



SHARE ENTITLEMENT REPORT

To Recommend the Share Entitlement Ratio

For

Scheme of Arrangement between

K M Sugar Mills Limited

(Demerged Company or "KMSM")

AND

K M Spirits and Allied Industries Limited

(Resulting Company or "KMSAIL")

AND

Their Respective Shareholders and Creditors

(Under Section 230 To 232 Of the Companies Act, 2013)



AXIOLOGY VALUETECH PRIVATE LIMITED

Registered Valuer Entity

IBBI/RV-E/05/2023/201

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(PRIVILEGED AND CONFIDENTIAL)

Date: 07-08-2025

SHARE ENTITLEMENT REPORT

To,
The Audit Committee and
The Board of Directors
K.M. Sugar Mills Limited
76, Eldeco Greens, Gomtinagar, Lucknow
Lucknow, Uttar Pradesh, India, 226010

To,
The Board of Directors
Km Spirits And Allied Industries Limited
76, Eldeco Greens, Gomtinagar, Lucknow, Lucknow,
Uttarparadesh, India, 226010

Subject: Recommendation of share entitlement ratio for the proposed demerger of Distillery Division ("Demerged Undertaking") of KM Sugar Mills Limited ("Demerged Company") into KM Spirits and Allied Industries Limited ("Resulting Company") on a going concern basis.

Dear Sir/ Madam,

Pursuant to confirmation of appointment by the Board of Directors of KM Sugar Mills Limited, dated 25th March, 2025, undertaken for recommendation of share entitlement ratio for the proposed demerger of Distillery Division ("Demerged Undertaking") of KM Sugar Mills Limited ("Demerged Company"/ "KMSM") into KM Spirits and Allied Industries Limited ("Resulting Company / "KMSAIL") on a going concern basis pursuant to Scheme of Arrangement between KMSM and KMSAIL and their respective shareholders and creditors under section 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Scheme"/ "Demerger").



Based on the representation of management of Demerged Company and Resulting Company, we have determined the Entitlement Ratio for Demerger as below:

Particulars	Demerged Company	Resulting Company
Total Number of Shares	10,00,00,000	50,000
Face Value / Price per Share	2	10
Share Entitlement Ratio	5	1

One equity share of face value of Rs. 10/- (Rupees Ten) each at par in the 'Resulting Company for every Five Equity Shares of face value of Rs. 2/- (Rupees Two) each held by them in the Demerged Company ("Share Entitlement Ratio")."

This report is hereby presented for your kind perusal. Please feel free to seek any clarification.

Regards

Axiology Valuetech Private Limited
Registered Valuer Entity
IBBI/RV-E/05/2023/201



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We refer to confirmation of our appointment through an engagement letter dated 25th March 2025 regarding our appointment independent valuer to determine the share entitlement ratio for the Scheme of arrangement under Section 230 -232 of the Companies Act, 2013. The Scheme, *inter alia*, provides for the demerger of 'Distillery Division' ("Demerged Undertaking") of KM Sugar Mills Limited ("Demerged Company") and vesting of the same with KM Spirits and Allied Industries Limited ("Resulting Company"), a wholly owned subsidiary of KMSM, on a going concern basis. In the following paragraphs, we have summarized our Valuation Analysis (the "Analysis") of the business of the Company as informed by the Management and detailed herein, together with the description of the methodologies used and limitations on our scope of work.

Whereas we have been specifically asked to carry out Valuation of Shares and suggest Share Entitlement Ratio for the proposed Demerger of the aforesaid companies by the Board of **KM Sugars Mills Limited** (Demerged Company) and **KM Spirits and Industries Limited** (Resulting Company).



1. Context and Purpose

Based on discussion with the Management, we understand that the Company's promoters are evaluating the possibility of Demerger of Distillery Division' ("Demerged Undertaking") of KM Sugars Mills Limited ("Demerged Company") and vesting of the same with KM Spirits and Allied Industries Limited ("Resulting Company") on a going concern. In this context, the Management requires our assistance in determining the share entitlement ratio.

2. Background of the Company and Industry

KM SUGAR MILLS LIMITED (hereinafter also referred to as 'KMSM' or 'Demerged Company'), bearing CIN L15421UP1971PLC003492 was incorporated on December 17, 1971, under the provisions of Companies Act, 1956 as a private company with the name & style of "K M Sugar Mills Private Limited" under the jurisdiction of Registrar of Companies, Kanpur (Uttar Pradesh). Subsequently, on April 20, 2005, the name of the Demerged Company was changed to its present name i.e., "K M Sugar Mills Limited" pursuant to obtaining status of a Public Company. The Registered office of the Resulting Demerged Company is presently situated at 76, Eldeco Greens, Gomtinagar, Lucknow, Uttar Pradesh - 226010. The Demerged Company is engaged in diversified manufacturing and selling sugar (Sugar Manufacturing Division), manufacturing of Rectified Spirit, Ethanol. Country Liquor and Extra Neutral Alcohol (ENA) (Distillery Division). The Equity Shares of the Demerged Company are listed on the bourses of BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).

KM SPIRITS AND ALLIED INDUSTRIES LIMITED (hereinafter also referred to as 'KMSAIL' or 'Resulting Company') bearing CIN U15100UP2018PLC101321 was incorporated on 23rd February 2018, under the provisions of Companies Act, 2013 as a public limited company with the name & style of "KM Spirits and Allied Industries Limited" under the jurisdiction of Registrar of Companies, Kanpur. The Registered office of the Resulting Company is presently situated at 76, Eldeco Greens, Gomtinagar, Lucknow, Uttar Pradesh - 226010. The Resulting Company is engaged in the manufacture of all types of spirits.

The resulting Company is a wholly owned subsidiary of the Demerged Company.



3. Purpose of valuation and appointing authority:

To determine the share entitlement ratio for demerger under Section 230-232 of the Companies Act, 2013. The Board of Directors of the respective Companies has appointed the Registered Valuer via engagement letter dated 23rd March 2025.

4. Identity of the valuer and any other experts involved in the valuation:

This Valuation Report has been executed by Registered Valuer Mr. Ajay Kumar Siwach (Securities or Financial Assets) – Registration. No IBBI/RV/05/2019/11412 (Director of Registered Valuer Entity Axiology Valuetech Private Limited (IBBI/RV-E/05/2023/201).

5. Disclosure of valuer interest/conflict, if any:

We do not have any financial interest in the Client, nor do we have any conflict of interest in carrying out this analysis to recommend fair share entitlement ratio.

Further, the information provided by the Management have been appropriately reviewed in carrying out the valuation. Sufficient time and information were provided to us to carry out the analysis.

6. Date of appointment and date of report:

Date of appointment	25 th March 2025
Date of report	07 th August 2025

7. Sources of Information

In connection with this exercise, we have received/obtained the following information from the Management:

- Audited financial statements for the year ended 31-03-2025 of Demerged Company and Resulting Company.
- Limited reviewed financial statements for the period ended 30-06-2025 of Resulting Company.
- Management Certified financial statements for the year ended 30-06-2025 of Demerged Company and Demerged Undertaking.
- Draft Scheme of Arrangement for demerger of the Distillery Division of KMSM into KMSAIL.
- We have obtained information from public sources/proprietary databases.



During discussions with the Management of the Companies, we have also obtained explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise.

8. Procedures Adopted

In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- Requested and received financial and qualitative information.
- Used data available in public domain related to the companies involved in the transaction.
- Discussed (physical/over call) with the Management of the Companies regarding the proposed Demerger, transaction structure and other relevant details.
- Analyze appropriate valuation methodology/ (ies) and valuation of the companies as considered appropriate by us, to the extent required.
- Analyzed the shareholding pattern of the Companies.
- Arrived at recommendation of the fair equity share entitlement ratio for the Proposed Demerger.

The consideration for such proposed Demerger will be discharged by issuance of equity shares by KM Spirits and Allied Industries Limited to the equity shareholders of the KM Sugars Mills Limited.

The Resulting Company is a wholly owned subsidiary of the Demerged Company. Upon effectiveness of the draft Scheme, the entire equity shares of Resulting Company held by the Demerged Company will be cancelled.

Basis for Recommendation of Ratios

We understand that as part of the Proposed Scheme, Demerged Undertaking of Demerged Company is proposed to be merged into Resulting Company. It can be seen that Demerged Company holds 100% equity shares of Resulting Company. Once the Proposed Scheme is implemented, all the shareholders of Demerged Company would also become shareholders of Resulting Company, and their shareholding in Resulting Company would mirror their shareholding



in Demerged Company. The effect of the Proposed Demerger is that each shareholder of Demerged Company becomes the owner of shares in two companies instead of one. The percentage holding of a shareholder in Demerged Company (post Demerger) and in Resulting Company would remain unchanged from the proportion of capital held by such shareholder in Demerged Company. This will also result in no fractional entitlement for the shareholders.

Hence, Share Entitlement Ratio would not have any impact on the ultimate value of the shareholders of Demerged Company and the Proposed Demerger will be value-neutral to the shareholders of Demerged Company. Further, as stated in SEBI Master Circular SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated 20 June 2023, valuation is not required in cases where there is no change in shareholding pattern in the resultant company. Therefore, we have not carried out the valuation of Resulting Company, Demerged Undertaking or Demerged Company. Accordingly, the valuation under the valuation approached mentioned in the format prescribed under BSE Circular No. LIST/COMP/02/2017-18 dated 29 May 2017 and NSE Circular No. NSE/CML/2017/12 dated 01 June 2017 are not applicable in the given case.

Share Entitlement Ratio: Proposed Demerger

Valuation Approach	Demerged Undertaking of Demerged Company		Resulting Company	
	Value per Share of Demerged Company attributable to the Demerged Undertaking (INR)	Weight	Value per Share of Resulting Company (INR)	Weight
Asset Approach	N.A.	N.A.	N.A.	N.A.
Income Approach	N.A.	N.A.	N.A.	N.A.
Market Approach	N.A.	N.A.	N.A.	N.A.
Value per Share	N.A.	N.A.	N.A.	N.A.
Entitlement Ratio for Proposed Demerger	N.A.			



Based on the above, any share entitlement ratio can be considered appropriate and fair for the Proposed Demerger as the proportionate equity shareholding of any shareholder before and after the Proposed Demerger would remain the same.

Keeping the same in view, a share entitlement ratio of 1 (One) equity share of Resulting Company for 5 (Five) equity share of Demerged Company would be appropriate.

Conclusion

In light of the above and in consideration of all relevant factors and circumstances, we recommend the following Ratios:

Share Entitlement Ratio for Proposed Demerger:

One equity share of face value of Rs. 10/- (Rupees Ten) each at par in the 'Resulting Company for every Five Equity Shares of face value of Rs. 2/- (Rupees Two) each held by them in the Demerged Company ("Share Entitlement Ratio").

9. Distribution of report

The Analysis is confidential and has been prepared exclusively for the purpose of recommendation of entitlement ratio of shares. It should not be used, reproduced or circulated to any other person or for any purpose other than as mentioned above, in whole or in part, without the prior written consent of **Axiology Valuetech Private Limited (the undersigned Valuer Entity)**. Such consent will only be given after full consideration of the circumstances at the time. However, we do understand that the Report will be shared with the proposed allottees of the Demerged Company.

10. Caveats, limitations and disclaimers

1. Provision of valuation recommendations and considerations of the issues described herein are areas of our regular corporate advisory practice. The services do not represent accounting, assurance, financial due diligence review, consulting, transfer pricing or domestic/international tax-related services that may otherwise be provided by us.
2. Our review of the affairs of the Company and their books and account does not constitute an audit in accordance with Auditing Standards. We have relied on explanations and information provided by the Management of the Company and accepted the information provided to us as accurate and complete in all respects.



3. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided. Nothing has come to our attention to indicate that the information provided had material mis-statements or would not afford reasonable grounds upon which to base the Report.
4. Similarly, we have relied on data from external sources. These sources are considered to be reliable and therefore, we assume no liability for the accuracy of the data. We have assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences
5. Possession of any copy of this Report does not carry with it the right of publication, nor may be used for any purpose by any one, except the addressee and the property owner without the prior written consent of the Valuer, and in any event, only may be revealed in its entirety. No third parties should rely on the information or data contained in this report without the advice of their lawyer, attorney or accountant.
6. The Valuation Analysis contained herein represents the value only on the date that is specifically stated in this Report. This Report is issued on the understanding that the Management of the Company has drawn our attention to all matters of which they are aware, which may have an impact on our Report up to the date of signature. We have no responsibility to update this Report for events and circumstances occurring after the date of this Report.
7. We have no present or planned future interest in the Company and the fee for this Report is not contingent upon the values reported herein.
8. Our Valuation Analysis should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into any transaction with the Company.
9. Whilst all reasonable care has been taken to ensure that the facts stated in the report are accurate and opinion given is fair and reasonable, in the particular circumstances of this case, our liability for any economic loss or damage arising out of or in connection with this engagement, however the loss or damage is caused, shall not in any circumstances exceed the professional fee payable to the undersigned Valuer for this Valuation.
10. Notwithstanding anything contained in this report, Axiology Valuetech Pvt Ltd and its employees shall not be liable to any party for any direct, indirect, incidental, consequential, special or exemplary damages (even if such party has been advised of the possibility of such damages) arising from any provision of this engagement.



SPECIAL CONDITIONS & ASSUMPTIONS

11. The historical financial information about the company presented in this report is included solely for the purpose to arrive at value conclusion presented in this report, and it should not be used by anyone to obtain credit or for any other unintended purpose. Because of the limited purpose as mentioned in the report, it may be incomplete and may contain departures from generally accepted accounting principles prevailing in the country. We have not audited, reviewed, or compiled the Financial Statements and express no assurance on them. The financial information about the company presented in this report includes normalization adjustments made solely for the purpose to arrive at value conclusions presented in this report.
12. We have no responsibility to modify this report for events and circumstances occurring subsequent to the date of this report and have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.
13. We have relied upon the representations contained in the public and other documents in our possession concerning the value and useful condition of all investments in securities or partnership interests, and any other assets or liabilities except as specifically stated to the contrary in this report.
14. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances, or that the owner has good title to all the assets.
15. We have also assumed that the business will be operated prudently and that there are no unforeseen adverse changes in the economic conditions affecting the business, the market, or the industry. This report presumes that the management of the Company will maintain the character and integrity of the Company through any sale, reorganization or reduction of any owner's/manager's participation in the existing activities of the Company.
16. We have been informed by management that there are no environmental or toxic contamination problems, any significant lawsuits, or any other undisclosed contingent liabilities which may potentially affect the business, except as may be disclosed elsewhere in this report. We have assumed that no costs or expenses will be incurred in connection with such liabilities, except as explicitly stated in this report.
17. This report is not meant for meeting any other regulatory or disclosure requirements, save and except as specified as above, under any Indian or Foreign Law, Statute, Act, Guidelines or similar instructions. We would not be responsible for any litigation or other actual or threatened claims.



18. This Valuation is based on the estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, however such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit shall be achieved, a particular event shall occur or that a particular price shall be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis shall or may vary from these estimates and the variations may be material.
19. This valuation report should not be regarded as a recommendation to invest in or deal in any form of securities of Company and should also not be considered as its final value.
20. The Management or related parties of the Company and its subsidiaries/ associates/ group companies are prohibited from using this report other than for its sole limited purpose and not to make a copy of this report available to any party other than those required by statute for carrying out the limited purpose of this report.
21. We understand that the management of Company during our discussions with them, would have drawn our attention to all such information and matters, which may have had an impact on our valuation. In this report we have included all such information and matters as was received by us from the management of Company.

Certified Valuation Report
New Delhi, INDIA
07-08-2025



Axiology Valuetech Private Limited
Registered Valuer Entity
IBBI/RV-E/05/2023/201