

KEYNOTE

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To,
The Board of Directors
Pitti Engineering Limited
6-3-648/401, 4th Floor
Padmaja Landmark, Somajiguda
Hyderabad – 500082
Telangana, India

15th June 2023

Dear Sir/Madam,

Reg: Fairness Opinion on fair equity share exchange ratio for the proposed amalgamation of Pitti Castings Private Limited ('PCPL') and Pitti Rail and Engineering Components Limited ('PRECL') with Pitti Engineering Limited ('PEL') provided by SSPA & Co. and Niranjana Kumar, Registered Valuer

Keynote Financial Services Limited ("Keynote" or "we" or "us") is a Category I Merchant Banker registered with Securities Exchange Board of India ("SEBI"). We have been informed that PCPL and PRECL intend to amalgamate with PEL. PEL have thus engaged SSPA & Co. Chartered Accountants, Registered Valuer – Securities or Financial Assets (Registered Valuer Registration No. IBBI/RV-E/06/2020/126) and Niranjana Kumar, Registered Valuer - Securities or Financial Assets (Registered Valuer Registration No. IBBI/RV/06/2018/10137) to propose the Fair Equity Share Exchange Ratio for the proposed amalgamation.

In this regard, we have been requested to provide Fairness opinion on the Proposed Equity Share Exchange Ratio for the purpose of the amalgamation of PCPL and PRECL with PEL as at 15th June 2023.

Company Profile:

Pitti Engineering Limited ("PEL") having its registered office at 6-3-648/401, IVth Floor, Padmaja Landmark, Somajiguda, Hyderabad- 500082, Telangana, is engaged in the manufacturing of is engaged in manufacturing of engineering products of iron and steel including electrical steel laminations, stator and rotor core assemblies, sub-assemblies, pole assemblies, die-cast rotors, press tools and high precision machining of various metal components.

Pitti Castings Private Limited ("PCPL"), having its registered office at 6-3-643/401, IVth Floor, Padmaja Land Mark, Somajiguda, Hyderabad, Telangana, 500082, is engaged in the manufacturing of high-quality casting in grey iron, ductile iron, low carbon and alloy steel grades.

Pitti Rail and Engineering Components Limited ('PRECL'), having its registered office at 6-3-648/401, 4th Floor, Padmaja Landmark, Somajiguda, Hyderabad- 500082, Telangana, was incorporated on 05 October 2020 with the object to manufacture engineering products and components. It is a Wholly Owned Subsidiary of PEL and presently does not carry out any significant business operations.

Rationale of the Report:

We have been informed that PCPL and PRECL intend to amalgamate with PEL in accordance with the provisions of Sections 230 to 232 of the Companies Act, 2013 or any statutory modifications, re-enactment or amendments thereof for the time being in force ("the Act") read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 ("the Rules"), as amended from time to time and all other

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applicable provisions, if any, of the Act and any other applicable law for the time being in force including the applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the circulars issued therein ("the Regulations"), in each case, as amended from time to time, and in a manner provided in the Draft Scheme of Amalgamation (hereinafter referred to as 'the Scheme').

Further, as part of the Scheme, the equity shareholding held by PEL in PRECL; and the equity shareholding and the entire preference shareholding held by PEL in PCPL shall stand cancelled upon the Scheme being effective.

We understand that as consideration for the:

- proposed amalgamation of PCPL with PEL, equity shares of PEL would be issued to equity shareholders of PCPL (except to the extent of equity shares of PCPL held by PEL which would get cancelled upon amalgamation); and entire preference shares held by PEL in PCPL shall stand cancelled and no equity/ preference shares of PEL shall be issued; and
- proposed amalgamation of PRECL with PEL, equity shares held by PEL in PRECL shall stand cancelled and no equity shares of PEL shall be issued.

Amalgamation of PCPL with PEL:

PEL had acquired shares in PCPL originally with an objective to ensure vertical integration of businesses which would provide increased opportunities and better margins to PEL. However, due to operational and financial reasons, PEL could not complete the consolidation historically.

With a view to now achieve vertical integration and broaden its footprint across the supply chain, PEL has strategically decided to integrate the Castings Business with its operations.

In view of the aforesaid, the Board of Directors of PEL and PCPL have considered it desirable and expedient to integrate the business of PCPL by way of amalgamation. Such an amalgamation is expected to be in the best interest of both Companies, their respective shareholders, creditors, employees and other stakeholders.

Amalgamation of PRECL with PEL:

PRECL was incorporated for the purpose of undertaking a greenfield project in relation to the manufacture of railway and engineering components. Since the Holding Company has undertaken the said business through Brown field project, there is no longer need of a separate corporate entity.

The amalgamation will result in simplifying the corporate structure and elimination of duplication in administrative cost and multiple record keeping thus resulting in cost savings.

In this connection, PEL have thus engaged SSPA & Co. and Niranjan Kumar, Registered Valuer to propose the Fair Equity Share Exchange Ratio for the proposed amalgamation. We have been requested to provide the Fairness opinion on the proposed equity share exchange ratio of the amalgamation.



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Sources of Information:

For arriving at the Fairness Opinion set forth below, we have relied upon the following sources of information:

- Valuation Report jointly issued by SSPA & Co., Chartered Accountants and Niranjana Kumar, Registered valuer dated 15th June 2023;
- Audited financials of PRECL, PEL and PCPL for the years ended 31st March 2021, 2022 and 2023;
- Financial Projections of PEL and PCPL comprising of profitability statement, working capital requirement and capital expenditure requirement for FY ended 2023-24 to FY 2027-28, as provided by the management
- Management Representation letter provided by the management
- Other relevant information/documents regarding PEL and PCPL including information available through public domain

In addition to the above, we have also obtained such other information and explanations, which were considered relevant for the purpose of our Analysis.

Our Recommendation:

As stated in the Valuation Report jointly issued by SSPA & Co. Chartered Accountants and Niranjana Kumar, Registered Valuer, the Fair Equity Share Exchange Ratio for the proposed amalgamation is calculated as per DCF Method under Income Approach and CCM Method & MP Method under Market Approach.

To the shareholders of PCPL

As per the report issued by the valuers, the current shareholders of PCPL shall be entitled to 1 (one) equity share of PEL having a face value of INR 5, for every 55 (Fifty-five) shares of face value INR 10, held in PCPL.

To the shareholders of PRECL

PRECL is a wholly owned subsidiary of PEL i.e. the entire equity share capital of PRECL is held by PEL. Upon the Proposed Amalgamation, shares held by PEL in PRECL would get cancelled and no equity shares would be required to be issued to equity shareholders of PRECL (i.e. PEL) for the Proposed Amalgamation.

Based on the information, data made available to us, including the Valuation Report, to the best of our knowledge and belief, the valuation as suggested by SSPA and Niranjana Kumar, Registered Valuer is fair in our opinion.

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by PCPL, PRECL and PEL for the purpose of this opinion. With respect to the estimated financials provided to us by the managements of PCPL, PRECL and PEL, we have assumed that such financials were prepared in good faith and reflect the best currently available estimates and judgments by the managements of PCPL, PRECL and PEL. We express no opinion and accordingly accept no responsibility with respect to or for such estimated financials or the assumptions on which they were based. Our work does not constitute an audit or certification or due diligence of the working results, financial statements, financial estimates or estimates



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of value to be realized for the assets of PCPL, PRECL and PEL. We have solely relied upon the information provided to us by PCPL, PRECL and PEL. We have not reviewed any books or records of PRECL or PCPL or PEL (other than those provided or made available to us). We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of PCPL, PRECL and PEL and neither express any opinion with respect thereto nor accept any responsibility, therefore. We have not made any independent valuation or appraisal of the assets or liabilities of PCPL or PRECL or PEL. We have not reviewed any internal management information statements or any non-public reports, and, instead, with your consent we have relied upon information which was publicly available or provided or otherwise made available to us by PCPL, PRECL and PEL for the purpose of this opinion. We are not experts in the evaluation of litigation or other actual or threatened claims and hence have not commented on the effect of such litigation or claims on the valuation. We are not legal, tax, regulatory or actuarial advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of PCPL, PRECL and PEL with respect to these matters.

We understand that the management of PCPL, PRECL and PEL during our discussion with them would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and, on the information, made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we are not authorized to solicit, and did not solicit, interests for any party with respect to the acquisition, business combination or other extra-ordinary transaction involving PCPL, PRECL and PEL or any of its assets, nor did we negotiate with any other party in this regard.

We have acted as financial advisors to PEL for providing a fairness opinion on the proposed Equity Share Exchange Ratio for the purpose of the amalgamation and will receive professional fees for our services.

In the ordinary course of business, Keynote is engaged in securities trading, securities brokerage and investment activities, as well as providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of Keynote may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the transaction.

The Fairness Opinion is addressed only to the Board of Directors of PEL and is for the purpose of submission to the Board of Directors and the management. Further, the Fairness Opinion may be disclosed on the website of PEL and also be made part of the explanatory statement to be circulated to the shareholders and/ or creditors of the Company. The Fairness Opinion should be read in totality and not in parts. The Fairness Opinion shall not otherwise be disclosed or referred to publicly or to any other third party without Keynote's prior written consent. If this Fairness Opinion is used by any person other than whom it is addressed or for any purpose other than the purpose stated hereinabove, then we will not be liable for any consequences thereof.

We express no opinion whatsoever and make no recommendation at all as to PEL underlying decision to effect to the proposed amalgamation or as to how the holders of equity shares or preference shares or secured or unsecured creditors of PEL should vote at their respective meetings held in connection with the proposed amalgamation. We do not express and should not be deemed to have expressed any views on any other terms of Fairness opinion on the Proposed Equity Share Exchange Ratio for the purpose of the

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proposed amalgamation. We also express no opinion and accordingly accept no responsibility for or as to the prices at which the equity shares of PEL will trade following the announcement of the Fairness opinion on the Proposed Equity Share Exchange Ratio for the purpose of the amalgamation or as to the financial performance of PEL following the consummation of the Fairness opinion on the Proposed Equity Share Exchange Ratio for the purpose of the amalgamation.

In no circumstances, however, will Keynote Financial Services Limited or its associates, directors or employees accept any responsibility or liability to any third party and in the unforeseen event of any such responsibility or liability being imposed on Keynote Financial Services Limited or its associates, directors or employees by any third party, PEL, PCPL, PRECL and their affiliates shall indemnify them.

For **KEYNOTE FINANCIAL SERVICES LTD**



Nipun Lodha
Executive Vice-President & Head - Corporate Finance
SEBI Registration No. INM000003606
(Merchant Banker)

