



Date- 14th May'2018

To,
The Board of Directors,
Shriram Automotive Products Ltd. (SAPL)
4th Floor, Himalaya House,
23 K.G. Marg,
New Delhi – 110001

The Board of Directors
Shriram Pistons & Rings Ltd. (SPRL)
3rd Floor, Himalaya House,
23 K.G. Marg,
New Delhi -110001

Sub: Opinion on Fair Market Value of 100% equity of Shriram Automotive Products Ltd. (SAPL) and Exchange Ratio on the proposed scheme of arrangement for amalgamation u/s 230-232 of the Companies Act, 2013 and other applicable provisions of the Act, of Shriram Automotive Products Ltd. (SAPL) with Shriram Pistons & Rings Ltd. (SPRL) .

Dear Members of the Board:

We understand that Board of Directors of both Shriram Pistons & Rings Ltd. (SPRL) (hereinafter referred as "Transferee Company" or "SPRL") and Shriram Automotive Products Ltd. (SAPL) (hereinafter referred to as "SAPL" or "Transferor Company") are considering a scheme of arrangement for amalgamation of Shriram Automotive Products Ltd. (SAPL) with Shriram Pistons & Rings Ltd. (SPRL) (*Transferor Company and Transferee Company being hereinafter individually referred to as Company and collectively referred to as the Companies*) with effect from 1st April 2018 or such other date (hereinafter referred to as the "Appointed date") as may be fixed or Approved by Hon'ble National Company Law Tribunal (hereinafter referred to as "NCLT") through a scheme of arrangement for amalgamation (hereinafter referred to as "Proposed Scheme") under sections 230 – 232, and other applicable provisions of the Companies Act, 2013 (hereinafter referred to as "Act").

The proposed scheme of arrangement for amalgamation provides for -

- Amalgamation of SAPL with SPRL on going concern basis, thereby transfer and vesting of all the assets and liabilities of the Transferor Company with the Transferee Company w.e.f Appointed Date; and
- In consideration, issuance of preference shares of SPRL to the equity shareholders of SAPL and cash consideration

Valuation of 100% Equity of Shriram Automotive Products Ltd. (SAPL) has been determined by M/s. JC Bhalla & Co. (Independent Valuer), vide their valuation report dated May 10, 2018.

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In terms of Regulation 37 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (LODR Regulations) read with SEBI Circular No. CFD/ DIL3/CIR/ 2017/21 dated March 10, 2017, the listed company undertaking a scheme of arrangement for amalgamation is required to submit to stock exchange, copy of fairness opinion obtained from the Merchant Banker on the valuation of shares / assets of the companies done by the independent valuer.

With reference to above, we Finshore Management Services Limited, a SEBI Registered (Cat-I) Merchant Banker have been appointed to provide our fairness opinion on the same.

Brief Background of the Companies, our opinion and basis for forming an opinion and caveats is as hereunder:

1. Background of companies:

1.1 SAPL is an unlisted public limited Company incorporated under the Companies Act, 1956 having CIN U34300DL1982PLC014285 and having its registered office at 4th Floor, Himalaya House, 23 K.G. Marg, New Delhi – 110001 and having as its main objects to carry on the business as dealers, merchants traders, commission agents, buying agents, import – export, etc. of all types of engineering goods, Cylinder Liners, Valve Guides, Pistons, Piston rings, Piston pins etc. The said Company was originally incorporated under the name of Canind Sales Private Ltd. on 2nd September, 1982 and vide fresh certificate of incorporation consequent to change of name the Company dated 11.11.1991 the name of the Company was changed to Shriram Automotive Products Ltd

1.2 SPRL is a public limited company incorporated under the Companies Act, 1956 having CIN L29112DL1963PLC004084 and having its registered office at 3rd Floor, Himalaya House, 23 K.G. Marg, New Delhi -110001. It is listed on National Stock Exchange (NSE) and is presently engaged in the business of manufacturing and selling interalia Piston Assembly, Piston Rings, Piston Pins, Engine Valves etc. The Company was originally incorporated on 9th December, 1963 under the name of Shama Pistons & Rings Ltd. and the name was subsequently changed vide Fresh Certificate of Incorporation consequent on change of name issued by the Assistant Registrar of Companies Delhi and Haryana on 25.10.1972.

2. Basis of our opinion

2.1 Rationale of the Proposed Scheme (as per extract of draft Proposed Scheme of arrangement for amalgamation)

It is proposed to consolidate the operations/ business of the Transferor Company and the Transferee Company into a single company by amalgamation of the Transferor Company with the Transferee Company pursuant to a Scheme of Amalgamation under Sections 230-232 and other applicable provisions, if any, of the Companies Act, 2013. The amalgamation of the Transferor Company with the Transferee Company would result, *inter-alia*, in the following benefits: -

- a. Help in increasing sales in both Domestic & Exports Market;
- b. Economize on administrative and other expenses;
- c. Increase the efficiency of combined business by pooling of resources and their optimum utilization, thereby availing synergies from combined resources;

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- utilization, thereby availing synergies from combined resources;
- d. Facilitate expansion of business offerings by the Transferee;
- e. Improve management focus and facilitate the unified control over operations;
- f. Leverage the operational, capital and corporate synergies and help optimal utilization of resources viz. business promotion, managerial pool, etc.;
- g. Reduce overheads, administrative, managerial and other expenditure;
- h. Seamless availability of technical expertise and
- i. Facilitate greater integration, provide greater financial strength, which would result in maximizing overall shareholder value and will improve the competitive position of the combined entity.

2.2 For arriving at the opinion on the fairness of the valuation of shares / assets of the companies, we have relied upon the following information, as provided to us by the Management of the Companies:

- 2.2.1 Brief background of the business of SPRL and SAPL;
- 2.2.2 Valuation of 100 % equity of SAPL report dated May 10, 2018, issued by M/s J C Bhalla & Co (Independent Valuer).
- 2.2.3 Audited financial statements of SPRL and SAPL for the financial years ended 31st March 2015, 31st March 2016, 31st March 2017 and Management Certified financial statements of SPRL and SAPL for the financial year 31st March'2018.
- 2.2.4 Draft Scheme of Arrangement of proposed amalgamation;
- 2.2.5 Discussions with the management of Companies including necessary information, explanations and representations provided by the management;

3. Valuer's Approach to Valuation

M/s. J C Bhalla & Co, in its valuation report recommending value of 100 % equity of SAPL for the proposed amalgamation have stated that they have used the following valuation methodologies and applied appropriate weights to arrive at the fair valuation.

- **Income Approach - Discounted Cash Flow Method (80%)**
- **Market Approach – Trading Multiple Method (20%)**

Valuer has assigned lower weightage of 20% to Market approach and 80% to Income Approach considering the fact that there is only one listed guideline company akin to the Transferor Company

Considering the above valuation methodologies, M/s. J C Bhalla & Co., in its valuation report have arrived at INR 4003.80 Lakhs as the Fair Market Value of 100% equity value of SAPL in accordance with CAS-1.

And as informed by the Management of SPRL that the consideration of Amalgamation of SAPL with SPRL would be discharged as under:

- Allotment of 24 (Twenty Four) Nos. of 4.2% fully paid up Non-Participating, Redeemable, Non-Convertible, Cumulative Preference Shares of Rs. 100 each, of SPRL for every 1 (one) equity share of SAPL.

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- Balance consideration to be paid in Cash.

4. Conclusion and Our Opinion

4.1 With reference to above and based on information provided by Management and after discussions with the Valuer, we understand that the Proposed Scheme has been structured to consolidate the business of SAPL with SPRL. The proposed amalgamation is driven by motive to achieve synergies through focused business segments and leverage on its operations for future growth.

4.2 With reference to the valuation of the Companies, we are of opinion that the Valuer, to arrive at the fair valuation, has rightly opted the valuation methodologies considering the facts and circumstances of each company and has assigned appropriate weightages to arrive at the fair values .

4.3 "Considering above and subject to our caveats as provided in annexure, we as a Merchant Banker hereby certify that we have reviewed the valuation report recommending the exchange ratio for the proposed scheme of arrangement for amalgamation of Transferor Company with Transferee Company and are of the opinion that following exchange ratio:-

- ✓ 24 (Twenty Four) Nos. of 4.2% fully paid up Non-Participating, Redeemable, Non- Convertible, Cumulative Preference Shares of Rs. 100 each, of SPRL for every 1 (one) equity share of SAPL.

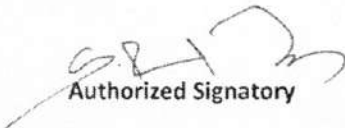
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- ✓ Payment of Cash consideration of Rs. 930/- (Rupees Nine Hundred Thirty only) for every 1 (one) equity share of SAPL.

as fair and reasonable to the equity shareholders of Transferor Companies and Transferee Company"

Thanking You,

For Finshore Management Services Limited


Authorized Signatory





Annexure

Caveats

1. Our opinion and analysis is limited to the extent of review of documents as provided to us by the Managements of respective companies including valuation report prepared by M/s. JC Bhalla & Co., and draft Proposed Scheme. We have relied on accuracy and completeness of all the information and explanations provided by the Managements. We have not carried out any due diligence or independent verification or validation to establish its accuracy or sufficiency. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of Transferor Company or Transferee Company or their subsidiaries, if any.
2. 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.
3. We have no present or planned future interest in Shriram Automotive Private Ltd. (SAPL) and Shriram Pistons & Rings Ltd. (SRPL) and the fee payable for this opinion is not contingent upon the opinion reported herein. The company has been provided with an opportunity to review the draft opinion as a part of our standard practice to make sure that factual accuracy / omissions are avoided in our final opinion.
4. Our fairness opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Proposed Scheme or any matter related thereto.
5. The Opinion contained herein is not intended to represent at any time other than the date that is specifically stated in this Report. This opinion is issued on the understanding that the Management of both the companies 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 Report.
6. Our report should not be construed as an opinion or certificate certifying the compliance of the Proposed Scheme of amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implication or issues arising from proposed amalgamation.

