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STRICTLY PRIVATE & CONFIDENTIAL

December 4, 2013

The Company Secretary
Mahindra Forgings Limited
Mumbai – 400 054

Re: Recommendation of Fair Exchange Ratio for the proposed Merger of Mahindra UGINE Steel Company Limited, Mahindra Hinoday Industries Limited, Mahindra Gears International Limited, Mahindra Investments (India) Private Limited and Participaciones Internacionales Autometal Tres S.L. with Mahindra Forgings Limited

This has reference to your request for the relevant computations based on which our recommendation of the fair equity share exchange ratio for the proposed merger of Mahindra UGINE Steel Company Limited ("MUSCO"), Mahindra Hinoday Industries Limited ("MHIL"), Mahindra Gears International Limited ("MGIL"), Mahindra Investments (India) Private Limited ("MIPL") and Participaciones Internacionales Autometal Tres S.L. ("PIA3") with Mahindra Forgings Limited ("MFL") as set out in our valuation report dated June 15, 2013 (the "Report").

As requested, enclosed along with this letter are the relevant computations which, inter alia, have formed the basis for our arriving at the recommendation of the fair equity share exchange ratio for the proposed merger.

In this connection, we may mention that the computations enclosed herewith need to be viewed in conjunction with the Report and the documents referred to in the Report. The recommendation of the fair equity share exchange ratio for the proposed merger was arrived at on the basis of a relative valuation of the equity shares of MFL, MUSCO, MHIL, MGIL, PIPL and PIA3, based on the various methodologies detailed in the Report and various qualitative factors relevant to each of the companies, having regard to the information base, management representations, key underlying assumptions and limitations, as referred to in the Report.

We trust the above meets your requirements.

Thanking you,

Yours faithfully,



N. M. RAIJI & CO.
Chartered Accountants

Encl: Annexures

Merger of Mahindra Ugin Steel Company Limited, Mahindra Hinoday Industries Limited, Mahindra Gears International Limited, Mahindra Investments (India) Private Limited and Participaciones Internacionales Autometal Tres S.L. with Mahindra Forgings Limited

Company Name	Face Value Per Share	Fair Value Per Share	Fair Value Rounded Off
Mahindra Forgings Limited ('MFL')	Rs. 10	Rs. 52.82	Rs. 52.50
Mahindra Ugin Steel Company Limited ('MUSCO')	Rs. 10	Rs. 149.40	Rs. 149.00
Mahindra Hinoday Industries Limited ('MHIL')	Rs. 10	Rs. 57.42	Rs. 57.50
Mahindra Gears International Limited ('MGIL')	Euro 1	Rs. 10.87	Rs. 10.50
Mahindra Investments India Private Limited ('MIPL')	Rs. 10	Rs. 8.85	Rs. 9.00
Participaciones Internacionales Autometal Tres S.L. ('PIA3')	Euro 1	Rs. 55.00	Rs. 55.00

Recommended Swap Ratio

Company Name	Recommended Swap Ratio
Mahindra Ugin Steel Company Limited ('MUSCO')	284 shares of MFL for every 100 shares held
Mahindra Hinoday Industries Limited ('MHIL')	110 shares of MFL for every 100 shares held
Mahindra Gears International Limited ('MGIL')	20 shares of MFL for every 100 shares held
Mahindra Investments India Private Limited ('MIPL')	17 shares of MFL for every 100 shares held
Participaciones Internacionales Autometal Tres S.L. ('PIA3')	105 shares of MFL for every 100 shares held



Mahindra Forgings Limited (Valuation as on March 31, 2013)

Method	Schedule	Price per Method	Weightage	Weighted Price
Discounted Cash Flow Method	1	72.73	40%	29.09
Comparable Companies Method	2	13.76	20%	2.75
Price of Recent Transaction	3	81.00	15%	12.15
Weighted Average Traded Price	4	47.49	15%	7.12
Net Asset Value Method	5	17.10	10%	1.71
Fair Value per Share (in Rs.)				52.82

Schedule 1: Discounted Cash Flow Method

	Amount (in Rs. Lakhs)	Amount (in TEUR)
Particulars	MFL India	MFL Europe
NPV of cash flow for explicit & perpetuity period	40,893.75	1,08,933.63
Add: Other Adjustments *	5,975.63	18,572.09
Total Value of Business	46,869.38	1,27,505.72
Exchange Rate	1.00	70.00
Total Value of Business	46,869.38	89,254.00
Total Value of Business (in Rs. Lakhs)		1,36,123.38
Less: Loan Funds (as at 31 March 2013) (in Rs. Lakhs)		68,357.00
Total Value for Equity Shareholders (Indian Operations + European Operations) (in Rs. Lakhs)		67,766.38
Number of Shares after considering ESOP		9,31,75,837
Fair Value per share (in Rs.)		72.73

* Other Adjustments include surplus assets, P.V. of accrued tax benefits at the end of explicit period, Cash Inflow on issue of ESOP & Contingent Liabilities.

Schedule 2: Comparable Companies Method

	Amount (in Rs. Lakhs)	Amount (in TEUR)
Particulars	MFL India	MFL Europe
Average EBITDA	6,326.53	10,111.61
EV/EBITDA Multiple	6.25	4.80
Enterprise Value	39,540.81	48,535.73
Add: Other Adjustments **	4,708.53	4,219.16
Total Value of Business	44,249.34	52,754.89
Exchange Rate	1.00	70.00
Total Value of Business	44,249.34	36,928.42
Total Value of Business (in Rs. Lakhs)		81,177.76
Less: Loan Funds (in Rs. Lakhs)		68,357.00
Operations + European Operations) (in Rs. Lakhs)		12,820.76
Number of Shares after considering ESOP		9,31,75,837
Fair Value per share (in Rs.)		13.76

** - Other Adjustments include surplus assets, one-time exceptional items and cash inflow on issue of ESOP.



Schedule 3: Price of Recent Transaction

Based on the proposed share purchase agreement between Participaciones Internacionales Autometal Dos (a CIE Automotive Group Company) and Mahindra and Mahindra Limited, there will be a sale of 4,85,29,500 Equity Shares of Rs. 10 each, aggregating 52.65% of the Equity Share Capital of Mahindra Forgings Limited at Rs. 81.00 per share. This has been considered as the fair value under this method.

Schedule 4: Weighted Average Traded Price (of 100 trading days)

Particulars	Details
Period	January 15, 2013 to June 07, 2013
No. of Shares traded	50,84,726
Total Turnover (in Rs.)	24,14,51,506
Weighted Average Price (in Rs.)	47.49

Schedule 5: Net Asset Value Method

Particulars	Amount (in Rs. Lakhs)
Share Capital	9,217.33
Reserves & Surplus	66,224.23
Add: Cash Inflow on Issue of ESOP	552.29
Less: Goodwill	60,064.70
Total Net Assets	15,929.15
Number of Shares after considering ESOP	9,31,75,837
Fair Value per share (in Rs.)	17.10



Mahindra Ugin Steel Company Limited (Valuation as on March 31, 2013)

Method	Schedule	Price per Method	Weightage	Weighted Price
Discounted Cash Flow Method	1	217.89	30%	65.37
Comparable Companies Method	2	126.63	30%	37.99
Price of Recent Transaction	-	NA	NA	NA
Weighted Average Traded Price	3	117.65	30%	35.29
Net Asset Value Method	4	107.46	10%	10.75
Fair Value per Share (in Rs.)				149.40

Schedule 1: Discounted Cash Flow Method

Particulars	Amount (in Rs. Lakhs)
NPV of cash flow for explicit & perpetuity period	60,315.80
Add: Other Adjustments *	5,765.23
Total Value of Business	66,081.03
Add: Cash Inflow out of agreement to sell investment and land	29,306.64
Less: Loan Funds (as at 31 March 2013)	23,442.50
Value for Equity Shareholders	71,945.17
Number of Shares after considering ESOP	3,30,19,029
Fair Value per share (in Rs.)	217.89

* Other Adjustments include surplus assets, P.V. of accrued tax benefits at the end of explicit period, Cash Inflow on issue of ESOP & Contingent Liabilities.

Schedule 2: Comparable Companies Method

Particulars	Amount (in Rs. Lakhs)
Average EBITDA	7,189.31
EV/EBITDA Multiple	4.50
Enterprise Value	32,351.90
Add: Other Adjustments **	3,594.71
Total Value of Business	35,946.61
Add: Cash Inflow out of agreement to sell investment and land	29,306.64
Less: Loan Funds (as at 31 March 2013)	23,442.50
Value for Equity Shareholders	41,810.75
Number of Shares after considering ESOP	3,30,19,029
Fair Value per share (in Rs.)	126.63

** - Other Adjustments include surplus assets, one-time exceptional items and cash inflow on issue of ESOP.



Schedule 3: Weighted Average Traded Price (100 trading days)

Particulars	Details
Period	January 15, 2013 to June 07, 2013
No. of Shares traded	37,67,653
Total Turnover (in Rs.)	23,60,43,325
Weighted Average Price (in Rs.)	62.65

Particulars	Price (in Rs.)
100 days weighted average market price	62.65
Add: Adjustment on account of proposed sale of investments and land (Profit from Sale of investments & land / Number of Shares) (Rs. 18,165.29 lakhs / 330.19 lakhs shares)	55.00
Total Market Price	117.65

Schedule 4: Net Asset Value Method

Particulars	Amount (in Rs. Lakhs)
Share Capital	3,248.25
Reserves & Surplus	13,558.81
Add: Profit from Sale of investments & land	18,165.29
Add: Cash on Issue of ESOP	510.21
Total Net Assets	35,482.56
Number of Shares after considering ESOP	330,19,029
Fair Value per share (in Rs.)	107.46



Mahindra Hinoday Industries Limited (Valuation as on March 31, 2013)

Method	Schedule	Price per Method	Weightage	Weighted Price
Discounted Cash Flow Method	1	71.92	30%	21.58
Comparable Companies Method	2	20.60	30%	6.18
Price of Recent Transaction	3	88.90	30%	26.67
Weighted Average Traded Price	-	NA	NA	NA
Net Asset Value Method	4	29.86	10%	2.99
Fair Value per Share (in Rs.)				57.42

Schedule 1: Discounted Cash Flow Method

Particulars	Amount (in Rs. Lakhs)
NPV of cash flow for explicit & perpetuity period	44,551.04
Add: Other Adjustments *	2,642.52
Total Value of Business	47,193.56
Less: Loan Funds (as at 31 March 2013)	13,694.32
Value for Equity Shareholders	33,499.24
Number of Shares	4,65,76,717
Fair Value per share (in Rs.)	71.92

* Other Adjustments include surplus assets, P.V. of accrued tax benefits at the end of explicit period, Cash Inflow on issue of ESOP & Contingent Liabilities.

Schedule 2: Comparable Companies Method

Particulars	Amount (in Rs. Lakhs)
Average EBITDA	3,797.39
EV/EBITDA Multiple	6.00
Enterprise Value	22,784.34
Add: Other Adjustments **	502.99
Less: Loan Funds (as at 31 March 2013)	13,694.32
Value for Equity Shareholders	9,593.01
Number of Shares	4,65,76,717
Fair Value per share (in Rs.)	20.60

** - Other Adjustments include surplus assets, one-time exceptional items and cash inflow on issue of ESOP.

Schedule 3: Price of Recent Transaction

Based on the proposed share purchase agreement between Participaciones Internacionales Autometal Dos (a subsidiary of Autometal S.A.) and Mahindra and Mahindra Limited, there will be a sale of 3,02,54,052 Equity Shares of Rs. 10 each, aggregating 64.96% of the Equity Share Capital of Mahindra Hinoday Industries Limited at Rs. 88.90 per share. This has been considered as the fair value under this method.



Schedule 4: Net Asset Value Method

Particulars	Amount (In Rs. Lakhs)
Share Capital	4,658.00
Reserves & Surplus	9,250.00
Total Net Assets	13,908.00
Number of Shares	465,76,717
Fair Value per share (in Rs.)	29.86



Mahindra Gears International Limited (Valuation as on March 31, 2013)**Valuation of Metalcastello SpA (Operating Company)**

Method	Schedule	Price per Method	Weightage	Weighted Price
Discounted Cash Flow Method	1	40.07	45%	18.03
Comparable Companies Method	2	-	45%	-
Price of Recent Transaction	-	NA	NA	NA
Weighted Average Traded Price	-	NA	NA	NA
Net Asset Value Method	3	64.75	10%	6.48
Total				24.51
Total Number of Shares				2,00,00,000
Enterprise Value (in Lakhs)				4,902.00

Valuation of Mahindra Gears Global Limited (MGGL)

Particulars	Amounts
Holding of MGGL in Metalcastello SpA	95.60%
Fair Value of MGGL Investments (in Rs. Lakhs) (95.60% of Rs. 4902.00 Lakhs)	4,686.31

Valuation of Mahindra Gears International Limited (MGIL)

Holding of MGIL in MGGL	53.34%
Fair Value of MGIL Investments (in Rs. Lakhs) (53.34% of Rs. 4686.31 Lakhs)	2,499.68
Number of Shares of MGIL	2,30,00,001
Fair Value per Share (in Rs.)	10.87

Schedule 1: Discounted Cash Flow Method

Particulars	Amount (in Million Euros)
NPV of cash flow for explicit & perpetuity period	56.03
Add: Other Adjustments *	10.53
Total Value of Business	66.56
Less: Loan Funds (as at 31 March 2013)	55.11
Value for Equity Shareholders	11.45
Number of Shares after considering ESOP	2,00,00,000
Exchange Rate	70.00
Fair Value per share (in Rs.)	40.07

* Other Adjustments include surplus assets, P.V. of accrued tax benefits at the end of explicit period, Cash Inflow on issue of ESOP & Contingent Liabilities.



Schedule 2: Comparable Companies Method

Particulars	Amount (in Million Euros)
Average EBITDA	7.03
EV/EBITDA Multiple	4.80
Enterprise Value	33.76
Add: Other Adjustments **	1.49
Total Value of Business	35.25
Less: Loan Funds (as at 31 March 2013)	55.11
Value for Equity Shareholders	-19.86
Number of Shares	2,00,00,000
Exchange Rate	70.00
Fair Value per share (in Rs.)	-

** - Other Adjustments include surplus assets, one-time exceptional items and cash inflow on issue of ESOP.

Schedule 3: Net Asset Value Method

Particulars	Amount (in Million Euros)
Share Capital	20.00
Reserves & Surplus	-1.50
Total Net Assets	18.50
Number of Shares	2,00,00,000
Exchange Rate	70.00
Fair Value per share (in Rs.)	64.75



Mahindra Investment (India) Private Limited (Valuation as on March 31, 2013)**Valuation of Mahindra Gears and Transmission Private Limited (Operating Company)**

Method	Schedule	Price per Method	Weightage	Weighted Price
Discounted Cash Flow Method	1	102.29	45%	46.03
Comparable Companies Method	2	24.03	45%	10.81
Price of Recent Transaction	-	NA	NA	NA
Weighted Average Traded Price	-	NA	NA	NA
Net Asset Value Method	3	43.04	10%	4.30
Total				61.14
Total Number of Shares				1,51,12,455
Enterprise Value (in Lakhs)				9,239.75

Valuation of Mahindra Investment (India) Private Limited

Particulars	Amounts
Holding of MIPL in MGTPPL	76.67%
Fair Value of MIPL Investment (in Rs. Lakhs) (76.67% of Rs. 9239.75 Lakhs)	7,084.12
Number of Shares of MIPL	8,00,56,580
Fair Value per Share (in Rs.)	8.85

Schedule 1: Discounted Cash Flow Method

Particulars	Amount (in Rs. Lakhs)
NPV of cash flow for explicit & perpetuity period	17,052.64
Add: Other Adjustments *	1,582.30
Total Value of Business	18,634.94
Less: Loan Funds (as at 31 March 2013)	3,176.96
Value for Equity Shareholders	15,457.98
Number of Shares after considering ESOP	1,51,12,455
Fair Value per share (in Rs.)	102.29

* Other Adjustments include surplus assets, P.V. of accrued tax benefits at the end of explicit period, Cash Inflow on issue of ESOP & Contingent Liabilities.



Schedule 2: Comparable Companies Method

Particulars	Amount (in Rs. Lakhs)
Average EBITDA	1,507.84
EV/EBITDA Multiple	4.50
Enterprise Value	6,785.28
Add: Other Adjustments **	22.59
Total Value of Business	6,807.87
Less: Loan Funds (as at 31 March 2013)	3,176.96
Value for Equity Shareholders	3,630.91
Number of Shares	1,51,12,455
Fair Value per share (in Rs.)	24.03

** - Other Adjustments include surplus assets, one-time exceptional items and cash inflow on issue of ESOP.

Schedule 3: Net Asset Value Method

Particulars	Amount (in Rs. Lakhs)
Share Capital	1,511.00
Reserves & Surplus	4,993.00
Total Net Assets	6,504.00
Number of Shares	151,12,455
Fair Value per share (in Rs.)	43.04



(iii) 100% of the Equity Share Capital of CIE Legazpi.
at an aggregate transaction price of Euro 65 Million i.e Rs. 45,500 Lakhs (Rs. 75.83 per share). This
has been considered as fair value under this method.

Schedule 4: Net Asset Value Method

Particulars	Amount (in Million Euros)
Share Capital	60.00
Reserves & Surplus	-
Less: Goodwill	86.48
Total Net Assets	-26.48
Number of Shares	600,03,000
Exchange Rate	70.00
Fair Value per share (in Rs.)	-

