

**STRICTLY CONFIDENTIAL**

August 11, 2016

The Board of Directors,  
**Grasim Industries Limited**  
 'A' Wing, 2nd Floor,  
 Aditya Birla Centre  
 S.K. Ahire Marg, Worli  
 Mumbai 400 030

Dear Sirs,

We refer to the engagement letter dated August 9, 2016 ("Engagement Letter") whereby Grasim Industries Limited ("Grasim" / "Company") has requested JM Financial Institutional Securities Limited ("JM Financial") to provide a fairness opinion to the Board of Directors of Grasim ("Fairness Opinion") on the Share Exchange Ratio (as defined below) recommended and Share Entitlement Ratio (as defined below) opined by the valuation report dated August 11, 2016 issued by Price Waterhouse & Co LLP and Bansi S. Mehta & Co. (together referred to as the "Valuers") in accordance with the provisions of the Securities and Exchange Board of India ("SEBI") circular no. CIR/CFD/CMD/16/2015 dated November 30, 2015 ("SEBI Circular") for the proposed composite scheme of arrangement under the provisions of Section 391 to Section 394 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956 / Companies Act, 2013 between Aditya Birla Nuvo Limited ("ABNL"), Grasim and Aditya Birla Financial Services Limited ("ABFSL") and their respective shareholders and creditors ("Proposed Scheme").

**Companies that are party to the Proposed Scheme**

- (a) Grasim, a public limited company, limited by shares, incorporated under the provisions of the Companies Act, 1956, has its registered office situated at Birlagram, Nagda, District Ujjain, Madhya Pradesh – 456 331. Grasim has business interests in manufacturing of viscose staple fibre, textiles, chemicals and cement. The equity shares of Grasim are listed on the BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). BSE and NSE are together hereinafter referred to as the "Stock Exchanges". The global depository receipts of Grasim are listed on the Luxemburg Stock Exchange.
- (b) ABNL, a public limited company, limited by shares, incorporated under the provisions of the Companies Act, 1956, has its registered office situated at Indian Rayon Compound, Veraval, Gujarat – 362 266. ABNL has business interests which includes manufacturing of fertilizers, viscose filament yarn, chemicals, insulators, textiles, financial services and telecom. The equity shares of ABNL are listed on the Stock Exchanges.
- (c) ABFSL, a public limited company, limited by shares, incorporated under the provisions of the Companies Act, 1956, has its registered office situated at Indian Rayon Compound, Veraval, Gujarat – 362 266. ABFSL is a systemically important non-deposit taking core investment company registered with the Reserve Bank of India and has business interests including that of non-banking financial institution, housing finance, asset management, brokerage, wealth advisory and health insurance. ABFSL is a wholly-owned subsidiary of ABNL.

Grasim, ABNL and ABFSL shall be together referred to herein as the "Companies".

**JM Financial Institutional Securities Limited**

(Formerly known as JM Financial Institutional Securities Private Limited)

Corporate Identity Number : U65192MH1995PLC092522

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### Background of Proposed Scheme

We understand that the Proposed Scheme, inter alia, provides for (i) amalgamation of ABNL with Grasim ("Amalgamation") and (ii) subject to satisfactory fulfillment of (i) above and upon amalgamation of ABNL with Grasim becoming effective, demerger of the financial services business of Grasim into ABFSL ("Demerger"), in accordance with the terms and conditions mentioned in the Proposed Scheme.

Pursuant to the Amalgamation, equity shareholders of ABNL will be issued fully paid up equity shares of Grasim which will be listed on the Stock Exchanges. As specified in the Proposed Scheme, the existing shareholding of Grasim in ABNL shall be cancelled pursuant to the Amalgamation and thus no equity shares shall be issued by Grasim in respect of the equity shares held by it in ABNL. Grasim post Amalgamation is referred to as 'Amalgamated Grasim' in this Fairness Opinion.

Subject to the implementation of the Amalgamation and pursuant to the Demerger, the equity shareholders of Amalgamated Grasim will be issued fully paid up equity shares of ABFSL in the same proportion as held by them in Amalgamated Grasim. Therefore, the effective economic interest of the equity shareholders of Amalgamated Grasim in ABFSL will remain same. The equity shares of ABFSL will be listed on the Stock Exchanges.

### Scope and Purpose

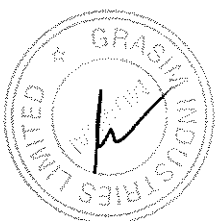
ABNL, Grasim and ABFSL have appointed the Valuers to recommend a fair and equitable Share Exchange Ratio for the Amalgamation and to provide opinion on Share Entitlement Ratio for the Demerger pursuant to which Valuers have issued a report dated August 11, 2016 ("Valuation Reports"). The Valuation Reports recommended that:

- a) the equity shareholders of ABNL will be entitled to receive 3 (Three) equity shares of Grasim of face value of Rs. 10 each fully paid for every 10 (Ten) equity shares of ABNL of face value of Rs 10 each fully paid (the "Share Exchange Ratio"); and
- b) the equity shareholders of Amalgamated Grasim will be entitled to receive 7 (Seven) equity shares of ABFSL of face value of Rs. 10 each fully paid for every 1 (One) equity share of Amalgamated Grasim of face value of Rs. 10 each fully paid (the "Share Entitlement Ratio").

In this connection, the management of Grasim engaged JM Financial Institutional Securities Limited ("JM Financial") to submit an independent opinion to the Board of Directors of Grasim on the fairness of the Share Exchange Ratio recommended and Share Entitlement Ratio opined recommended by the Valuers.

Scope of work of this Fairness Opinion includes commenting only on the fairness of the Share Exchange Ratio and Share Entitlement Ratio and not on the fairness or economic rationale of the Amalgamation and Demerger per se or the valuation methods used by the Valuers.

This Fairness Opinion is addressed to the board of directors of Grasim. This Fairness Opinion is subject to the scope, assumptions, exclusions, scope limitations and disclaimers detailed hereinafter. As such the Fairness Opinion is to be read in totality, not in parts and in conjunction with the relevant documents referred to herein. The same has been issued as per the requirements of SEBI circular no. CIR/CFD/CMD/16/2015 dated November 30, 2015. This Fairness Opinion has been issued only for the purpose of opining on the fairness of the Share Exchange Ratio and Share Entitlement Ratio under the Proposed Scheme and should not be used for any other purpose.



### Source of Information

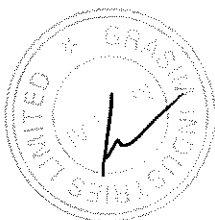
For the said examination and for arriving at the opinion set forth below, we have:

- a) held discussions with the Valuers and perused the Valuation Reports issued by the Valuers;
- b) reviewed the draft of the Proposed Scheme;
- c) reviewed publicly available relevant financial information relating to the Companies; and
- d) reviewed the information provided by the Company through its management representation letter and held discussions with the management;

### Scope Limitations

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by the Company for the purposes of this opinion. We have not conducted any due diligence, other than a review of such information / documents as has been provided to us and expressly set out in this Fairness Opinion and express no opinion and accordingly accept no responsibility with respect to or for such information, or the assumptions on which it is based. We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties, facilities, assets and liabilities of the Companies, and neither express any opinion with respect thereto nor accept any responsibility thereof. We have not made any independent valuation or appraisal of the assets or liabilities of the Companies, nor have we been furnished with any such appraisals. We have not reviewed any internal management information systems and instead, with your consent, have relied upon relevant information that was publicly available or provided or otherwise made available to us by the Company for the purposes of this Fairness Opinion. We are not experts in the evaluation of contingent liabilities, litigation or other actual or threatened claims. We are not legal, taxation or actuarial advisors and accordingly, our opinion should not be construed as certifying the compliance with the provisions of any law including company and taxation laws or any legal, accounting or taxation implications or issues related to the Proposed Scheme. In addition, we have assumed that the Proposed Scheme will be approved by all the necessary regulatory authorities and that the Proposed Scheme will be consummated substantially in accordance with the terms set forth in the draft of the Proposed Scheme provided to us. We have not any considered any contingent liabilities for the purposes of this opinion. Also, the management of the Company has confirmed that there is no other material information other than already provided which is necessary for the purposes of this Fairness Opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Proposed Scheme, no change/ restrictions will be imposed that will have a material adverse effect on the benefits of the Proposed Scheme that may have been contemplated. We understand that the management of the Company, during our discussion with them, has drawn our attention to all such information and matters which may have an impact on our analysis and opinion. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have an obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we were not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition, business combination or other extraordinary transaction involving the Companies or any of its assets, nor did we negotiate with any other party in this regard.

In the ordinary course of business, the JM Financial group is engaged in securities trading, securities brokerage and investment activities, as well as providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of the JM



Financial group may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the Proposed Scheme.

We express no opinion whatsoever and make no recommendation at all as to the Company's underlying decision to effect the Proposed Scheme or as to how the holders of equity shares or secured or unsecured creditors (as applicable) of the Company should vote at their respective meetings held in connection with the Proposed Scheme. We also do not provide any recommendation to the creditors of the Company with respect to Proposed Scheme. We do not express and should not be deemed to have expressed any views on any other terms of the Proposed Scheme apart from that is relevant to the Fairness Opinion. We express no opinion and accordingly accept no responsibility as to the price at which the equity shares of the Company and / or of ABNL will trade following the announcement of the Proposed Scheme or the price at which the equity shares of the Company and / or of ABFSL will trade following the Proposed Scheme being made effective. We also express no opinion and accordingly accept no responsibility for the value of the equity shares of the Company / ABNL / ABFSL at any future date or their financial performance following the announcement of the Proposed Scheme / consummation of the Proposed Scheme. We do not express any opinion on the sufficiency of the methodology applied / procedures employed by the Valuers in determining Share Exchange Ratio and Share Entitlement Ratio. Shareholders should make their independent assessment of the economic benefits as also the overall Transaction for arriving at their decision.

#### Conclusion

In the light of above and based on our examination of the Proposed Scheme, Valuation Reports, such other information provided and represented to us by Grasim and our independent analysis and evaluation of such information and subject to the scope limitations as mentioned hereinabove and to the best of our knowledge and belief, we are of the opinion that the Share Exchange Ratio and Share Entitlement Ratio under the Proposed Scheme is fair for the equity shareholders of Grasim.


#### Distribution of the Fairness Opinion

The Fairness Opinion is addressed only to the Board of Directors of Grasim and is for the purpose of submission to the Stock Exchanges under the SEBI Circular. Further, the Fairness Opinion may be disclosed on the website of Grasim and the Stock Exchanges and also be made part of the explanatory statement to be circulated the shareholders and/or creditors of the Company. The Fairness Opinion shall not otherwise be disclosed or referred to publicly or to any other third party without JM Financial's prior written consent. The Fairness Opinion should be read in totality and not in parts.

In no circumstances however, will JM Financial or its directors, officers, employees and controlling persons of JM Financial accept any responsibility or liability including any pecuniary or financial liability to any third party.

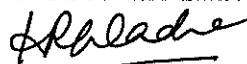
Further, this Fairness Opinion should not be used or quoted for any purpose other than the purpose mentioned hereinabove. If this Fairness Opinion is used by any person other than to whom it is addressed or for any purpose other than the purpose stated hereinabove, then we will not be liable for any consequences thereof. Neither this Fairness Opinion nor its contents may be referred to or quoted to / by any third party, in any registration statement, prospectus, offering memorandum, annual report, loan agreement or any other agreement or documents given to third parties.

Yours truly,  
For JM Financial Institutional Securities Limited

  
Authorized Signatory



CERTIFIED TRUE COPY  
FOR GRASIM INDUSTRIES LIMITED



HUTOKSHI WADIA  
COMPANY SECRETARY

