Company X		
<b>Profile</b> Company X is a JV formed to execute a Roll-up Strategy within the Indian su being Ethanol, Power, and Sugar. The Company is formed by ABC Advisors an India-focused cross border boutique Investment Banking and Advisory is a public limited company with a market cap of approximately \$XX.X milli for XX years. The proposition is to buy an existing inefficient sugar pla- alternative energy.	(ABC) and PRQ Group (PQR). ABC business, headquartered in India. PQ on <sup>1</sup> that has been operating sugar mil	$\begin{array}{c c} ADC & XXX\% \\ \hline PQR & XXX\% \\ \hline XX.X\% \\ \hline XX.X\% \end{array}$
Funding	Sources of Funds (In millions)	Post-Invest. Share Holding
<ul> <li>\$XX.X million to be raised to purchase, expand, and upgrade an existing sugar plant</li> </ul>	XYZXX.ManagementXX.	-
• XYZ to invest \$XX.X million for 50.0% ownership stake	RST XX.2	XYZ 50.0%

# Management to invest \$XX.X million

Balance of project cost of \$XX.X million to be funded by debt

## **Investment Thesis**

### **Opportunity:**

- Roll up strategy within the sugar-based industry, including diversification into alternative energy at a low cyclical point
- The current fragmented sugar industry provides consolidation opportunities. Also, "sick" sugar mills (inefficient plants generally without ethanol & cogeneration facilities) are available for acquisition at comparatively low valuations due to current state of sector

XX.X

#### **Positives:** Ethanol

- Increasing demand for ethanol in India driven by higher petrol blend rates and potential for exports
- 2-3 year fixed price ethanol sale contracts reduces business volatility
- Input is sugar cane which is more efficient than other types of feedstock

#### Power

- Large demand for Power in India, especially 'clean power'
- Profits exempt from Indian Tax
- Faster implementation (approximately 1.5 yrs vs. conventional power implementation of 4-5 yrs)
- Possibility of long term fixed price power purchase agreements (with inflation escalation) available

#### Sugar

- With India being the largest sugar consumer globally, the domestic demand is substantial
- An integrated plant allows for enhanced profitability by increasing sugar production when sugar economics are attractive
- Low sugar production for 200X-0X1 projects higher sugar prices in 200X1

#### Issues:

- Highly dependent on sugar cane crop and prices/cyclical industry
- Government intervention in ethanol prices, sugar prices, and export policy
- Molasses availability critical for increased alcohol/ethanol production
- Delay in government's ethanol/petrol 10.0% blending policy

#### **Industry Outlook**

The demand for ethanol is increasing on the domestic and global front, especially due to adoption of fuel blending standards globally. Domestically, the Government of India has already announced blending of 5.0% ethanol in the petrol industry and 10.0% blending going forward. There has been a positive turn in Indian/global sugar economics where the industry is quickly emerging from a couple of years of over-supply to a more balanced and short sugar scenario. There is an expected turn in end 200X/early 200X1 in the sugar cycle (Indian/global sugar prices) allowing for substantial upside in sugar generated cash flows. With regard to power, the demand is potentially substantial - especially in 'clean power'.

#### Valuation

The main comparables for Company X are Balrampur Chini, and Bajaj Hindustan. Analysis of the trading value of the comps over the cycle period of FY200X-0X2 indicates an average EV/EBITDA trading multiple of 10.8x. Also, during this period, the average PE multiple was 13.1x. Company X could trade at a much higher multiple due to its potential of higher revenues from ethanol and alternative energy via long term contracts that substantially reduce income volatility. Management estimates an exit multiple of 10.8x EV/EBITDA. However, the returns analysis has been carried out at an EV/EBITDA multiple of 6.0x. For comps analysis, implied multiples and returns, please refer to the appendix of financial information.

Potential Retur	<u>ns</u> (Base c	ase)				(Base Case)					
Exit EBITDA mult	iple of 6.0x					Exit EBITDA mult	iple of 8.0x				
Exit Year 5	EBITDA	Multiple	Net Debt	XYZ	Return	Exit Year 5	EBITDA	Multiple	Net Debt	XYZ	Ret
Co. Estimate	18.5	6.0x	(34.5)	50.0%	3.9x	Co. Estimate	18.5	8.0x	(34.5)	50.0%	4.
50% Discount	9.2	6.0x	(34.5)	50.0%	2.4x	50% Discount	9.2	8.0x	(34.5)	50.0%	2.
75% Discount	6.9	6.0x	(34.5)	50.0%	2.0x	75% Discount	6.9	8.0x	(34.5)	50.0%	2.



## XYZ

6.0% and Power – 1		lown of S	ugar – 50	0.0%, Eth	anol –			e – Revent nd Power		lown of	Sugar – 2	9.0%,
Summary Financials	<u>s</u>									(All	figures in L	ISD millio
•	Y1	Y2	¥3	¥4	Y5			Y1	Y2	¥3	Y4	¥5
	\$17.0	\$20.6	\$20.6	\$20.6	\$20.6	Sugar		\$5.5	\$8.4	\$8.4	\$8.4	\$8.4
Ethanol	13.8	14.9	14.9	14.9	14.9	Ethanol		13.8	14.9	14.9	14.9	14.9
Power	5.3	5.7	5.7	5.7	5.7	Power		5.2	5.6	5.6	5.6	5.6
Revenues	\$36.1	\$41.2	\$41.2	\$41.2	\$41.2	Revenues		\$24.5	\$28.9	\$28.9	\$28.9	\$28.9
% Growth		14.0%	0.0%	0.0%	0.0%	% Growt	th		17.8%	0.0%	0.0%	0.0%
EBITDA	16.0	18.6	18.5	18.5	18.5	EBITDA		8.9	11.0	11.0	11.0	10.9
Margin	44.4%	45.0%	45.0%	44.9%	44.8%	Margin		36.5%	38.2%	38.1%	38.0%	37.8%
% Growth		15.8%	(0.2%)	(0.2%)	(0.2%)	% Growt	th		23.2%	(0.3%)	(0.3%)	(0.3%)
Net Income	9.7	12.0	12.3	12.7	13.0	Net Incom	ne	3.7	5.7	6.0	6.4	6.7
Margin	26.7%	29.1%	29.9%	30.7%	31.6%	Margin		15.2%	19.7%	20.9%	22.1%	23.4%
% Growth		24.1%	2.8%	2.7%	2.8%	% Growt	th		52.9%	6.1%	5.7%	5.6%
ROCE	23.6%	27.7%	28.0%	28.2%	28.4%	ROCE		13.3%	16.8%	17.2%	17.6%	17.9%
mplied Entry Multi	iples											
	Y1	Y2	¥3					Y1	Y2	¥3		
EV / Revenues	1.87x	1.64x	1.64x			EV / Reve	enues	2.75x	2.34x	2.34x		
EV / EBITDA	4.2x	3.6x	3.6x			EV / EBI	ГDA	7.5x	6.1x	6.1x	_	
PE P/BV	1.3x	1.0x	1.0x			PE		3.4x	2.2x	2.1x		
			nvestment)			P/BV			(as on date of			
Exit Year 5 EBIT	T <mark>DA Mul</mark> 18.5 9.2	ltiple Net		<b>YZ 1</b> 50.0% 50.0%	Return           3.9x           2.4x	<u>Exit Year</u> Co. Estim		<u>BITDA Mu</u> 10.9 5.5			XYZ 50.0% 50.0%	<b>Return</b> 1.9x 1.1x
Exit Year 5 EBIT	18.5	ltiple Net 6.0x ( 6.0x (	<b>Debt X</b> 34.5)	50.0%	3.9x	Exit Year Co. Estim 50% I	ate	<b>BITDA Mu</b> 10.9	ltiple Net 6.0x	Debt	50.0%	1.9x
Co. Estimate 50% Discount	18.5 9.2 6.9	Itiple         Net           6.0x         (           6.0x         (           6.0x         (           6.0x         (	<b>Debt</b> X 34.5) 34.5)	50.0% 50.0%	3.9x 2.4x 2.0x	Exit Year Co. Estim 50% I	ate Discount Discount	BITDA Mu 10.9 5.5 4.1	Itiple         Net           6.0x         6.0x           6.0x         6.0x	Debt	50.0% 50.0% 50.0%	1.9x 1.1x 0.9x
Exit Year 5 EBIT Co. Estimate 50% Discount 75% Discount	18.5 9.2 6.9	ltiple Net 6.0x ( 6.0x (	<b>Debt</b> X 34.5) 34.5)	50.0% 50.0%	3.9x 2.4x	Exit Year Co. Estim 50% I	ate Discount Discount	BITDA Mu 10.9 5.5	Itiple         Net           6.0x         6.0x           6.0x         6.0x	Debt	50.0% 50.0%	1.9x 1.1x 0.9x
Exit Year 5     EBI1       Co. Estimate     50% Discount       75% Discount	18.5 9.2 6.9	Itiple         Net           6.0x         (           6.0x         (           6.0x         (           6.0x         (	Debt X 34.5) 34.5) 34.5)	50.0% 50.0% 50.0%	3.9x 2.4x 2.0x P/BV	Exit Year Co. Estim 50% I	ate Discount Discount	BITDA Mu 10.9 5.5 4.1	Itiple         Net           6.0x         6.0x           6.0x         6.0x	Debt	50.0% 50.0% 50.0%	1.9x 1.1x 0.9x
Exit Year 5 EBIT Co. Estimate 50% Discount 75% Discount Public Comparables	18.5 9.2 6.9 2 2	Itiple         Net           6.0x         ((           6.0x         (           6.0x         (           6.0x         (           6.0x         (           PE         PE	Debt X 34.5) 34.5) 34.5)	50.0% 50.0% 50.0%	3.9x 2.4x 2.0x P/BV	Exit Year Co. Estim 50% I 75% I	ate Discount Discount E	BITDA <u>Mu</u> 10.9 5.5 4.1 V/Revenue	Itiple         Net           6.0x         6.0x           6.0x         6.0x           8         8	Debt	50.0% 50.0% 50.0%	1.9x 1.1x 0.9x
Exit Year 5 EBIT Co. Estimate 50% Discount 75% Discount Public Comparables Pure Comps	18.5 9.2 6.9 2 2	Itiple         Net           6.0x         ((           6.0x         (           6.0x         (           6.0x         (           6.0x         (           PE         PE	Debt X 34.5) 34.5) 34.5)	50.0% 50.0% 50.0% 3 FY0	3.9x 2.4x 2.0x <b>P/BV</b> 1 FY02	Exit Year Co. Estim 50% I 75% I	ate Discount Discount E	BITDA <u>Mu</u> 10.9 5.5 4.1 V/Revenue	Itiple         Net           6.0x         6.0x           6.0x         6.0x           8         8	Debt	50.0% 50.0% 50.0%	1.9x 1.1x 0.9x
Exit Year 5 EBIT Co. Estimate 50% Discount 75% Discount Fublic Comparables Pure Comps Balrampur Chini	18.5 9.2 6.9 2 2 FY01	Itiple         Net           6.0x         (           6.0x         (           6.0x         (           PE         FY02	Debt X 34.5) 34.5) 34.5) FY03	50.0% 50.0% 50.0% 3 FY0 50.0%	3.9x 2.4x 2.0x P/BV 1 FY02 x 2.20x	Exit Year Co. Estim 50% I 75% I FY03	ate Discount Discount <u>E</u> FY01	BITDA Mu 10.9 5.5 4.1 V/Revenue FY02	ltiple         Net           6.0x         6.0x           6.0x         5           FY03         5	Debt (7.4) (7.4) (7.4) E FY01	50.0% 50.0% 50.0% <b>XV/EBITD</b> FY02	1.9x 1.1x 0.9x A FY03
ixit Year 5       EBIT         ixit Year 5       EBIT         ixit Year 5       Discount         50% Discount       Discount         ublic Comparables       Discount         Pure Comps       Discount         Balrampur Chini       Discount	18.5 9.2 6.9 2 2 FY01 NA	Itiple         Net           6.0x         (           6.0x         (           6.0x         (           PE         FY02           65.8x	Debt X 34.5) 34.5) 34.5) 	50.0% 50.0% 50.0% 3 FY0 2.60 5 1.70	3.9x 2.4x 2.0x P/BV 1 FY02 x 2.20x x 1.40x	Exit Year Co. Estim 50% I 75% I FY03	ate Discount Discount E FY01 2.50x	BITDA Mu 10.9 5.5 4.1 V/Revenue FY02 2.30x	Itiple         Net           6.0x         6.0x           6.0x         5           FY03         2.00x	Debt	50.0% 50.0%	1.9x 1.1x 0.9x • A • FY03 8.4x
Exit Year 5     EBIT       Co. Estimate     50% Discount       50% Discount     50% Discount       Coublic Comparables       Pure Comps       Balrampur Chini       Bajaj Hindustan       Mean	18.5 9.2 6.9 2 FY01 NA NA NA	Itiple         Net           6.0x         (           6.0x         (           6.0x         (           PE         FY02           65.8x         NA	Debt X 34.5) 34.5) 34.5) 	50.0% 50.0% 50.0% 3 FY0 2.60 5 1.70	3.9x 2.4x 2.0x P/BV 1 FY02 x 2.20x x 1.40x	Exit Year Co. Estim 50% I 75% I FY03 1.90x 1.30x	ate Discount Discount E FY01 2.50x 3.20x	BITDA Mu 10.9 5.5 4.1 V/Revenue FY02 2.30x 3.10x	Itiple         Net           6.0x         6.0x           6.0x         6.0x           9         7000           2.00x         2.50x	Debt	50.0% 50.0% 50.0% <b>EV/EBITD</b> FY02 15.8x 36.9x	1.9x 1.1x 0.9x PA FY03 8.4x 10.8x
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xit Year 5 EBI1 o. Estimate 50% Discount 75% Discount ublic Comparables ure Comps alrampur Chini ajaj Hindustan Mean Other Sugar Based C Owarikesh Sugar riveni hree Renuka Sugar	18.5 9.2 6.9 3 2 FY01 NA NA NA Comps NA 37.6x 66.6x 52.1x	Itiple         Net           6.0x         (           6.0x         (           6.0x         (           PE            FY02            65.8x            NA            65.8x            NA            20.9x            26.6x	Debt X 34.5) 34.5) 34.5) - FY03 13.2x 11.0x 12.1x 12.3x 11.3x 19.1x	50.0% 50.0% 50.0% 3 FY0 2.605 2.155 2.155 2.155 4.205 4.205 4.775	3.9x         2.4x         2.0x         P/BV         1       FY02         <	Exit Year Co. Estim 50% I 75% I FY03 1.90x 1.30x 1.60x 0.80x 2.80x 4.20x	ate Discount Discount FY01 2.50x 3.20x 2.85x 2.40x 3.10x 5.69x	BITDA Mu 10.9 5.5 4.1 V/Revenue FY02 2.30x 3.10x 2.70x 2.60x 2.20x 2.20x 2.24x 2.35x	Itiple         Net           6.0x         6.0x           6.0x         6.0x           5         7903           2.00x         2.50x           2.50x         2.25x           1.50x         1.70x           1.92x         1.92x	Debt	50.0% 50.0% 50.0% <b>EV/EBITD</b> FY02 15.8x 36.9x <b>26.4x</b> 15.9x 11.1x 14.1x 13.7x	1.9x 1.1x 0.9x A FY03 8.4x 10.8x 9.6x 6.9x 7.5x 10.9x
xit Year 5 EBIT 50. Estimate 50% Discount 75% Discount ublic Comparables Pure Comps Galrampur Chini Gajaj Hindustan Mean Other Sugar Based C Dwarikesh Sugar riveni hree Renuka Sugar Mean Mean Sroup Mean	18.5         9.2         6.9         52         FY01         NA         NA         NA         Somps         NA         37.6x         66.6x         52.1x	Itiple         Net           6.0x         (           6.0x         (           6.0x         (           PE            FY02            65.8x            NA            65.8x            NA            20.9x            26.6x            37.8x	Debt X 34.5) 34.5) 34.5) 34.5) 13.2x 11.0x 12.1x 12.3x 11.3x 19.1x 14.2x	50.0% 50.0% 50.0% 3 FY0 2.605 2.155 2.155 2.155 4.205 4.205 4.775	3.9x         2.4x         2.0x         P/BV         1       FY02         <	Exit Year Co. Estim 50% I 75% I FY03 1.90x 1.30x 1.60x 0.80x 2.80x 4.20x 2.60x	ate Discount Discount FY01 2.50x 3.20x 2.85x 2.40x 3.10x 5.69x 3.73x	BITDA Mu 10.9 5.5 4.1 V/Revenue FY02 2.30x 3.10x 2.70x 2.60x 2.20x 2.20x 2.24x	Itiple         Net           6.0x         6.0x           6.0x         6.0x           5         7903           2.00x         2.50x           2.50x         2.25x           1.50x         1.70x           1.92x         1.71x	Debt	50.0% 50.0% 50.0% 50.0% 50.0% FY02 15.8x 36.9x 26.4x 15.9x 11.1x 14.1x	1.9x 1.1x 0.9x PA FY03 8.4x 10.8x 9.6x 6.9x 7.5x 10.9x 8.4x
Exit Year 5     EBIT       Co. Estimate     50% Discount       50% Discount     75% Discount       Co. Estimate     50% Discount       Co. Estimate     50% Discount       Co. Estimate     6       Comparables     6	18.5         9.2         6.9         52         FY01         NA         NA         NA         Somps         NA         37.6x         66.6x         52.1x	Itiple         Net           6.0x         (           6.0x         (           6.0x         (           PE            FY02            65.8x            NA            65.8x            NA            20.9x            26.6x            37.8x	Debt X 34.5) 34.5) 34.5) 34.5) 13.2x 11.0x 12.1x 12.3x 11.3x 19.1x 14.2x	50.0% 50.0% 50.0% 3 FY0 2.605 2.155 2.155 2.155 4.205 4.205 4.775	3.9x         2.4x         2.0x         P/BV         1       FY02         <	Exit Year Co. Estim 50% I 75% I FY03 1.90x 1.30x 1.60x 0.80x 2.80x 4.20x 2.60x	ate Discount Discount FY01 2.50x 3.20x 2.85x 2.40x 3.10x 5.69x 3.73x	BITDA Mu 10.9 5.5 4.1 V/Revenue FY02 2.30x 3.10x 2.70x 2.60x 2.20x 2.20x 2.24x 2.35x	Itiple         Net           6.0x         6.0x           6.0x         6.0x           5         7903           2.00x         2.50x           2.50x         2.25x           1.50x         1.70x           1.92x         1.71x	Debt	50.0% 50.0% 50.0% <b>EV/EBITD</b> FY02 15.8x 36.9x <b>26.4x</b> 15.9x 11.1x 14.1x 13.7x	1.9x 1.1x 0.9x PA FY03 8.4x 10.8x 9.6x 6.9x 7.5x 10.9x 8.4x
ixit Year 5 EBIT co. Estimate 50% Discount 75% Discount <b>ublic Comparables</b> Pure Comps Balrampur Chini Bajaj Hindustan Mean Other Sugar Based C Owarikesh Sugar Friveni Shree Renuka Sugar Mean Sroup Mean Evenue Stream Inf Pure Comps	18.5 9.2 6.9 3 2 FY01 NA NA NA Comps NA 37.6x 66.6x 52.1x 52.1x	Itiple         Net           6.0x         (           6.0x         (           6.0x         (           FY02         -           65.8x         NA           65.8x         NA           65.8x         NA           20.9x         26.6x           23.8x         37.8x	Debt X 34.5) 34.5) 34.5) 34.5) 13.2x 11.0x 12.1x 12.3x 11.3x 11.3x 19.1x 14.2x 13.4x	50.0% 50.0% 50.0% 3 FY0 2.605 2.155 2.155 2.155 2.155 2.155 2.155 2.155 2.155 2.155 2.155 3.725 3.725	3.9x         2.4x         2.0x         P/BV         1       FY02          2.20x          1.40x          1.40x          1.80x          0.90x          3.60x          3.27x          2.68x	Exit Year Co. Estim 50% I 75% I FY03 1.90x 1.30x 1.60x 0.80x 2.80x 4.20x 2.60x	ate Discount Discount FY01 2.50x 3.20x 2.85x 2.40x 3.10x 5.69x 3.73x	BITDA Mu 10.9 5.5 4.1 V/Revenue FY02 2.30x 3.10x 2.70x 2.60x 2.20x 2.20x 2.24x 2.35x	Itiple         Net           6.0x         6.0x           6.0x         6.0x           5         7903           2.00x         2.50x           2.50x         2.25x           1.50x         1.70x           1.92x         1.71x	Debt	50.0% 50.0% 50.0% <b>EV/EBITD</b> FY02 15.8x 36.9x <b>26.4x</b> 15.9x 11.1x 14.1x 13.7x	1.9x 1.1x 0.9x PA FY03 8.4x 10.8x 9.6x 6.9x 7.5x 10.9x 8.4x
xit Year 5 EBIT co. Estimate 50% Discount 75% Discount ublic Comparables Pure Comps Galrampur Chini Gajaj Hindustan Mean Other Sugar Based C Owarikesh Sugar 'riveni hree Renuka Sugar 'riveni hree Renuka Sugar Group Mean evenue Stream Inf	18.5 9.2 6.9 2 2 FY01 NA NA NA Comps NA 37.6x 66.6x 52.1x cormation	Itiple         Net           6.0x         (           6.0x         (           6.0x         (           FY02         -           65.8x         NA           65.8x         NA           65.8x         NA           20.9x         26.6x           23.8x         37.8x	Debt X 34.5) 34.5) 34.5) 34.5) 13.2x 11.0x 12.1x 12.3x 11.3x 11.3x 19.1x 14.2x 13.4x	50.0% 50.0% 50.0% 3 FY0 2.605 2.155 2.155 2.155 2.155 2.155 2.155 2.155 2.155 2.155 2.155 3.725 3.725	3.9x         2.4x         2.0x         P/BV         1       FY02          2.20x          1.40x          1.40x          1.80x          0.90x          3.60x          3.27x          2.68x	Exit Year Co. Estim 50% I 75% I FY03 1.90x 1.30x 1.60x 0.80x 2.80x 4.20x 2.60x	ate Discount Discount FY01 2.50x 3.20x 2.85x 2.40x 3.10x 5.69x 3.73x	BITDA Mu 10.9 5.5 4.1 V/Revenue FY02 2.30x 3.10x 2.70x 2.60x 2.20x 2.20x 2.24x 2.35x	Itiple         Net           6.0x         6.0x           6.0x         6.0x           5         7903           2.00x         2.50x           2.50x         2.25x           1.50x         1.70x           1.92x         1.71x	Debt	50.0% 50.0% 50.0% <b>EV/EBITD</b> FY02 15.8x 36.9x <b>26.4x</b> 15.9x 11.1x 14.1x 13.7x	1.9x 1.1x 0.9x PA FY03 8.4x 10.8x 9.6x 6.9x 7.5x 10.9x 8.4x

• Shree Renuka Sugar – Sugar, Power, Distillery, Trading, and Others

#### **Base Assumptions**

- 50.0% equity purchase by XYZ at \$XX.X million on investment date
- Exit EBITDA multiple of 6.0x in Year 5



<sup>&</sup>lt;sup>2</sup> Source: Edelweiss Research; Pioneer Research; Alchemy Research.