share (as defined below)}$ of the Transferee Company;
- d) The "Price Per Share" of the Transferee Company shall be the higher of the following ("Price Per Share"):
 - (i) the average of the weekly high and low of the closing prices of the equity shares of the Transferee Company on NSE during the twenty six weeks preceding the day that is one Business Day prior to the date of determination; or
 - (ii) the average of the weekly high and low of the closing prices of the equity shares of the Transferee Company on NSE during the two weeks preceding the day that is one Business Day prior to the date of determination.

iv. For determining the Consideration on the Closing Date, the following adjustments shall be made to the Consideration and consequentially, there shall be an adjustment to the Share Entitlement:

- a) If the estimated Financial Indebtedness as on the Closing Date is lower / higher than as set forth in Clause 6(i)(a), the difference shall be added to / reduced from the Consideration determined under Clause 6(i);
- b) If the estimated Net Working Capital as on the Closing Date is higher / lower than as set forth in Clause 6(i)(b), the difference shall be added to / reduced from the Consideration determined under Clause 6(i);
- c) If the value of the fixed assets appearing in the balance sheet but not found on physical verification to be conducted by the Transferee

Company prior to the Closing Date, such value shall be reduced from the Consideration determined under Clause 6(i).

- v. Upon the Scheme becoming effective, if required, the Transferor Company undertakes to convert such amount of the loans granted by Parent Shareholder to the Transferor Company into equity as is required to ensure that the Consideration is a positive number on the Closing Date.
 - vi. The Consideration shall not exceed Rs. 150,00,00,000/- (Rupees One Hundred and Fifty Crores only) ("Maximum Consideration"), which at the market capitalization of the Transferee company on NSE as on date works out to 0.32% of the equity capital of the Transferee Company.
7. The Equity shares of the Transferee Company to be allotted pursuant to the Scheme shall rank for dividend, voting rights and in all respect pari passu with the existing shares of the Transferee Company subject to the exceptions, if any mentioned in the Scheme.
 8. The appointed date for the demerger of Demerged Undertaking with the Transferee Company is the effective date of the scheme (as defined in the scheme)

We have taken the foregoing facts (together with the other facts and assumptions set forth in section III of this Opinion) into account when determining the meaning of "fairness" for purposes of this Opinion.

III. Limitation of Scope and Review

Our Opinion and analysis is limited to the extent of review of documents as provided to us by the Transferee Company including the valuation report prepared by Bansil S. Mehta & Co. ("Valuation Report") and a Draft of the Scheme of Arrangement ("Scheme") prepared by M/s. Vaish Associates.

We have relied upon the accuracy and completeness of all information and documents provided to us, including:

- The audited financial statements of the Transferor Company for the period 2011 to 2013
- Statement of Profit & Loss Account and Balance Sheet of the Demerged Undertaking for the period ended March 31, 2013 and June 30, 2013





- The financial projections of Demerged Undertaking for the period of ten years, management information, other information, explanations and representations provided by the management of the Transferee Company

We were not provided with any forward looking financial projections with respect to the Transferee Company. We reviewed the current and historical market prices and trading volumes of equity shares, the historical earnings and other operating data of the Transferee Company. We considered, to the extent publicly available, the financial terms of some other transactions which we considered relevant and analysed certain stock market and other publicly available information relevant to the transaction.

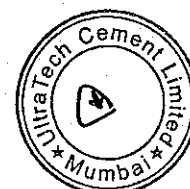
We have not carried out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We have not conducted any independent appraisal of any of the assets or liabilities of the Transferee Company and / or its subsidiaries or the Demerged Undertaking. In particular, we do not express any opinion as to the value of any asset of the Transferee Company and / or its subsidiaries or the Demerged Undertaking, whether at current prices or in the future. No investigation of the companies' claim to title of assets has been made for the purpose of the exercise 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 whatsoever is assumed for matters of a legal nature.

One should note that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. Valuation is performed under certain assumptions and on particular date. Therefore below reported fair value is recommendatory and may not be the actual purchase price.

In rendering our Opinion, we have assumed, that the Scheme will be implemented on the terms described therein; without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary regulatory or third party approvals for the Scheme, no delay, limitation, restriction or condition will be imposed that would have material adverse effect on the Demerged Undertaking, Transferee Company and / or its subsidiaries and their respective Shareholders.

We do not express any opinion as to any tax or other consequences that might arise from the Scheme on the Demerged Undertaking, Transferee Company and / or its subsidiaries and their

6 *[Signature]*





respective shareholders, nor does our Opinion address any legal, tax, regulatory including all SEBI regulations or accounting matters, as to which we understand that the Transferee Company has obtained such advice as it deemed necessary from qualified professionals.

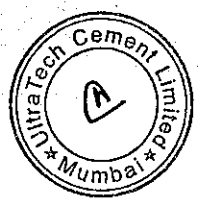
We assume no responsibility for updating or revising our Opinion based on circumstances or events occurring after the date hereof. Our Opinion is specific to the Demerger of the Demerged Undertaking as contemplated in the Scheme provided to us and is not valid for any other purpose. It is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

Our Opinion also does not address any matters otherwise than as expressly stated herein, including but not limited to matters such as shareholders rights or any other equitable considerations. We have also not opined on the fairness of any terms and conditions of the Scheme of Arrangement other than the fairness, from financial point of view, of the Enterprise Value, Consideration and Exchange Ratio.

We have in the past provided, and may currently or in the future provide, investment banking services to the Transferee Company and/or its subsidiaries or their respective affiliates that are unrelated to the proposed Scheme, for which services we have received or may receive customary fees. In addition, in the ordinary course of their respective businesses, affiliates of Axis Capital Ltd. may invest in securities of the Transferee Company and / or its subsidiaries or group companies or for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a position in such securities. Our engagement and the Opinion expressed herein are for the benefit of the Board of Directors of the Transferee Company and for sharing of the recommendation with the regulatory authorities, if required, in connection with its consideration of the Scheme and for none other. Neither Axis Capital Ltd., nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the information and documents provided to us, based on which the Opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.

The fee for our services is not contingent upon the results of the proposed Demerger. This Opinion is subject to the laws of India.

7 *[Handwritten signature]*





Our Opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Scheme or any matter related thereto.

IV. Conclusion

Based on the Valuation Report and subject to the foregoing, we are of the opinion that, as of the date hereof, Enterprise Value of INR 3,800 Cr for the Demerged Undertaking and the Consideration arrived after adjustments to the Enterprise Value as detailed in Section II (6) (i) above is INR 147.64 Cr, which is reasonable and fair to the shareholders of the Transferee Company.

Further, the Exchange Ratio of 7.7 fully paid up equity shares of Transferee Company for every 6,000 equity shares of Transferor Company, as on date, is reasonable and fair to the shareholders of the Transferee Company.

The aforesaid Exchange Ratio shall be suitably adjusted for any changes arising upto the closing date due to:

- Any change in share capital of the Transferor Company at the closing date
- Any change in Consideration arrived after adjustments as detailed in Section II (6) (iv) above
- The price considered for determining the number of shares, as given in Section II (6) (iii) (d) above.

Very truly yours,

For Axis Capital Ltd.

Lalit Ratadia
Managing Director
Investment Banking

