

GB/001/2018

To,
The Company Secretary,
Pennar Industries Limited
3rd Floor, DHFLVC Silicon Towers,
Kondapur, Hyderabad – 500084

Independent Auditor's Certificate on Minimum Price

1. This certificate is issued in accordance with the terms of our engagement letter dated November 22, 2017.
2. We, Deloitte Haskins and Sells LLP, Chartered Accountants, the Statutory Auditors of Pennar Industries Limited ("the Company" / "the Transferee Company") have been requested by the Management of the Company to certify the accompanying Annexure 1 ("the Statement") "Computation of minimum price at which shares should be allotted" ("Minimum Price") which contains the details as required pursuant to Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the "ICDR Regulations") which we have stamped and initialed for identification only. The certificate has been requested by the Management for onward submission to BSE Limited and National Stock Exchange of India Limited (the "Stock Exchanges"), in connection with the Proposed Scheme of Amalgamation ("the Scheme") between the Company and Pennar Engineered Building Systems Limited ("the First Transferor Company") and Pennar Enviro Limited ("the Second Transferor Company") and their respective shareholders.

Management's responsibility

3. The responsibility for the preparation of the Statement in accordance with Chapter VII of the ICDR Regulations is of the Management of the Company including the preparation and maintenance of the relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Statement and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
4. Further, the management of the Company is also responsible for:
 - a. Determining the relevant date, which is November 10, 2017 (the "Relevant Date"), being the date of the meeting in which the Board of Directors of the Company approved the Scheme.
 - b. Determining the stock exchange i.e., National Stock Exchange of India Limited (hereinafter referred to as "NSE"), with the highest trading volume in equity shares recorded during the twenty six weeks immediately preceding the Relevant Date.



- c. Determining that the minimum price is not less than higher of the following:
 - (i) The average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twenty six weeks preceding the Relevant Date; or
 - (ii) The average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the Relevant Date.
- d. Ensuring the minimum price is applied for the purpose of valuation and arriving at the exchange ratio of shares. Refer Annexure 2 for the valuation report issued by Independent Valuer - Walker Chandiok & Co. LLP, which defines valuation methodology.

Auditor's Responsibility

- 5. Our responsibility, for the purpose of this certificate, is limited to certifying the particulars contained in the Statement. We conducted our verification in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) and Standards on Auditing issued by the Institute of Chartered Accountants of India ("ICAI"). The auditing standard requires us to obtain reasonable assurance based on verification of evidence supporting the amounts in the Statement.
- 6. We have verified following documents:
 - a. Proposed Scheme of Amalgamation
 - b. The Statement for Computation of Minimum Price
 - c. Valuation report from Independent Valuer
 - d. Other relevant records and documents
- 7. Pursuant to the requirements of the ICDR Regulations, it is our responsibility to provide reasonable assurance whether:
 - a. The method of computation of the minimum price as per the Statement is in accordance with Chapter VII of the ICDR Regulations.
 - b. The computation of the minimum price, which is based on the average of the weekly high and low of the volume weighted average price of the equity shares of the Company quoted on NSE as per the statement attached is arithmetically accurate.
 - c. Per equity share price used for equity share valuation of the Transferee Company as considered in the valuation report (for market valuation approach by the Independent Valuer) given in Annexure 2 at least equals to the minimum price.
- 8. In respect of our verification of valuation report, we have restricted our scope to tracing the per equity share price of the Company considered for the market valuation approach by the Independent Valuer. We have not verified any other details given in the valuation report including methodology of valuation of Pennar Industries Limited, Pennar Engineered Building Systems Limited and Pennar Enviro Limited.
- 9. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

10. Based on our examination as above, we are of the opinion that:

- a. Minimum price of ₹ 72.0 per equity share as per the Statement attached herewith is arithmetically accurate;
- b. The method of computation of the minimum price as per the Statement, read with the notes thereon, is in accordance with Chapter VII of the ICDR Regulations; and
- c. Per equity share price of the Transferee Company used in the valuation report given in Annexure 2 for the market price method at least equals to the minimum price.

Restriction on Use

11. This certificate is addressed and provided to the Management of the Company pursuant to the requirements of ICDR Regulations for onward submission to Stock Exchanges and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For Deloitte Haskins and Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-10018)



Ganesh Balakrishnan
Partner
Membership No. 201193

Place: Hyderabad
Date: January 02, 2018



PENNAR INDUSTRIES LIMITED

Annexure 1:

Statement of Computation of Minimum Price in pursuant to Chapter VII of the Securities and Exchange Board of India (SEBI) (Issue of Capital and Disclosure Requirements) Regulations, 2009, (the "ICDR Regulations")

Alternate 1

The average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twenty six weeks preceding the Relevant Date:

Week	From	To	Weekly High (₹)	Weekly Low (₹)	Average Price (₹)
1	03-Nov-17	09-Nov-17	76.2	69.3	72.8
2	27-Oct-17	02-Nov-17	73.1	69.6	71.3
3	20-Oct-17	26-Oct-17	74.9	70.9	72.9
4	13-Oct-17	19-Oct-17	72.4	59.0	65.7
5	06-Oct-17	12-Oct-17	60.7	59.7	60.2
6	29-Sep-17	05-Oct-17	60.6	58.4	59.5
7	22-Sep-17	28-Sep-17	60.5	57.6	59.1
8	15-Sep-17	21-Sep-17	65.4	62.0	63.7
9	08-Sep-17	14-Sep-17	65.7	62.8	64.3
10	01-Sep-17	07-Sep-17	66.3	61.6	63.9
11	25-Aug-17	31-Aug-17	65.5	61.8	63.6
12	18-Aug-17	24-Aug-17	61.6	56.1	58.9
13	11-Aug-17	17-Aug-17	58.3	48.4	53.4
14	04-Aug-17	10-Aug-17	54.8	49.9	52.3
15	28-Jul-17	03-Aug-17	55.7	55.0	55.3
16	21-Jul-17	27-Jul-17	55.9	54.7	55.3
17	14-Jul-17	20-Jul-17	54.8	53.5	54.1
18	07-Jul-17	13-Jul-17	56.2	54.5	55.4
19	30-Jun-17	06-Jul-17	57.0	51.9	54.4
20	23-Jun-17	29-Jun-17	51.5	49.9	50.7
21	16-Jun-17	22-Jun-17	56.1	52.4	54.2
22	09-Jun-17	15-Jun-17	57.0	55.4	56.2
23	02-Jun-17	08-Jun-17	53.3	49.8	51.6
24	26-May-17	01-Jun-17	50.5	46.6	48.6
25	19-May-17	25-May-17	47.5	45.9	46.7
26	12-May-17	18-May-17	49.5	48.5	49.0
Average for 26 weeks					58.2



Manufacturers of Cold Roll Formed Sections, Cold Rolled Steel Strips, Metal Crash Barriers, Industrial Components, ERW and Precision Tubes, Solar Mounting Structures & Hydraulic Cylinders

Corp.Office & Works: IDA, Patancheru – 502 319, Medak District, Telangana State, INDIA

Tel: +91 8455 242184 to 242193, **Fax:** +91 8455 242424 / 242161, **E-mail:** pilhyd@bsnl.in, **Website:** www.pennarindia.com

Regd.Office: 3rd Floor, DHFLVC Silicon Towers, Kondapur, Hyderabad – 500 084.

Tel: +91 40 4006 1621 to 24, **Fax:** +91 40 4006 1618

CIN No: L27109AP1975PLC001919



PENNAR INDUSTRIES LIMITED

Alternate 2

The average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the Relevant Date:

Week	From	To	Weekly High (₹)	Weekly Low (₹)	Average Price (₹)
1	03-Nov-17	09-Nov-17	76.2	69.3	72.8
2	27-Oct-17	02-Nov-17	73.1	69.6	71.3
Average for 2 weeks					72.0

Notes:

1. The Relevant Date for the purpose of arriving at the minimum price in terms of ICDR Regulations is November 10, 2017.
2. The highest trading volume in respect of the Equity Shares of the Company has been recorded in National Stock Exchange of India Limited ("NSE") during the twenty six weeks / two weeks immediately preceding the Relevant Date.
3. The average of the weekly high and low of volume weighted average prices of the Equity Shares quoted on NSE during the twenty six weeks / two weeks immediately preceding the Relevant Date i.e. November 10, 2017, is mentioned above. The data is taken from www.nseindia.com.
4. The average of the weekly high and low of the volume weighted average price of the related Equity Shares quoted on NSE during the twenty six weeks preceding the Relevant Date is ₹ 58.2 per equity share.
5. The average of the weekly high and low of the volume weighted average prices of the related Equity Shares quoted on NSE during the two weeks preceding the Relevant Date is ₹ 72.0 per equity share.
6. Applicable Minimum Price is ₹ 72.0 per equity share (Higher of 4 & 5 above).

For Pennar Industries Limited

Aditya Rao
Vice Chairman & Managing Director

Mirza Mohammed Ali Baig
Company Secretary & Compliance Officer



Place: Hyderabad
Date: January 02, 2018

For IDENTIFICATION ONLY

DELOITTE HASKINS & SELLS LLP

Manufacturers of Cold Roll Formed Sections, Cold Rolled Steel Strips, Metal Crash Barriers, Industrial Components, ERW and Precision Tubes, Solar Mounting Structures & Hydraulic Cylinders

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CIN No: L27109AP1975PLC001919

Walker Chandio & Co LLP

Dated: 09 November 2017

To

Board of Directors
Pennar India Limited
3rd Floor, DHFLVC Silicon
Towers,
Madhapur Road, Kondapur,
Hyderabad - 500 084
Telangana, India

Board of Directors
Pennar Engineered
Building Systems Limited,
9th Floor, DHFLVC Silicon
Towers, Kondapur
Hyderabad - 500 084
Telangana, India

Board of Directors
Pennar Enviro Limited
Plot No. 186/A, IDA
Mallapur
Hyderabad - 500 076
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Sub: Recommendation of Share Exchange Ratio for the proposed amalgamation of Pennar Engineered Building Systems Limited and Pennar Enviro Limited into Pennar Industries Limited

Dear Sir/ Madam,

We refer to the engagement letters dated 26 December 2016 and 02 November 2017 (hereinafter jointly referred to as the "Engagement Letters") whereby, Pennar Industries Limited ('PIL'), Pennar Engineered Building Systems Limited ('PEBS') and Pennar Enviro Limited ('PEL') have requested Walker Chandio & Co LLP ('WCC'), for recommendation of the Share Exchange Ratio for the proposed amalgamation of PEBS and PEL into PIL.

PIL, PEBS and PEL are together referred to as 'the Specified Companies'.

WCC has been hereinafter referred to as 'Valuer' or 'we' or 'us'.

SCOPE AND PURPOSE OF THIS REPORT

Incorporated in 1975, PIL is a diversified engineering company based out of Hyderabad. The standalone operations of PIL involve manufacturing of products such as Railways and Solar MMS Components, General Engineering and Automotive Components, Electro Resistance Welded and Cold Drawn Welded Tubes, Cold Rolled Steel Strips, and Formed Sections through its business divisions. PIL is listed on the Bombay Stock Exchange Limited ('BSE') and National Stock Exchange Limited in India ('NSE').

In addition to its standalone operations, PIL offers engineered products & services through its two subsidiaries, PEBS and PEL. PIL holds 54% equity shares in PEBS and 51% equity shares in PEL.

Founded in 2008, PEBS is primarily engaged in designing, fabricating and installing pre-engineered steel buildings, supplying structural steel and components for manufacturing industries, warehouses, aircraft hangars, commercial buildings, high-rises, metro stations, stadiums and power plants, among others. It is also engaged in designing, fabricating and installing solar module mounting structures, telecom transmission towers and cold-form buildings for low-cost housing projects. Equity shares of PEBS are listed on the BSE and NSE.



PEL founded in 1985, is primarily engaged in the business of design, manufacturing, supply, erection and maintenance of water and waste water treatment plants and EPC contracts. It also manufactures and distributes fuel additives and water treatment chemicals.

We understand that the management of the Specified Companies ('Management') are contemplating amalgamation of PEBS and PEL into PIL ('Transaction') pursuant to a Scheme of Amalgamation ('Scheme') to be implemented under the provisions of sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

As a consideration for the amalgamation, equity shareholders of PEBS and PEL would be issued equity shares of PIL. Share Exchange Ratio for this Report refers to the number of equity shares of face value of INR 5/- each of PIL, which would be issued to shareholders of PEBS and PEL.

For the aforesaid purpose, the Specified Companies have requested us to submit a report recommending the Share Exchange Ratio. The scope of our services is to conduct a relative (and not absolute) valuation of the equity shares of the Specified Companies and recommending the Share Exchange Ratio in accordance with generally accepted professional standards.

We have been provided with historical financial information for the Specified Companies up to 30 September 2017. We have considered the same in our analysis and made adjustments for further facts made known (past or future) to us till the date of our Report. Our analysis does not factor impact of any event which is unusual or not in normal course of business. We have relied on the above while arriving at the Share Exchange Ratio.

This Report is our deliverable for the above engagement.

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.

SOURCES OF INFORMATION

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

- Audited financial statements of PIL, PEBS and PEL for 3 years ended 31 March 2017;
- Audited financial statements of Pennar Renewables Private Limited for the year ended 31 March 2017
- Unaudited income statement and statement of assets and liabilities of PIL, PEBS and PEL for the period ended 30 September 2017;
- Projected financial statements of PIL, PEBS and PEL for the period 1 April 2017 to 31 March 2022, as provided by the respective Management;
- Draft Scheme of Amalgamation;
- Number of equity shares/ shareholding pattern of PIL, PEBS and PEL as at 30 September 2017;
- Market prices and trading history of the equity shares of PIL and PEBS;
- Interviews and correspondence with the Management;
- Secondary research and market data on comparable companies; and
- Such other analysis, reviews and enquiries, as we considered relevant.

The Specified Companies have been provided with the opportunity to review the draft report (excluding the recommended share exchange ratio) as part of our standard practice to make sure, factual inaccuracies / omissions are avoided in our final report.



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.

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 date of this Report and (iii) the financial statements of the Specified Companies as at 30 September 2017 and other information provided by the Management on key events after 30 September 2017 till the date of the Report.

The Management has represented that the business activities of the Specified Companies have been carried out in the normal and ordinary course between 30 September 2017 and the Report date and that no material adverse change has occurred in their respective operations and financial position between 30 September 2017 and the Report date.

An analysis 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 and transactions 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 ultimate analysis will have to be tempered by the exercise of judicious discretion by the Valuer and judgment taking into accounts all the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, 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.

The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information furnished by the Specified Companies (or their executives/ representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this Report.

The determination of a Share 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 judgment. There is, therefore, no single undisputed Share Exchange Ratio. While we have provided our recommendation of the Share Exchange Ratio based on the information available to us and within the scope of our engagement, others may have a different opinion. The final responsibility for the determination of the Share Exchange Ratio at which the proposed Transaction shall take place will be with the Board of Directors of the respective Specified Companies, who should take into account other factors such as their own assessment of the proposed Transaction 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.

In accordance with the terms of our engagements, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this Report and (ii) the accuracy of information made available to us by the Specified Companies. In accordance with our Engagement Letters and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information provided to us. We have not independently investigated or otherwise verified the data provided by the Specified 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 the Specified Companies, we have been given to understand by the Management of the Specified Companies that they have not omitted any relevant and material factors about the Specified Companies. Our conclusions are based on the assumptions and information given by / on behalf of the Specified Companies and reliance on public information. The Management of the Specified Companies has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis / results. Accordingly, we assume no responsibility for any errors in the information furnished by the Specified Companies and their impact on the Report. 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.

The Report assumes that the Specified Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Specified Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Valuation Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited / unaudited balance sheet of the Specified Companies. Our conclusion of value assumes that the assets and liabilities of the Specified Companies, reflected in their respective latest balance sheets remain intact as of the Report date.

We are not advisors with respect to legal, tax and regulatory matters for the proposed Transaction. 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 or not such alternatives could be achieved or are available.

No investigation of the Specified Companies' claim to title of assets has been made for the purpose of this Report and the Specified Companies' 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.

The fee for the engagement is not contingent upon the results reported.



We owe responsibility to only the Boards of Directors of the Specified Companies that have appointed us under the terms of our respective Engagement Letters 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 Specified Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Specified Companies, their directors, employees or agents. Unless specifically agreed, in no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this Report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion on the Share Exchange Ratio. 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 his purpose.

This Valuation Report is subject to the laws of India.

Neither the Valuation Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme, without our prior written consent except for disclosures to be made to relevant regulatory authorities including stock exchanges and SEBI. In addition, this Report does not in any manner address the prices at which equity shares of PIL and PEBS will trade following announcement of the proposed Transaction and we express no opinion or recommendation as to how the shareholders of any Specified Company should vote at any shareholders' meeting(s) to be held in connection with the proposed Transaction.

SHAREHOLDING PATTERN OF SPECIFIED COMPANIES

Pennar Industries Limited

The issued and subscribed equity share capital of PIL as at 30 September 2017 is INR 601.7 million consisting of 120,349,514 equity shares of face value of INR 5/- each. The shareholding pattern is as follows:

Shareholding pattern as on 30-09-2017	No. of Shares [^]	% Stake
Promoter and Group	43,758,697	36.4%
Public	76,590,817	63.6%
Total Equity Shares	120,349,514	100%

[^] face value of INR 5/- each



Pennar Engineered Building Systems Limited

The issued and subscribed equity share capital of PEBS India as at 30 September 2017 is INR 342.7 million consisting of 34,274,911 equity shares of face value of INR 10/- each. The shareholding pattern is as follows:

Shareholding pattern as on 30-09-2017	No. of Shares [^]	% Stake
Promoter Group	21,750,357	63.5%
Public	12,524,554	36.5%
Total Equity Shares	34,274,911	100%

[^] face value of INR 10/- each

Pennar Enviro Limited

The issued and subscribed equity share capital of PEL as at 30 September 2017 was INR 83.7 million consisting of 83,68,259 equity shares of face value of INR 10/- each. The shareholding pattern is as follows:

Shareholding Pattern as on 30-09-2017	No. of Shares [^]	% Stake
Promoter Group	4,098,259	49.0%
M/s. Pennar Industries Limited	4,270,000	51.0%
Total Equity Shares	8,368,259	100%

[^] face value of INR 10/- each

The Management has represented to us that there have been no changes in the shareholding pattern of the Specified Companies since 30 September 2017.

APPROACH & METHODOLOGY

It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Specified Companies. Further, this valuation will fluctuate with lapse of time, changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Specified Companies, and other factors which generally influence the valuation of companies and their assets.

The Scheme contemplates the amalgamation of PEBS and PEL into PIL. Arriving at the Share Exchange Ratio would require determining the fair value of the equity shares of PEBS and PEL, respectively, in terms of the fair value of the equity shares of PIL. These values are to be determined independently but on a relative basis, and without considering the proposed Transaction.

The following are commonly used and accepted methods for determining the value of the equity shares of a company/ business:

1. Market Approach
 - a. Market Price method
 - b. Comparable Companies Quoted Multiples method
2. Income Approach – Discounted Cash Flows method
3. Asset Approach – Net Asset Value method



Market Approach

a. 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 an amalgamation, 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.

Equity shares of PIL and PEBS are listed on both BSE and NSE. Equity shares of PIL and PEBS are frequently traded in terms of Para 71A, Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('ICDR Regulations'). Equity shares of PEL are not listed on any stock exchange.

b. Comparable Companies' Quoted Multiple ('CCM') Method

Under this method, value of the 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.

Income Approach – Discounted Cash Flows ('DCF') Method

Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm.

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 capital – both equity and debt.

Appropriate discount rate to be applied to 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.



Asset Approach – Net Asset Value ('NAV') Method

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base dominate earnings capability. PIL, PEBS and PEL are operating companies. A Scheme of Amalgamation would normally be proceeded with, on the assumption that the companies merge as going concerns and an actual realization of the operating assets is not contemplated.

ICDR Regulations

As per SEBI circular nos. CFD/DIL3/CIR/2017/21 and CFD/DIL3/CIR/2017/26 dated 10 March 2017 and 23 March 2017, respectively, the issuance of shares under schemes in case of allotment of shares by listed companies only to a select group of shareholders or shareholders of unlisted companies pursuant to such schemes shall follow the pricing provisions of the ICDR Regulations and the relevant date for the purpose of computing pricing shall be the date of the Board meeting in which the scheme is approved.

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 bona fide manner based on our previous experience of assignments of a similar nature.

Taking the above outlined factors, including ICDR Regulations, into consideration, we have adopted following approaches for determination of Share Exchange Ratio:

Market Approach: We have considered Market Price Method as the equity shares of PIL and PEBS are frequently traded.

Trading volume of equity shares of PIL and PEBS during the year ended 9 November 2017 was higher on NSE as compared to BSE. Under the Market price method, average of weekly high and low of the volume weighted average price ('VWAP') of PIL and PEBS on NSE during the twenty six weeks or two weeks preceding 10 November 2017, whichever is higher has been considered. Please refer Annexure 1 & 2 for details.

Equity shares of the PEL are not listed on any stock exchanges. Accordingly, the market price methodology could not be used for this entity and therefore, we have considered Comparable Companies Multiple Method under this approach. Under Comparable Companies Multiple Method, we have considered the quoted multiples of comparable listed companies, as appropriate, for the purpose of our valuation analysis. Adjustments, as appropriate, are made for borrowings, surplus assets and other matters to arrive at the equity value of PEL.



Income Approach: We have also used Discounted Cash Flow method under this approach for the valuation of PIL, PEBS and PEL.

For the purpose of DCF valuation, the free cash flow forecast is based on Financial Projections as provided by the management of Specified Companies. While carrying out this engagement, we have relied extensively on historical information made available to us by the management of the Companies and the respective Financial Projections for future related information. We did not carry out any validation procedures or due diligence with respect to the information provided/ extracted or carry out any verification of the assets or comment on the achievability of the assumptions underlying the Financial Projections, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.

We have adjusted the value of Discounted Cash Flows (as explained above in "Income Approach") for adjustments, as appropriate for net borrowings, surplus assets and other matters to arrive at the equity value of the Specified Companies.

Asset Approach

The Asset approach was not adopted for PIL, PEBS and PEL. As mentioned above, the Asset approach is mainly used where the "going concern" assumption is not appropriate or where the asset base dominates the earnings capability. Since PIL, PEBS and PEL are all operating entities and have been valued as on "going concern" basis, we did not adopt the Asset approach.

SHARE EXCHANGE RATIO

~~The basis of the Transaction 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 methodologies, for the purposes of recommending a share exchange ratio of equity shares it is necessary to arrive at a single value for each of the business / subject 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 Specified Companies but at their relative values to facilitate the determination of a fair exchange ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.~~

The Share Exchange Ratio has been arrived at on the basis of a relative equity valuation of the Specified Companies using the Market Approach and Income Approach. The Share Exchange Ratio is based on the methodologies explained herein earlier and various qualitative factors relevant to each Company and the business dynamics and growth potential of the businesses of the Specified Companies, having regard to information received, key underlying assumptions and limitations.

Valuer, as considered appropriate, has independently applied methodologies discussed above and arrived at their assessment of value per share of the Specified Companies. To arrive at the Share Exchange Ratio, suitable averaging and rounding off in the values arrived at by the Valuer have been done. Please refer Annexure 3 and Annexure 4 for summary valuation workings.



Walker Chandiok & Co LLP

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the Share Exchange Ratio as follows:

- 23 (Twenty Three) equity shares of PIL (of INR 5/- each fully paid up) for 13 (Thirteen) equity shares held in PEBS (of INR 10/- each fully paid up) on amalgamation of PEBS into PIL; and
- 1 (One) equity share of PIL (of INR 5/- each fully paid up) for every 1 (One) equity share held in PEL (of INR 10/- each fully paid up) on amalgamation of PEL into PIL.

Respectfully submitted,

Walker Chandiok & Co LLP
Chartered Accountants
ICAI Firm Registration Number:
001076N/ N500013


Huned Contractor
Partner

Membership No: 41456
Date: 09 November 2017





Annexure 1 – Valuation of equity shares of PIL under the Market Price method

Week	Week Start Date	Week End Date	VWAP		
			High	Low	Average
1	03-Nov-17	09-Nov-17	76.2	69.3	72.8
2	27-Oct-17	02-Nov-17	73.1	69.6	71.3
3	20-Oct-17	26-Oct-17	74.9	70.9	72.9
4	13-Oct-17	19-Oct-17	72.4	59.0	65.7
5	06-Oct-17	12-Oct-17	60.7	59.7	60.2
6	29-Sep-17	05-Oct-17	60.6	58.4	59.5
7	22-Sep-17	28-Sep-17	60.5	57.6	59.1
8	15-Sep-17	21-Sep-17	65.4	62.0	63.7
9	08-Sep-17	14-Sep-17	65.7	62.8	64.3
10	01-Sep-17	07-Sep-17	66.3	61.6	63.9
11	25-Aug-17	31-Aug-17	65.5	61.8	63.6
12	18-Aug-17	24-Aug-17	61.6	56.1	58.9
13	11-Aug-17	17-Aug-17	58.3	48.4	53.4
14	04-Aug-17	10-Aug-17	54.8	49.9	52.3
15	28-Jul-17	03-Aug-17	55.7	55.0	55.3
16	21-Jul-17	27-Jul-17	55.9	54.7	55.3
17	14-Jul-17	20-Jul-17	54.8	53.5	54.1
18	07-Jul-17	13-Jul-17	56.2	54.5	55.4
19	30-Jun-17	06-Jul-17	57.0	51.9	54.4
20	23-Jun-17	29-Jun-17	51.5	49.9	50.7
21	16-Jun-17	22-Jun-17	56.1	52.4	54.2
22	09-Jun-17	15-Jun-17	57.0	55.4	56.2
23	02-Jun-17	08-Jun-17	53.3	49.8	51.6
24	26-May-17	01-Jun-17	50.5	46.6	48.6
25	19-May-17	25-May-17	47.5	45.9	46.7
26	12-May-17	18-May-17	49.5	48.5	49.0
Particulars					INR
Average of weekly high and low of Volume Weighted Average Price (VWAP) of PIL on NSE during 6 months or 26 weeks preceding relevant date					58.2
Average of weekly high and low of Volume Weighted Average Price (VWAP) of PIL quoted on NSE during 2 weeks preceding relevant date					72.0



Annexure 2 – Valuation of equity shares of PEBS under the Market Price method

Week	Week Start	Week End	VWAP		
	Date	Date	High	Low	Average
1	03-Nov-17	09-Nov-17	104.0	101.9	103.0
2	27-Oct-17	02-Nov-17	108.9	103.9	106.4
3	20-Oct-17	26-Oct-17	114.0	109.6	111.8
4	13-Oct-17	19-Oct-17	113.8	98.7	106.3
5	06-Oct-17	12-Oct-17	101.9	98.1	100.0
6	29-Sep-17	05-Oct-17	107.4	101.0	104.2
7	22-Sep-17	28-Sep-17	104.5	101.5	103.0
8	15-Sep-17	21-Sep-17	111.5	107.1	109.3
9	08-Sep-17	14-Sep-17	112.6	110.2	111.4
10	01-Sep-17	07-Sep-17	114.0	105.0	109.5
11	25-Aug-17	31-Aug-17	104.8	93.2	99.0
12	18-Aug-17	24-Aug-17	93.9	88.1	91.0
13	11-Aug-17	17-Aug-17	106.3	90.3	98.3
14	04-Aug-17	10-Aug-17	120.1	113.9	117.0
15	28-Jul-17	03-Aug-17	121.2	120.0	120.6
16	21-Jul-17	27-Jul-17	123.8	121.8	122.8
17	14-Jul-17	20-Jul-17	125.5	123.8	124.7
18	07-Jul-17	13-Jul-17	125.0	123.6	124.3
19	30-Jun-17	06-Jul-17	129.8	125.5	127.6
20	23-Jun-17	29-Jun-17	132.7	124.8	128.7
21	16-Jun-17	22-Jun-17	139.7	134.8	137.3
22	09-Jun-17	15-Jun-17	137.1	134.3	135.7
23	02-Jun-17	08-Jun-17	135.5	131.1	133.3
24	26-May-17	01-Jun-17	138.3	128.8	133.5
25	19-May-17	25-May-17	135.1	129.8	132.4
26	12-May-17	18-May-17	139.2	132.4	135.8
Particulars					INR
Average of weekly high and low of Volume Weighted Average Price (VWAP) of PEBS on NSE during 6 months or 26 weeks preceding relevant date					116.4
Average of weekly high and low of Volume Weighted Average Price (VWAP) of PEBS quoted on NSE during 2 weeks preceding relevant date					104.7



Annexure 3 - Summary of Valuation Workings for PIL and PEBS

Valuation Approach	PIL		PEBS	
	INR	Weight (%)	INR	Weight (%)
Asset Approach	NA	0%	NA	0%
Market Approach				
Market Price Method	72.0	50%	116.4	50%
Comparable Companies Method	NA	0%	NA	0%
Income Approach	74.6	50%	143.5	50%
Relative Value Per Share*	73.3	100%	130.0	100%

*face value per share of INR 5 for PIL and INR 10 for PEBS

NA = Not Adopted / Not Applicable

Share Exchange Ratio

23 (Twenty Three) equity shares of PIL (of INR 5/- each fully paid up) for 13 (Thirteen) equity shares held in PEBS (of INR 10/- each fully paid up) on amalgamation of PEBS into PIL

Annexure 4 - Summary of Valuation Workings for PIL and PEL

Valuation Approach	PIL		PEL	
	INR	Weight (%)	INR	Weight (%)
Asset Approach	NA	0%	NA	0%
Market Approach				
Market Price Method	72.0	50%	NA	0%
Comparable Companies Method	NA	0%	70.4	50%
Income Approach	74.6	50%	78.0	50%
Relative Value Per Share*	73.3	100%	74.2	100%

*face value per share of INR 5 for PIL and INR 10 for PEL

NA = Not Adopted / Not Applicable

Share Exchange Ratio

1 (One) equity share of PIL (of INR 5/- each fully paid up) for every 1 (One) equity share held in PEL (of INR 10/- each fully paid up) on amalgamation of PEL into PIL.

