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**The Board of Directors****Siemens Limited**

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19 May 2023

For the Kind Attention of the Board of Directors

Dear Sirs / Madam,

**Business Valuation of Low Voltage Motors & Geared Motors Business of Siemens Limited.**

We refer to our Engagement Letter, confirming our appointment by Siemens Limited (hereinafter referred to as the "Company" or "Siemens" or the "Client") to carry out business valuation of the low voltage motors and geared motors businesses including the respective customer service business ("Target Segment") as on an agreed upon date, for the purpose of evaluating potential sale of the Target Segment ("Proposed Transaction").

In this regard, the management of Siemens ("the Management") has approached Grant Thornton Bharat LLP ("Grant Thornton" or the "Firm") to undertake valuation of the Target Segment in connection with the Proposed Transaction as on 31 March 2023 ("Valuation Date")

In the following paragraphs, we have summarized our valuation analysis together with the description of the methodologies used and limitations of our scope of work.

**1 CONTEXT AND PURPOSE****1.1 Siemens Limited**

Siemens Limited is the flagship company of Siemens AG in India. It operates in different industries through various segments such as digital industries, smart infrastructure, energy, mobility, etc.

**1.2 Low Voltage Motors & Geared Motors Business**

Low Voltage Motors & Geared Motors business segment produces electrical motors for line & inverter operation. Target Segment produces motors with capacity varying from 0.12KW to 1.25MW and frame sizes between 71-450. The Target Segment produces safe area motors and imports explosion proof motors & special purpose motors, application of such products is primarily in machine building, metals, food and beverages, chemicals, power, minerals and others.

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.

**2 SOURCES OF INFORMATION**

In connection with this exercise, we have used the following information received from the Management and/or gathered from public domain:

- a. Information on Target Segment and profile provided by the Management;



- b. Historical financial statements of the Target Segment for Financial Year ended 30 September 2020, 30 September 2021 and 30 September 2022;
- c. Unaudited financial statements for 6 months ending 31 March 2023;
- d. Management certified financial projections for the Target Segment for the period from 01 April 2023 to 30 September 2028;
- e. International Database;
- f. Correspondence with the Management including Management Representation;
- g. Other relevant information available in the public domain and internet sources;
- h. In addition to the above, we have also obtained such other information and explanations which were considered relevant for the purpose of our analysis.

### 3 SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

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, audit, financial due diligence review, consulting, transfer pricing or domestic / international tax-related services that may otherwise be provided by Grant Thornton.

We must emphasize that the financial projections are prepared by the Management and provided to us for the purpose of our analysis. Our analysis and review of the financial statements (historical and projected financial statements) does not constitute an audit in accordance with auditing standards and does not constitute vetting of the financial projections provided to us. We understand that the revenue and cost of operations as forecast in the financial projections provided to us is for the Target Segment as a whole. The fact that we have considered the financial projections in this exercise should not be construed or taken as our being associated with or a party to such projections. Realization of free cash flow forecast used in the analysis will be dependent on the continuing validity of assumptions on which they are based.

Since the financial projections 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. The financial projections provided to us are based on assumptions, hence change in the assumptions or change in other economic factors may significantly impact the valuation analysis.

We have relied on explanations and information provided by the Management and accepted the information provided to us as consistent and accurate on an "as is" basis. 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 misstatements or would not afford reasonable grounds upon which to base the report. The responses to our queries (either via correspondence or meetings) on the earning capacity and operating outlook of the Target Segment reflect the best judgment of the Management regarding the future profitability of the business.

The responsibility for forecasts and the assumptions on which they are based is that of the Management and we provide no confirmation or assurance on the achievability of these projections. It must be emphasized that profit forecasts necessarily depend upon subjective judgment. They are to a greater or lesser extent, according to the nature of the business and the period covered by the forecasts, subject to substantial inherent uncertainties. In consequence, they are not capable of being audited or substantiated in the same way as financial statements, which present the results of completed periods. 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. The valuation worksheets prepared for the exercise are proprietary to Grant Thornton and cannot be shared.

Our valuation is primarily from a business perspective and has not taken into account various legal and other corporate structures beyond the limited information made available to us. Hence, our opinion should not be construed as legal advice or a legal opinion.

Our valuation analysis and this Report does not constitute nor can be construed as a valuation carried out by a registered valuer in accordance with Companies Act, 2013 ("Act") or Rules framed thereunder or as per any rules, regulations, standards, bye-laws, ordinance, notifications issued pursuant to such Act or Rules and any such use of our valuation analysis and this Report is not permitted.



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 report, which might be relevant in the context of the transaction and which a wider scope might uncover. It may be noted that valuation is not an exact science and ultimately depends upon what the business is worth to a serious investor or buyer who may be prepared to pay a substantial goodwill.

The valuation exercise is carried out using generally accepted international valuation methodologies, the relative emphasis of each often varying based on several specific factors. The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the valuer. The valuation analysis recommendation contained herein is not intended to represent the value at any time other than the Valuation Date that is specifically stated in this report.

The Client has been provided with the opportunity to review the draft report as part of our standard practice to make sure that factual inaccuracies/ omissions are avoided in our final report.

This report is issued on the understanding that the Management has disclosed all documents, records and information relevant to our review and has drawn our attention to all matters of which they are aware concerning the financial position of the business, which may have an impact on our report up to the date of issue. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Please note that Grant Thornton may have provided other professional services to the Client in the past. Our valuation analysis should not be construed as investment advice.

We owe responsibility to only the Management under the terms of our Engagement Letter and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other advisor to the Client. Under no circumstances whatsoever, are we to be held liable for any loss, damage, cost or expense to be caused in any manner or form, from acts of fraud, misrepresentation, misstatement, provision of incorrect information or withholding of information from us.

We understand that in future, prospective investors may ask for copies of the report to be shared to understand the Proposed Transaction. Please note that we owe no duty of care to such prospective investors who may have access to the report except to the extent required under the applicable law.

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 its purpose.

The Management has informed that the business activities of the Target Segment have been carried out in the normal and ordinary course between Valuation Date and the date of this report and that no material adverse change has occurred in their respective operations and financial position between the respective aforementioned dates.

We assume no responsibility for any errors in the information furnished by the Management or obtained from public domain and their impact on the Report. However, nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Report

This Report does not look into the business/ commercial reasons behind the Proposed Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Transaction as compared with any other alternative business transaction or other alternatives or whether such alternatives could be achieved or are available.

No investigation / inspection of the Company / Target Segment's claim to title of assets has been made for the purpose of this Report and the Company / Target Segment'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.

Please note that with respect to the audited/ provisional financial statements, rounding-off of amounts in the underlying financial information could result in immaterial arithmetic differences. Any discrepancies in any table / annexure between the total and the sums of the amounts listed are due to rounding-off.

We assume that the liabilities are only those which were made available to us in the balance sheet of the Target Segment and that there are no other contingent liabilities, unusual contractual obligations, substantial commitments or



claims (in addition to those already disclosed to us) against Target Segment which would materially affect the financial statements and have an impact on the value.

Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, loan agreement or other agreement or document given to third parties, without our prior written consent.

In addition, Grant Thornton will not provide consent to be named as an expert in any filings, including, without limitation, any filings with the U.S. Securities and Exchange Commission.

#### 4 VALUATION METHODOLOGIES

**Valuation Base:** Valuation base means the indication of the type of value being used in an engagement. Different Valuation bases may lead to different conclusions of value. Valuation base can be Fair Value, Participant Specific Value or Liquidation Value, depending upon the intended purpose of the valuation exercise.

Considering the nature of this exercise, we have considered Fair Value as the Valuation base. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

**Premise of Value:** Premise of Value refers to the conditions and circumstances how an asset is deployed. Since the Target Segment intends to carry on its business, we have considered Going Concern Value as the Premise of Value.

**Intended Users:** This report is intended for consumption of the Board of Directors, including any Committees thereof.

#### 5 VALUATION APPROACH

The three main valuation approaches are the market approach, income approach and asset approach. As discussed below, there are several commonly used and accepted methods for determining the valuation of Target Segment for the Proposed Transaction, which have been considered in the present case, to the extent relevant and applicable, including:

- 1 Asset Based Approach: Net Asset Value Method
- 2 Market Based Approach:
  - a) Market Price method
  - b) Market Multiple method
  - c) Transaction Multiple method
- 3 Income Based Approach: Discounted Cash Flows Method

It should be understood that the valuation of any entity or its assets is inherently subjective and is subject to uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we have relied on explanations provided by the Management and have made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the companies. This valuation could fluctuate with lapse of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions, 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. Although, different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. 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 bonafide manner based on our previous experience of assignments of a similar nature.

The generally accepted valuation methodology, as may be applicable, which have been used to arrive at the value of the Target Segment are discussed hereunder:



### **Discounted Cash Flows Method (“DCF Method”)**

The DCF Method uses the future free cash flows of the firm / equity holders discounted by the cost of capital / equity to arrive at the present value. In general, the DCF Method is a strong and widely accepted valuation tool, as it concentrates on cash generation potential of a business.

Considering that this method is based on future potential and is widely accepted and we have been provided with the financial projections of the Target Segment, we have considered Free Cash Flows to the Firm (“FCFF”) under the Discounted Cash Flow Method for valuation analysis of the Target Segment as on the Valuation Date.

### **Market Multiple Method (“MM Method”)**

Under this methodology, market multiples of comparable listed companies are computed and applied to the business being valued in order to arrive at a multiple based valuation. This is based on the premise that the market multiples of comparable listed companies are a good benchmark to derive the value of the subject company. This method applies the most appropriate and reasonable multiple to the relevant operating performance metrics of the subject company to estimate its value. While there are no pure play comparable companies to the Target Segment, we have considered this method by using a broader set of publicly listed companies which have some of their businesses which could be considered as comparable to the business of the Target Segment.

## **6 VALUATION OF THE TARGET SEGMENT**

### **6.1 Valuation using DCF Method**

We have considered DCF method for the valuation analysis of the Target Segment. 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 Target Segment that are available to all providers of the capital – both debt and equity.

We have relied on the financial projections for the Target Segment from 1 April 2023 to 30 September 2028 as provided to us by the Management to calculate the future cash flows of the Target Segment.

- **Appropriate discount rate to be applied to free 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 creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

In the present case, we have considered Weighted Average Cost of Capital (“WACC”) of 12.4% as the discount rate to present value the future cash flows to the firm for the explicit period and perpetuity.

Considering above, the value of the Target Segment under the DCF Method has been arrived at **Rupees 12,928.6 million**.

### **6.2 Valuation using MM Method**

As mentioned above, in the absence of closely comparable public listed companies, we have considered multiples of Indian listed companies operating in broadly similar industry and engaged in economic activities partially similar to the Target Segment. Further the selection criteria were based on the comparability of business model, riskiness of business, financial performance and product & service offerings in comparison with the Target Segment.

We have considered median Enterprise Value (“EV”) / trailing twelve months Earnings Before Interest, Taxes, Depreciation, and Amortisation (“TTM EBITDA”) multiple of the selected comparable companies using TTM EBITDA based on latest available financial statements for our valuation analysis. The selected EV/TTM EBITDA multiple of the comparable Indian companies has been adjusted for discount ranging from 25% to 20% on account of size of operations, differences in nature of business operations, consideration of broad based peer set, financial performance metrics etc. vis-à-vis Target Segment to arrive at the concluded multiple.



Considering the above, the value of the Target Segment under the MM Method has been arrived at in the range of **Rupees 28,463.0 million to Rupees 30,369.3 million.**

## 7 BASIS OF RECOMMENDATION

In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion and judgments taking into account all the relevant factors. There will always be several factors, e.g. quality of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets, but which will strongly influence the worth of business.

Though different values have been arrived at under both the above methods, for the purposes of arriving at a range of values of the Target Segment it is necessary to give appropriate weights to the values arrived at under these methods. Accordingly, equal weights have been assigned to the values derived under DCF method and the MM method.

While we have provided our recommendation based on our analysis of the Target Segment considering the information available to us and within the scope and constraints of our engagement, others may have a different opinion. The final responsibility at which the Proposed Transaction shall take place will be with the Board of Directors of the Company who should take into account other factors such as their own assessment of the Proposed Transaction.

## 8 VALUATION CONCLUSION

Based on the above analysis and subject to the assumptions and limitations described in this report and our Engagement Letter, we estimate the value of the Target Segment to be in the range of **Rupees 20,695.8 million to Rupees 21,649.0 million.**

Yours sincerely,

**GRANT THORNTON BHARAT LLP**



**Arpit Thakkar**

**Partner**



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