Placed Before the AUDIT Committee on 24-07-2013

Joint recommendation of the exchange ratio for the proposed merger of HIPL into ACL

CHAIRMAN

Private and confidential

B S R and Associates
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The Board of Directors
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The Board of Directors
Ambuja Cements Limited
106, Maker Chamber III
Nariman Point
Mumbai – 400 021

22 July 2013

Sub: Recommendation of exchange ratio for the proposed merger of Holcim (India) Private Limited into Ambuja Cements Limited ("the Transaction")

Dear Sirs,

We refer to:

a) the engagement letter dated 11 July 2013 with B S R and Associates ("BSR") wherein Holcim (India) Private Limited ("HIPL") and Ambuja Cements Limited ("ACL") (hereinafter together referred to as "Clients", the "Companies" or "You") have requested BSR to recommend an exchange ratio ("Exchange Ratio") for the proposed merger of HIPL into ACL;
b) the engagement letter dated 8 July 2013 with Price Waterhouse & Co. ("PW&Co") wherein HIPL and ACL have requested PW&Co to recommend an Exchange Ratio for the proposed merger of HIPL into ACL.

BSR and PW&Co are collectively referred to as the "Valuers" or "we" or "us", and individually referred to as "Valuer" in this joint Exchange Ratio Report ("Valuation Report").

SCOPE AND PURPOSE OF THIS REPORT

We understand that the Board of Directors of the Companies propose to merge HIPL into ACL, with effect from the Appointed Date of 1 April 2013 ("the Transaction"). This is proposed to be achieved by way of a scheme of amalgamation under Section 391 – 394 of the Companies Act, 1956. As part of the proposed merger, HIPL will cease to exist and as consideration for their equity shares in HIPL, the shareholders of HIPL will be issued equity shares of ACL.

BSR and PW&Co have been requested by the Board of Directors of the Companies to submit a report recommending an Exchange Ratio, as at date of this report ("Valuation Date"), in connection with the Transaction. This Valuation Report may be placed before the audit committee, as per SEBI Circular CIR/CFD/DIL/5/2013 dated 4 February 2013, as amended by CIR/ CFD/DIL/8/2013 dated 21 May 2013 and, to the extent mandatorily required under applicable laws of India, may be produced before judicial, regulatory or government authorities, in connection with the Transaction.

The Valuers have been appointed severally and not jointly and have worked independently in their analysis and after arriving at a consensus on Exchange Ratio, are issuing this Valuation Report.

S R and Associates, Lodha Excelus, 1st Floor, Apollo Mills Compound, N. M. Joshi Marg, Mahalakshmi, Mumbai-400 011, India. Chartered Accountants

Ambuja Cements Ltd.

Price Waterhouse & Co. Chartered Accountants, New Delhi

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22 July 2013

This Valuation Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such the Valuation 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 preparing this Valuation Report, we have received the following information from the management of the Companies ("Management"):

- Audited financial statements of HIPL for the year ended 31 December 2012;
- Unaudited/ provisional results of HIPL for the 3 months period ended 31 March 2013;
- Audited financial statements of ACL and ACC Limited ("ACC") for the period from 1 January 2010 to 31 December 2012;
- Unaudited/ provisional results of ACL and ACC for the 3 months period ended 31 March 2013;
- Financial projections of ACL and ACC, along with the underlying assumptions, for the period 1 January 2013 to 31 December 2020, as provided to us by the management of ACL and HIPL respectively (collectively referred to as "Financial Projections");
- Draft Scheme of Amalgamation ("Scheme");
- Interviews and discussions with the Management to augment our knowledge of the operations of the Companies. Other information, explanations and representations that were required and provided by the Management; and
- Such other analysis, reviews and inquiries, as we considered necessary.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

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

This Valuation Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this Valuation Report and (iii) are based on the balance sheet of the Companies as at 31 December 2012. The Management has represented that the business activities of HIPL, ACL and ACC ('together referred to as 'Specified Companies') have been carried out in the normal and ordinary course between 31 December 2012 and the Valuation Date and that no material adverse change has occured in their respective operations and financial position between 31 December 2012 and the Valuation Date.

A valuation of this nature is necessarily based on prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof 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.

S R B C and Associates, Chartered Accountants, Lodha Excelus, 1st Floor, Apollo Mills Compound, N. M. Joshi Marg, Mahalakshmi, Mumbai-400 011, India.

AMBUJA CEMENTS LTD.

Price Waterhouse & Co., Chartered Accountants, New Delhi

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The recommendation rendered in this Valuation Report is based upon information received from the Companies till 20 July 2013 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). Further, 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 judgement. There is, therefore, no indisputable single exchange ratio. While we have provided our recommendation of the 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 Exchange Ratio of the equity shares of HIPL and ACL. You acknowledge and agree that you have the final responsibility for the determination of the Exchange Ratio at which the proposed merger shall take place and factors other than our Valuation Report will need to be taken into account in determining the Exchange Ratio; these will include your own assessment of the proposed Transaction and may include the input of other professional advisors.

In the course of the engagement, we were provided with both written and verbal information, including market, financial and operating data.

In accordance with the terms of our respective engagements, we have assumed and relied upon, without independent verification, (i) the accuracy of information made available to us by the Companies and (ii) the accuracy of the information that was publicly available, and formed substantial basis for this Valuation Report. We have not carried out a due diligence or audit of the Specified Companies, nor have we independently investigated or otherwise verified the data provided by the Companies. We are not legal or regulatory advisors with respect to legal and regulatory matters for the Transaction. We do not express any form of assurance that the financial information or other information as prepared and provided by the Companies is accurate. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the 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. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.

Our conclusions are based on these assumptions and information given by/ on behalf of the Companies. The respective management of the Companies have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/ results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the Valuation Report. However, nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Valuation Report. 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.

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 Companies, their directors, employees or agents. In no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this Valuation Report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

S R and Associates Chartered Accountants

Price Waterhouse & Co. New Delhi

Ambuja Cements Ltd

The Valuation Report assumes that the Specified Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Specified Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Valuation 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 audited balance sheet of the Specified Companies. Our conclusion of value assumes that the assets and liabilities of the Specified Companies, reflected in their respective latest balance sheets remain intact as of the Valuation Report date.

This Valuation Report does not address the relative merits of the Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. We understand from the Scheme that ACL proposes to acquire certain equity shares of HIPL from Holderind Investments Limited ('HIL'), prior to the consummation of the Transaction. This Valuation Report and our recommendation of Exchange Ratio herein is based on the premise that the aforementioned acquisition of equity shares of HIPL by ACL from HIL, shall be carried out at a price within the value range recommended by BSR and PW&Co, in their respective reports of even date for valuation of equity shares of HIPL.

No investigation of the Specified Companies claim to title of assets has been made for the purpose of this Valuation Report and the respective Company's 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 this engagement is not contingent upon the results of the Valuation Report.

We owe responsibility to only the Board of Directors of the Companies which have retained us, and nobody else. Each of us have been appointed severally and not jointly and we will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of the other. We do not accept any liability to any third party in relation to the issue of this Valuation Report. This Valuation 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. It is understood that this analysis does not represent a fairness opinion.

This Valuation Report is subject to the laws of India.

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. Further, it cannot be used for purposes other than in connection with the Transaction, without our prior written consent. In addition, this Valuation Report does not in any manner address the prices at which equity shares will trade following consummation of the Transaction and we express no opinion or recommendation as to how the shareholders of either Company should vote at any shareholders' meeting(s) to be held in connection with the Transaction.

BACKGROUND OF THE SPECIFIED COMPANIES

Holcim (India) Private Limited

HIPL is a wholly owned subsidiary of Holderind Investments Limited ("HIL"). HIPL was formed to act as an investment company for downstream investment in cement manufacturing ventures in India.

As at date, HIPL holds 150,670,120 equity shares of face value INR 2 each in ACL (constituting ~9.76% of ACL's paid up share capital) and 93,888,120 equity shares of face value INR 10 each in ACC (constituting ~50.01% of ACC's paid up share capital). Apart from these investments, HIPL does not have any other significant operations/ assets.

As at 30 June 2013, the paid up equity share capital of HIPL consists of 5,690,385,095 equity shares of face value of INR 10 each and its shareholding pattern is as follows:

Details of shareholder	**% shareholding**
Holderind Investments Limited	100.00*
Total	**100.00**

Source: Management of HIPL
* 1 equity share held by Dinesh Kothari for beneficial interest of HIL

The management of HIPL represented that HIPL does not have any outstanding warrants/ options, as at the date.

Ambuja Cements Limited

ACL, incorporated in 1981, is a leading cement manufacturer in India with an installed cement manufacturing capacity of ~27.45 million tonnes per annum. It has five integrated cement manufacturing plants and eight cement grinding units across India. The equity shares of ACL are listed on the National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE"). Its Global Depository Receipts are listed on the Euro MTF Platform of the Luxembourg Stock Exchange.

The consolidated reported net turnover and earnings before interest, tax, depreciation and amortization ("EBITDA") of ACL for the year ended 31 December 2012, were INR 101,435 million and INR 28,219 million, respectively.

As at 30 June 2013, the paid up equity share capital of ACL consists of 1,543,763,286 equity shares of face value of INR 2 each and its shareholding pattern is as follows:

Category	**% shareholding**
Promoter and Promoter Group	50.55
Institutions	38.95
Non Institutions	8.24
Custodians	2.26
Total	**100.00**

Source: Management of ACL

The management of ACL represented that fully diluted equity share capital of ACL as at date (after considering conversion of outstanding warrants, employee stock options and shares kept in abeyance) is 1,552,660,231 equity shares of face value INR 2 each.

ACC Limited

ACC, incorporated in 1936, is a leading cement manufacturer in India with an installed cement manufacturing capacity of ~30 million tonnes per annum. It has 17 cement factories and more than 40 ready mix concrete plants. The equity shares of ACC are listed on the NSE and BSE.

The consolidated reported net turnover and EBITDA of ACC for the year ended 31 December 2012 were INR 116,215 million and INR 24,599 million, respectively.

As at 30 June 2013, the paid up equity share capital of ACC consists of 187,745,356 equity shares of face value of INR 10 each and its shareholding pattern, is as follows:

Category	**% shareholding**
Promoter and Promoter Group	50.30
Institutions	31.15
Non Institutions	18.34
Custodians	0.21
Total	**100.00**

Source: Management of HIPL

The management of HIPL represented that fully diluted equity share capital of ACC as at date (after considering shares kept in abeyance) is 188,228,328 equity shares of face value INR 10 each.

APPROACH - BASIS OF AMALGAMATION

The proposed Transaction contemplates the merger of HIPL into ACL pursuant to the Scheme.

Arriving at the exchange ratio of equity shares for the merger of HIPL into ACL would require determining the value of the equity shares of HIPL in terms of the value of the equity shares of ACL. These values are to be determined independently but on a relative basis, and without considering the current Transaction.

HIPL is an investment company and holds investment in equity shares of ACC and ACL. Apart from these investments, HIPL does not have any other signification operations/ assets. Considering the aforementioned, equity value of HIPL has been arrived at on a 'sum of parts' basis, considering value of its investments in equity shares of ACC, ACL and book value of other assets and liabilities.

There are several commonly used and accepted methods for determining the value of the equity shares of a company, which have been considered in the present case, to the extent relevant and applicable, for valuing underlying investments in ACL and ACC, including:

1. Comparable Companies' Multiples method
2. Market Price method
3. Discounted Cash Flow method
4. Net Asset Value method

It should be understood that the valuation of any company or its assets is inherently subjective and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

Comparable Companies' Multiple ("CCM")

Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies or comparable transactions, as manifested through stock market valuations of listed companies and the transaction valuation. 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 the profitability based valuation multiple of comparable listed companies for the purpose of our analysis. We have not used the comparable transactions analysis as transaction multiples may include acquirer specified considerations, synergy benefits, control premium and minority adjustments.

Operating EBITDA of ACL and ACC has been computed considering their performance for trailing twelve months ended 31 March 2013 and adjustments, as appropriate, for non-operating income and expenses. To arrive at the total value available to the equity shareholders for ACL and ACC, value arrived as above under CCM method is adjusted, as appropriate, for cash and cash equivalent, borrowings, cash receivable on exercise of outstanding warrants and options, contingent liabilities and other matters. The total value of equity is then divided by fully diluted equity shares (considering conversion of warrants and options and shares kept in abeyance, as appropriate) to arrive at the value per equity share.

Market Price Method

The market price of an equity share as quoted on a stock exchange 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. Further, in the case of a merger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

In the present case, the equity shares of ACL and ACC are listed on the NSE and BSE. The volume weighted share price of ACL and ACC over an appropriate period has been considered for determining the value.

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 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 lenders), weighted by their relative contribution to the total capital of the company. The opportunity cost to the equity capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

To the values so obtained generally from DCF analysis, the amount of loans is adjusted to arrive at the total value available to the equity shareholders. The total value for equity shareholders is then divided by the total number of equity shares in order to work out the value per equity share.

For the purpose of DCF valuation, the free cash flow forecast is based on Financial Projections as provided by the Management.

We must emphasize that realisations of free cash flow forecast will be dependent on the continuing validity of assumptions on which they are based. Our analysis, therefore, will not, and cannot be directed to providing any assurance about the achievability of the final projections. Since the financial forecasts relate to future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences may be material. While carrying out this engagement, we have relied extensively on historical information made available to us by the management of the Companies and the respective Financial Projections for future related information. We did not carry out any validation procedures or due diligence with respect to the information provided/ extracted or carry out any verification of the assets or comment on the achievability and reasonableness of the assumptions underlying the Financial Projections, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.

To arrive at the total value available to the equity shareholders of ACL and ACC, value arrived above under DCF method is adjusted, as appropriate, for cash and cash equivalent, borrowings, cash receivable on exercise of outstanding warrants and options, deferred tax liabilities, contingent liabilities and other matters. The total value is then divided by fully diluted equity shares (considering conversion of warrants and options and shares kept in abeyance, as appropriate) to arrive at the value per equity share.

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. A scheme of amalgamation would normally be proceeded with, on the assumption that the companies amalgamate as going concerns and an actual realization of the operating assets is not contemplated. In such a going concern scenario, the relative earning power is of importance to the basis of amalgamation, with the values arrived at on the net asset basis being of limited relevance. 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 dominate earnings capability and hence, we have not considered this method for valuation.

BASIS OF AMALGAMATION

The basis of merger of HIPL into ACL 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 an exchange ratio of equity shares it is necessary to arrive at a single value for the equity shares of HIPL and of ACL. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

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We have assigned appropriate weightages to the value per equity share of ACL and ACC, arrived using the CCM method, Market Price Method and DCF method, to value the equity shares of ACL and ACC. Value of HIPL, has been arrived at considering its book value as at 31 December 2012 and adjustments, as appropriate, for appreciation in the investments in ACL and ACC (based on their respective values, derived as aforementioned) and dividend received/ distributed between 31 December 2012 and Valuation Date.

The Valuers have been appointed severally and not jointly and have worked independently in their analysis and after arriving at a consensus on Exchange Ratio, are issuing this Valuation Report.

In view of the above, and on consideration of the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the Exchange Ratio of equity shares for the merger of HIPL into ACL at 10 (ten) equity shares of ACL of INR 2 each fully paid up for every 74 (seventy four) equity shares of HIPL of INR 10 each fully paid up.

Respectfully submitted.

For B S R and Associates
Chartered Accountants
Firm Registration No: 128901W

Mahek Vikamsey
Partner
Membership No: 108235

Dated: 22 July 2013

For Price Waterhouse & Co.
Chartered Accountants
Firm Registration No: 016844N

Rajan Wadhawan
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Dated: 22 July 2013

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