

STRICTLY PRIVATE & CONFIDENTIAL

20th October, 2016

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The Board of Directors
Kirloskar Pneumatic Co.Ltd
Hadapsar Industrial Estate,
Pune – 411 013

The Board of Directors
Pneumatic Holdings Limited
Survey No. 13, 156 Kothrud,
Pune – 411 038.

Dear Sirs,

Re.: Proposed amalgamation of Pneumatic Holdings Limited and Kirloskar RoadRailer Limited into Kirloskar Pneumatic Co. Limited

This has reference to the request made by the management of Kirloskar Pneumatic Co. Ltd (hereinafter referred to as "KPCL") and Pneumatic Holdings Limited (hereinafter referred to as "PHL"), (collectively referred to as "Companies") in connection with fairness opinion on the valuation exercise for proposed merger of Pneumatic Holdings Limited and Kirloskar RoadRailer Limited (hereinafter referred to as "KRL") into Kirloskar Pneumatic Co. Ltd as embodied in the Scheme of Amalgamation as undertaken by SSPA & Co. (Chartered Accountants) (hereinafter referred to as "the Valuer") to recommend share exchange ratio of equity shares for proposed merger.

1. PURPOSE OF VALUATION UNDERTAKEN BY THE VALUERS

- 1.1 The Board of Directors of PHL, KRL and KPCL are considering the proposal of merger of the entire undertaking and business of PHL and KRL into KPCL at their meeting on 20th October, 2016
- 1.2 In this regard, SSPA & Co. (Chartered Accountants) were appointed by the Companies to carry out the relative valuation with a view to recommend a ratio of exchange of equity shares in the event of merger of PHL and KRL into KPCL.
- 1.3 The information contained herein and our report is confidential. It is intended only for the sole use of captioned purpose including for the purpose of obtaining requisite approvals as per regulation 37 of the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 ('SEBI (LODR) Regulations 2015') read with SEBI Circular CIR/CFD/CMD/16/2015, dated November 30, 2015.





2. BRIEF BACKGROUND OF COMPANIES

2.1 KIRLOSKAR PNEUMATIC COMPANY LIMITED

2.1.1 KPCL, is a company incorporated under the Companies Act, 1956 having its registered office at Hadapsar Industrial Estate, Pune – 411 013. KPCL started its operations with the manufacture of Air Compressors and Pneumatic Tools. New product lines were then added, including Air Conditioning and Refrigeration systems, Marine HVACR, Process Gas systems and Hydraulic Power Transmission machinery. Over the years, KPCL has developed various sophisticated and high-tech products in the above categories to cater to the demands of various industrial sectors.

2.1.2 KPCL has also established a number of technology partnerships with leading global companies. KPCL has earned the distinction of developing a host of advanced products to suit Indian conditions and has been continuously updating them to maintain the highest standards of quality and reliability.

2.1.3 The equity shares of KPCL are listed on BSE Limited.

2.2 PNEUMATIC HOLDINGS LIMITED

2.2.1 PHL is a company incorporated under the Companies Act, 2013 having its registered office at Survey No. 13, 156 Kothrud, Pune – 411 038. PHL was originally incorporated as a wholly owned subsidiary of Kirloskar Brothers Investments Limited (KBIL) with the purpose of transfer and vesting of certain investments and vehicle leasing business of KBIL on a going concern basis.

2.2.2 PHL holds 54.45% equity share capital of KPCL.

2.2.3 The equity shares of PHL are listed on BSE Limited and National Stock Exchange of India Limited.

2.3 KIRLOSKAR ROADRAILER LIMITED

2.3.1 KRL is a company incorporated under the Companies Act, 1956 having its registered office at Hadapsar Industrial Estate, Pune – 411 013. KRL is presently setting up business of carrying on multimodal transport business using RoadRailer technology of KPCL.

KRL is a 100% subsidiary of KPCL. As part of this Scheme of Amalgamation, KRL is also proposed to be amalgamated with KPCL. Since KRL is a 100% subsidiary of KPCL no shares would be issued on amalgamation.

3. SOURCES OF INFORMATION





For the purposes of fairness opinion, we have relied upon the following sources of information:

- (a) Draft Scheme of Arrangement and Amalgamation u/s. 391 to 394 read with sections 100 to 105 of the Companies Act, 1956 (and to the extent applicable provisions of the Companies Act, 2013)
- (b) Certified Valuation Report and Workings dated October 20, 2016, issued by SSPA & Co. (Chartered Accountants)
- (c) Certified Copy of Certificate of Incorporation and Memorandum and Articles of Association of PHL, KRL and KPCL
- (d) Audited Financials of PHL for the year ended March 31, 2015 and March 2016 and of KRL and KPCL for the years ended - March 31, 2014, March 31, 2015 and March 31, 2016.
- (e) Other such information and explanations as were required and which have been provided by SSPA & Co (Chartered Accountants)

4. EXCLUSIONS AND LIMITATIONS

- 4.1 Conclusions reached by us are dependent on the information provided to us being complete & accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information used during the course of our work. We have not performed any audit, review or examinations of any of the historical or prospective information used and, therefore, do not express any opinion with regard to the same. In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to the date of our certificate.
- 4.2 No investigation of the Companies' claim to title of assets has been made by us for the purpose of this exercise and the 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 account. Therefore, no responsibility is assumed for matters of a legal nature.
- 4.3 This certificate is prepared with a limited purpose / scope as identified / stated earlier and will be confidential being for use only to whom it is issued. It must not be copied, disclosed or circulated in any correspondence or discussions with any person, except to whom it is issued





and to those who are involved in this transaction and for various approvals for this transaction.

- 4.4 Our opinion is not, nor should it be construed as our opining or certifying the compliance of proposed merger of PHL and KRL into KPCL with the provision of any law including Companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon. Our opinion also does not address any matters otherwise than as expressly stated herein, including but not limited to matters such as corporate governance matters, shareholder rights or any other equitable considerations. We have also not opined on the fairness of any terms and conditions of the scheme other than the fairness, from financial point of view, of the Share Exchange Ratio
- 4.5 We do not express any opinion as to the price at which shares of the Companies may trade at any time, including subsequent to the date of this opinion. In rendering our opinion, we have assumed, that the scheme will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary Regulatory or third-party approvals for the Scheme, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the Companies.
- 4.6 The Fairness Opinion is addressed only to the Board of Directors of Companies and is for the purpose of submission to the Stock Exchanges under the SEBI Circular. Further, the Fairness Opinion may be disclosed on the website of Companies and the Stock Exchanges and also be made part of the explanatory statement to be circulated the shareholders and/or creditors of the Company. The Fairness Opinion shall not otherwise be disclosed or referred to publicly or to any other third party without Inga Capital's prior written consent. The Fairness Opinion should be read in totality and not in parts.
- 4.7 In no circumstances however, will Inga Capital or its directors, officers, employees and controlling persons of Inga Capital accept any responsibility or liability including any pecuniary or financial liability to any third party.
- 4.8 Further, this Fairness Opinion should not be used or quoted for any purpose other than the purpose mentioned hereinabove. If this Fairness Opinion is used by any person other than to whom it is addressed or for any purpose other than the purpose stated hereinabove, then we will not be liable for any consequences thereof. Neither this Fairness Opinion nor its contents may be referred to or quoted to / by any third party, in any registration statement,





prospectus, offering memorandum, annual report, loan agreement or any other agreement or documents given to third parties.

5. BASIS FOR DETERMINATION OF RATIO BY THE VALUERS

- 5.1 PHL currently hold 69,94,176 shares in KPCL. The management of PHL has informed that prior to the effective date, PHL proposes to acquire 13,375 equity shares of KPCL from the existing cash balance in the books of PHL. Thus PHL will hold 70,07,551 equity shares in KPCL.
- 5.2 PHL has also informed that tangible assets in its books could be considered as realisable.
- 5.3 Further the management of PHL has informed that cash balance post above acquisition of shares of KPCL and realisation of tangible assets will be utilised to meet the costs, fees and expenses including stamp duties payable on issue of new shares in relation to the proposed amalgamation and balance cash available will be distributed as dividend to the equity shareholders prior to the effective date.
- 5.4 Upon amalgamation of PHL into KPCL, the shareholders of PHL would be entitled to the same number of shares of KPCL which they own on the effective date of the proposed merger indirectly through their holding in PHL. Pursuant to the amalgamation, there would be no change in the paid-up capital of KPCL.

6. CONCLUSION

- 6.1 We have reviewed the basis for determination of ratio as mentioned above and underlining assumptions adopted, for the purposes of recommending a ratio of exchange.
- 6.2 On the basis of the foregoing points read with regulation 37 of the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 ('SEBI (LODR) Regulations 2015') and in terms of SEBI Circular CIR/CFD/CMD/16/2015, dated November 30, 2015, we are of the opinion that the proposed ratio of exchange in the event of merger of PHL and KRL into KPCL recommended by SSPA & Co (Chartered Accountants) is fair & reasonable which is as under:
- 53 (Fifty Three) equity shares of KPCL of INR 10 each fully paid up for every 40 (Forty) equity shares of PHL of INR 10 each fully paid up in proportion of their holdings in PHL**

Thanking you,
Yours faithfully,
For Inga Capital Private Limited

S. Karthikeyan
Director
Place: Mumbai