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For MONSANTO INDIA LIMITED
Monika Gupta
MONIKA GUPTA
Company Secretary & Compliance Lead

Bansi S. Mehta & Co. Chartered Accountants Merchant Chambers, 3rd Floor, New Marine Lines, Opposite SNDT Women's University, Mumbai: 400020; India	**S.R. Batliboi & Co. LLP** Chartered Accountants The Ruby, 12th floor, 29, Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, India.

Date: 13 November 2018

MONSANTO INDIA LIMITED MUMBAI

To

The Board of Directors, **Bayer CropScience Limited** Bayer House, Central Avenue, Hiranandani Estate, Thane (West), Mumbai- 400076	**The Board of Directors,** **Monsanto India Limited** Ahura Centre 5th Floor 96, Mahakali Caves Road, Andheri (East), Mumbai- 400093

Sub: Recommendation of fair exchange ratio for the proposed merger of Monsanto India Limited into Bayer CropScience Limited

Dear Sir / Madam,

We refer to the respective engagement letter(s) whereby, Bansi S. Mehta & Co. (hereinafter referred to as "BSM") and S. R. Batliboi & Co. LLP (hereinafter referred to as "SRBC") are jointly appointed by Bayer CropScience Limited (hereinafter referred to as "BCSL") and Monsanto India Limited (hereinafter referred to as "MIL") (together referred to as "Client" or "Companies") for recommendation of fair exchange ratio of equity shares for the proposed merger of MIL into BCSL ("Proposed Merger")

The fair exchange ratio for this report refers to number of equity shares of face value of INR 10/- each of BCSL, which would be issued to the equity shareholders of MIL in lieu of their equity shareholding in MIL pursuant to the Proposed Merger.

BSM and SRBC are hereinafter jointly referred to as "Valuers" or "we" or "us" and individually referred to as "Valuer" in this joint Fair Exchange Ratio Report ("Fair Exchange Ratio Report" or "Report").

SCOPE AND PURPOSE OF THIS REPORT

BCSL is engaged in manufacture, sale, and distribution of insecticides, fungicides, herbicides, and various other agrochemical products in India as well as involved in the sale and distribution of hybrid seeds. It was incorporated in 1958 and its Registered Office is based in Thane, India. The equity shares of BCSL are listed on BSE Limited ("BSE") and permitted to trade on National Stock Exchange of India Limited ("NSE"). For year ended 31 March 2018, it reported net sales of INR 27,490 million and net profit after tax of INR 3,001 million.

MIL produces and sells agricultural chemicals and seeds. It offers hybrid maize seeds under the Dekalb brand name and glyphosate based herbicide for weed management under the Roundup brand name. It was incorporated in 1949 and is headquartered in Mumbai, India. The equity shares of MIL are listed on BSE and NSE. For year ended 31 March 2018, it reported net sales of INR 6,721 million and net profit after tax of INR 1,645 million.

We understand that the management of the Companies are contemplating the merger of MIL into BCSL under a composite Scheme of Amalgamation under the provisions of Sections 230-232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013. As a consideration for this Proposed Merger, equity shareholders of MIL would be issued equity shares of BCSL in lieu of their shareholding in MIL.

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For the aforesaid purpose, the Board of Directors of the Companies have appointed BSM and SRBC to recommend a fair exchange ratio and jointly submit a report, for the issue of BCSL's equity shares to the equity shareholders of MIL, to be placed before the Audit Committee/Board of Directors of the Companies.

We understand that the appointed date for the merger is 1 April 2019 or such other date as approved by the tribunals/Courts.

The scope of our services is to conduct a relative (and not absolute) valuation of equity shares of the Companies and report a fair exchange ratio for the Proposed Merger in accordance with internationally accepted valuation standards / ICAI Valuation Standards 2018 issued by Institute of Chartered Accountants of India.

We have been provided with unaudited financial statements for six months ended 30 September 2018 and audited financial statements and other financial information of each of the Companies for the year ended 31 March 2018 and earlier period. We have taken into consideration the current market parameters in our analysis and have made adjustments for additional facts made known to us till the date of our Report Further, the management of each of the Companies has informed us that all material information impacting the respective Companies have been disclosed to us.

The management of the Companies has informed us that:

(a) There would not be any capital variation in the Companies till the Proposed Merger becomes effective;

(b) Till the Proposed Merger becomes effective, neither Companies would declare any substantial dividends having materially different yields as compared to past few years.

(c) MIL has declared an interim dividend of INR 25 per share to the shareholders holding shares on 13 November 2018[1].

(d) There are no other unusual/abnormal events in the Companies since the last audited accounts till the Report date materially impacting their operating/financial performance.

We have relied on the above while arriving at the fair exchange ratio for the Proposed Merger.

This Report is our deliverable for the above engagement.

This Report is subject to the scope, assumptions, qualifications, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality and not in parts.

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[1]https://beta.bseindia.com/xml-data/corpfiling/AttachHis/60e1841a-8cf7-4bff-862e-6c9e2194d76b.pdf

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information about the each of the Companies as received from their respective management:

- Unaudited financial statements for six months ended 30 September 2018;
- Annual report for years ended 31 March 2014 to 31 March 2018;
- Details of contingent Liabilities and surplus assets as at Report Date
- Other relevant information

Besides the above listing, there may be other information provided by the Clients which may not have been perused by us in any detail, if not considered relevant for our defined scope.

During the discussions with the respective management of the Companies, we have also obtained explanations and information considered reasonably necessary for our exercise in respect of each of the Companies. Each of the Valuer understands that the information, representations, obligation with respect to each of the Companies are several and not joint in nature. The Companies have been provided with the opportunity to review the draft report (excluding the recommended fair exchange ratio) as part of our standard practice to make sure that factual inaccuracy / omissions are avoided in our final report.

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SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

The recommendation contained herein is not intended to represent value at any time other than report date. We have no obligation to update this report.

This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the Report Date and (iii) are based on the unaudited financial statements of the Companies as at 30 September 2018. The management of both the Companies, respectively, have represented that the business activities of the Companies have been carried out in the normal and ordinary course between 30 September 2018 and the Report date and that no material changes have occurred in their respective operations and financial position between 30 September 2018 and the Report date.

This Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. The Report may however, be shared with any regulatory/ statutory authorities for the purpose for which it is prepared, if required.

A valuation of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The recommendation rendered in this Report only represent our recommendation based upon information furnished by each of the Companies and gathered from public domain (and analysis thereon) and the said recommendation shall be considered to be in the nature of non-binding advice. Our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors.

The determination of exchange ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuer and judgment taking into accounts all the relevant factors. There is, therefore, no indisputable single exchange ratio. While we have provided our recommendation of the fair exchange ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the fair exchange ratio of the equity shares of BCSL and MIL. The final responsibility for the determination of the fair exchange ratio at which the Proposed Merger shall take place will be with the Board of Directors of the Companies who should take into account other factors such as their own assessment of the Proposed Merger and input of other advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, financial and operating data as detailed in the section - Sources of Information.

We have not independently audited or otherwise verified the financial information provided by respective Companies. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from each of the Companies, we have been given to understand by the management of the Companies that they have not omitted any relevant and material factors about the respective Companies and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusion is based on the information given by/on behalf of the Companies. The management of each of the Companies have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results.

The Report assumes that each of the Companies comply fully with relevant laws and regulations applicable in all its areas of operations, and that the respective Companies will be managed in a

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 company that are available to the providers of the company's equity capital.

Appropriate discount rate to be applied to cash flows i.e. the cost of equity:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the equity capital providers (namely equity shareholders). The opportunity cost to the equity capital provider equals the rate of return the equity capital provider expects to earn on other investments of equivalent risk.

BCSL and MIL are listed entities and information related to future profit and loss account, balance sheet and cash flows is price sensitive. In light of the above, we were not provided with the projections of the Companies by their respective management. We have therefore, not used this method for the valuation exercise.

Comparable Companies' Multiple ("CCM") method

Under this method, value of equity shares of a company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

We have considered Enterprise value to Earnings before interest, tax, depreciation and amortization (EV/EBITDA) multiple of the comparable listed companies for the purpose of our valuation. The total equity value is then divided by the total number equity shares for arriving at the value per equity share of the Companies under CCM method.

Market Price Method

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. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

In the present case, the equity shares of both the Companies are traded on BSE and NSE. In these circumstances, the share price observed on NSE for the respective Companies over a reasonable period have been considered for arriving at the value per equity share of the Companies under the market price method.

MAJOR FACTORS THAT WERE TAKEN INTO ACCOUNT DURING THE VALUATION

- Key operating / financial parameters of the Companies vis-à-vis its comparable companies.

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BASIS OF FAIR EXCHANGE RATIO

The basis of the Proposed Merger of MIL into BCSL would have to be determined after taking into consideration all the factors and methods mentioned hereinabove. Though different values have been arrived at under each of the above methods, for the purposes of recommending the fair exchange ratio of equity shares it is necessary to arrive at a final value for each of the Companies' shares. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values of the Companies, but at their relative values to facilitate the determination of the fair exchange ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each approaches / methods.

The fair exchange ratio has been arrived at on the basis of a relative equity valuation of the Companies based on the various approaches / methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations.

Valuers, have independently applied methods discussed above, as considered appropriate, and arrived at their assessment of value per share of the Companies. To arrive at the consensus on the fair exchange ratio for the Proposed Merger, suitable minor adjustments / rounding off have been done in the values arrived at by the Valuers.

The computation of fair exchange ratio as derived by BSM is tabulated below:

Valuation Method	BCSL		MIL	
	Value per Share (INR)	Weight	Value per Share (INR)	Weight
Net Asset Value Method	NA	NA	NA	NA
Market Price Method	4,203.5	50%	2,717.5	50%
Comparable Companies Multiples Method (based on Earnings)	4,222.1	50%	2,827.1	50%
Relative Value per Share	4,212.8		2,772.3	
Fair Exchange Ratio (rounded)			2:3	

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The computation of fair exchange ratio as derived by SRBC is tabulated below:

Valuation Method	BCSL		MIL	
	Value per Share (INR)	Weight	Value per Share (INR)	Weight
Net Asset Value Method	575.1	0%	373.2	0%
Market Price Method	4,203.5	50%	2,717.5	50%
Comparable Companies Multiples Method (based on Earnings)	4,078.6	50%	2,818.6	50%
Relative Value per Share	4,141.1		2,768.0	
Fair Exchange Ratio (rounded)			2:3	

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the following fair exchange ratio for the Proposed Merger of MIL into BCSL:

2 (Two) equity shares of BCSL of INR 10/- each fully paid up for every 3 (Three) equity shares of MIL of INR 10/- each fully paid up.

Respectfully submitted,

Bansi S. Mehta & Co Chartered Accountants ICAI Firm Registration Number: 100991W **Drushti Desai** Partner Membership No: 102062 Date: 13 November 2018	S.R. Batliboi & Co. LLP Chartered Accountants ICAI Firm Registration Number: 301003E/E300005 **Ravi Bansal** Partner Membership No: 049365 Date: 13 November 2018

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