Report on

Fair Valuation

of

Bela and Sidhi Cement Plants
of
Jaiprakash Associates Limited ("JAL")

For the Purpose
Of their Slump Transfer
to
Ultratech Cement Limited

("Ultratech or the Transferee Company")

Accountants' Report

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1. Introduction

1.1 Background and Terms of Engagement

There is a proposal before the Boards of Directors of JAL and Ultratech to consider the slump transfer of certain Cement Plants of JAL based in Madhya Pradesh more specifically Bela and Sidhi integrated cement plants (hereinafter referred to as the "Undertaking"), as a going concern, to Ultratech.

It is also proposed that upon the said Slump Transfer JAL will be allotted the following:

- Total of 100,000 (One Lakh) 10% 5 year un-listed non-convertible cumulative redeemable preference shares of UltraTech having a face value of Rs. 10 each
- Total of 90,758 unsecured non-convertible redeemable debentures of UltraTech having a face value of Rs. 500,000 (Rs. Five Lakhs Only) (" with coupon based on prevailing yield for a similar issuer and instrument of same tenor and rating arrived at on the basis of quotes available from select banks taken on the day prior to Closing Date")

The Closing date for the purpose of this Report shall mean the Closing Date as defined in Clause 10(a) of the proposed scheme of arrangement.

In the said scheme, Closing Date is defined as under:

"Closing shall take place on a date mutually agreed between the Transferor Company and the Transferee Company but shall not be later than thirty (30) days from 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 INC - 28, 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 and (iv) issue of CP Satisfaction Certificate (*as defined in the Implementation Agreement*) by the Transferee Company in accordance with Clause 7.6 of the Implementation Agreement confirming the fulfillment or waiver of the Conditions Precedent (the "**Closing Date**"), subject to the Transferor Company fulfilling its obligations under Clauses 6.1, 6.2, 6.5 and 7.7 of the Implementation Agreement."

We have been asked by the Managements of Ultratech and JAL also referred hereinafter as the Companies ("the Management") to undertake valuation of the Undertaking and opine on the fairness of the consideration proposed to be issued to JAL by Ultratech. This report ("Report") sets out the findings of our exercise.

1.2 Profile of the Jaypee Bela Cement Plant

The Cement Plant located at Bela, Madhya Pradesh is a unit of JAL. It is engaged in the manufacture and sale of cement/ clinker. It is an integrated unit, involved in both crushing and grinding activities required for the manufacture of cement. It has a cement production capacity of 2.6 million tpa with clinker capacity of 2.1 million tpa.

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1.3 Profile of the Jaypee Sidhi Cement Plant

The Cement Plant located at Bhagwar, Madhya Pradesh is a unit of JAL. It is engaged in the manufacture and sale of cement/ clinker. It is an integrated unit, involved in both crushing and grinding activities required for the manufacture of cement. It has a cement production capacity of 2.3 million tpa with clinker capacity of 3.1 million tpa.

1.4 Profile of Ultratech

Ultratech is a public limited company incorporated under the Companies Act, 1956, having its registered office at B Wing, Ahura Centre, 2nd Floor, Mahakali Caves Road, Andheri (East), Mumbai 400093. The Transferee Company is primarily engaged in the business of manufacture and sale of various grades and types of cement, ready mix concrete and other cement related products. The equity shares of the Transferee Company are listed on National Stock Exchange of India Limited and BSE Limited.

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2. Data Obtained

2.1 We have called for and obtained such data, information, etc. as were necessary for the purpose of our assignment, which have been made available to us by the Management. **Appendix A** hereto broadly summarises the data obtained.

2.2 For the purpose of our assignment, we have relied on such data summarized in the said Appendix and other related information and explanations provided to us in this regard.

3. Approach to Valuation

3.1. Valuation of the Undertaking:

3.1.1. For the purpose of arriving at a fair value of aforesaid Division we have adopted the approach to valuation commonly adopted in valuation of a cement plant viz:

3.1.1.1. The Discounted Cash Flow approach ("DCF Aproach")
3.1.1.2. Replacement cost or cost of setting up a greenfield plant
3.1.1.3. Benchmark multiple per tonne of cement production capacity

3.1.2. The steps adopted for the valuation based on DCF Approach are as follows:

3.1.2.1. For the purpose of valuation, we have reviewed the projections given to us by the Management for a period of ten years. We have applied checks to the same for accepting the same for the purpose of this exercise.

3.1.2.2. We have taken the earning before tax, to which we have added back depreciation and interest. Further such earning was adjusted for non-operating incomes and expenses so as to arrive at operating Earnings before Interest Depreciation and Tax (EBIDTA).

3.1.2.3. The EBIDTA as envisaged in 3.1.2.2 have been adjusted by capital outlays, as also the increase or decrease in working capital (considering nil opening working capital balance) and the income tax liability so as to arrive at the Free Cash Flows in the respective future years.

3.1.2.4. These Free Cash Flows are discounted at the Weighted Average Cost of Capital ("WACC") to arrive at the Present Value ("PV") thereof. For the purpose we have considered cost of debt in the range of 9% to 10%.

3.1.2.5. The estimated Free Cash Flows for the last projected year have been capitalized using WACC with a perpetual growth rate of 4.3% and thereafter discounted to arrive at the PV of perpetuity. We have also tested the sensitivity using a growth rate of 5%.

3.1.2.6. The amount of unutilized tax credit on account of Minimum Alternate Tax ("MAT") has been discounted to arrive at its PV.

3.1.2.7. The PV of Free Cash Flows, perpetuity and the present value of unutilized MAT credit are aggregated to arrive at a range of Enterprise Values ("EV") which is Rs. 4,675 Crores to Rs. 5,602 Crores

3.1.3. The steps adopted for the valuation based on Replacement Cost Approach are as follows:

3.1.3.1. Considered the market perceived current per tonne benchmark cost of setting up a greenfield project. The same are reported to be in the range of US$ 120 - US$ 150 per tonne.

3.1.3.2. Applied this range of multiple to the cement generating capacity of the Undertaking including the implied cement capacity from surplus clinker produced by the Undertaking.

3.1.3.3. Reduced the value of the Undertaking so reached by the cost of acquiring grinding capacity for the additional capacity considered to get the value of the existing Undertaking with cement capacity of 4.9 million tpa and additional

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cement capacity of 2.2 million tpa from the surplus clinker capacity of 1.7 million tpa based on the clinker usage factor as used for the Undertaking.

3.1.3.4. We observe that the EV based on this approach translates to Rs. 4,583 Crores to Rs. 5,904 Crores.

3.1.4. Broad description of steps for arriving at benchmark based value is as given below:

3.1.4.1. Considered the EV of listed companies with similar operations ("Comparable Companies") taking their market capitalization based on the traded price of their equity stocks taking 6 months volume weighted average price on the exchange where the quantity traded is higher and added to it debt net of cash and investment based on latest available financials containing consolidated numbers. For the purpose, we have considered companies having presence in central India.

3.1.4.2. Divided the EV so computed by the reported cement capacity of the respective companies. We observe that the range of this multiple is US$ 120 to US$ 214 per tonne of cement generated.

3.1.4.3. We have also considered the multiples that are derived based on the reported deals in the space of cement capacity acquisition. We observe that the deals are in geographical areas excluding south India, which market is presently reported to have substantial surplus capacity. We observe that the range of this multiple is US$ 128 to US$ 134 per tonne of cement capacity acquired.

3.1.4.4. We have applied this range to the cement generating capacity of the Undertaking including the implied cement capacity from surplus clinker produced by the Undertaking.

3.1.4.5. Reduced the value of the Undertaking so reached by the cost of acquiring additional grinding capacity of 2.2 million tpa from the surplus clinker capacity of 1.7 million tpa based on the clinker usage factor as used for the Undertaking.

Based on the foregoing we observe that the EV of the Undertaking would be in the range of Rs. 4,576 Crores to Rs. 8,731 Crores

3.2. Valuation of the Instruments to be allotted:

3.2.1. As represented by the Management, 1,00,000 (One Lakh) 10% 5 year un-listed non-convertible cumulative redeemable preference shares of UltraTech having a face value and paid up value of Rs. 10 each aggregating to Rs.10 Lakh and 90,758 unsecured non-convertible redeemable debentures of UltraTech of face and paid up value Rs. 5,00,000 each ("with coupon based on prevailing yield for a similar issuer and instrument of same tenor and rating arrived at on the basis of quotes available from select banks taken on the day prior to Closing Date") aggregating to Rs. 4,537.90 Crores are proposed to be allotted to JAL for the proposed transfer.

3.2.2. In connection with determining the fair value of the preference instruments proposed to be allotted, we have adopted the following approach:

3.2.2.1. Determined expected yield on preference shares based on the yield of listed preference shares in India.

3.2.2.2. Such yield on preference shares is adjusted for illiquidity discount since the Preference Shares are not listed and therefore, comparatively non-marketable.

3.2.2.3. Accordingly, we find the yield of 10% as market yield for the preference shares proposed to be issued

3.2.2.4. Since the market yield is equal to the coupon rate of the preference shares, the face value of the preference shares is the fair value.

3.2.3. In connection with determining the fair value of the Debentures proposed to be allotted, since the said Debentures would be issued at the coupon based on prevailing yield for a similar issuer and instrument (of same tenor and rating) arrived at on the basis of quotes available from select banks taken on the day prior to Closing Date and the market yield will be equal to the coupon rate of the Debentures, the face value of the Debentures is the fair value.

4. Valuation and Conclusion

4.1. As represented by the Management, 1,00,000 (One Lakh) 10% 5 year un-listed non-convertible cumulative redeemable preference shares of UltraTech having a face value and paid up value of Rs. 10 each aggregating to Rs.10 Lakh and 90,758 unsecured non-convertible redeemable debentures of UltraTech of face and paid up value Rs. 5,00,000 each ("with coupon based on prevailing yield for a similar issuer and instrument of same tenor and rating arrived at on the basis of quotes available from select banks taken on the day prior to Closing Date") aggregating to Rs. 4,537.9 Crores are proposed to be allotted to JAL for the proposed transfer.

4.2. Considering the agreed level of debt at Rs. 626.5 Crores and net working capital at Rs. (160.5 Crores) of the transferred Undertaking expected on Closing Date and that the fair value of the instruments is their face and paid up value, the value of the Undertaking comes to at Rs. 5,325 Crores and is fair.

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5. Limitations and disclaimers

5.1 Our Report is subject to the scope of limitations detailed hereinafter. As such the report is to be read in totality and not in parts. This report has been prepared solely for the purpose set out in this report and should not be reproduced (in part or otherwise) in any other document whatsoever without our written consent.

5.2 Our valuation is based on the information furnished to us being complete and accurate in all material respect. The same is based on the estimates of future financial performance as projected by the Managements, which represents their view of reasonable expectations at the point in time when they were prepared, 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.

5.3 The EV arrived at under the DCF Approach is based on the working capital position as conveyed to us on zero date and any change in the same on the Closing Date would impact the cash flow and, hence, the valuation.

5.4 Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have evaluated and performed checks on the projections provided but have not performed any audit, review or examination of any of the historical or prospective information used and therefore, do not express any opinion with regard to the same.

5.5 The information presented in the Report does not reflect the outcome of any due diligence procedures. The reader is cautioned that the outcome of that process could change the information herein and, therefore, the valuation materially.

5.6 The Report is meant for the purpose mentioned in Para 1.1 and should not be used for any purpose other than the purpose mentioned therein.

5.7 Our Report should be used only by the Management and by no other person. The 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. The report may be shared with the regulators and the Merchant Banker providing Fairness Opinion on this Report

5.8 The projected working results are those as prepared by the Management and furnished to us for the purposes of the Report. Although, we have reviewed the underlying assumptions and parameters, we accept no responsibility for them, or the ultimate accuracy and realization of the forecasts.

5.9 We have relied on the judgment made by the Managements and, accordingly, our valuation does not consider the assumption of contingent liabilities materialising (other than those specified by the Management and the Auditors). If there were any omissions, inaccuracies or misrepresentations of the information provided by the Managements, then this may have the effect on our valuation computations.

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5.10 No investigation of the Undertaking's 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. No consideration has been given to liens or encumbrances against the assets. Therefore, no responsibility is assumed for matters of a legal nature. The report is not, nor should it be construed, as our opining or certifying the compliance with the provisions of any law including company and taxation laws or as regards any legal, accounting or taxation implications or issues.

5.11 Any person/ party intending to provide finance / deal in the shares / business of any 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 taking an informed decision.

5.12 We have relied upon the written representations received from the Managements that the information contained in this Report is materially accurate and complete, fair in the manner of its portrayal and therefore forms a reliable basis for the valuation.

5.13 Our valuation is based on the market conditions and the regulatory environment that currently exist. However, changes to the same in the future could impact the Undertaking valued by us and the industry it operates in, which may impact our valuation.

5.14 We have no obligation to update this Report because of events or transactions occurring subsequent to the date of this Report.

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6. Gratitude

We are grateful to the Managements for making information and particulars available to us, often at a short notice, without which our assignment would not have been concluded in a time-bound manner.

PLACE: MUMBAI

DATED: JANUARY 23, 2015

BANSI S. MEHTA & CO. MUMBAI CHARTERED ACCOUNTANTS

BANSI S. MEHTA & CO.

Bansi S. Mehta & Co.

CHARTERED ACCOUNTANTS

Appendix A: Broad Summary of Data Obtained

From the Managements

1. Brief history and brief note on the business profile of the Undertaking and UltraTech.
2. Projected Finanical Statements of the Undertaking for 10 years.
3. Long term cost of Borrowing.
4. Bank of America Research Report on Commodities' prices dated July 24, 2014.
5. Information on Pan-India Capacity Utilization of Cement Plants.
6. Excess Clinker Capacity Unit not utilized for in-house Grinding Units.
7. Draft Scheme of arrangement for the proposed restructuring
8. Amount of Debt and Working Capital of the Undertaking as expected on the Closing Date
9. Answers to specific questions and issues raised by us after examining the foregoing data.

From publicly available sources

1. The Risk free rate of return used in the calculation of cost of equity is taken from Reserve Bank of India website.
2. Prowess Database for establishing comparability.
3. Website of Ultratech, JAL and Comparable Companies for their financial statements and business background.
4. Information on recent deals in cement industry from news articles and websites of the companies involved.
5. Websites of National Stock Exchange of India Limited and BSE Limited.