

T. Pompapathy & Co.
Chartered Accountants

T-7, 3rd Floor,
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Tel: 26701670, 41324200

28th June, 2103

STRICTLY PRIVATE & CONFIDENTIAL

The Board of Directors

Rane (Madras) Limited

Maithri 132, Cathedral Road,
Chennai - 600 086

The Board of Directors

Rane Diecast Limited

Maithri 132, Cathedral Road,
Chennai - 600 086

Sub: Report on recommendation of share exchange ratio for issue of Cumulative Redeemable Preference Shares of Rane (Madras) Limited ("RML") to the preference shareholders of Rane Diecast Limited ("RDL") in consideration for the amalgamation of RDL with RML.

Dear Sirs,

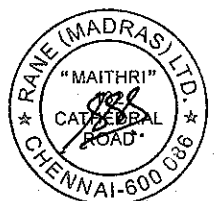
We have been requested by the management of Rane (Madras) Limited, a company incorporated under the Indian Companies Act, 1956 engaged in the manufacture of steering and suspension systems for the automobile industry, to recommend a ratio for the issue of its cumulative redeemable preference shares to the preference shareholders of Rane Diecast Limited for the purpose as set out in Para 1 below



CERTIFIED TRUE COPY

For Rane (Madras) Limited


S Subra Shree
Secretary



T. Pompapathy & Co.

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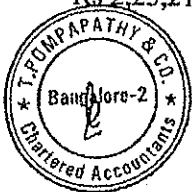
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1. Background & Objective

- 1.1 Rane (Madras) Limited ("Transferee Company") is a public limited company and was founded in 1960. The registered office of RML is in Chennai. RML operates as a subsidiary of Rane Holdings Limited. RML is listed on Bombay Stock Exchange Limited ("BSE") and National Stock Exchange of India Limited ("NSE"). RML is engaged in the manufacture of steering and suspension systems for the automobile industry. It offers its products to passenger cars, multi utility vehicles, light commercial vehicles, heavy commercial vehicles and farm tractors.
- 1.2 Rane Diecast Limited ("Transferor Company") is a public limited company and was founded in 1996 as Soubhagya Diecast Limited and changed its name to Rane Diecast Limited in November 2005. The registered office of RDL is in Chennai. RDL operates as a subsidiary of Rane Holdings Limited. RDL is engaged in die-casting solutions for auto, luminaries and engineering industries. Its services include design, development and machined aluminum casting components and sub-assemblies.
- 1.3 The list of preference shareholders of RDL as on 31st March 2013 is :-

List of Preference Shareholder of RDL as on 31 st March 2013				
Name of the Shareholder	No. of 9.25% Cumulative Redeemable Preference Shares	Face Value per Share	Total Value of 9.25% Cumulative Redeemable Preference Shares	% age of shareholding
Rane Holdings Limited	60,00,000	Rs 10/- per share	Rs 6,00,00,000/-	100 per cent

- 1.4 The above preference shares are redeemable within a period not exceeding 10 years from the date of its issue. Further, the arrears of dividend on these shares as on 31st March 2013 was Rs 2,23,21,644/-.



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- 1.5 The respective boards of the companies propose to merge RDL into RML by implementing a Scheme of Amalgamation under the provisions of Sections 391-394 of the Companies Act, 1956, ("Scheme of Amalgamation").
- 1.6 We have been informed that the appointed date for the amalgamation is 1st April, 2013.
- 1.7 We have been requested by the Boards of the Companies to submit a report recommending a fair exchange ratio of the cumulative redeemable preference shares in connection with the transaction.

2. Rationale of Amalgamation

The managements of RDL and RML have given the following rationale for consolidation and proposing amalgamation of RDL with RML:

- 2.1 The amalgamation of RDL with RML is being proposed for the purpose of developing the potential for further growth and expansion of their respective businesses and to have better synergies, optimization of resources and fund raising capabilities.
- 2.2 The amalgamation will enable the companies concerned to rationalize and streamline their management, business and finances and will pave better, more productive and economical control of running of the operations.
- 2.3 As a whole, the amalgamation will be in the best interests of all the stakeholders, Equity Shareholders, Preference Shareholders, Creditors, Employees and everyone having dealings in the course of trade with the companies.

3. Sources of Information

For the purposes of this exercise, we have relied upon the following sources of information:



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- 3.1 Audited financial statements of RDL and RML for the year ended March 2013;
- 3.2 Details and workings on the arrears of dividends on the preference shares as on 31st March 2013;
- 3.3 Information and documents as provided by the Companies for the purposes of this engagement;
- 3.4 We have also obtained explanations and information considered reasonably necessary for our exercise, from the executives and representatives of the Companies.
- 3.5 We have not carried out any further due diligence or other tests on the data provided to us.

4. Exclusions and Limitations

Our report is subject to the scope limitations 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.

- 4.1 Our work does not constitute certification of the historical financial statements including the working results of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of providing exchange ratio for the preference shareholders of RDL in consideration of merger of RDL with RML.
- 4.2 This report is issued on the understanding that the Companies have drawn our attention to all material information, 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 value of the preference shares of the Companies for the purpose of the proposed merger, including any significant changes that have taken place or are likely to take place in the financial position of the Companies, subsequent to the report date. We have no responsibility to update this report for events and circumstances occurring after the date of this report.



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- 4.3 Our report should not be construed as our opinion or certifying the compliance with the provisions of any law including company and taxation laws or as regards any legal, accounting or taxation implications or issues.
- 4.4 This report is prepared only in connection with the proposed merger exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required under any law.
5. Working adopted for the purpose of share exchange ratio:-
- 5.1 Working for the number of cumulative redeemable preference shares of RML to be issued to the preference shareholders of RDL:-

Particulars	No. of Preference Shares	of Face Value per Share	Total Value of 9.25% Cumulative Redeemable Preference Shares
9.25% Cumulative Redeemable Preference Shares of RDL	60,00,000	Rs 10/- per share	Rs 6,00,00,000/-
Arrears of dividend @ 9.25% as on 31.03.2013			Rs 2,23,21,644/-
Total Value outstanding against preference shareholders			Rs 8,23,21,644/-
Face value of new Preference shares of RML			Rs 10/- per share



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No. of Preference Shares to be issued by RML	82,32,164	Rs 10/- per share	Rs 82,321,640/-
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5.2 Working for the purpose of rate of dividend on the Cumulative Redeemable Preference shares of RML to be issued to the preference shareholders of RDL:-

5.2.1 The 60,00,000, 9.25% Cumulative Redeemable Preference Shares of RDL would yield total dividend of Rs 55,50,000/- per annum;

5.2.2 To maintain the parity of the dividend yield from the issue of the proposed new preference shares as determined in Para 5.1 above, the rate of dividend worked out would be 6.74%;

5.2.3 Thus, 82,32,164 number of preference shares of face value of Rs 10 each would yield a total dividend of Rs 55,50,000/- (approx.) per annum at the rate of 6.74 per cent.

Thus, RML could issue 6.74% Cumulative Redeemable Preference Shares to the preference shareholders of RDL based on the above workings in para 5.1 and 5.2 against 9.25% Redeemable Preference Shares held in RDL by the preference shareholders of RDL.

6. Recommended ratio

6.1 The management of RML could issue 82,32,164 fully paid-up 6.74% Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten only) each of RML against 60,00,000 fully paid-up 9.25% Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten Only) each, held by the preference shareholders of RDL in consideration for the merger of RDL with RML. We believe that the above ratio is fair considering that there will be no change in the beneficial shareholding on issue of such preference shares by RML upon merger.



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- 6.2 Our recommendations are dependent upon the information furnished to us being complete in all material aspects;
- 6.3 This report has been prepared for the Board of Directors of RML and RDL solely for the purpose of recommending the ratio for the issue of preference shares of RML to the shareholders of RDL in consideration of the merger of RDL with RML;

Thanking you,

For T.POMPAPATHY & CO

Chartered Accountants

Shivaprasad

T.P. Shivaprasad

(Partner)

C.P.No.206542

Place : Bangalore

Date : 28.06.2013

