The Board of Directors **Welspun Enterprises Limited** Welspun House, 3rd Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel (W), Mumbai – 400013, India	*The Board of Directors* **Welspun Projects Limited** Welspun House, 3rd Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel (W), Mumbai – 400013, India

4 November 2014

Sub: Recommendation of share exchange ratio for the proposed merger of Welspun Enterprises Limited into Welspun Projects Limited

Dear Sirs,

We refer to our engagement letter dated 29 October 2014 wherein Weslpun Enterprises Limited ('WEL') and Welspun Projects Limited ('WPL') (hereinafter together referred to as 'Clients', the 'Companies' or 'you') have requested Price Waterhouse & Co. LLP ('PW&Co', 'we' or 'us') to recommend a share exchange ratio ('Exchange Ratio') for the proposed merger of WEL into WPL.

SCOPE AND PURPOSE OF THIS REPORT

WEL was formed pursuant to the demerger of the following businesses of Welspun Corporation Limited:

- Infrastructure business comprising of development, operations and maintenance of infrastructure projects through Welspun Projects Limited ('WPL'). WEL holds 59.3% stake (on a diluted basis) in WPL though its wholly owned subsidiary, Welspun Infratech Limited ('WITL');
- Welspun Infra Projects Private Limited ('WIPPL') is a wholly owned subsidiary of WITL and has no significant operations;
- Energy business comprising of oil & gas through joint venture company, Adani Welspun Exploration Limited ('AWEL'). WEL holds 35% in AWEL through its wholly owned subsidiary, Welspun Natural Resources Private Limited ('WNRL'). One of the oil blocks is housed in Welspun Plastics Private Limited ('WPPL'), which is a wholly owned subsidiary of WNRL;
- Power generation and coal business (PT Batabura) through Welspun Energy Private Limited ('WEPL'). WEL has 15.5% stake in WEPL;
- Manufacture of sponge iron using direct reduction method through Welspun Maxsteel Limited ('WML'). WEL held 99.8% equity stake in WML, which has been sold to JSW Steel Limited in August 2014.

We understand that the Board of Directors of the Companies propose to merge WEL and its wholly owned subsidiaries, namely, WITL, WPPL and WIPPL into WPL ('Transaction'), under the provisions of Section 391 and 394 read with Sections 100 to 103 and other applicable provisions of the Companies Act, 1956. By way of consideration, equity shareholders of WEL would be issued equity shares of WPL. No shares are to be issued to the shareholders of WITL, WPPL and WIPPL as these companies are wholly owned subsidiaries of WEL.

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 report ('Report') may be placed before the audit committee of WPL and WEL, 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.

We understand that the appointed date of the merger is 1 April 2014.

The scope of our services is to conduct a relative (and not absolute) valuation of the equity shares of the Companies and report on a fair exchange rate for the Transaction in accordance with generally accepted professional standards.

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

- Latest and earlier period annual reports for WEL and WPL;
- Extracts of unaudited standalone and consolidated profit and loss account and balance sheet for the quarter ended 30 June 2014 for WPL, WITL, WIPPL, WPPL, WNRL and AWEL;
- Extracts of unaudited standalone profit and loss account and balance sheet for the quarter ended 30 June 2014 for WEL;
- Extracts of quarterly unaudited standalone and consolidated financial statements of WEPL as at 30 September 2014;
- Extracts of consolidated audited financial statements of PT Batabura for the year ended 31 December 2013 and extracts of consolidated unaudited financial statements of PT Batabura for the period ended 30 September 2014;
- Financial projections of road, bus terminal and water pipeline projects in WPL and for EPC, power and coal businesses in WEPL, along with the key underlying assumptions, for the tenure of the underlying projects, as provided to us by the management of WPL and WEL (collectively referred to as 'Financial Projections');
- Management assessment on potential of hydro-carbon reserves in oil & gas wells in AWEL and their estimates of potential liability on these wells;
- Sales proceeds and Management estimates of contingent liabilities on account of sale of WEL's equity stake in WML;
- Management assessment of realizable value of surplus land in WEPL;
- Draft Scheme of Amalgamation and Arrangement;
- Market prices of equity shares of the Companies; and
- Such other analysis, reviews and inquiries, as we considered necessary.

During discussions with the Management of both Companies, we have also obtained explanations and information considered reasonably necessary for our exercise. A draft of this Report (excluding the recommended Exchange Ratio) was provided to the Management of the Companies in order to confirm accuracy of facts presented in this Report.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

This Report, its contents and the results herein are specific to (i) the purpose as agreed as per the terms of our engagement; (ii) the date of this Report and (iii) are based on the unaudited provisional balance sheets of WEL, WPL, WPPL, WIPPL, WITL, WNRL and AWEL as at 30 June 2014 and standalone and consolidated unaudited provisional balance sheet of WEPL and PT

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Batabura as at 30 September 2014. The Management has represented that the business activities of WEL, WPL, WPPL, WIPPL, WITL, WNRL, AWEL, PT Batabura and WEPL and various projects there in have been carried out in the normal and ordinary course between 30 June 2014 and the Valuation Date and that no material adverse change has occured in their respective operations and financial position between 30 June 2014/ 30 September 2014 (as applicable) and the Valuation Date.

A recommendation 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 recommendation and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

The service provided under this engagement does not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

The recommendation rendered in this Report is based upon information received from the Companies till 3 November 2014 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).

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 WEL and WPL. The final responsibility for the determination of the Exchange Ratio at which the proposed merger shall take place will be with the Board of Directors who should take into account other factors such as their own assessment of the proposed Transaction and input of other 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 engagement, 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 Report. We have not carried out a due diligence or audit of the Companies, nor have we independently investigated or otherwise verified the data provided by the Companies, including but not limited to the Management estimates of the market value of the surplus land owned by WEPL, Management views on potential hydrocarbon reserves in the oil & gas wells and their assessment of the liability thereon. 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 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.

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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 PW&Co, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this Report shall exceed the amount paid to us in respect of the fees charged by it for these services.

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

No investigation of the Companies claim to title of assets has been made for the purpose of this 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.

This 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.

The fee for this engagement is not contingent upon the results of the Report.

We owe responsibility to only the Board of Directors of the Companies which have retained us, and nobody else. We do not accept any liability to any third party in relation to the issue of this Report. This 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.

Neither the Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme of Amalgamation and Arrangement, without our prior written consent. In addition, this Report does not in any manner address the prices at which WEL's and WPL's 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 COMPANIES

Welspun Enterprises Limited

WEL is a holding cum operating company and was formed pursuant to the demerger of the following businesses of Welspun Corporation Limited:

- Infrastructure business comprising of development, operations and maintenance of infrastructure projects through Welspun Projects Limited ('WPL'). WEL holds 59.3% (on a diluted basis) stake in WPL though Welspun Infratech Limited (WITL);
- WIPPL is a wholly owned subsidiary of WITL and has no significant operations;
- Energy business comprising of oil and gas through the joint venture, AWEL. WEL holds 35% in AWEL through its wholly owned subsidiary, WNRL. One of the oil blocks is housed in Welspun Plastics Private Limited ('WPPL'), which is a wholly owned subsidiary of WNRL;
- Power generation business through Welspun Energy Private Limited ('WEPL'). WEL has ~15.5% stake in WEPL; WEPL also provides EPC services on a captive basis for its power projects; and

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- Manufacture of sponge iron using direct reduction method through Welspun Maxsteel Limited ('WML'); WEL held 99.8% equity stake in WML, which has been sold to JSW Steel Limited in August 2014.

Apart from the above, WEL is carrying on some trading activites in steel and cotton, which is not material in nature.

As at the Valuation Date, the issued and subscribed equity share capital of WEL as at 30 September 2014 is INR 131.47 million consisting of 13,147,415 equity shares of face value of INR 10 each.

The issued equity share capital as above includes 1,151,300 equity shares, which are proposed to be issued as underlying security in respect of 57, 565 GDRs to be issued by WEL. Each GDR has 20 (Twenty) underlying equity shares.

Equity shares of WEL are listed on the Bombay Stock Exchange and the National Stock Exchange.

Welspun Projects Limited

WPL, 59.3% of which is held by Welspun Infratech Limited ('WITL'), is into infrastructure space with experience in Engineering, Procurement and Construction ('EPC') and Build-operate-transfer ('BOT') Projects across sectors like roads, bus terminals and water pipeline. Welspun Infra Projects Private Limited ('WIPPL') is a wholly owned subsidiaries of WITL. We understand that there are no business operations in WITL and WIPPL. The equity shares of WPL are listed on the Bombay Stock Exchange and the National Stock Exchange.

As at the Valuation Date, the issued and subscribed equity share capital of WPL is INR 400 million consisting of 40,000,000 equity shares of face value of INR 10 each. Further, WPL has agreed to grant employee stock options (1,200,000), which will be converted into 1,200,000 equity shares of INR 10 each, at an exercise price of INR Nil per equity share.

APPROACH

The proposed Tranaction contemplates the merger of the Companies pursuant to the Scheme of Amalgamation and Arrangement. Arriving at the fair exchange ratio for the proposed merger of WEL into WPL would require determining the fair value of the equity shares of WPL in terms of the fair value of the equity shares of WEL. These values are to be determined independently but on a relative basis, and without considering the current Transaction.

The following are commonly used and accepted methods for determining the value of the equity shares of a company/ business:

- Market Price method
- Comparable Companies' Multiples ('CCM') method
- Discounted Cash Flow ('DCF') method
- Net Asset Value ('NAV') method

It should be understood that the valuation of any company or business is inherently subjective and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. Our analysis is *inter-alia* based on various assumptions with respect to industry performance and general business and economic conditions, which may be 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.

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Both WEL and WPL are holding-cum-operating companies. While WEL has investments in WPL, WITL, WNRL and WEPL; WPL has investments in downstream entities which carry on the infrastructure business. Apart from the above, WEL and WPL do not have any significant operations, except in-house EPC business and some infrastructure projects in WPL and some trading in cotton and steel in WEL, which is not material in nature. The Management has represented that they do not envisage continuing the in-house EPC business in WPL. In view of holding-cum-operating nature of both the Companies, the following approach was considered relevant for valuing WEL and WPL.

- Market Price Approach
- Sum of Parts Approach

The following paragraphs discuss different valuation methods and their application for valuing the Companies, their businesses/ investments.

A. Market Price Approach

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 shares of the Companies are listed on BSE and NSE. While the equity shares of WPL have been listed for a long period of time, albeit with low volumes, the equity shares of WEL were listed recently and have a trading history of ~3 months. For our analysis under this approach, we have considered the volume weighted average share prices over a three month period upto 31 October 2014, for determining the value of the Companies.

B. Sum of Parts Approach

Values arrived for various businesses/ investments of both the Companies under CCM, DCF and NAV methods were aggregated. Further, adjustments were made for Management estimates of liability on account of oil & gas blocks, loans, cash and cash equivalents, non-operating assets (e.g. value of surplus real estate/ facilities), recent acquisitions/disposals and cost/proceeds relating thereto, etc as deemed appropriate. The equity value of the respective Companies so arrived was then divided by the diluted number of equity shares of the Company as at the Valuation Date to compute its value per share.

a) Comparable Companies' Multiple Method ('CCM')

Under this method, value of the equity shares of a company/ business 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.

Both WEL and WPL have investments/ businesses such as infrastructure, power, coal and oil & gas wells. Most of these businesses/ projects are fixed life projects and have different project specific characteristics (different stage of life cycles, nature of projects – bus terminals, water pipeline and road project) with limited direct comparables. Hence, we have not used the CCM method for the purpose of our analysis, except in case of coal business in which we have considered EV/ tonne of coal reserve multiple for arriving at the value of the coal investments of WEPL.

Given that there has been a recent investment in power business of WEPL, we have considered the price of recent investment for arriving at the value of the power business of WEPL.

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b) 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 from DCF analysis, adjustment, as appropriate, are made for borrowings, surplus assets, contingent liabilities and other matters to arrive at the equity value. The equity value is then divided by the total number of equity shares to arrive value per equity share.

We have been provided forecasts for the infrastructure projects in WPL, coal and power business in WEPL, by the management of WPL and WEL respectively.

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.

Value of the infrastructure business of WPL and EPC and coal businesses of WEPL have been arrived at, using the DCF method.

c) 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. 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. 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 merger, with the values arrived at on the net asset basis being of limited relevance.

Both WEL and WPL are holding-cum-operating companies and book value of their invesements in various operating projects have limited connection with earning value of their investments in various operating companies/projects. Hence, NAV methodology has not been considered except for arriving at the value of certain non operating businesses and investments of WPL and WEL.

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BASIS OF SHARE EXCHANGE RATIO

The basis of merger of WEL into WPL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different swap ratios have been arrived at under each of the above approaches, it is finally necessary to arrive at a single swap. It is important to note that we are not attempting to arrive at the absolute equity values of WEL and WPL but at their relative values to facilitate the determination of a fair exchange ratio. Considering this, we have applied appropriate weights to values determined through Market Price and Sum of the Parts approaches.

For the purpose of our analysis, we have relied on Management assessment of the potential of hydro-carbon reserves in the oil & gas wells and their estimation of liabilities on account of the same and Management estimate of market value of surplus land owned by WEPL. Our analysis, *inter alia*, is premised on the above Management assessments and any material change in these estimates can have a significant value implication.

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 WEL into WPL at 12 (Twelve) equity shares of WPL of INR 10/- each fully paid up for every 1 (One) equity share of WEL of INR 10/- each fully paid up.

Respectfully submitted.

For Price Waterhouse & Co. LLP
Chartered Accountants
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Rajan Wadhawan
Partner
Membership No: 090172
Dated: 4 November 2014