SSPA & CO.,	**Niranjan Kumar**
Chartered Accountants	Registered Valuer - Securities or Financial Assets
1st Floor, "Arjun" Plot No. 6A, V.P. Road,	Registration Number: IBBI/RV/06/2018/10137
Andheri (West)	N5-1003, Hills and Dales Ph 3,
Mumbai – 400 058	NIBM Annexe, Pune – 411060

Date: 24 July 2023

To,
The Audit Committee / Board of Directors,
Pitti Engineering Limited,
4th Floor, Padmaja Land Mark, 6-3-648/401,
Somajiguda, Hyderabad, Telangana, 500082

To,
The Board of Directors,
Pitti Castings Private Limited,
4th Floor, Padmaja Land Mark, 6-3-643/401,
Somajiguda, Hyderabad, Telangana, 500082

To,
The Board of Directors,
Pitti Rail and Engineering Components Limited,
4th Floor, Padmaja Land Mark, 6-3-648/401,
Somajiguda, Hyderabad, Telangana, 500082

Sub: Corrigendum to the report titled "Recommendation of fair 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')" dated 15 June 2023

Dear Sir / Madam,

We refer to report titled "Recommendation of fair 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')" dated 15 June 2023 issued to the Audit Committee/ Board of Directors of Pitti Engineering Limited and Board of Directors of Pitti Castings Private Limited and Pitti Rail and Engineering Components Limited ("Fair Share Exchange Ratio Report" or "Report").

We are issuing the corrigendum to the Report ("Corrigendum to the Report") for rectifying the inadvertent clerical error in the fair value mentioned against Income Approach – Discounted Cash Flows ('DCF') Method and Market Approach - Comparable Companies Multiple ('CCM') Method for PCPL in the fair share exchange ratio table mentioned on page number 20 of report dated 15 June 2023. We have inadvertently mentioned the value per share under the DCF method in the CCM method and vice versa.

SSPA & CO. CHARTERED ACCOUNTANTS REGISTERED VALUER

NIRANJAN KUMAR NK REGISTERED VALUER SECURITIES OR FINANCIAL ASSETS

The fair share exchange ratio table mentioned on page number 20 of the Report should be replaced with the following:

Valuation Approach	PEL (A)		PCPL (B)	
	Value per share (INR)	Weights (%)	Value per share (INR)	Weights (%)
Asset Approach - Net Asset Value ('NAV') Method	NA#	0.0%	NA#	0.0%
Income Approach - Discounted Cash Flows ('DCF') Method	398.33	50.0%	7.25	50.0%
Market Approach				
- Market Price Method	376.29	50.0%	NA*	0.0%
- Comparable Companies Multiple ('CCM') Method	NA*	0.0%	6.84	50.0%
Relative value per share	**387.31**	**(A)**	**7.04**	**(B)**
Share exchange ratio round off (B)/(A)				**0.0182**
Recommended share exchange ratio (for every 55 shares of PCPL)				**1**

NA: Not Adopted

The above rectification of the clerical error does not have any impact on the fair share exchange ratio recommended in the Report.

No amendment other than those stated above have been made to the Report previously shared with you.

This Corrigendum to the Report should be read in conjunction with our Report dated 15 June 2023 and subject to the scope limitations enunciated in the Report. Any terms not defined in this Corrigendum to the Report shall derive their meaning from Report.

We request you to file this Corrigendum to the Report along with the above referred Report.

Respectfully submitted,	Respectfully submitted,
For SSPA & Co., **Chartered Accountants** ICAI Firm Registration No: 128851W IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126	
Parag S. Ved	IBBI Regn. No. IBBI/RV/06/2018/10137
Parag Ved, Partner ICAI Membership No. 102432 Registered Valuer No.: IBBI/RV/06/2018/10092 Place: Mumbai Date: 24 July 2023	**Niranjan Kumar** Registered Valuer - Securities or Financial Assets Registration Number: IBBI/RV/06/2018/10137 Place: Pune Date: 24 July 2023

SSPA & CO.,	Niranjan Kumar
Chartered Accountants 1st Floor, “Arjun” Plot No. 6A, V.P. Road, Andheri (West) Mumbai – 400 058	Registered Valuer - Securities or Financial Assets Registration Number: IBBI/RV/06/2018/10137 N5-1003, Hills and Dales Ph 3, NIBM Annexe, Pune – 411060

Date: 15 June 2023

To,
The Audit Committee / Board of Directors,
Pitti Engineering Limited,
4th Floor, Padmaja Land Mark, 6-3-648/401,
Somajiguda, Hyderabad, Telangana, 500082

To,
The Board of Directors,
Pitti Castings Private Limited,
4th Floor, Padmaja Land Mark, 6-3-643/401,
Somajiguda, Hyderabad, Telangana, 500082

To,
The Board of Directors,
Pitti Rail and Engineering Components Limited,
4th Floor, Padmaja Land Mark, 6-3-648/401,
Somajiguda, Hyderabad, Telangana, 500082

Subject: Recommendation of fair 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’)

Dear Sir/Madam,

We refer to the engagement letter dated 18 April 2023 whereby, Niranjan Kumar, Registered Valuer – Securities or Financial Assets (hereinafter referred to as ‘NK’) has been appointed and engagement letter dated 22 May 2023 whereby, SSPA & Co., Chartered Accountants - Registered Valuer – Securities or Financial Assets (hereinafter referred to as ‘SSPA’) has been appointed by Pitti Engineering Limited (hereinafter referred to as ‘PEL’), Pitti Castings Private Limited (hereinafter referred to as ‘PCPL’) and Pitti Rail and Engineering Components Limited (hereinafter referred to as ‘PRECL’) to recommend a fair share exchange ratio for the proposed amalgamation of PCPL and PRECL (together referred to as ‘Amalgamating Companies’) with PEL (‘Proposed Amalgamation’), as more particularly provided for in the Draft Scheme of Amalgamation.

PEL, PRECL and PCPL are hereinafter together referred to as the ‘Transacting Companies’ or ‘the Companies’ or ‘the Clients’ or ‘the Valuation Subjects’ and individually referred to as “Company”, as the context may require.

NK and SSPA are hereinafter jointly referred to as “Valuers” or “we” or “us” in this report.

The Management including the Board of Directors of the Transacting Companies shall together be referred to as ‘the Management’.

This report sets out our scope of work, background, sources of information, procedures performed by us and our recommendation of the fair share exchange ratio.

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

NIRANJAN KUMAR REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS

COMPANIES BACKGROUND

Pitti Engineering Limited ('PEL' or 'Amalgamated Company')

- PEL was incorporated on 17 September 1983 and is primarily 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.
- PEL's products are used in hydro and thermal generation, windmill, mining, cement, steel, sugar, construction, lift irrigation, freight rail, passenger rail, mass urban transport, e-mobility, appliances, medical equipment, oil and gas, and other industrial applications.
- PEL has manufacturing facilities in Aurangabad and Hyderabad with a combined capacity of 50,200 MT per annum of electrical steel laminations.
- With the setting up of the Aurangabad unit, PEL has forayed into new industries like Consumer Appliances, Domestic & Agricultural Pump industries.
- The equity shares of PEL are listed on both National Stock Exchange of India Limited (NSE) and BSE Limited (BSE).

Key financial highlights of PEL for the past three years.

INR million

Particulars	Financial Year ('FY') ended		
	31-Mar-21	31-Mar-22	31-Mar-23
Reported revenue#	5,386.7	9,702.6	11,179.9
Reported EBITDA*	985.5	1,490.7	1,692.06
Reported PBT	385.7	706.0	799.0
Reported PAT	287.8	518.9	588.3

Source:BSE filings / Management Information

 # Reported revenue includes income from operations and other income

**Reported EBITDA represents Earnings before interest, tax, depreciation and amortization (EBITDA) including non-operating income and expenses*

Pitti Rail and Engineering Components Limited ('PRECL')

- PRECL was incorporated on 05 October 2020 with the object to manufacture engineering products and components.
- PRECL is a Wholly Owned Subsidiary of PEL and presently does not carry out any significant business operations.

Pitti Castings Private Limited ('PCPL')

- PCPL was incorporated on 07 December 2011 and is engaged in the manufacturing of high-quality casting in grey iron, ductile iron, low carbon and alloy steel grades.
- PCPL's products include stator frames, dual arm casing, rock housing, forward end cover, pump casing, compressor cylinder, rotor hub, blade adaptor, anchor support frame among other products.

SSPA & CO. CHARTERED ACCOUNTANTS REGISTERED VALUER

NIRANJAN KUMAR REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS

- PCPL caters to international and domestic manufacturers engaged in manufacturing products ranging from valves, earth moving and mining, turbo generators, motors, pumps, power generation, windmills, automobiles, compressors, locomotives, heavy machinery, precision engineering, defence, etc.

- PCPL supplies castings to PEL which is used by PEL for its end user products.

- Some of the key Clients served by PCPL include PEL, ABB, Atlas Copco, Avtec, Caterpillar, Siemens, Wilo Mather and Platt, General Electric and Wind World.

- PCPL has a manufacturing plant in Mahabubnagar district of Telangana with an installed capacity of 14,400 MT per annum. PCPL plans to increase its installed capacity from 14,400 MT per annum to 18,000 MT per annum by FY2025.

Key financial highlights of PCPL for the past three years.

INR million

Particulars	Financial Year ('FY') ended		
	31-Mar-21	31-Mar-22	31-Mar-23
Reported revenue#	1,147.4	1,375.9	1,508.4
Reported EBITDA*	141.4	80.7	133.4
Reported PBT	57.7	(1.8)	66.9
Reported PAT	40.8	(16.6)	48.4

Source: Management Information

 # Reported revenue includes income from operations and other income

**Reported EBITDA represents Earnings before interest, tax, depreciation and amortization (EBITDA) including non-operating income and expenses*

BACKGROUND OF VALUERS

Niranjan Kumar, Registered Valuer – Securities or Financial Assets

I am a practicing Chartered Accountant registered with The Institute of Chartered Accountants of India ('ICAI') and located at N5 – 1003, Hills and Dales Ph 3, NIBM Annexe, Pune – 411060. I am also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV/06/2018/10137.

SSPA & CO., CHARTERED ACCOUNTANTS

SSPA, is a partnership firm, located at 1st Floor, "Arjun", Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing various corporate consultancy services.

We are a firm of practising Chartered Accountants registered with the ICAI. We are also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Value for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/06/2020/126.

SSPA & CO. CHARTERED ACCOUNTANTS REGISTERED VALUER

NIRANJAN KUMAR REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS

SCOPE AND PURPOSE OF THIS REPORT

We understand that the Managements of the Transacting Companies are contemplating a scheme of amalgamation, wherein they intend to amalgamate PCPL and PRECL 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 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:

i) 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

ii) 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.

In this connection, Transacting Companies have jointly appointed NK and SSPA, Registered Valuers under the Companies Act, 2013, to submit a joint valuation report recommending the fair share exchange ratio to Audit Committee / Board of Directors / any other committee formulated by the respective Companies for the Proposed Amalgamation (hereinafter referred to as "Report").

We would like to emphasize that certain terms of the Proposed Amalgamation are stated in our report, however the detailed terms of the Proposed Amalgamation shall be more fully described and explained in the Scheme document to be submitted with relevant authorities in relation to the Proposed Amalgamation. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the underlying Scheme.

We understand that the appointed date for the Proposed Amalgamation shall be 01 April 2023 or such other date as the National Company Law Tribunal ('NCLT') may direct.

For the purpose of this Report, we have considered Valuation Date to be 14 June 2023 ('Valuation Date').

We understand from the Management following rationale for the Proposed Amalgamation:

1. Enhance PEL's control over the supply and inventory management of its raw materials. Proposed Amalgamation would help with a unified approach on supply chain management and consequent synergies leading to optimization of resource utilization, reduced finance cost, operational cost, reduced duplication of administrative efforts and better procurement policies and prices, for the combined business.

2. Allow PEL to gain access to long-term contracts by bolstering an entire integrated process helping them cover the end-to-end supply chain.
3. Enhance PEL's margins and profitability and reduction in related party transactions of PEL which would enhance value for all its stakeholders.
4. Help PEL to diversify its business and provide PEL with access to a new set of customers and industries.

The scope of our services is to conduct a relative (and not absolute) valuation exercise as at the Valuation Date to determine the equity value of the Transacting Companies using internationally accepted valuation methodologies as may be applicable to the Transacting Companies and then arrive at the fair share exchange ratio and report on the same in accordance with generally accepted professional standards including ICAI Valuation Standards, 2018 ('ICAI VS') notified by ICAI and requirement prescribed by the regulations applicable to listed companies as prescribed by SEBI.

To arrive at the consensus on the fair share exchange ratio for the Proposed Amalgamation, appropriate minor adjustments, rounding-off has been done in the values arrived at by us.

We have been provided with the audited financial statements of PEL, PRECL and PCPL for the financial year ended 31 March 2023. We have taken into consideration the current market parameters in our analysis and have made adjustments for additional facts made known to us till the date of our Report. The Management has informed us that there are no unusual/abnormal events in the Transacting Companies materially impacting their operating/ financial performance after 31 March 2023, until the Report Date. Further, we have been informed by the Management that to the best of their knowledge, material information regarding the business of each of the Transacting Companies has been disclosed to us.

We have relied on the above while arriving at fair share exchange ratio for the Proposed Amalgamation.

We have been informed that:

a) With effect from the appointed date, and up to and including the effective date, there would not be any capital variation in the Transacting Companies except by mutual consent of the Board of Directors of Transacting Companies or such other events as contemplated in the Scheme.

b) Till the Proposed Amalgamation becomes effective, neither of the Transacting Companies would declare any dividend which are materially different from those declared in the past few years.

c) There would be no significant variation between the draft scheme of arrangement and the final scheme approved and submitted with the relevant authorities.

We have been informed that, in the event either of the Transacting Companies restructure their equity share capital by way of share split/ consolidation/ issue of bonus shares/ merger/ demerger/ reduction of share capital before the Scheme becomes effective, the issue of shares pursuant to the fair share exchange ratio recommended in this Report shall be adjusted accordingly to take into account the effect of any such corporate actions.

This Report is our deliverable for the above engagement and is subject to the scope, assumptions, qualifications, exclusions, limitations and disclaimers detailed hereinafter.

As such, the Report is to be read in totality and not in parts and in conjunction with the relevant documents referred to therein.

SSPA & CO. CHARTERED ACCOUNTANTS REGISTERED VALUER

NIRANJAN KUMAR REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS

SOURCES OF INFORMATION

In connection with this exercise, we have received/ obtained the following information about the Transacting Companies from the Management of the respective Company:

- Audited financial statements of PEL, PCPL and PRECL for the financial year ended 31 March 2023, 31 March 2022 and 31 March 2021;
- Financial Projections of PEL and PCPL from 01 April 2023 to 31 March 2028 which represents the Management's best estimate of the future financial performance of the Transacting Companies ('Management Projections');
- Shareholding pattern of PEL as at 31 March 2023;
- Shareholding pattern of PCPL and PRECL as at Valuation Date;
- Valuation report dated 05 May 2023 with respect to fair valuation of surplus investment property prepared and issued by Mr. Kirthikumar Vitthal Yannam for GVR Valuers & Appraisers LLP, IBBI approved Registered Valuer - Land & Buildings having IBBI Registration No.: IBBI/RV/12/2022/14882;
- Draft Scheme of Amalgamation;
- Discussions with the Managements to obtain requisite explanation and clarification of data provided, to inter-alia understand their perception of historical and expected future performance of PEL and PCPL.
- Information available in public domain and databases such as S&P Capital IQ, Capitaline, NSE, BSE, etc.
- Other relevant information and documents for the purpose of this engagement.

During the discussions with the Management, we have also obtained explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise. Besides the above information and documents, there may be other information provided by the Companies which may not have been perused by us in any detail, if not considered relevant for the defined scope. The Clients have been provided with the opportunity to review the draft report (excluding the recommended fair share exchange ratio) as part of our standard practice to make sure that factual inaccuracy/omissions are avoided in our Report.

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

NIRANJAN KUMAR REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS

PROCEDURES ADOPTED

In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- Requested and received financial and operational information.
- Used data available in public domain related to PEL/ PCPL and their peers.
- Discussions (physical/ over call) with the Management to:
    - Understand the business and fundamental factors that affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance.
    - Enquire about the historical financial performance, current state of affairs, business plans, and the future performance estimates.
- Identification of suitable comparable companies in discussion with the Management.
- Undertook Industry Analysis:
    - Research publicly available market data including economic factors and industry trends that may impact the valuation.
    - Analysis of key trends and valuation multiples of comparable companies using proprietary databases subscribed by us or our network firms.
- Obtained and analysed market prices, volume data and other relevant information for PEL.
- Reviewed the financial projections provided by the Management for PEL and PCPL including understanding basis of preparation and the underlying assumptions;
- Selection of appropriate internationally accepted valuation methodology/ (ies), after deliberations and consideration to the sector in which the Transacting Companies operate and analysis of their business operations.
- Arrived at the equity value of the Transacting Companies in order to determine fair share exchange ratio for the Proposed Amalgamation

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

NIRANJAN KUMAR REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

This Report is subject to the limitations detailed in respective engagement letters. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.

This Report, its contents and the results herein are specific and subject to

- the purpose of valuation agreed as per the terms of our engagement;
- the date of this Report ("Report Date");
- audited financial statements of PEL, PCPL and PRECL for financial year ended 31 March, 2023;
- valuation report dated 05 May 2023 with respect to fair valuation of surplus investment property prepared and issued by Mr. Kirthikumar Vitthal Yannam for GVR Valuers & Appraisers LLP, IBBI approved Registered Valuer - Land & Buildings;
- financial projections as provided by the Management for PEL and PCPL and the assumptions underlying the financial projections;
- accuracy of the information available in public domain with respect to the comparable companies identified including financial information;
- market price reflecting the fair value of the underlying equity shares of PEL; and
- data detailed in the Section- Sources of Information.

We have been informed that the business activities of Transacting Companies have been carried out in the normal and ordinary course between 31 March 2023 and the Report Date and that no material changes have occurred in their respective operations and financial position between 31 March, 2023 and the Report Date.

Valuation analysis and results are specific to the purpose of valuation and as per the agreed terms of the respective engagements. It may not be valid for any other purpose or as of any other date. Also, it may not be valid if done on behalf of any other entity.

A valuation 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. This Report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the fair share exchange ratio for the Proposed Amalgamation. Events 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 recommendation rendered in this Report only represent our recommendation based upon information furnished by the Companies and gathered from public domain (and analysis thereon) and the said recommendation shall be considered to be in the nature of non-binding advice. Our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors.

The decision to carry out the Proposed Amalgamation (including consideration thereof) lies entirely with the Management/ Board of Directors of the respective Company and our work and findings shall not constitute recommendation as to whether or not the Management / the Board of Directors of the Company should carry out the Proposed Amalgamation.

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

NIRANJAN KUMAR REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS

The determination of fair value for arriving at fair 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 indisputable single fair value.

While we have provided our recommendation of the fair share exchange ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion. The final responsibility for the determination of the fair share exchange ratio at which the Proposed Amalgamation shall take place will be with the Board of Directors of the Transacting Companies, who should take into account other factors such as their own assessment of the Proposed Amalgamation 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 respective engagements, we have carried out relevant analysis and evaluations through discussions, calculations and such other means, as may be applicable and available. We have assumed and relied upon, without independently verifying (i) the accuracy of the information that was publicly available, sourced from subscribed databases; and (ii) the accuracy of information made available to us by the Companies; both of which formed a substantial basis for this Report. While information obtained from the public domain or external sources have not been verified for authenticity, accuracy or completeness, we have obtained information, as far as possible, from sources generally considered to be reliable. We assume no responsibility for such information. Our valuation does not constitute an audit or review in accordance with the auditing standards applicable in India, accounting / financial / commercial / legal / tax / environmental due diligence or forensic/ investigation services and does not include verification or validation work. In accordance with the terms of our engagement / appointment letters and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed, certified, carried out a due diligence, or otherwise investigated the historical financials/ financial information or individual assets or liabilities, provided to us regarding the Companies / subsidiary / associates / joint ventures / investee companies, if any. 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 such historical financials / financial statements. 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 they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusion is based on the assumptions and information given by / on behalf of the Companies. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis / results.

It may herein be noted that the projections are responsibility of the Management. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, or examination of any of the historical or prospective information used and therefore, we do not express any opinion with regard to the same.

The 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. This 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 disclosed in the audited / unaudited balance sheets of the Companies. No investigation of Companies' claim to title of assets has been made for the purpose of this Report and Companies' claim to such rights has been

SSPA & CO. ★ REGISTERED VALUER ★ CHARTERED ACCOUNTANTS

NIRANJAN KUMAR REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS

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. Our conclusion of value assumes that the assets and liabilities of the Companies reflected in their respective latest balance sheets remain intact as of the Report Date.

This Report has been prepared for the purposes stated herein and should not be relied upon for any other purpose. Clients are the only authorized user of this Report and is restricted for the purpose indicated in the engagement letter. This restriction does not preclude the Clients from providing a copy of the report to third-party advisors whose review would be consistent with the intended use. We do not take any responsibility for the unauthorized use of this report. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Clients or Companies, their directors, employees or agents. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.

We accept no responsibility or any direct or indirect liability towards any third party including but not limited to any person, who may have been provided a copy of this Report for intended use in connection with the Scheme and hence, no party other than the Client shall have any recourse to us in relation to this engagement. In no event, we shall be liable for any loss, damage, cost or expense arising in any way from any acts carried out by the Companies referred herein or any person connected thereto.

We have not carried out any physical verification of the assets and liabilities of the Transacting Companies and take no responsibility for the identification of such assets and liabilities.

This Report does not look into the business/ commercial reasons behind the Proposed Amalgamation nor the likely benefits arising out of it. 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. This report is restricted to recommendation of fair share exchange ratio for the Proposed Amalgamation only.

We must emphasize that realization of forecasted free cash flow or the realizability of the assets at the values considered in our analysis will be dependent on the continuing validity of assumptions on which they are based. Our analysis therefore, will not, and cannot be directed to providing any assurance about the achievability of the final projections. Since the financial forecasts relate to the future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences could be material. To the extent that our conclusions are based on the forecasts, we express no opinion on achievability of those forecasts. The fact that we have considered the projections in this valuation exercise should not be construed or taken as our being associated with or a party to such projections.

We have been shared a fair valuation report in case of surplus investment property of PEL by Mr. Kirthikumar Vitthal Yannam for GVR Valuers & Appraisers LLP, IBBI approved Registered Valuer - Land & Buildings. We have relied on the same for determination of the fair value of the PEL's Investment Property.

Certain terms of the Proposed Amalgamation are stated in our report, however the detailed terms of the Proposed Amalgamation shall be more fully described and explained in the

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

NIRANJAN KUMAR REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS

Scheme document to be submitted with relevant authorities in relation to the Proposed Amalgamation. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the underlying Scheme.

The valuation analysis and results thereof for recommendation under this Report are governed by concept of materiality.

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

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 to the Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Companies, their directors, employees or agents.

It is understood that this analysis does not represent a fairness opinion. 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 Report is subject to the laws of India.

Neither the 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 purpose of determining the fair share exchange ratio for the Proposed Amalgamation and relevant filings with regulatory authorities in this regard, without our prior written consent.

In addition, this Report does not in any manner address the price at which equity share of PEL shall trade following announcement of the Proposed Amalgamation and we express no opinion or recommendation as to how the shareholders of either of the Companies should vote at any shareholders' meeting(s) to be held in connection with the Proposed Amalgamation. Our report and opinion/ valuation analysis contained herein is not to be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities.

We will owe the responsibility only to the Board of Directors of PEL, PRECL and PCPL

Disclosure of Registered Valuers' Interest or Conflict, if any and other affirmative statements

We do not have any financial interest in the Clients, nor do we have any conflict of interest in carrying out this valuation, as of the date of the engagement letter till the Report Date. We further state that we are not related to the Company or their promoters or their director or their relatives. Further, the information provided by the Management have been appropriately reviewed in carrying out the valuation.

SSPA & CO. ★ CHARTERED ACCOUNTANTS ★ REGISTERED VALUER

NIRANJAN KUMAR REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS

SHAREHOLDING PATTERNS

PEL

As at the 31 March 2023, the shareholding of PEL comprises of 3,20,50,067 equity shares of face value INR 5.0 each.

Shareholding Pattern as at 31 March 2023	No. of shares	% Shareholding
Promoter and Group	1,90,01,227	59.3%
Public	1,30,48,840	40.7%
Total	**3,20,50,067**	**100.0%**

Source: BSE filings

PRECL

As at the Valuation Date, the shareholding of PRECL comprises of 1,00,000 equity shares of face value INR 10.0 each.

Shareholding Pattern as at Valuation Date	No. of shares	% Shareholding
Pitti Engineering Limited*	1,00,000	100.0%
Total	**1,00,000**	**100.0%**

Source: Management Information

**includes shares held by nominees of Pitti Engineering Limited*

Note: We understand that upon Scheme being effective, entire 1,00,000 equity shares held by PEL shall stand cancelled.

PCPL

As at the Valuation Date, the shareholding of PCPL comprises of 12,44,62,500 equity shares of face value INR 10.0 each and 1,23,30,000 redeemable preference shares of INR 10.0 each.

Equity Shares:

Shareholding Pattern as at Valuation Date	No. of shares	% Shareholding
Sharad B Pitti	48,80,000	3.9%
Akshay S Pitti	18,30,000	1.5%
Pitti Electrical Equipment Private Limited	11,36,72,500	91.3%
Pitti Engineering Limited	40,80,000	3.3%
Total	**12,44,62,500**	**100.0%**

Source: Management Information

Note: We understand that upon Scheme being effective, 40,80,000 equity shares held by PEL shall stand cancelled.

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS

Non-Cumulative Non-Participating Compulsory Redeemable Preference Shares (NCNPCRPS):

Shareholding Pattern as at Valuation Date	No. of shares	% Shareholding
Pitti Engineering Limited	1,23,30,000	100.0%
Total	**1,23,30,000**	**100.0%**

Source: Management Information

Note: We understand that upon Scheme being effective, entire preference share capital held by PEL shall stand cancelled.

SSPA & CO. ★ CHARTERED ACCOUNTANTS ★ REGISTERED VALUER

NIRANJAN KUMAR • REGISTERED VALUER NK • SECURITIES OR FINANCIAL ASSETS

APPROACH FOR RECOMMENDATION OF FAIR SHARE EXCHANGE RATIO:

The Proposed Amalgamation contemplates the amalgamation of Amalgamating Companies with PEL. Arriving at the fair share exchange ratio for the Proposed Amalgamation would require determining the relative value of equity shares of Transacting Companies. These values are to be determined independently, but on a relative basis for the Valuation Subjects, without considering the effect of the Proposed Amalgamation.

Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for Proposed Amalgamation and our reasonable judgment, in an independent and bona fide manner.

The Valuation Approach adopted by NK and SSPA is given in Annexure 1A and 1B respectively (Annexure 1A and 1B together referred to as Annexures).

BASIS FOR RECOMMENDATION OF FAIR SHARE EXCHANGE RATIO

a) Recommendation of share exchange ratio for the proposed amalgamation of PCPL with PEL

The basis of the amalgamation of PCPL with PEL would have to be determined after taking into consideration all the factors and methods mentioned hereinabove. Though different values have been arrived at under each of the approaches / methods as mentioned in the Annexures, for the purposes of recommending the fair share exchange ratio of equity shares it is necessary to arrive at a final value for each Valuation Subject. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values of the Valuation Subjects, but at their relative values to facilitate the determination of the fair share exchange ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each approaches / methods.

The fair share exchange ratio has been arrived at on the basis of a relative equity valuation of Valuation Subjects based on the various approaches / methods explained in the Annexures and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Valuation Subjects, having regard to information base, key underlying assumptions and limitations.

While we have provided our recommendation of the fair share 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 fair share exchange ratio. The final responsibility for the determination of the exchange ratio at which the amalgamation of PCPL with PEL shall take place will be with the Board of Directors of the respective Companies who should take into account other factors such as their own assessment of the amalgamation of PCPL with PEL and input of other advisors.

We have independently applied approaches / methods discussed in the Annexures, as considered appropriate, and arrived at the relative value per share of the Companies. To arrive at the consensus on the fair share exchange ratio for the Proposed Amalgamation of PCPL with PEL, suitable minor adjustments / rounding off have been done.

It should be noted that we have not examined any other matter including economic rationale for the Proposed Amalgamation of PCPL with PEL per se or accounting, legal or tax matters involved in the Proposed Amalgamation.

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

NIRANJAN KUMAR REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS

In light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above including scope, limitations and assumptions describe in this report and the engagement letter, we recommend the fair share exchange ratio as follows:

To the equity shareholders of PCPL

*"**1 (One)** equity share of PEL having a face value of INR 5.0 each fully paid-up shall be issued **for every 55 (Fifty-Five)** equity shares held in PCPL having face value of INR 10 each fully paid-up"*

To the preference shareholders of PCPL

"Entire preference share capital of PCPL is held by PEL. The preference shares held by PEL in PCPL would get cancelled upon amalgamation and no further equity / preference shares would be required to be issued to the preference shareholders of PCPL i.e. PEL and thus, the valuation of preference shares is not required."

b) Recommendation of share exchange ratio for the proposed amalgamation of PRECL with PEL

As part of the Scheme, PRECL (i.e. wholly owned subsidiary of PEL) is also proposed to be amalgamated with PEL. Upon Scheme being effective, the entire equity share capital of PRECL held by PEL would get cancelled and no equity shares would be required to be issued to equity shareholders of PRECL i.e. PEL. We have therefore not carried out independent valuation of PRECL for the purpose of arriving at share exchange ratio for the aforesaid proposed amalgamation.

To the equity shareholders of PRECL

"No equity shares of PEL would be required to be issued to the equity shareholders of PRECL (i.e. PEL) for the proposed amalgamation of PRECL with PEL"

Respectfully submitted, **For SSPA & Co.,** **Chartered Accountants** ICAI Firm Registration No: 128851W IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126 Parag S. Ved **Parag Ved, Partner** ICAI Membership No. 102432 Registered Valuer No.: IBBI/RV/06/2018/10092 UDIN: 23102432BGUALE7038 Place: Mumbai Date: 15th June 2023	Respectfully submitted, **Niranjan Kumar** Registered Valuer - Securities or Financial Assets Registration Number: IBBI/RV/06/2018/10137 UDIN: 23121635BGUWUC9225 Place: Pune Date: 15th June 2023

Annexure IA - Valuation Workings NK:

VALUATION APPROACHES

Basis and Premise of Valuation

Valuation of the equity shares of the Companies as on the Valuation Date is carried out in accordance with ICAI VS, considering 'fair value' base and 'going concern value' premise. Any change in the valuation base, or the valuation premise could have a significant impact on the valuation outcome of the Companies.

Basis of Valuation

It means the indication of the type of value being used in an engagement. Fair Value as per ICAI VS is defined as under:

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date."

Premise of Value

Premise of Value refers to the conditions and circumstances how an asset is deployed. Valuation of the Companies is carried out on a Going Concern Value premise which is defined under ICAI VS as under:

"Going concern value is the value of a business enterprise that is expected to continue to operate in the future. The intangible elements of going concern value result from factors such as having a trained work force, an operational plant, the necessary licenses, systems, and procedures in place, etc."

It should be understood that the valuation of any business/ company/ shares or its assets is inherently imprecise and is subject to various 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 market, industry performance, general business and economic conditions, many of which are beyond the control of the company.

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 purpose, 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 similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

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

1. Asset Approach – Net Asset Value method
2. Market Approach:
    a) Market Price method
    b) Comparable Companies Market Multiple method
3. Income Approach – Discounted Cash Flow method

For the Proposed Amalgamation, we have considered the following commonly used and accepted methods for determining the value of equity shares of the Transacting Companies for the purpose of recommending fair share exchange ratio to the extent relevant and applicable:

1. Asset Approach - Net Asset Value Method ('NAV')

The asset-based value analysis 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 methodology is likely to be appropriate for business which derives value mainly from the underlying value of its assets rather than its earnings. This value analysis approach may also be used in case where the firm is to be liquidated or in case where the assets base dominates earning capability. It is also used where the main strength of the business is its asset backing rather than its capacity or potential to earn profits.

PEL and PCPL

In the present case both PEL and PCPL operate as going concern and there is no intention to dispose of the assets. In such a going concern scenario the relative earning power, as reflected under the income and market approaches is of greater importance for arriving at the value as compared to the value arrived on the Net Asset Value basis considering the realisable value of the assets recorded in the books. Further PEL and PCPL have self generated intangibles in the form of proprietary processes and products which are not currently recorded in the financial statements of both companies, hence the value arrived under the Net Asset Value Method will not represent the intrinsic value of the business. Accordingly, we have not adopted Net Asset Value method for valuing equity share of PEL and PCPL respectively.

2. 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 shares 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.

PEL

In the present case, equity shares of PEL are listed on NSE and BSE, they are widely held, regularly and frequently traded with reasonable volumes on both the exchanges. We have therefore used the market price method to value the equity shares of PEL.

PCPL

The equity shares of PCPL are not listed on any stock exchange, we have therefore not used market price method to arrive at the equity value of PCPL.

SSPA & CO. ★ CHARTERED ACCOUNTANTS ★ REGISTERED VALUER

NIRANJAN KUMAR REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS

b) Comparable Companies' Multiple (CCM) / Comparable Transactions Multiples (CTM) Method

Under CCM, the value of shares/ business of a company is determined based on market multiples of publicly traded comparable 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. CCM applies multiples derived from similar or 'comparable' publicly traded companies. Although no two companies are entirely alike, the companies selected as comparable companies should be engaged in the same or a similar line of business as the subject company. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

PEL

Based on our analysis and discussion with the Management, we understand that there are no comparable listed companies which operate in a similar line of business having similar financial/ operating metrics as that of PEL. We have therefore not used CCM method to value the equity shares of PEL.

PCPL

Based on our analysis and discussion with the Management, we understand that there are comparable listed companies which operate in a similar line of business having similar financial/ operating metrics as that of PCPL, we have therefore used CCM Method to value the equity shares of PCPL.

Under CTM, the value of shares/ business of a company is determined based on market multiples of publicly disclosed transactions in the similar space as that of the subject company. Multiples are generally based on data from recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

PEL and PCPL

Based on our analysis and discussion with the Management, we understand that there are no recent comparable transactions, data of which is available in public domain, involving companies of similar nature and having a similar operating/ financial metrics as that of PCPL and PEL, we have therefore not used CTM method to value the equity shares of these Companies.

3. Income Approach - Discounted Cash Flows Method ('DCF')

DCF method values a business based upon the available cash flow a prudent investor would expect the subject business to generate over a given period of time. This method is used to determine the present value of a business on a going concern assumption and recognizes the time value of money by discounting the free cash flows for the explicit forecast period and the perpetuity value at an appropriate discount factor. Free cash flows are the cash flows expected to be generated by the company that are available for distribution to both the owners of and lenders to the business. The terminal value represents the total value of the available cash flow for all periods subsequent to the forecast period. The terminal value of the business at the end of the forecast period is estimated and discounted to its equivalent present value and added to the present value of the explicit forecast period cash flow to estimate the value of the business.

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NIRANJAN KUMAR REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS

The projected free cash flows are discounted by the Weighted Cost of Capital (WACC) to arrive at the enterprise value. The WACC represents the returns required by the investors of both debt and equity weighed to their relative funding in the entity.

PEL and PCPL are profit making companies and generate surplus cash which is expected to continue going forward, we have therefore used DCF Method to arrive at the equity value of PEL and PCPL.

Fair share exchange ratio

A. Amalgamation of PCPL with PEL:

Valuation Approach	PEL (A)		PCPL (B)	
	Value per share (INR)	Weights (%)	Value per share (INR)	Weights (%)
Asset Approach - Net Asset Value ('NAV') Method	NA#	0.0%	NA#	0.0%
Income Approach - Discounted Cash Flows ('DCF') Method	398.33	50.0%	6.84	50.0%
Market Approach				
- Market Price Method	376.29	50.0%	NA^	0.0%
- Comparable Companies Multiple ('CCM') Method	NA*	0.0%	7.25	50.0%
Relative value per share	**387.31**	**(A)**	**7.04**	**(B)**
Share exchange ratio round off (B)/(A)				**0.0182**
Recommended share exchange ratio (for every 55 shares of PCPL)				**1**

NA: Not Adopted

Asset Approach – NAV Method

PEL and PCPL currently operate as going concern and NAV Method does not value the future profit earning potential of the business, we have therefore not used this method to arrive at the equity value of PEL and PCPL.

^ Market Price Method

Equity shares of PCPL are not listed on any stock exchange, hence we have not used this method to arrive at the equity value of PCPL.

* Comparable Companies Multiple (‘CCM’) Method

There are no comparable listed companies which operate in a similar line of business having similar financial/ operating metrics as that of PEL. We have therefore not used CCM method to value the equity shares of these PEL.

B. Amalgamation of PRECL with PEL:

Valuation Approach	PEL (A)		PRECL (B)	
	Value per share (INR)	Weights (%)	Value per share (INR)	Weights (%)
Asset Approach - Net Asset Value ('NAV') Method	NA	0.0%	NA	0.0%
Income Approach - Discounted Cash Flows ('DCF') Method	398.33	50.0%	NA	0.0%
Market Approach				
- Market Price Method	376.29	50.0%	NA	0.0%
- Comparable Companies Multiple ('CCM') Method	NA	0.0%	NA	0.0%
Relative value per share	**387.31**	**(A)**	**NA**	**(B)**
Share exchange ratio round off (B)/(A)				**Nil***
Recommended share exchange ratio				**Nil***

NA: Not Adopted

*PRECL is wholly owned subsidiary of PEL. Upon Scheme being effective, the entire equity share capital of PRECL held by PEL would get cancelled and no equity shares would be required to be issued to equity shareholders of PRECL i.e. PEL. We have therefore not carried out independent valuation of PRECL for the purpose of arriving at share exchange ratio for the aforesaid proposed amalgamation.

SSPA & CO. CHARTERED ACCOUNTANTS REGISTERED VALUER

NIRANJAN KUMAR REGISTERED VALUER SECURITIES OR FINANCIAL ASSETS

Annexure IB - Valuation Workings SSPA:

VALUATION APPROACHES

Basis and Premise of Valuation

Valuation of the equity shares of the Companies as on the Valuation Date is carried out in accordance with ICAI VS, considering 'relative value' base and 'going concern value' premise. Any change in the valuation base, or the valuation premise could have a significant impact on the valuation outcome of the Companies.

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

1. Cost Approach – Net Asset Value method
2. Market Approach:
    a) Market Price method
    b) Comparable Companies Multiple method
3. Income Approach – Discounted Cash Flow method

Each of the aforesaid approaches proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance, to a given situation. Thus, the approach to be adopted for a particular valuation exercise must be judiciously chosen.

For the Proposed Amalgamation, we have considered the following commonly used and accepted methods for determining the value of equity shares of the Transacting Companies for the purpose of recommending fair share exchange ratio to the extent relevant and applicable:

1. Cost Approach - Net Asset Value Method ('NAV')

The Cost Approach reflects the amount that would be required currently to replace the service capacity of an asset; often referred to as current replacement cost.

PEL and PCPL

In the present case, the business of PEL and of PCPL is intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the Cost Approach is not adopted for the present valuation exercise.

2. Market Approach

a) Market Price Method

The market price of an equity share as quoted on a stock exchange is normally considered as the fair 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.

PEL

In the present case, the equity shares of PEL are listed on NSE and BSE. The value of equity shares of PEL under this method is determined considering the share prices of PEL on NSE over an appropriate period.

PCPL

In the present case, the equity shares of PCPL are not listed on any recognised stock exchange, Therefore, Market Price Method cannot be considered for valuation of equity shares of PCPL.

b) Comparable Companies' Multiple (CCM) / Comparable Transactions Multiples (CTM) Method

Under CCM method, the value of equity shares of companies is determined by using multiples derived from valuations of comparable 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.

PEL

Since the equity shares of PEL are listed and traded on recognised stock exchanges, we have considered Market Price Method for valuation of equity shares of PEL under Market Approach.

PCPL

In the present case, PCPL has been valued based on EV/EBITDA multiple of comparable listed companies to arrive at the fair value per share of PCPL under Market Approach.

Under CTM, the value of shares/ business of a company is determined based on market multiples of publicly disclosed transactions in the similar space as that of the subject company. Multiples are generally based on data from recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

PEL and PCPL

Based on our analysis and discussion with the Management, we understand that there are no recent comparable transactions, data of which is available in public domain, involving companies of similar nature and having a similar operating/ financial metrics as that of PCPL and PEL, we have therefore not used CTM method to value the equity shares of these Companies.

3. Income Approach - Discounted Cash Flows Method ('DCF')

Under Income Approach, equity shares of PEL and PCPL are valued using Discounted Cash Flow ('DCF') Method.

Under DCF method, the projected free cash flows from business operations, after considering fund requirements for projected capital expenditure and incremental working capital, are discounted at the Weighted Average Cost of Capital (WACC). The sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business.

The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are determined by adding back to earnings before interest and tax (i) depreciation and amortizations (non-cash charge), and (ii) any non-operating item. The cash flow is adjusted for outflows on account of (i) capital expenditure, (ii) incremental working capital requirements and (iii) tax.

WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the company. In other words, WACC is the weighted average of cost of equity and cost of debt of the respective Companies.

To the value so arrived, appropriate adjustments have been made for preference share, loan funds, contingent liabilities, cash and cash equivalents, value of investments, and value of investment property, to arrive at the equity value.

Fair share exchange ratio:

A. Amalgamation of PCPL with PEL:

(INR)

Valuation Approach	PEL		PCPL	
	Value per Share	Weights	Value per Share	Weights
Asset Approach*	NA	NA	NA	NA
Income Approach				
- DCF Method	407.62	50.0%	7.15	50.0%
Market Approach				
- MP Method#	364.88	50.0%	NA	NA
- CCM Method&	NA	NA	6.90	50.0%
Relative value per share	**386.25**		**7.03**	
Fair Equity Share Exchange Ratio		**1 : 55**		

NA = Not Applied / Not Applicable

** Since, the business of PEL and PCPL are both intended to be continued on a 'going concern basis' and there is no intention to dispose off the assets, therefore the Asset (Cost) Approach is not adopted for the present valuation exercise.*

 # Since, the equity shares of PCPL are not listed on any recognised stock exchange, Therefore, Market Price Method cannot be considered for valuation of equity shares of PCPL.

& Since the equity shares of PEL are listed and traded on recognised stock exchanges, we have considered Market Price Method for valuation of equity shares of PEL under Market Approach.

B. Amalgamation of PRECL with PEL:

(INR)

Valuation Approach	PEL		PRECL	
	Value per Share	Weights	Value per Share	Weights
Asset Approach*	NA	NA	NA	NA
Income Approach				
- DCF Method	407.62	50.0%	NA	NA
Market Approach				
- MP Method	364.88	50.0%	NA	NA
Relative value per share	**386.25**		**NA**	
Fair Equity Share Exchange Ratio		**Nil#**		

NA = Not Applied / Not Applicable

**Since, the business of PEL is intended to be continued on a 'going concern basis' and there is no intention to dispose off the assets, therefore the Asset (Cost) Approach is not adopted for the present valuation exercise.*

 # PRECL is wholly owned subsidiary of PEL. Upon Scheme being effective, the entire equity share capital of PRECL held by PEL would get cancelled and no equity shares would be issued to equity shareholders of PRECL i.e. PEL. We have therefore not carried out independent valuation of PRECL for the purpose of arriving at share exchange ratio for the aforesaid proposed amalgamation of PRECL with PEL.

SSPA & CO. ★ REGISTERED VALUER ★ CHARTERED ACCOUNTANTS

NIRANJAN KUMAR REGISTERED VALUER NK SECURITIES OR FINANCIAL ASSETS