

**S.R. BATLIBOI & Co. LLP**  
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Dated: 31 July 2017

To

|   |  |
|---|--|
| <b>The Board of Directors</b><br><br><b>Igarashi Motors India Limited</b><br>Plot No. B-12 to B-15, Phase II,<br>MEPZ-SEZ, Tambaram<br>Chennai – 600 045, TN,<br>India. | <b>The Board of Directors</b><br><br><b>Agile Electric Sub Assembly Private Limited</b><br>Plot No. A-33 & A-36, Phase I,<br>MEPZ-SEZ, Tambaram,<br>Chennai – 600 045, TN,<br>India. |
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**Sub: Recommendation of fair equity share exchange ratio for the proposed merger of Agile Electric Sub Assembly Private Limited into Igarashi Motors India Limited**

Dear Sir / Madam,

We refer to the engagement letter dated 30 September 2016 and addendum letter dated 09 May 2017 whereby Igarashi Motors India Limited (hereinafter after referred to as “IMIL”) and Agile Electric Sub Assembly Private Limited (hereinafter after referred to as “AESPL”) have requested S.R. Batliboi & Co. LLP (hereinafter referred to as “SRBC”, ‘we’, or ‘us’) to recommend a fair equity share exchange ratio for the proposed merger of AESPL into IMIL (the “Transaction” or the “Proposed Merger”).

Further, we refer to the communication received by IMIL on 10 July 2017 from the National Stock Exchange wherein the stock exchange has requested for a revised report based on certain observations on our report dated 26 May 2017 and addendum to the report dated 8 June 2017 (together these are referred to as ‘reports’).

We have accordingly revised our earlier report taking into account the observations of the stock exchange. This report supersedes the previous reports and all other communications.

IMIL and AESPL are together hereinafter referred to as the ‘Companies’. The management of IMIL and AESPL is together hereinafter referred to as the ‘Management’.

#### SCOPE AND PURPOSE OF THIS REPORT

IMIL is an Indian listed company incorporated on 10 January 1992. IMIL is engaged in the business of assembling DC motors and actuation systems for various automotive and non-automotive applications, manufacture of sub-assemblies that go into a DC motor and production of certain parts of electric motors. The registered office of IMIL is situated at Plot No. B-12 to B-15, Phase II, MEPZ-SEZ, Tambaram, Chennai – 600 045, Tamil Nadu. For the year ended 31 March 2017, it reported total revenue of ₹ 5,226 million with profit after tax of ₹ 738 million.



**IGARASHI MOTORS INDIA LIMITED**

  
**P. DINAKARA BABU**  
COMPANY SECRETARY

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AESPL is an unlisted limited company engaged in the business of manufacture, fabrication, repair, maintenance, purchase, sale of all types of electric generators, alternators, sub-assemblies, parts for sub-assemblies, production of AC motors and assembly lines for electric motors. AESPL also holds 41.92% stake in IMIL. The registered office of AESPL is situated at Plot No. A-33 & A-36, Phase I, MEPZ-SEZ, Tambaram, Chennai – 600 045, Tamil Nadu. For the year ended 31 March 2017, it reported total revenue of ₹ 3,627 million with profit after tax of ₹ 345 million.

We understand that the Management of the Companies are contemplating a merger of AESPL into IMIL and this process would take place under a scheme of arrangement under Section 230 to 240 of the Companies Act 2013. In this regard, 01 April 2017 has been considered as the appointed date for the Proposed Merger.

For the aforesaid purpose the Board of Directors of IMIL and AESPL have appointed SRBC to submit a report recommending the fair equity share exchange ratio for the Proposed Merger of AESPL into IMIL.

We have been provided with the audited financials of IMIL and AESPL for the financial year ended 31 March 2017. The Management has informed us that they do not expect changes in the business till the effective date, which are not in ordinary course. We have relied on the above for the purposes of our analysis.

This report is our deliverable in respect of our recommendation of fair equity share exchange ratio for the Proposed Merger of AESPL into IMIL.

This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

#### **SOURCES OF INFORMATION**

In connection with this exercise, we have used the following information received from the Management:

- With respect to AESPL
  - Audited financial statements of AESPL for year ended 31 March 2012 to 31 March 2017
  - Overview of the AESPL along with product description, product wise revenue breakup and geographical breakup of revenues
  - Annual report of Beta Wind Farm Private Limited for the year ended 31 March 2016
  - Details of contingent liabilities
  - Brief description of the investments/subsidiaries of AESPL
- With respect to IMIL
  - Annual report of IMIL for years ended 31 March 2012 to 31 March 2016 and audited consolidated financials for year ended 31 March 2017



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- Audited financial statements of Bosch Electric Drives India Private Limited for year ended 31 December 2012 to 31 March 2016
- Overview of the IMIL along with product description, product wise revenue breakup and geographical breakup of revenues
- Details of contingent liabilities
- Brief description of the investments/subsidiaries of IMIL
- Draft scheme of arrangement

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

Apart from the above, publicly available information and proprietary data bases subscribed to by us were also utilized.

During the discussions with the Management, we have also obtained explanations and information considered reasonably necessary for our exercise. The Companies have been provided with the opportunity to review the draft report (excluding our conclusion) as part of our standard practice to ensure that factual inaccuracies / omissions are avoided in our final report.



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**SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND  
DISCLAIMERS**

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this report and (iii) are based on the audited balance sheet of the Companies as at 31 March 2017.

The Management have represented to us that the business activities of IMIL and AESPL have been carried out in the normal and ordinary course between 31 March 2017 and the report date and that no material adverse change has occurred in their respective operations and financial position between 31 March 2017 and the report date.

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. 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.

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuer and judgment taking into accounts all the relevant factors. There will always be several factors, e.g. quality and integrity of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information till date, furnished by the Management (or its representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

The determination of fair equity 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 judgement. There is, therefore, no indisputable single result. While we have provided our recommendation of the fair equity 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 share exchange ratio. The final responsibility for the determination of the fair equity share exchange ratio at which the Proposed Merger shall take place will be with the Board of Directors of IMIL/AESPL, who should take into account other factors such as their own assessment of the Proposed Merger and input of other advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, technical, financial and operating data. In accordance with the terms of our



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engagements and as is customary in valuations, we have assumed and relied upon, without independent verification, the accuracy of information made available to us by the Companies. We have not audited, reviewed or otherwise investigated the financial information provided to us. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the 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 conclusions are 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. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the report. Also, we assume no responsibility for technical information furnished by the Companies.

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. 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 financial statements of the Companies.

We are not advisors with respect to legal and regulatory matters for the Proposed Merger. This report does not look into the business/ commercial reasons behind the Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. We express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders' meeting(s) to be held in connection with the Transaction.

The fee for the engagement is not contingent upon the recommendation of this report. We owe responsibility to only the Boards of Directors of IMIL and AESPL that have appointed us under the terms of our engagement letter and nobody else. We do not accept any liability to any third party in relation to the issue of this report. It is understood that this analysis does not represent a fairness opinion.

This valuation report is subject to the laws of India.

Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed scheme of arrangement, without our prior written consent.





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### SHARE CAPITAL DETAILS OF THE COMPANIES

#### Igarashi Motors India Limited

The current issued, subscribed and paid up equity share capital of IMIL is ₹ 306.1 mn, consisting of 30,608,444 equity shares of face value of ₹ 10 each fully paid up. The shareholding pattern is as follows:

| Shareholders                                | Number of shares  | % shareholding |
|---|-------------------|----------------|
| <b>Promoter and Promoter Group</b>          |                   |                |
| Mr. P. Mukund                               | 6,658,033         | 21.75%         |
| Igarashi Electric Works Limited, Japan      | 967,648           | 3.16%          |
| Igarashi Electric Works (H.K) Limited       | 2,499,993         | 8.17%          |
| Agile Electric Sub Assembly Private Limited | 12,830,659        | 41.92%         |
| <b>Public</b>                               | 7,652,111         | 25.0%          |
| <b>Grand total</b>                          | <b>30,608,444</b> | <b>100.0%</b>  |

Source: BSE filing (As at 31 March 2017)

#### Agile Electric Sub Assembly Private Limited

The issued, subscribed and paid up equity share capital of AESPL as at 31 March 2017 is ₹ 530.9 mn consisting of 53,089,254 equity shares of ₹ 10 each fully paid up. The shareholding pattern as at 31 March 2017 is as follows:

| Shareholders                           | Number of shares  | % shareholding |
|--|-------------------|----------------|
| Igarashi Electric Works Limited, Japan | 29,308,000        | 55.2%          |
| Alpha FDI Holdings                     | 15,630,934        | 29.4%          |
| Mape Securities                        | 4,591,587         | 8.6%           |
| Tata Capital Growth Fund - I           | 2,442,333         | 4.6%           |
| Mr. P. Mukund                          | 250,000           | 0.5%           |
| Igarashi Electric Works (H.K) Limited  | 866,400           | 1.6%           |
| <b>Grand total</b>                     | <b>53,089,254</b> | <b>100.0%</b>  |

Source: Management



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**APPROACH - BASIS OF THE MERGER**

We understand from the Management that the proposed scheme of arrangement contemplates merger of AESPL into IMIL under the provisions of Section 230 to 240 of the Companies Act, 2013. Arriving at the fair equity share exchange ratio for the Proposed Merger would require determining the relative value of IMIL and AESPL. These values are to be determined independently without considering the current merger or possible upside on account of synergies, and hence do not include any possible strategic premium.

There are several commonly used and accepted methods for determining the fair value of the Companies, which have been considered in the present case, to the extent relevant and applicable, including:

1. Price of Recent Investment method
2. Market Price method
3. Net Asset Value method

It should be understood that the valuation of any business / 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 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 business / companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner, based on our previous experience of assignments of a similar nature.

**Price of Recent Investment method (PORI)**

Under this method, recent investment/transaction in the business between two unrelated parties is considered as the base value if there are no substantial changes since the transaction.

We understand that, on 28 April 2017, Mr. P. Mukund signed a share purchase agreement with Alpha FDI Holdings and Tata Capital Growth Fund, to acquire their entire stake (34.04%) in AESPL at a share price of ₹ 235.15 per equity share. Further, the proposed acquisition of 34.04% stake in AESPL resulted in indirect acquisition of IMIL. Consequently, as per the SEBI Takeover Regulations, Mr. P. Mukund along with AESPL have made an open offer to the shareholders of IMIL for purchasing 26% stake in IMIL.

We have considered the above mentioned transaction for the valuation of AESPL considering that the transaction took place between two unrelated, knowledgeable and willing parties and can be considered to be an arms length transaction.



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**Market Price ("MP") Method**

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger/demerger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

Since the equity shares of IMIL are listed on the Bombay Stock Exchange and the National Stock Exchange, we have considered it appropriate to use the Market Price Method for valuing the shares of IMIL.

Further, as per SEBI circular nos. CFD/DIL3/CIR/2017/21 and CFD/DIL3/CIR/2017/21 dated 10 March 2017 and 23 March 2017, respectively, if the equity shares of the issuer have been listed on a recognized stock exchange for a period of twenty six weeks or more as on the date of the board meeting, the equity shares shall be allotted at an average of weekly high and low of the volume weighted average price (VWAP) during the preceding twenty six weeks from the date of board meeting or preceding two weeks, whichever is higher. Further, as per SEBI, Issue of Capital and Disclosure Requirements Regulations, in case where the relevant date/date of board meeting in which the scheme of arrangement is approved falls on a weekend/holiday, the day preceeding the weekend/holiday should be considered as the relevant date. Considering that the board meeting for the approval of the scheme of arrangement was held on 27 May 2017, the relevant date has been considered to be 26 May 2017.

Considering the above and in compliance with the SEBI circulars, we have arrived at a per share value of ₹ 859.97 for IMIL. Please refer Annexure – I for computation.

This method could not be used for AESPL.

**Net Asset Value (NAV) Methodology**

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis.

We have not considered NAV method as asset values reflected in-books of accounts are generally not a true indicator of the future distributable cash/profit generating ability of the businesses which is widely regarded as the true determinant of value of assets for most of the industries. The asset values recorded in books of accounts are also impacted by accounting policies which may be discretionary at times.





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**BASIS OF THE MERGER**

The basis of merger of AESPL into IMIL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove.

As discussed above, we have applied Market Price method and PORI method for the valuation of IMIL and AESPL, respectively. Suitable rounding off may have been done in the values arrived at for the purpose of arriving at a whole number recommendation.

We have thus arrived at an equity value of ₹ 859.97 per share for IMIL and ₹ 235.15 per share for AESPL.

| Valuation approach*             | IMIL          |        | AESPL         |        |
|---------------------------------|---------------|--------|---------------|--------|
|                                 | Value         | Weight | Value         | Weight |
|                                 | ₹/share       | %      | ₹/share       | %      |
| Asset approach                  | 120.99        | 0%     | 43.77         | 0%     |
| Income approach                 | NA            | NA     | NA            | NA     |
| Market approach**               | 859.97        | 100%   | 235.15        | 100%   |
| <b>Relative value per share</b> | <b>859.97</b> |        | <b>235.15</b> |        |
| <b>Exchange ratio</b>           | <b>3.6571</b> |        |               |        |

\* Please refer Annexure I and II details of valuation workings

\*\* For AESPL we have applied PORI

In light of the above, and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the exchange ratio of 35 equity shares of IMIL (of ₹ 10/- each fully paid up) for every 128 equity shares of AESPL (of ₹ 10/- each fully paid up).

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

Respectfully submitted,

S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

Ravi Bansal

Partner

Membership No: 49365

Place: Mumbai

Date: 31 July 2017



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**Annexure – I**

| Week | From Date | To Date   | VWAP  |       |
|------|-----------|-----------|-------|-------|
|      |           |           | High  | Low   |
| 1    | 19-May-17 | 25-May-17 | 880.8 | 832.3 |
| 2    | 12-May-17 | 18-May-17 | 867.9 | 858.9 |
| 3    | 05-May-17 | 11-May-17 | 907.7 | 877.2 |
| 4    | 28-Apr-17 | 04-May-17 | 910.2 | 807.2 |
| 5    | 21-Apr-17 | 27-Apr-17 | 803.3 | 786.9 |
| 6    | 17-Apr-17 | 20-Apr-17 | 781.5 | 776.6 |
| 7    | 07-Apr-17 | 13-Apr-17 | 803.7 | 787.9 |
| 8    | 31-Mar-17 | 06-Apr-17 | 818.5 | 800.6 |
| 9    | 24-Mar-17 | 30-Mar-17 | 820.2 | 801.1 |
| 10   | 17-Mar-17 | 23-Mar-17 | 814.5 | 791.6 |
| 11   | 10-Mar-17 | 16-Mar-17 | 813.6 | 768.5 |
| 12   | 03-Mar-17 | 09-Mar-17 | 793.0 | 765.7 |
| 13   | 27-Feb-17 | 02-Mar-17 | 796.1 | 760.9 |
| 14   | 17-Feb-17 | 23-Feb-17 | 761.0 | 751.7 |
| 15   | 10-Feb-17 | 16-Feb-17 | 768.3 | 757.1 |
| 16   | 03-Feb-17 | 09-Feb-17 | 787.4 | 766.3 |
| 17   | 27-Jan-17 | 02-Feb-17 | 749.7 | 720.7 |
| 18   | 20-Jan-17 | 25-Jan-17 | 721.8 | 712.9 |
| 19   | 13-Jan-17 | 19-Jan-17 | 730.7 | 716.9 |
| 20   | 06-Jan-17 | 12-Jan-17 | 731.4 | 718.7 |
| 21   | 30-Dec-16 | 05-Jan-17 | 735.3 | 711.3 |
| 22   | 23-Dec-16 | 29-Dec-16 | 709.4 | 679.7 |
| 23   | 16-Dec-16 | 22-Dec-16 | 738.8 | 715.3 |
| 24   | 09-Dec-16 | 15-Dec-16 | 730.7 | 702.8 |
| 25   | 02-Dec-16 | 08-Dec-16 | 730.0 | 721.0 |
| 26   | 25-Nov-16 | 01-Dec-16 | 727.7 | 712.6 |

| Particulars   | 26 weeks | 2 weeks |
|---|----------|---------|
| Average of weekly high and low VWAP as on 25 May 2017 | 773.76   | 859.97  |



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**Annexure – II**

## Net Asset Value of IMIL as at 31 March 2017

| Currency: ₹mn                                | Mar17          | Mar17          |
|--|----------------|----------------|
| Net block of fixed assets                    |                | 1,605.1        |
| Investments                                  |                | 1,750.1        |
| Current assets                               |                |                |
| Inventories                                  | 443.5          |                |
| Sundry debtors                               | 1,032.6        |                |
| Loans and advances                           | 469.7          |                |
| Cash and bank balances                       | 102.6          |                |
|  | <u>2,048.3</u> |                |
| Current liabilities and provisions           |                |                |
| Current liabilities                          | 296.9          |                |
| Trade payables                               | 847.4          |                |
| Provisions                                   | 363.7          |                |
|  | <u>1,508.0</u> |                |
| Net current assets (NCA)                     |                | <u>540.3</u>   |
| Loan funds                                   |                | 85.2           |
| Deferred tax liability                       |                | 106.9          |
| <b>Net equity value</b>                      |                | <b>3,703.4</b> |
| <b>Number of equity shares (in millions)</b> |                | <b>30.6</b>    |
| <b>Value per equity share (₹/share)</b>      |                | <b>120.9</b>   |

## Net Asset Value of AESPL as at 31 March 2017

| Currency: ₹mn                                | Mar17          | Mar17          |
|--|----------------|----------------|
| Net block of fixed assets                    |                | 1,885.5        |
| Investments                                  |                | 912.8          |
| Current assets                               |                |                |
| Inventories                                  | 314.6          |                |
| Sundry debtors                               | 831.1          |                |
| Loans and advances                           | 293.0          |                |
| Cash and bank balances                       | 65.7           |                |
|  | <u>1,504.4</u> |                |
| Current liabilities and provisions           |                |                |
| Trade payables                               | 457.4          |                |
| Other current liabilities                    | 114.7          |                |
| Provisions                                   | 126.4          |                |
|  | <u>698.4</u>   |                |
| Net current assets (NCA)                     |                | <u>806.0</u>   |
| Loan funds                                   |                | 1,085.0        |
| Deferred tax liability                       |                | 200.0          |
| <b>Net equity value</b>                      |                | <b>2,319.2</b> |
| <b>Number of equity shares (in millions)</b> |                | <b>53.1</b>    |
| <b>Value per equity share (₹/share)</b>      |                | <b>43.8</b>    |

