

FAIRNESS OPINION REPORT

FOR THE SCHEME OF ARRANGEMENT

AMONGST

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)

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

Dear Sir/Ma'am,

Subject: Fairness Opinion on recommendation of Share Entitlement Ratio for the proposed demerger of Distillery Division of K M Sugar Mills Limited to KM Spirits and Allied Industries Limited.

We, **Corporate Professionals Capital Private Limited** (SEBI Registered Category I Merchant Banker), have been appointed by **K M Sugar Mills Limited ("KMSM" / "Demerged Company")** to provide a Fairness Opinion on the Share Entitlement report issued by **Axiology Valuetech Private Limited**, Registered Valuer Entity, (Registration Number: IBBI/RV-E/05/2023/201), dated **07th August 2025**, in connection with the Scheme of Arrangement for the share entitlement ratio for the demerger of Distillery Division (referred to as **"Demerged Undertakings"**) of K M Sugar Mills Limited into **KM Spirits and Allied Industries ("Resulting Company")** under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

In terms of our engagement, we are enclosing our opinion along with this letter. All comments as contained herein must be read in conjunction with the caveats to this opinion. The opinion is confidential and has been made in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations") read with SEBI Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, it should not be used, reproduced or circulated to any other person, in whole or in part, without the prior consent of **Corporate Professionals Capital Private Limited**, such consent will only be given after full consideration of the circumstances at the time. We are however aware that the conclusion in this report may be used for the purpose of disclosure to be made to the stock exchanges, Securities and Exchange Board of India, Hon'ble National company Law Tribunal ("NCLT") and notices to be dispatched to the shareholders and creditors for convening the meeting pursuant to the directions of Hon'ble NCLT and we provide consent for the same.

Trust the above meets your requirements. Please feel free to contact us in case you require any additional information or clarifications.

Yours Faithfully

For Corporate Professionals Capital Private Limited



[Authorized Signatory]

Place: New Delhi

Date: 07th August 2025

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CONTEXT AND BACKGROUND

BRIEF OF THE COMPANIES INVOLVED UNDER THIS ARRANGEMENT

- K M 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 Demerged Company is presently situated at 76, Eldeco Greens, Gomtinagar, Lucknow, Uttar Pradesh - 226010.

Name of Shareholder	Total Shares	Shareholding %
Individuals/Hindu Undivided Family	32152342	22.329%
Lakshmi Kant Jhunjhunwala	14302600	9.933%
Lakshmi Kant Dwarkadas-HUF	10065900	6.991%
Aditya Jhunjhunwala	5289242	3.673%
Sanjay Jhunjhunwala	2494600	1.732%
Any Other (specify)	19839157	13.778%
Naina Jhunjhunwala	4180748	2.903%
Vatsal Jhunjhunwala	499721	0.347%
Shivam S Shorewala	120549	0.084%
Marvel Business Private Ltd	12065975	8.380%
K M Vyapar	2283364	1.586%
Jhunjhunwala Securities Pvt Ltd	500000	0.347%
Francoise Commerce Pvt Ltd	20	0.000%
Public Shareholding	40,008,671	27.785%
Vridhi Trust	188780	0.131%
Total	143,991,669	100%

- 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 "K M Spirits and Allied Industries Limited" under the jurisdiction of Registrar of Companies, Kanpur. The Resulting Company's Registered office is presently located at 76, Eldeco Greens, Gomti nagar, Lucknow, Uttar Pradesh - 226010.

Name of Shareholder	Total Shares	Shareholding %
M/s. K M Sugar Mills Ltd	49,994	99.988%
Mr. L.K. JhunJhunwala	1	0.002%
Mrs. Naina DeviJhunjhunwala	1	0.002%
Mr. Aditya Jhunjhunwala	1	0.002%
Mrs Priti Jhunjhunwala w/o Mr. Sanjay Jhunjhunwala	1	0.002%
Mr. Hari Nath	1	0.002%
Mr. Mohit Agarwal	1	0.002%
Total	50,000	100%



RATIONALE OF THE SCHEME

Furthermore, the Scheme of Arrangement of demerger of the Demerged Undertakings from the Demerged Company to the Resulting Companies would result in the following benefits:

Segregation and unbundling of the Distillery Division of the Demerged Company into the Resulting Companies will offer the following benefits:

- In light of the distinct operational characteristics of the Distillery Division, including seasonality, regulatory oversight, policies and subsidy framework, establishment of an independent entity focusing exclusively on the Distillery Division will enable exploration of sector specific opportunities, sharper focus and enhance operational efficiency.
- Segregating the Distillery Division will provide greater strategic flexibility to tailor approaches specific to its unique operational and market dynamics, enabling it to realize its full potential while effectively de-risking the businesses from one another.
- Unlocking shareholders' value by enabling independent, market-driven valuation of the Distillery Division through the listing of the Resulting Company pursuant to the Scheme, thereby offering shareholders the option and flexibility to continue their investment in a Distillery business focused listed entity.
- The separation of business with distinct risk and return profiles, will enable each independent entity to attract different sets of investors, strategic partners, lenders and other stakeholders, thereby enhancing focused capital raising, future expansion and new growth opportunities.
- The Resulting Company will be better positioned to align its resources, talent, marketing strategies, and innovation initiatives around a singular sector, which will in turn strengthen its competitive advantage and enable the creation of a more agile and efficient management structure.
- The Demerger will provide greater transparency in the performance of each entity, enabling a clearer focus on their respective growth trajectories. This will allow both the entities to build their strong brand presence. Thus, this enhanced visibility will contribute to long-term stability and further strengthen the companies' future portfolios.
- The demerger will help each of the entity to channelize resources required for all the businesses to focus on the growing businesses and attracting right talent and providing enhanced growth opportunities to existing talent in line with a sharper strategic focus on each business segment under separate entities.



SOURCE OF THE INFORMATION

In connection with this exercise, we have used the following information shared with us during the course of the engagement:

- Draft Scheme of Arrangement ("Scheme") for the Proposed Transaction.
- 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 Undertaking.
- Valuation report and data to understand selection of valuation methodology, determination of exchange ratio and valuation basis for the same.
- Discussion with the Managements of the Companies in connection with the operations of the respective Companies, past and present activities, future plans and prospects of the Companies as of the report date, and any such information which is known and available as at the report date.
- For our analysis, we have relied on published and secondary sources of data, whether made available by the Companies. We have not independently verified the accuracy or timeliness of the same, and
- Other relevant information and documents for the purpose of this engagement, provided through emails or during discussions.
- We have also obtained the explanations, information, and representations, which we believed were reasonably necessary and relevant for our exercise from the Managements and representatives of the Companies.



APPROACH AND METHODOLOGY

Considering the Share entitlement report issued by **Axiology Valuetech Private Limited Registered Valuer Entity**, related to the transaction, we understand that the scheme contemplates the demerger of Demerged Undertakings of KMSM into KMSAIL under Section 230 to Section 232 and other relevant provisions of the Companies Act, 2013 and rules issued thereunder to the extent applicable.

The three valuation approaches are the market approach, income approach and cost approach. There are various methods under these approaches which are commonly used for valuation purposes such as:

Under the Market Approach, the following methods are commonly used

- **Market Price Method**
- **Comparable Companies Multiple (CCM) Method**
- **Comparable Transaction Multiple Method**

Under the Income Approach, the following methods are commonly used

- **Discounted Cash Flow (DCF) Method**
- **Relief from the Royalty Method**
- **Multi-period Excess Earning Method**
- **Option Pricing Model**

Under the Cost Approach, the following methods are commonly used

- **Replacement Cost Method**
- **Reproduction Cost Method**

DETERMINATION OF SHARE ENTITLEMENT RATIO FOR DEMERGER OF BUSINESS UNDERTAKINGS OF KMSM into KMSAIL

Pursuant to the Scheme, the shareholders of the Resulting Company will consist exclusively of the shareholders of KMSM, with their shareholding pattern remaining identical to that of KMSM post-demerger. Additionally, the Resulting company are wholly owned subsidiary of KMSM before the demerger, shareholders' interest in KMSM indirectly includes their interest in this subsidiary in the same proportion. As a result, post-demerger shareholders will continue to hold an interest in the Resulting Companies in the same proportion as they previously held in KMSM.

Accordingly, the use of valuation methodologies in current valuation is not applicable and therefore, not carried out for these companies under generally accepted valuation approaches namely cost approach, income approach and market approach, being not applicable.

Determination of Share Entitlement Ratio for Demerger of Distillery Division into Resulting Company:

Based on the Scheme and discussions with the Management, we understand that:

- The Management is contemplating demerging the Distillery Division from Demerged Company into Resulting Company.
- KMSAIL is a wholly owned subsidiary of KMSM as of the date of this report.
- Upon the Scheme becoming effective, the equity shares held by K M Sugar and its nominees in KMSAIL will be cancelled and shareholders of KMSAIL will be entitled to the shares of the Resulting Company.



- Simultaneously and concurrent with the above cancellation upon the scheme becoming effective, shareholders of K M Sugar will be entitled to shares in K MSAIL.
- Upon the scheme becoming effective, the beneficial economic interest of the shareholders of K M Sugar in the paid-up equity share capital of K MSAIL would be the same as it is in the paid-up equity share capital of K MSAIL.
- Upon the Scheme becoming effective, all equity shares of the Resulting Company shall, subject to the execution of the listing agreement, be listed on the Stock exchanges, and/or admitted to trading if any.

The determination of share entitlement ratio would not impact the ultimate value for the shareholders of KMSM and the proposed demerger of the Distillery Division of KMSM into KMSAIL, will be value-neutral to KMSM's shareholders.

Based on the aforesaid discussion, considering that:

- a) All shareholders of KMSM are and will, upon demerger, become shareholders of KMSAIL, holding beneficial interest in the same proportion as they hold in KMSM; and
- b) The level of paid-up equity share capital with respect to the size of undertaking along with serviceability of capital; the following proposed share entitlement ratio is fair to the shareholders of KMSM in relation to the proposed demerger.

Therefore, the following is the fair exchange ratio in this case:

"1 (One) Equity Share of K M Spirits and Allied Industries of face value of INR 10/- each fully paid up for every 5 (Five) equity share of K.M. Sugar of face value of INR 2/- each fully paid up."



SHARE ENTITLEMENT RATIO FOR DEMERGER

SHARE ENTITLEMENT RATIO FOR DEMERGER

SEBI Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, requires the valuation report for a Scheme of Arrangement to provide certain requisite information in a specified format.

The computation of Share Entitlement Ratio as derived is given below:

Valuation Approach	<u>K.M. Sugar Mills Limited (Demerged Company)</u>		<u>K M Spirits And Allied Industries (Resulting Company)</u>	
	Value per share (INR)	Weight	Value per share (INR)	Weight
Income Approach – DCF Method	xxx	xxx	xxx	xxx
Market Approach				
· Market Price Method	xxx	xxx	xxx	xxx
· Multiples Method	xxx	xxx	xxx	xxx
Relative Value per Share	xxx	xxx	xxx	xxx
Swap Ratio (Rounded off)	xxx			

RATIO:

“1 (One) Equity Share of K M SPIRITS AND ALLIED INDUSTRIES of face value of INR 10/- each fully paid up for every 5 (Five) equity share of K.M. Sugar Mills Limited of face value of INR 2/- each fully paid up”; and

“Subject to the above read with the caveats as detailed later, we as a Merchant Banker hereby certify that pursuant to SEBI Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, we have reviewed the proposed Scheme, the Valuation Report dated 07th August 2025 of **Axiology Valuetech Private Limited, Registered Valuer Entity**, with respect to the share entitlement ratio aspects and consider it to be **fair and reasonable**”.



CAVEATS, LIMITATIONS AND DISCLAIMER

- We did not perform any valuation exercise related to the transaction. We performed detailed analysis based on information and documents received from the management and verified the rational of the calculation, decisions mentioned in valuation report.
- Our services do not represent valuation, accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.
- An opinion of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. This report is issued on the understanding that the management of the Companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion.
- We have taken into account, in our analysis, such events and circumstances occurring after the Valuation Date as disclosed to us by the Companies, to the extent considered appropriate by us based on our professional judgement. Further, we have no responsibility for any events and circumstances occurring after the date of the report.
- The recommendation(s) rendered in this report only represent our recommendation(s) based upon information received from the management till the report date and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice.
- The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this Scheme, which might be relevant in the context of the transaction and which a wider scope might uncover.
- We have no present or planned future interest in the Restructured Company/ies and the fee payable for this opinion is not contingent upon the opinion reported herein.
- Our Fairness Opinion should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.
- The Opinion contained herein is not intended to be represented at any time other than the date that is specifically stated in this Fairness Opinion Report. This opinion is issued on the understanding that the Management of the Restructured Companies under the Scheme have drawn our attention to all matters of which they are aware, which may have an impact on our opinion up to the date of signature. We have no responsibility to update this report for events and circumstances occurring after the date of this Fairness Opinion.

