Annexure-3

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May 09, 2016

To,

The Board of Directors
E.I.D.-Parry (India) Limited
'Dare House',
Parrys Corner,
Chennai – 600 001.

The Board of Directors
Parrys Sugar Industries Limited
Venus Building, 3rd Floor,
1/2 Kalyanamantapa Road, Jakkasandra
Koramangala, Bengaluru– 560 034.

Re: Recommendation of Fair Share Exchange Ratio for the purpose of proposed amalgamation of Parrys Sugar Industries Limited with E.I.D.-Parry (India) Limited.

Dear Sir(s),

As requested by the Management of E.I.D.-Parry (India) Limited and Parrys Sugar Industries Limited (hereinafter collectively referred to as the "Management"), we have carried out fair valuation of equity shares of E.I.D.-Parry (India) Limited (hereinafter referred to as "EID") and Parrys Sugar Industries Limited (hereinafter referred to as "PSIL") to recommend fair share exchange ratio for the proposed amalgamation of PSIL with EID (hereinafter collectively referred to as the "Companies").

1. PURPOSE OF VALUATION

1.1 We have been informed that the Management of the Companies are considering a proposal for the amalgamation of PSIL with EID (hereinafter referred to as "Amalgamation") pursuant to the provisions of Sections 391 to 394 of the Companies Act, 1956 (hereinafter referred to as "Scheme"). Subject to necessary approvals, PSIL would be amalgamated with EID, with effect from Appointed Date of April 01, 2016. In consideration for the Amalgamation, equity shares of EID would be issued to the shareholders of PSIL.

1.2 In this connection, SSPA & Co., Chartered Accountants (SSPA) has been appointed to carry out the relative valuation of equity shares of PSIL and EID to recommend the fair share exchange ratio.

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2. BRIEF BACKGROUND OF THE COMPANIES

2.1 E.I.D.-PARRY (INDIA) LIMITED

2.1.1 EID is part of Murugappa Group and one of the largest sugar producers in India.

2.1.2 EID is a dominant player in sugar and has also expanded its business in areas of bio - pesticides and Nutraceuticals. EID retains a significant presence in the farm inputs business through its subsidiary Coromandel International Limited. EID holds 100% stake in Parry Sugars Refinery Private Limited, US Nutraceuticals LLC, Parry America Inc. and 65% stake in Parrys Sugar Industries Limited.

2.1.3 EID Parry together with its subsidiaries has nine sugar plants spread across South India of which four are in Tamil Nadu, one in Puducherry, three in Karnataka and one in Andhra Pradesh. EID has combined operating capacity of 37,500 TCD and co-generation capacity of 147 MW across its sugar mills. EID has four distilleries having an operating capacity of 230 KLPD. In the Bio Pesticides business, the Company offers unique neem extract, Azadirachtin, having a good demand in the developed countries' bio pesticide markets. In the Nutraceuticals business, EID holds a strong position in the growing wellness segment mainly catering to the world markets with its organic products. The Company is a world leader in nutritional food supplements which is the only producer of 100% Vegetarian Certified Organic Spirulina.

2.1.4 The shares of EID are listed on The National Stock Exchange of India Limited ('NSE') and BSE Limited ('BSE').

2.2 PARRYS SUGAR INDUSTRIES LIMITED

2.2.1 PSIL was incorporated in the year 1986 and its registered office in located in Karnataka, India. PSIL is a subsidiary of EID, wherein EID holds 65% stake in the company.

2.2.2 The company has a Sugar Plant located at Ramdurg, Karnataka which is taken on lease from Shri Dhanalaxmi Sahakari Sakkare Karkhane Niyamat (DSSKN). The Sugar Plant has operating capacity of 4,000 TCD and Co-generation capacity of 13 MW. The unit commenced its operation in December 2008.

2.2.3 The shares of PSIL are listed on NSE and BSE.

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3. EXCLUSIONS AND LIMITATIONS

3.1 Our report is subject to the scope limitations detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

3.2 No investigation of the Companies' claim to title of assets has been made for the purpose of this valuation and their 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.

3.3 Our work does not constitute an audit or certification of the historical financial statements / prospective results including the working results of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation mentioned in the report is as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

3.4 A valuation of this nature involves consideration of various factors including those impacted by prevailing 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, on the fair value of the shares of the Companies including any significant changes that have taken place or are likely to take place in the financial position of the Companies, subsequent to the Appointed Date for the proposed amalgamation. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

3.5 In the course of the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Companies through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Public information, estimates, industry and statistical information relied in this report have been obtained from the sources considered to be reliable. However, we have not

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independently verified such information and make no representation as to the accuracy or completeness of such information from or provided by such sources. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Companies. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.

3.6 Our recommendation is based on the estimates of future financial performance as projected by the management of the Companies, which represents their view of reasonable expectation at the point of time when they were prepared, but such information and estimates are not offered as assurances that the particular level of income or profit will be achieved or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary from those contained in the statement and the variation may be material. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

3.7 Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed amalgamation.

3.8 This report is prepared only in connection with the proposed amalgamation exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required under any law.

3.9 Any person/party intending to provide finance/invest in the shares/businesses of any of the Companies, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

3.10 It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed amalgamation as aforesaid, can be done only with our prior permission in writing.

3.11 SSPA, nor its partners, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

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4. SOURCES OF INFORMATION

For the purpose of the valuation exercise, we have relied upon the following sources of information provided by the management.

(a) Provisional/Audited financial Statements of EID and its subsidiaries/associates including PSIL for the financial year ended March 31, 2016.

(b) Financial Projections of EID and PSIL comprising of Balance Sheet and Profit & Loss Account from FY 2016-17 and FY 2020-21.

(c) Draft Scheme of Amalgamation u/s 391 to 394 and other applicable provisions of the Companies Act, 1956.

(d) Other relevant details regarding the Companies such as their history, their promoters, past and present activities, other relevant information and data including information in the public domain.

(e) Such other information and explanations as we required and which have been provided by the management of the Companies.

5. VALUATION APPROACH

5.1 For the purpose of valuation for amalgamation, generally the following approaches are adopted:

(a) the "Underlying Asset" approach;

(b) the "Income" approach; and

(c) the "Market Price" approach;

5.2 In the present case, the net assets value of PSIL is negative, however it is expected to make profits in future. Thus, the net assets of PSIL is not representative of its value. This being a relative valuation for amalgamation, we have thought fit to ignore the "Underlying Asset" approach for current valuation exercise.

6. INCOME APPROACH

6.1 Under the "Income" approach, shares of EID and PSIL have been valued using "Discounted Cash Flow" (DCF) method.

6.2 Under the DCF method the projected free cash flows from business operations after considering fund requirements for projected capital expenditure and incremental working capital are discounted at the Weighted Average Cost of Capital (WACC). The

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sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business.

6.3 The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are determined by adding back to profit before tax, (i) interest on loans and (ii) depreciation and amortizations (non-cash charge) and (iii) any non-operating item. The cash flow is adjusted for outflows on account of (i) capital expenditure, (ii) incremental working capital requirements and (iii) tax.

6.4 WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the Company. In other words, WACC is the weighted average of the firm's cost of equity and debt. Considering an appropriate mix between debt and equity for the Company, we have arrived at the WACC to be used for discounting the Free Cash Flows of the Companies.

6.5 Value for equity shareholders is arrived at after making adjustment for outstanding loan funds, value of investments, cash and cash equivalents, contingent liabilities adjusted for probability of devolvement, value of surplus assets, present value of unutilized MAT credit, inflow on account of employee stock option plan, preference share capital, etc, after making adjustment of tax wherever applicable.

6.6 The equity value so arrived at is divided by the dilutive number of equity shares to arrive at the value per share.

7. MARKET PRICE APPROACH

7.1 The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

7.2 As stated earlier, shares of EID and PSIL are listed on recognized stock exchanges. Thus, under the Market Price method, the weighted average market price of EID and PSIL as quoted on Stock Exchanges for past 6 months has been considered.

8. RECOMMENDATION OF FAIR EXCHANGE RATIO

8.1 The fair basis of amalgamation of the Companies would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above approaches, for the purposes of recommending a ratio of exchange it is necessary to arrive at a single value for the shares of each company. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of each company. Our exercise is to work out relative value of shares of the Companies to facilitate the determination of a ratio of exchange. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.

Considering the fact that, after the amalgamation, the business of the Companies is intended to be continued on a "going concern" basis, to arrive at relative value of EID and PSIL, we have considered it appropriate to give a weight of "1" each to the value determined under the "income approach" and the "market price approach".

8.2 The share exchange ratio has been arrived on the basis of a relative valuation of the shares of the Companies based on the various methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses of the companies, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

8.3 In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for

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subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."

8.4 In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove referred to earlier in this report, in our opinion, a fair ratio of exchange in the event of amalgamation of PSIL into EID would be as under:

2 (Two) equity shares of EID of INR 1 each fully paid up for every 13 (Thirteen) equity shares of PSIL of INR 10 each fully paid up.

Thanking you,
Yours faithfully,

SSPA & Co.

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SSPA & CO.
Chartered Accountants
Firm Registration Number: 128851W

Place: Chennai

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