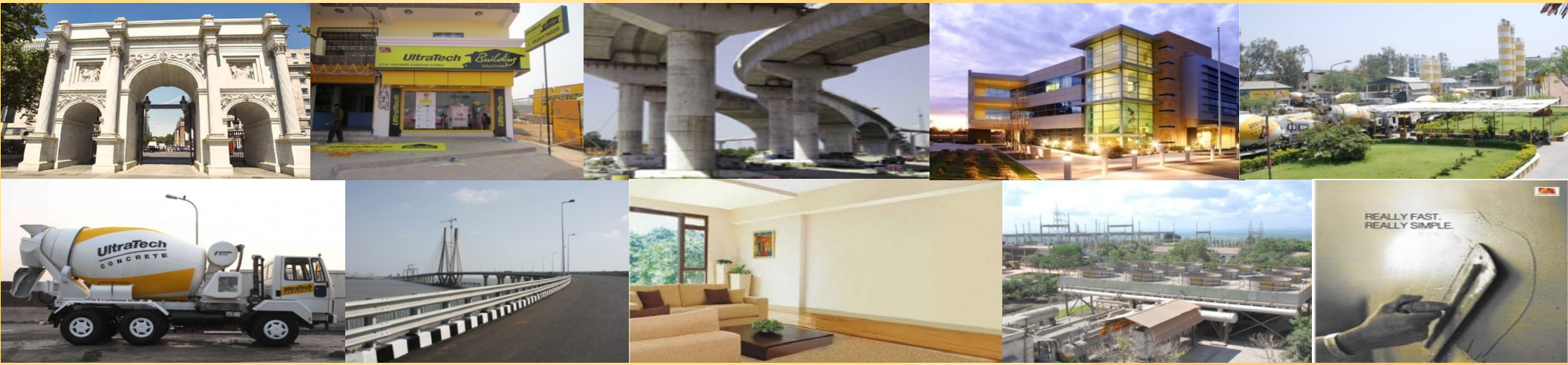
ADITYA BIRLA

UltraTech



Acquisition of Gujarat Cement Unit *of* Jaypee Cement Corporation Limited

through a demerger

Mumbai, 11th September, 2013

The Context….

- **UltraTech is the largest cement company in India**
  - Current cement capacity ~54mtpa (~51 mtpa in India & 3 mtpa overseas).

- **Significant capacity addition during the last decade:**
  - Added ~ 21 mtpa capacity since 2005;
  - Additional ~ 10 mtpa underway - likely commissioning by FY15;
  - Capacities build-up in all zones……..except **Gujarat region.**

- **Need for capacity addition in Gujarat :**
  - Our Gujarat plants presently operating at ~ 95%;
  - Lost volume in Gujarat post disposal of SDCCL;
  - Required additional volume to support costal movements – Mumbai, Kochi, Mangalore and Sri Lanka markets.

- **Total capacity post the projects underway and acquisition - ~70mtpa**

Opted for acquisition of Gujarat Assets of JCCL

Benefits of the transaction

- Meet UltraTech's (UTCL) need to enhance capacity in Gujarat – to serve local, coastal & export markets;
- High quality operational assets with immediate cash generation potential
- Sizable land and mining reserve – supports doubling of the capacity.
- Manufacturing, marketing and supply chain synergies.
- Tax advantage on carried forward business losses and unabsorbed depreciation of the Unit.
- Fly ash available near the grinding unit.
- Captive power plant.

Value accretive in the medium term

Structure and Plant Locations

Jaiprakash Associates Limited (JAL) – Parent

Jaypee Cement Corporation Ltd (JCCL) - Wholly owned subsidiary

AP Cement Unit & Other Businesses

Gujarat Cement Unit

To be vested in UTCL under Sec. 391-394 of the Companies Act

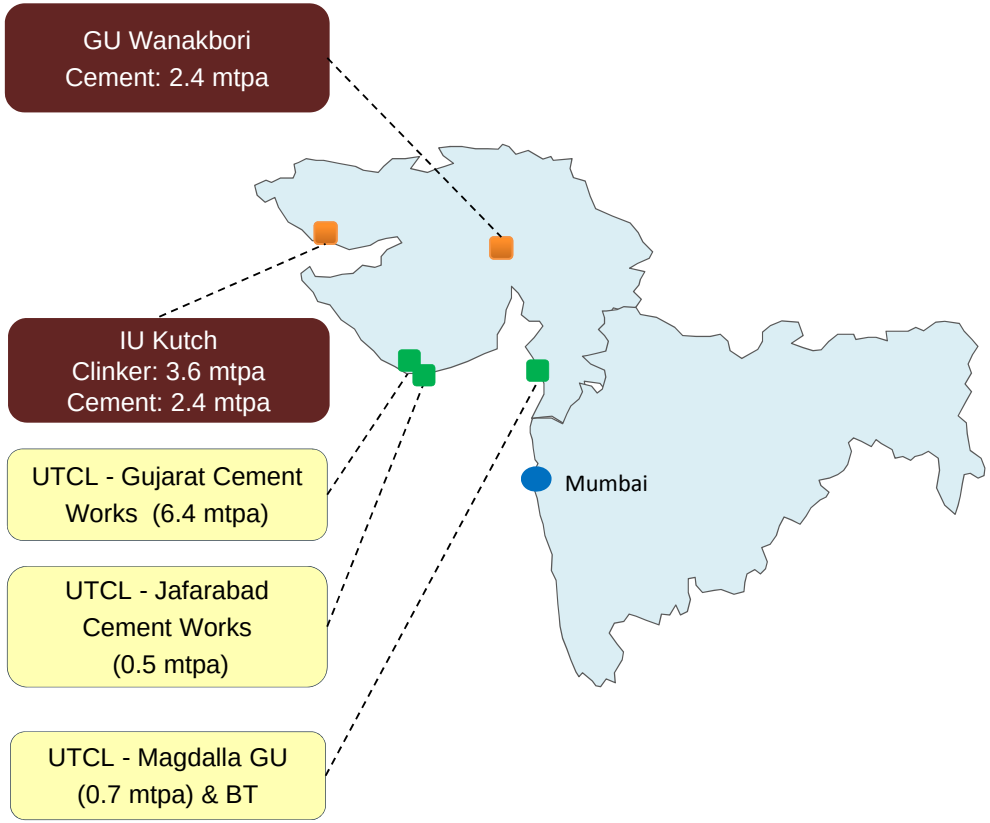
Plants

Integrated Unit (IU): Sewagram – Kutch, Gujarat

- Clinker Capacity - 3.6 mtpa (2x5500 TPD)
- Cement Capacity - 2.4mtpa

Grinding Unit (GU) : Wanakbori (Near Ahmedabad), Gujarat

- Cement Capacity - 2.4mtpa

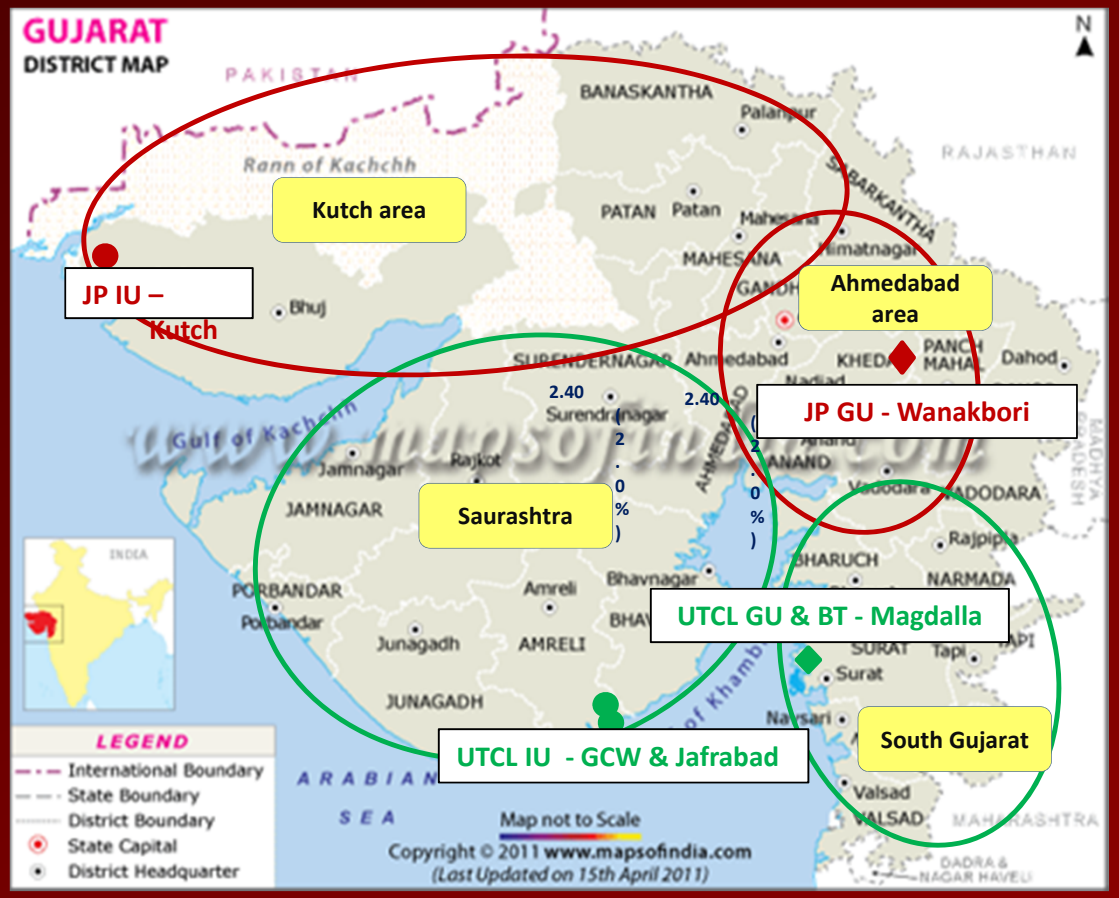


Assets to be Acquired

- **Recently commissioned plant with latest technology and split grinding unit.**
- **Scope to double the capacity:**
  - Land Area – 5479 Ha,
  - Limestone Reserve ~ 500 MnT – sufficient for 90 years.
- **Strong infrastructure assets:**
  - CPP - 57.5 MW,
  - DG - 30 MW,
  - Jetty – 2500 DWT barges: for clinker and coal movement
  - Desalination plant – meeting water requirement.
- **Cement bag manufacturing unit - Capacity : 3 lacs bag per day.**

Synergies

Plant locations and Market Distribution



- Multiple plants across Gujarat with grinding units closer to the consumers
- Market realignment:
  - Synergy gain: approx. Rs.30-40 crs p.a.
- Further Potential Gain:
  - To increase costal movements;
  - Realignment of clinker movement with UTCL existing Plants.

Valuation & Consideration

- Enterprise value ("EV") – Rs.3,800 Crores +/- Net working capital at actuals at Closing.
- Will take over all the assets and liabilities of the demerged undertaking.
- Consideration is equal to EV less liabilities taken over.. Such Consideration to be discharged by issue of equity shares of UTCL:
  - Current estimate of consideration is approx Rs.147Crores;
  - Consideration to be adjusted at Closing for movements in working capital, liabilities, assets and the share price of UTCL;
  - Consideration Capped at Rs.150 Crores – Maximum dilution as per agreed formula at current prices ~ 0.32%.
- Demerged undertaking valued in line with replacement cost, with additional strategic assets.

Balance sheet will continue to remain strong

		Pre- Acquisition	Post Acquisition
Debt : Equity	Gross	0.31 : 1	0.54 :1
	Net	0.03 :1	0.26 :1
Debt / EBIDTA		1.0x	1.7x

Transaction Advisers

Transaction Advisor	Standard Chartered Bank
Independent Fairness Opinion	Axis Capital Limited
Legal Advisor	Amarchand & Mangaldas & Suresh A. Shroff & Co.
Valuation Expert	Bansi S Mehta & Co.

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