



**STRICTLY PRIVATE & CONFIDENTIAL**

**May 20, 2014**

To,  
**The Board of Directors**  
 Rane Engine Valve Limited  
 Maithri 132, Cathedral Road  
 Chennai – 600 086

**The Board of Directors**  
 Kar Mobiles Limited  
 Maithri 132, Cathedral Road  
 Chennai – 600 086

**Sub: Fairness Opinion on the joint valuation carried out by M/s SSPA & Co., Chartered Accountants and M/s BSR Associates, Chartered Accountants in connection with the proposed merger of Kar Mobiles Limited into Rane Engine Valve Limited under a Scheme of Amalgamation.**

Dear Sir(s),

We refer to our discussion wherein the management of Rane Engine Valve Limited (hereinafter referred to as "REVL" or "Company") has requested Fortress Capital Management Services Private Limited ('us') to give a Fairness Opinion on the joint valuation carried out by M/s SSPA & Co., Chartered Accountants and M/s BSR Associates, Chartered Accountants (together referred to as "Joint Valuers") on the proposed merger of Kar Mobiles Limited (hereinafter referred to as "KML") into Rane Engine Valve Limited under a Scheme of Amalgamation (hereinafter referred to as "Scheme").

**1. BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT**

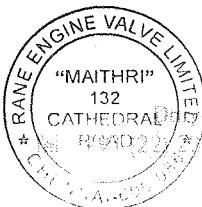
**1.1 Rane Engine Valve Limited** was incorporated in 1972 and it manufactures and markets components for the transportation industry in India. It manufactures engine valves, guides, and tappets for passenger cars, commercial vehicles, farm tractors and two/three wheelers. REVL operates as a subsidiary of Rane Holdings Limited.

The shares of REVL are listed on BSE Limited ("BSE"), National Stock Exchange of India Limited ("NSE") and Madras Stock Exchange ("MSE").

**1.2 Kar Mobiles Limited** was incorporated in 1936 and it manufactures and sells medium and large engine valves for power generation, marine and special applications. It offers steel and nickel alloy engine valves that are used in various applications in segments such as agricultural/ industrial/ stationary, marine, locomotives, battle

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**FORTRESS CAPITAL MANAGEMENT SERVICES PVT. LTD.**

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tanks, farm tractors, automotive-passenger cars/ light commercial vehicle/ heavy commercial vehicles and high performance cars.

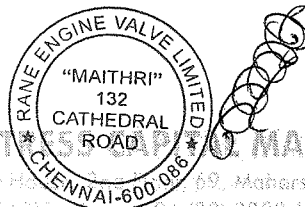
The shares of KML are listed on the Bangalore Stock Exchange, Madras Stock Exchange and are traded on the Indo Next platform of BSE.

- 1.3 The management is proposing to merge KML into REVL with effect from appointed date of April 1, 2014. We have been informed that this is proposed to be achieved by implementing a Scheme of Amalgamation under the provisions of Sections 391 - 394 of the Companies Act, 1956, ("Scheme of Amalgamation").
- 1.4 We have also been informed that as part of the proposed merger, KML will cease to exist and as consideration for their equity shares in KML, the shareholders of KML will be issued equity shares of REVL.
- 1.5 In this regard M/s BSR Associates, Chartered Accountants and M/s SSPA & Co., Chartered Accountants (Joint Valuers) were appointed by management of REVL and KML to issue a joint valuation report recommending a fair exchange ratio of equity shares in connection with the proposed merger under the Scheme.
- 1.6 Accordingly, REVL has appointed us to give a fairness opinion on the joint valuation carried out by Joint Valuers in connection with the proposed merger of Kar Mobiles Limited into Rane Engine Valve Limited under a Scheme of Amalgamation.
- 1.7 The information is intended only for the sole use of captioned purpose including for obtaining the requisite statutory approvals.

## 2. SOURCES OF INFORMATION

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

- (a) Audited financial statements of REVL for the years ended 31 March 2012, 2013 and provisional financial statements for the year ended 31 March 2014;
- (b) Audited financial statements of KML for the years ended 31 March 2012, 2013 and provisional financial statements for the year ended 31 March 2014;
- (c) Management Business Plans for REVL and KML for the period 1 April 2014 to 31 March 2019 and Management information reports;
- (d) Representation related to surplus assets, including copy of the report from a government registered valuer for REVL dated May 10, 2014 for Alandur land and May 12, 2014 for land at Medchal;





- (e) Representation related to surplus assets, including copy of the report dated May 9, 2014 for Pollachi land and May 10, 2014 for land at Peenya from government registered valuer for KML;
- (f) Report dated May 20, 2014 issued by Joint Valuers providing the share exchange ratio for the purpose of proposed amalgamation.
- (g) Such other information and explanations as we required and which have been provided by the management of REVL, KML and Joint Valuers.

### 3. EXCLUSIONS AND LIMITATIONS

- 3.1 Our conclusion is based on the information furnished to us being complete and accurate in all material respects. We have relied upon the financials and the information and representations furnished to us without carrying out any audit or other tests to verify its accuracy with limited independent appraisal.
- 3.2 We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the companies.
- 3.3 Our work does not constitute verification of financials or 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.
- 3.4 Our opinion is not intended to and does not constitute a recommendation to any shareholders as to how such shareholder should vote or act in connection with the Scheme of Amalgamation or any matter related therein.
- 3.5 Our liability (statutory or otherwise) for any economic loss or damage arising out of the rendering this Opinion shall be limited to amount of fees received for rendering this Opinion as per our engagement with REVL.
- 3.6 Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.
- 3.7 We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof.
- 3.8 We do not express any opinion as to the price at which shares of REVL may trade at any time, including subsequent to the date of this opinion.




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3.9 This certificate has been issued for the sole purpose to facilitate the Companies to comply with clause 24(f) and 24(h) of the Listing Agreement and SEBI Circular No CIR/CFD/DIL/5/2013 dated 4 February 2013 and CIR/CFD/DIL/8/2013 dated 21 May 2013 and it shall not be valid for any other purpose.

#### 4. VALUATION METHODOLOGY ADOPTED BY THE JOINT VALUERS

For the purpose of joint valuation, the Joint Valuers have adopted the Discounted Cash flow Method and Net Asset Value Method for arriving at the exchange ratio for shares.

#### 5. CONCLUSION

5.1 We have reviewed the methodology used by the Joint Valuers for arriving at the exchange ratio for shares.

5.2 On the basis of the foregoing and based on the information and explanation provided to us, in our opinion, the proposed amalgamation and share exchange ratio of 7 (Seven) equity share of REVL of face value of INR 10/- each fully paid up for every 10 (Ten) equity shares of KML of face value of INR 10/- each fully paid up, is fair.

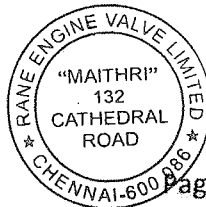
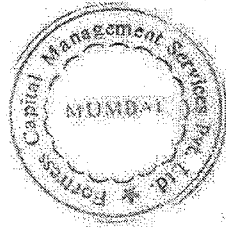
Thanking you,

Yours faithfully,  
For Fortress Capital Management Services Pvt. Ltd.

*Nitin M. Dole*  
Authorized Signatory

Place: Mumbai

SEBI Registration No.: INM000011146



*[Handwritten signature]*

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