



25th January, 2016

Strictly Privileged & Confidential

The Board of Directors

Pricol Limited

CPM Towers,
109, Race Course,
Coimbatore – 641 018,
India

The Board of Directors

Pricol Pune Limited

CPM Towers, 109, Race Course,
Coimbatore – 641 018,
India.

Dear Sir/Madam,

Re: Recommendation of Exchange Ratio for the proposed amalgamation of Pricol Limited into and with Pricol Pune Limited.

This is with reference to the engagement letter dated 6th January, 2016 and discussions held, wherein we, M/s Sharp & Tannan (referred to as “Valuer” or “we” or “us”), have been appointed to recommend a fair share exchange ratio (“Exchange Ratio”) for the proposed amalgamation of Pricol Limited (“Pricol”) into and with Pricol Pune Limited (“Pricol Pune”) (hereinafter jointly referred to as “Companies” or “You”) with effect from the Appointed Date of 1st April, 2015.

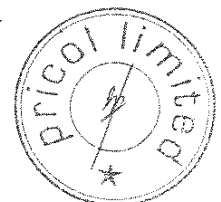
1. BRIEF BACKGROUND

1.1 Pricol

1.1.1 Pricol, a listed public limited company, incorporated in 1972, is engaged in the business of manufacturing automobile parts & equipments. It serves the Original Equipment Manufacturers across different market segments such as 2 & 3 wheelers, Personal Passenger Vehicle, Utility Vehicle & Vans, Commercial Vehicles, Tractors, Off-Road Vehicles, Railways and Industrial with a wide range of products including the following:

(a) **Driver Information System Products** – Instruments Clusters, Round Gauges & Driver Information System Display.

(b) **Power Train Products** – Oil & Water Pumps, Valves Regulators & Hydraulic Systems



(c) **Sensors, Actuators & Switches** – Temp. Pressure Level, Speed, Switches, Sockets & Actuators.

(d) **Fleet Management, Asset Monitoring & Tracking** – Road Speed Limiters, Vehicle Tracking Systems, Centralized Lubrication Systems & Fare Meters.

1.1.2 Currently, Pricol Group has 5 manufacturing facilities in India (2 in Coimbatore, 1 each in Manesar, Pune and Rudrapur), 1 in Brazil and 1 in Indonesia.

1.1.3 The issued & paid up equity share capital of Pricol as at 30th September, 2015 was INR 9,47,96,721 divided into 9,47,96,721 equity shares of INR 1/- each (face value) and its shareholding pattern was as follows on 30-September-2015:

Sl. No.	Category	No. of Shares	% Holding
a.	Promoter & Promoter Group	3,81,20,373	40.21
b.	Individual	3,60,97,372	38.08
c.	Foreign Holdings	17,25,090	1.82
d.	Bodies Corporate	1,55,14,008	16.37
e.	Financial Institutions / Banks / MFs / Insurance	33,39,878	3.52
Total		9,47,96,721	100.00

The Management represented that Pricol does not have any outstanding warrants / options, as at the date hereof.

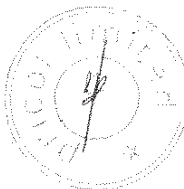
1.1.4 The equity shares of Pricol are, at present, listed on BSE Ltd. and National Stock Exchange of India Limited.

1.2 Pricol Pune Limited

1.2.1 Pricol Pune, a limited non-listed company, was incorporated in 2011 as a wholly owned subsidiary of Pricol with its registered office in Pune, Maharashtra. It became a 50:50 JV Company (“JV”) between Pricol and M/s Johnson Controls Enterprises Ltd, UK (“Johnson”) and was renamed as Johnson Controls Pricol (P) Ltd.

1.2.2 The JV was engaged in the business of supplying Instrument Clusters to several Personal Passenger Car and Utility Vehicles manufacturers.

1.2.3 The JV with Johnson was terminated vide agreement dated 15th April, 2015 wherein Johnson sold its 50% stake in the JV to Pricol for a consideration of ~INR 20 Crs. Consequently, it was renamed as Pricol Pune (P) Ltd. It has now been converted into a public company and renamed as Pricol Pune Ltd. The registered office of the company has been shifted from Pune to Coimbatore.



- 1.2.4 The issued & paid-up equity share capital of Pricol Pune as at 30th September, 2015 was INR 10 Crs. divided into 1,00,00,000 equity shares of INR 10/- each (face value). The Management represented that Pricol Pune does not have any outstanding warrants /options, as at the date hereof. Further, Pricol Pune had a split of equity shares whereby the face value of the equity shares of Pricol Pune have been sub-divided from 1,00,00,000 equity shares of INR 10/- each into 10,00,00,000 equity shares of INR 1/- each.
- 1.2.5 The equity shares of Pricol Pune are, at present, not listed on any of the stock exchanges (whether in India and/or abroad).

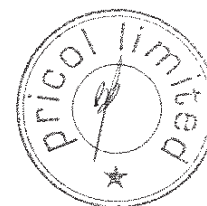
2. SCOPE & PURPOSE OF EXCHANGE RATIO

- 2.1 We are given to understand that the Board of Directors of the Companies propose to amalgamate Pricol into and with Pricol Pune with effect from the Appointed Date of 1st April, 2015 ("Amalgamation"). This is proposed to be achieved by way of a Scheme of Amalgamation pursuant to the provisions of Sections 391 to 394 of the Companies Act, 1956 & the relevant provisions made there-under ("Scheme"). As part of the proposed Amalgamation, all assets (including intangible assets not recorded by Pricol) and liabilities of Pricol as on the Appointed Date shall stand transferred to and vested with Pricol Pune. Further, upon amalgamation, Pricol will cease to exist and as consideration equity shareholders of Pricol shall receive equity shares of Pricol Pune. Pursuant to amalgamation, equity shares of Pricol Pune held by Pricol shall be cancelled.
- 2.2 For this purpose, as requested, we have carried out valuation of equity shares of Pricol & Pricol Pune as on **September 30, 2015** ("Valuation Date") with a view to recommend an Exchange Ratio in connection with the proposed Amalgamation. This Exchange Ratio Report ("Valuation Report") may be placed before the audit committee, as per the SEBI Circular CIR/CFD/CMD/16/2015 dated 30th November, 2015 and to the extent mandatorily required under applicable laws of India, may be produced before judicial, regulatory or government authorities, in connection with the Amalgamation.
- 2.3 This Valuation Report is subject to the exclusions, limitations & disclaimers detailed hereinafter. As such the Valuation Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

3. SOURCES OF INFORMATION

In connection with preparing this Valuation Report, we have received & relied upon the following sources of information from the Management:

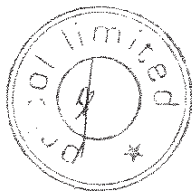
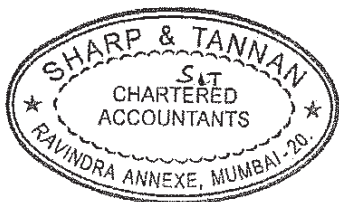
- ❖ Audited Annual Accounts of Pricol & Pricol Pune from FY 2012-13 to FY 2014-15;
- ❖ Management Certified Un-audited financial results of Pricol & Pricol Pune for half-year ended September 30, 2015;



- ❖ Management Certified Financial Projections of Pricol with key financial assumptions, from half year ended 31st March, 2016 to FY 2020-21, as made available to us;
- ❖ Income Tax Return & Tax Audit Report of Pricol from AY 2013-14 to AY 2015-16, as applicable;
- ❖ Draft Scheme of Amalgamation;
- ❖ Shareholding Pattern of Pricol & Pricol Pune as on 30th September, 2015;
- ❖ Brief Overview of Pricol & Pricol Pune and their past and current operations;
- ❖ Valuation Report dated 18th January, 2016 issued by M/s P. Boobal pertaining to, amongst other immovable properties, valuation of surplus land and building held by Pricol Ltd., on which we have relied.
- ❖ Various agreements &/or documents &/or information related with Pricol & Pricol Pune;
- ❖ Management Representation dated 25th January, 2016 containing various data, documents and information relating to Pricol & Pricol Pune which is relevant for the proposed valuation;
- ❖ Published & secondary sources of data, whether or not made available by the Companies; &
- ❖ Such other analysis, reviews and inquiries, as we considered necessary.

4. SCOPE LIMITATIONS, ASSUMPTIONS, EXCLUSIONS AND DISCLAIMERS

- 4.1 This Valuation Report, its contents and the results herein are (i) specific to the purpose mentioned in this report; (ii) specific to the date of this Valuation Report and (iii) are based on the balance sheet of the Companies as at 30th September, 2015. The Management has represented that the business activities of Pricol & Pricol Pune have been carried out in the normal and ordinary course between 30th September, 2015 and date hereof and that no material adverse change has occurred in their respective operations and financial position between 30th September, 2015 and date hereof.
- 4.2 In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of information (both written & verbal) made available to us by the Companies and (ii) the accuracy of the information that was publicly available, and formed substantial basis for this Valuation Report. We have not carried out a due diligence or audit of the Companies, nor have we independently investigated or otherwise verified the data provided by the Companies, including but not limited to the estimated market value of the surplus land owned by Pricol as per the land valuation report. In rendering this report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof. We do not express any opinion or offer any form of assurance that the explanations, financial information or other information as prepared and provided by the Companies is accurate and complete. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that, in case of any doubt, they



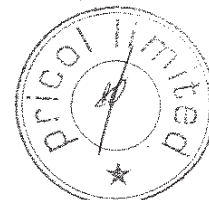
have checked the relevance or materiality of any specific information with respect to the present exercise with us.

Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.

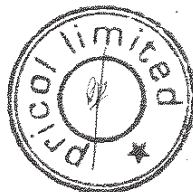
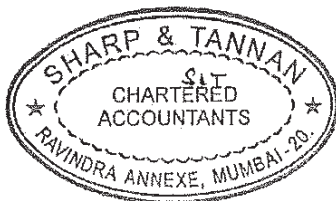
4.3 Our conclusions are based on the assumptions and information given by/on behalf of the Companies. The respective Management of the Companies have indicated to us that they have understood that any omissions, inaccuracies or mis-statements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the Valuation Report. However, nothing has come to our attention to indicate that the information provided was materially mis-stated/incorrect. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

4.4 During the course of work, we have relied upon the financial projections of Pricol provided to us by the Management. The assumptions underlying the projections have not been reviewed or independently verified by us and accordingly there can be no assurance that these assumptions are accurate. We must emphasize that realizations of the free cash flow forecast used in the analysis will be dependent on the continuing validity of the assumptions on which they are based. The assumptions used in their preparation, as we have been explained, are based on the management's present expectation of both the most likely set of future business events and circumstances and the management's course of action related to them. Our analysis, therefore, will not, and cannot be directed to providing any assurance about the achievability of the final projections. Since, the projections relate to the future, actual results may be different from the projected results because events and circumstances do not occur as expected, and differences may be material.

4.5 Valuation work, by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. Given the same set of facts and using the same assumptions, expert opinion may differ due to number of separate judgement decisions, which have to be made. There can therefore be no standard formulae to establish an undisputable value, although certain formulae are helpful in assessing reasonableness. There is, therefore, no indisputable single exchange ratio. While we have provided our recommendation of the 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 Exchange Ratio. You acknowledge and agree that you have the final responsibility for the determination of the Exchange Ratio at which the proposed Amalgamation shall take place and factors other than this Valuation Report will need to be taken into account in determining the Exchange Ratio; these will include your own assessment of the proposed Amalgamation and may include the input of other professional advisors.



- 4.6 This report and its contents is prepared for the Companies and to be used only for the specific engagement and regulatory reporting purposes and must not be copied, disclosed or circulated or referred to or quoted in any correspondence, registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or discussion with any person. The report is confidential to the Companies and it is given on the express undertaking that will not be communicated, in whole or in part, to any third party without prior written consent of the Valuer. Neither this report nor its contents may be used for any other purpose other than in connection with this proposed Amalgamation without prior written consent of the Valuer.
- 4.7 Whilst all reasonable care has been taken to ensure that the facts stated in the report are accurate and the opinions given are fair and reasonable, neither ourselves, nor any of our partners, officers or employees shall in any way be responsible for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of completeness, authenticity or accuracy of such statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report. We owe responsibility only to the Board of Directors of the Companies and nobody else. We are not liable to any third party in relation to the issue of this report. In no event we shall be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or wilful default on the part of the Companies, their management, directors, employees or agents.
- 4.8 A valuation of this nature is necessarily based on 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 Valuation Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Valuation Report. However, we reserve the right to amend or replace the report at any time in the event of any material change in the facts presented to us.
- 4.9 The Valuation Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the 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 balance sheet of the Companies. Our conclusion of value assumes that the assets & liabilities of the Companies, reflected in their respective latest balance sheets remain intact as of the date hereof.
- 4.10 This Valuation Report does not look into the business / commercial reasons behind the proposed Amalgamation nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the proposed Amalgamation as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.



- 4.11 This Valuation 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. In addition, this Valuation Report does not in any manner address the price at which equity shares will trade following approval of the Amalgamation and we express no opinion or recommendation as to how the shareholders or creditors of Companies should vote at their respective meeting(s) to be held in connection with the proposed Amalgamation.
- 4.12 The fee for this engagement is not contingent upon the results of this report.

5. VALUATION APPROACH

5.1 Approaches for Valuation

There are three generally accepted approaches to valuation:

- a. "Cost" Approach
- b. "Market" Approach
- c. "Income" Approach

a. Cost Approach

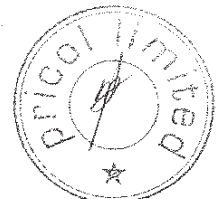
The "Cost" approach focuses on the net worth or net assets of a company. The Cost Approach to valuation includes two methods - Break Value ("BV") Method and Net Asset Value ("NAV") Method.

BV Method:

- ❖ Under the BV Method, the assets and liabilities are considered at their realizable/market value including intangible assets & contingent liabilities, if any, which are not stated in the balance sheet. From the realizable value of the assets, the potential liabilities, which would have to be paid, would be deducted and resultant figure would be the BV of the company.
- ❖ This valuation approach is mainly used in case where the asset base dominate earnings capability or in case where the valuing entity is a Holding Company deriving significant value from its Assets & Investments.

NAV Method:

- ❖ Under this method, total value of the business is based on sum of the Net Assets Valueas recorded in the balance sheet.
- ❖ NAV methodology is most applicable for the business where the value lies in the underlying assets and not the ongoing operations of the business.



b. Income Approach

The "Income" approach focuses on the profit/earnings potential of the business being valued. The Income Approach to valuation includes two methods – Profit Earning Capacity Value ("PECV") Method and Discounted Cash Flow ("DCF") Method. The "Income" approach focuses on the income generated by the company as well as its future earning capability.

PECV Method:

- ❖ The PECV method focuses on the past income generated by the company as well as the future earning capability of the business enterprise. The PECV method requires the determination parameters, which are relevant to the company whose shares are being valued. These are (i) the 'future maintainable profits', (ii) the 'appropriate income tax rate' and (iii) the 'expected rate of return'. The value is determined by capitalizing the future maintainable profits (net of tax) by the expected rate of return.

DCF Method:

- ❖ The DCF Method seeks to arrive at a value of a business based on the strength of its future cash flows. This method also captures the risk involved with these cash flows.
- ❖ Under this method, the business is valued by discounting its free cash flows for an explicit forecast period and the perpetuity value thereafter. The free cash flows to the firm ("FCFF") represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by Weighted Average Cost of Capital ("WACC"). WACC is an appropriate rate of discount to calculate the present value of the future free cash flows as it considers debt-equity risk and also debt-equity ratio of the company/industry.
- ❖ To the present value of the cash flows so arrived, adjustments are made for the value of debt, surplus/non-operating assets including investments, surplus cash & bank balance and contingent assets/liabilities and other liabilities, if any, in order to arrive at the value for the equity shareholders. The total value for the equity shareholders so arrived has to be then divided by the number of equity shares in order to work out the value per equity share of the company.

c. Market Approach**Market Price Method:**

Under this method, the market price of an equity share as quoted on a recognized 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 frequently traded. The market value generally reflects the investors' perception about the true worth of the company.



Comparable Companies Multiple ("CoCo Multiple") Method:

- ❖ Under CoCo Multiple Method, the value is determined on the basis of multiples derived from valuations of comparable companies, as manifested 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.

Comparable Transactions Method:

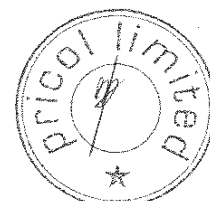
With regard to the multiples applied in an earnings based valuation, they are generally based on data from the recent transactions in a comparable sector, but with appropriate adjustment after due consideration has been given to the specific characteristics of the business being valued.

5.2 Valuation Methodologies Applied

5.2.1 It should be understood that the valuation of any company or its assets is inherently subjective 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 Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of Companies and their assets.

5.2.2 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 ITR417 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 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 on exact science. Mathematical certainty is not demanded, nor indeed is it possible."

- 5.2.3 The application of any particular method of valuation depends on the purpose for which the valuation is done. In arriving at the value of the equity shares of the Companies, from amongst the generally accepted valuation methodologies, we have applied methodologies most relevant, applicable and appropriate to the circumstances.

6. RECOMMENDATION OF EXCHANGE RATIO

6.1 Business Value of Pricol comprises its:

- (i) Existing business of manufacturing automobile parts & equipments including:
 - (a) Driver Information System Products
 - (b) Power Train Products
 - (c) Sensors, Actuators & Switches
 - (d) Fleet Management, Asset Monitoring & Tracking
- (ii) Value of investment in Pricol Pune. Pricol Pune has the business of supplying Instrument Clusters to several Personal Passenger Car and Utility Vehicles manufacturers; and
- (iii) Other Strategic Indian and Overseas Investments

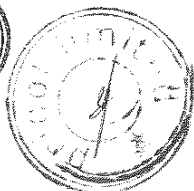
Prior to the proposed Scheme, Pricol holds 100% of the paid up capital of Pricol Pune.

Upon the Scheme being effective and dissolution of Pricol, the equity shares held by Pricol in Pricol Pune shall be cancelled and stand extinguished.

After the amalgamation of Pricol with Pricol Pune, investment of Pricol in Pricol Pune gets replaced by business value of Pricol Pune (i.e. assets and liabilities of Pricol Pune) in the books of the combined entity.

Therefore, post amalgamation, Pricol Pune will have the following components of value:

- (i) Existing business of manufacturing automobile parts & equipments of Pricol including:
 - (a) Driver Information System Products
 - (b) Power Train Products
 - (c) Sensors, Actuators & Switches
 - (d) Fleet Management, Asset Monitoring & Tracking
- (ii) Business of supplying Instrument Clusters to several Personal Passenger Car and Utility Vehicles manufacturers of Pricol Pune; and
- (iii) Other Strategic Indian and Overseas Investments of Pricol



Thus, fair and intrinsic value of one share of Pricol (consolidated) shall be the same as the post amalgamated fair and intrinsic value of one share of the combined entity. Pursuant to Amalgamation, the shareholding of Pricol Pune shall be the mirror image of Pricol's shareholding pattern.

6.2 The paid up capital of Pricol Limited is INR 9.48 Crs., which is considered adequate in relation to the nature and size of its business.

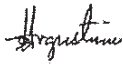
6.3 Considering all the relevant factors and circumstances as discussed and outlined above, we believe that the fair value of each of the shares issued by Pricol Pune to the shareholders of Pricol shall be equivalent to the fair value of each of the shares of Pricol and hence the share exchange ratio, in the event of merger of Pricol with Pricol Pune, as under is reasonable and fair:

“1 (One) Equity Share of the face value of INR 1/- each of Pricol Pune, for every 1 (One) Equity Share of the face value of INR 1/- each held in Pricol”

Thanking You,

Yours faithfully,

For Sharp & Tannan
Chartered Accountants
Firm Registration No.- 109982W



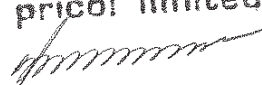
Edwin P. Augustine
(Partner)
Membership No. - 043385

Date: 25th January, 2016
Place: Mumbai



CERTIFIED TRUE COPY

for pricol limited


G. Thamizhanban
Company Secretary

