

PwC Business Consulting Services LLP Registered Valuer No.: IBBI/RV-E/02/2022/158 The Millenia, Tower D, 7 th Floor, Murphy Road, Ulsoor, Bangalore – 560 008	Bansi S. Mehta Valuers LLP Registered Valuer : Securities and Financial Asset Registration No. IBBI/RV - E/06/2022/172 11/13 Botawala Building, 2nd Floor, Horniman Circle, Fort, Mumbai – 400 001, Maharashtra
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Date: 09 February 2024

To,

The Board of Directors	The Board of Directors	The Board of Directors
Rane (Madras) Limited Maithri, No. 132, Cathedral Road, Chennai - 600 086, India	Rane Engine Valve Limited Maithri, No. 132, Cathedral Road, Chennai - 600 086, India	Rane Brake Lining Limited Maithri, No. 132, Cathedral Road, Chennai - 600 086, India

Sub: Recommendation of the following:

- Fair equity share entitlement ratio for the proposed merger of Rane Engine Valve Limited into Rane (Madras) Limited; and
- Fair equity share entitlement ratio for the proposed merger of Rane Brake Lining Limited into Rane (Madras) Limited.

Dear Sir / Madam,

We refer to

- The engagement letter dated 29th January 2024, whereby Rane (Madras) Limited (hereinafter referred to as "RML"), Rane Engine Valve Limited (hereinafter referred to as "REVL") and Rane Brake Lining Limited (hereinafter referred to as "RBL") have appointed PwC Business Consulting Services LLP (hereinafter referred to as "PwC BCS LLP"); and
- The engagement letter dated 17th January 2024 whereby RML, REVL and RBL have appointed Bansi S. Mehta Valuers LLP (hereinafter referred to as "BSM");

to recommend the following:

- Fair equity share entitlement ratio for the proposed merger of REVL into RML ("Transaction 1"); and
- Fair equity share entitlement ratio for the proposed merger of RBL into RML ("Transaction 2")

RML, REVL and RBL are hereinafter referred to as the "Companies" or the "Clients"

PwC BCS LLP and BSM have been hereinafter referred to as "Valuers" or "we" or "us" and individually referred to as "Valuer" in this joint Entitlement / Exchange Ratio report ("Valuation Report" or "Report").

Share Exchange Ratios mean the following:

- Share Exchange Ratio 1** is the ratio in which the equity shareholders of REVL shall be entitled to receive equity shares of RML upon merger of REVL into RML;
- Share Exchange Ratio 2** is the ratio in which the equity shareholders of RBL shall be entitled to receive equity shares of RML upon merger of RBL into RML;



Share Exchange Ratio 1 and Share Exchange Ratio 2 are collectively referred to 'Share Exchange Ratios' or 'Ratios'.

Our deliverable for this engagement is this report on Share Exchange Ratios ("Share Exchange Ratio Report" or "Report"). In our analysis, we have considered the value of REVL, RBL and RML on a "Going Concern" premise with 08 February 2024 being the "Valuation Date".

BACKGROUND OF COMPANIES

RML is engaged in the manufacture of steering and suspension linkage products and high precision aluminium die casting products. RML is a supplier to major manufacturers of passenger cars, utility vehicles and farm tractors globally and operates in a single reportable business segment namely 'components for transportation industry'. RML has seven manufacturing facilities spread across Tamil Nadu, Puducherry, Karnataka, Uttarakhand and Telangana.

REVL is engaged in the manufacture of engine valves, guides and tappets for passenger cars, commercial vehicles, farm tractors, stationery engines, railway/marine engines and two/three wheelers. REVL has five manufacturing facilities spread across Chennai, Hyderabad, Trichy and Tumkur.

RBL is engaged in manufacture of brake linings, disc pads, clutch facings, clutch buttons, brake shoes and railway brake blocks which have applications mainly in automobile industry. RBL has four manufacturing facilities, spread across Tamil Nadu, Telangana and Puducherry.

The Companies are public limited companies, with equity shares listed on the National Stock Exchange of India Limited ('NSE') and the BSE Limited ('BSE') in India.

SCOPE AND PURPOSE OF THIS REPORT

We understand that the management of RML, REVL and RBL (hereinafter collectively referred to as the 'Management') are evaluating the following, pursuant to a Composite Scheme of Amalgamation under the provisions of Section 230 to 232 of the Companies Act, 2013 (including any statutory modifications, enactments, re-enactment or amendments thereof) and other applicable securities and capital market laws and rules issued thereunder to the extent applicable ("the Proposed Scheme"):

1. Merger of REVL into RML.
2. Merger of RBL into RML.

Pursuant to the aforesaid mergers (Transaction 1 and Transaction 2) equity shares would be issued by RML to the shareholders of REVL and RBL respectively. Transaction 1 and Transaction 2 are collectively referred to as the "Merger".

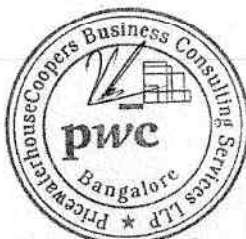
The Merger is proposed to be carried out with effect from the appointed date, as specified in the Proposed Scheme.

In connection with the proposed Scheme/ Merger, the Board of Directors of RML, REVL and RBL have appointed BSM and PwC BCS LLP, as Registered Valuers, to recommend Share Exchange Ratios in accordance with generally accepted valuation standards and provide Registered Valuers' Report for recommending the following, for the consideration of the Board of Directors of the Companies.

- a. **Share Exchange Ratio 1** being the ratio in which the equity shareholders of REVL shall be entitled to receive equity shares of RML upon merger of REVL into RML;
- b. **Share Exchange Ratio 2** being the ratio in which the equity shareholders of RBL shall be entitled to receive equity shares of RML upon merger of RBL into RML;

The Report will be used by the Companies only for the purpose, indicated in this Report, for which we have been appointed. The results of our analysis and our Report cannot be used or relied by the Clients for any other purpose or by any other party for any purpose whatsoever. We are not responsible to any other person/ party for any decision of such person/ party based on this Report.

It is clarified that any reference to this Report in any document and/ or filing with any tribunal/ judicial/ regulatory authorities/ government authorities/ stock exchanges/ courts/ shareholders/ professional



advisors/ merchant bankers, in connection with the proposed Transaction, shall not be deemed to be an acceptance by the Valuers of any responsibility or liability to any person/ party other than to the respective Board of Directors.

The scope of our services is to determine fair value of equity shares of RML, REVL and RBL on a relative basis and recommend Share Exchange Ratios in connection with the proposed Merger in accordance with generally accepted valuation standards.

The Valuers have worked independently in their analysis and arrived at different values per share of the Companies. However, to arrive at the consensus on the Share Exchange Ratios, appropriate minor adjustments/ rounding off have been done by the Valuers.

We have been provided with the audited financials of the Companies for the year ended 31 March 2023 and limited reviewed profit and loss account for the nine months period ended 31 December 2023 and Balance Sheet of the Companies as at December 31, 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. Further, we have been informed that all material information impacting the Companies and their operations have been disclosed to us.

We have been informed by the management of the Companies (the "Management") that:

- a) there would not be any capital variation in the Companies till the proposed Scheme becomes effective, except issuance and/or conversion of employee stock options/units in normal course of business of the Companies. In case, either of the Companies restructure their share capital by way of share split/consolidation/issue of bonus shares before the proposed Scheme becomes effective, the issue of shares pursuant to Share Exchange Ratios recommended in this Report shall be adjusted accordingly to consider the effect of any such corporate actions.
- b) there are no unusual/ abnormal events in the Companies materially impacting their operating performance/ financials after 31 December 2023 till the Report date.

We have relied on the above while estimating the Share Exchange Ratios for the proposed Merger.

Our deliverable for this engagement would be our report on Share Exchange Ratios ("Share Exchange Ratio Report" or "Report"). In our analysis, we have considered the businesses for RML, REVL and RBL on a "Going Concern" premise with 08 February 2024 being the "Valuation Date".

The Ratios have been recommended for consideration of the Board of Directors (including Audit Committee and Committee of Independent Directors, as applicable) of the Companies, in accordance with the applicable relevant laws, rules and regulations of Securities and Exchange Board of India ("SEBI") and the relevant stock exchanges.

The report will be placed before the Audit Committees, Committee of Independent Directors and the Board of Directors of RML, REVL and RBL, as applicable, as per the relevant SEBI circulars; and, to the extent mandatorily required under applicable laws of India, this report may be produced before the judicial regulatory or governmental authorities, stock exchanges, shareholders in connection with the Transaction. 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.



BACKGROUND OF VALUERS**Bansi S. Mehta Valuers LLP**

BSM is a limited liability partnership firm, with its registered office at 11/13 Botawala Building, 2nd Floor, Horniman Circle, Fort, Mumbai – 400 001 BSM is engaged in providing valuation and related advisory services.

BSM is registered with IBBI as a Registered Valuer for asset class – Securities or Financial Asset with Registration Number : IBBI/RV – E /06/2022/172.

PwC Business Consulting Services LLP

PwC Business Consulting Services LLP is a limited liability partnership firm, with registered office at 11-A, Sucheta Bhawan, 1st Floor, Vishnu Digambar Marg, New Delhi, 110 002, India. PwC BCS LLP is engaged in providing valuation and related advisory services.

PwC BCS LLP is registered with the IBBI as a Registered Valuer for asset classes – 'Securities or Financial Assets' and 'Plant and Machinery' with Registration No. IBBI/RV-E/02/2022/158.

SOURCES OF INFORMATION

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

- Draft Scheme of Amalgamation;
- Standalone and Consolidated audited financial statements of RML for the fiscal years ending 31 March 2019, 2020, 2021, 2022 and 2023;
- Standalone and Consolidated limited reviewed profit and loss account of RML for the 9-month period ended 31 Dec 2023 ("YTD Dec-23") and Balance Sheet as at December 31, 2023;
- Standalone audited financial statements of REVL and RBL for the fiscal years ending 31 March 2019, 2020, 2021, 2022 and 2023;
- Standalone limited reviewed profit and loss account of REVL and RBL for the 9-month period ended 31 Dec 2023 ("YTD Dec-23") and Balance Sheet of REVL and RBL as at December 31, 2023;
- Estimated financials for 3 months ending 31 March 2024 and forecasted financials for the 5 fiscal years ending 31 March 2025, 2026, 2027, 2028, and 2029 of RML, REVL and RBL;
- Discussions with the Management to obtain requisite explanation and clarification of data provided;
- Discussions with the Management to inter-alia understand their perception of historical and expected future performance, macro-economic parameters and key value drivers affecting RML, REVL and RBL;
- Land valuation reports for surplus land from registered valuers for RML, RBL and REVL;
- Market comparables and transactions, to the extent information on comparable companies/transactions is available in the public domain;
- General market data, including economic, governmental, and environmental forces, and industry information that may affect the Value;
- Other information and documents for the purpose of this engagement.

In addition, we have obtained information from public sources/ proprietary databases including quarterly results.

During discussions with the Management, we have also obtained explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise. The Clients have been provided with the opportunity to review the draft report (excluding the recommended Share Exchange Ratios) as part of our standard practice to make sure that factual inaccuracy/ omissions are avoided in our Report.

RML, REVL and RBL have informed us that Axis Capital Limited, Centrum Capital Limited and Motilal Oswal Investment Advisors Limited (individually or together referred to as "Fairness Team") have been appointed by the Companies respectively to provide fairness opinion on the Share Exchange Ratios for



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the purpose of the Proposed Transaction. At the request of the Companies we have had discussions with the Fairness Team in respect of our respective valuation analysis.

PROCEDURES ADOPTED AND VALUATION METHODS FOLLOWED

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

- Requested and received financial and qualitative information from the Management.
- Used data available in public domain related to the Companies and its peers.
- Discussions (in-person/over call) with the Management to understand the business and fundamental factors that affect companies' earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance.
- Research publicly available market data including economic factors and industry trends that may impact the valuation.
- Analysis of valuation multiples of comparable companies/comparable transactions using information available in public domain and / or proprietary databases subscribed by us or our network firms.
- Selection of well accepted valuation methodology/(ies) as considered appropriate by us.
- Arriving at relative values of the Companies in order to determine the fair equity share entitlement / exchange ratio for the Proposed Transaction.

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.

The user to which this valuation is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at the Valuation Date. Due to possible changes in market forces and circumstances, this Report can only be regarded as relevant as at the Valuation Date.

This Report has been prepared for the purposes stated herein and should not be relied upon for any other purpose. Our Clients are the only authorized users of this report and use of the Report is restricted for the purpose indicated in the respective engagement letters. 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.

While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the Client's existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information.

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) and are based on the balance sheets as at 31 December 2023 of RML, REVL and RBL and (iv) other information obtained by us from the Companies from time to time (v) accuracy of information in public domain with respect to comparable companies including financial information. The Management has represented that the business activities of RML, REVL and RBL have been carried out in the normal and ordinary course between 31 December 2023 and the report date and that no material adverse change has occurred in their respective operations and financial position between 31 December 2023 and the report date.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information till 08 February 2024, furnished by the Companies (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). We have no obligation to update this report.

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, and the information made available to us. The report is issued on the understanding that the management of the Companies have drawn our attention



to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which have an impact on our opinion, on the fair equity share entitlement / exchange ratio for the Proposed Transaction as on the Valuation Date. We have considered only circumstances existing at the Valuation Date and events occurring up to the Valuation Date. Events and circumstance may have occurred since the Valuation date concerning the financial position of RML, REVL and RBL or any other matter and such events or circumstances might be considered material by the Companies or any third party. We have taken into account, in our value analysis, such events and circumstances occurring after the Valuation Date as disclosed to us by the Companies, to the extent considered appropriate by us based on our professional judgment. Further, we have no responsibility to update the report for any events and circumstances occurring after the date of this report. Our valuation analysis was completed on a date subsequent to the Valuation Date and accordingly we have taken into account such valuation parameters and over such period, as we considered appropriate and relevant, up to a date close to such completion date.

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuers and judgment taking into account all the relevant factors. There will always be several factors, e.g., 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 determination of 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 entitlement / exchange ratio. While we have provided our recommendation of the equity share entitlement / 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 equity share entitlement / exchange ratio. The final responsibility for the determination of the equity share entitlement / exchange ratio at which the Proposed Transaction shall take place will be with the Board of Directors who should take into account other factors such as their own assessment of the proposed Transaction 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 respective engagements, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this report and (ii) the accuracy of information made available to us by the Companies. 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 or investigation services and does not include verification or validation work. In accordance with our Engagement Letter 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 financial information provided to us. We have not independently investigated or otherwise verified the data provided by the Companies. 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 historical financials/ financial statements and projections. The assignment did not involve us to conduct any financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of RML, REVL and RBL. 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 of the Companies 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. Nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the report. Also, we assume no responsibility for technical information (if any) 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. We have considered the information on contingent liabilities based on the information provided by the management of the Companies. 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 Valuation Report date.

We are not advisors with respect to legal, tax and regulatory matters for the Transaction.

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.

No investigation of the Companies' claim to title of assets has been made for the purpose of this report and the Companies' claim to such rights has been 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.

Valuers are not aware of any contingency, commitment or material issue which could materially affect the Companies' economic environment and future performance and therefore, the valuation of the Companies.

We do not provide assurance on the achievability of the results forecast by the Management as events and circumstances do not occur as expected; differences between actual and expected results may be material. We express no opinion as to how closely the actual results will correspond to those projected/forecast as the achievement of the forecast results is dependent on actions, plans and assumptions of Management.

We have not conducted or provided an analysis or prepared a model for any individual assets/ liabilities and have wholly relied on the information provided by the Companies in this regard.

We are independent of the Companies and have no current or expected interest in the Companies or its assets. The fee for the engagement is not contingent upon the results reported.

We owe responsibility to only the Boards of Directors of the respective company that has appointed us under the terms of our respective engagement letters and nobody else. 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 willful default on part of the Companies, their directors, employees, or agents. In no circumstances shall the liability of a Valuer, its partners, its directors, or employees, relating to the services provided in connection with the engagement set out in this report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

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 Transaction, without our prior written consent. In addition, this report does not in any manner address the prices at which REVL, RBL and RML's equity shares will trade following consummation of the Transaction and we express no opinion or recommendation as to how the shareholders/ creditors of either Company should vote at any shareholders'/ creditors' meeting(s) to be held in connection with the Transaction. Our report and the opinion/ valuation analysis contained herein is not and nor should it be construed as advice relating to investing in, purchasing, selling, or otherwise dealing in securities or as providing management services or carrying out management functions. It may be noted that this analysis does not represent a fairness opinion.

Any discrepancies in any table/ annexure between the total and the sums of the amounts listed are due to rounding-off.



DISCLOSURE OF 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.

Further, the information provided by the Management have been appropriately reviewed in carrying out the valuation.

BACKGROUND OF COMPANIES

Rane (Madras) Limited

The issued and subscribed equity share capital of RML as at 31 December 2023 is INR 162.7 million consisting of 1,62,65,267 equity shares of face value of INR 10 each. The shareholding pattern is as follows:

Shareholding Pattern as on 31 December 2023	No of Shares	% Share Holding
Promoter & Group	11,815,955	72.7%
Non-Promoter (Institutions)	101,845	0.6%
Non-Promoter (Others-public)	4,347,467	26.7%
Total Non-Promoter	4,449,312	27.3%
Grand Total	16,265,267	100.0%

Source: BSE filing (As at 31 December 2023)

Rane Engine Valve Limited

The current issued and subscribed equity share capital of REVL as at 31 December 2023 is INR 72.3 million consisting of 72,34,455 equity shares of face value of INR 10 each. The shareholding pattern is as follows:

Shareholding Pattern as on 31 December 2023	No of Shares	% Share Holding
Promoter & Group	4,218,825	58.3%
Non-Promoter (Institutions)	30,951	0.4%
Non-Promoter (Others-public)	2,984,679	41.3%
Total Non-Promoter	3,015,630	41.7%
Grand Total	7,234,455	100.0%

Source: BSE filing (As at 31 December 2023)

Rane Brake Lining Limited

The current issued and subscribed equity share capital of RBL as at 31 December 2023 is INR 77.3 million consisting of 7,729,871 equity shares of face value of INR 10 each. The shareholding pattern is as follows:

Shareholding Pattern as on 31 December 2023	No of Shares	% Share Holding
Promoter & Group	5,482,539	70.9%
Non-Promoter (Institutions)	309,884	4.0%
Non-Promoter (Others-public)	1,937,448	25.1%
Total Non-Promoter	2,247,332	29.1%
Grand Total	7,729,871	100.0%

Source: BSE filing (As at 31 December 2023)

APPROACH - BASIS OF TRANSACTION

The Proposed Composite Scheme of Amalgamation under the provisions of Section 230 to 232 of the Companies Act, 2013 contemplates a merger of REVL and RBL into RML.

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



The valuation approach adopted by PwC BCS LLP and BSM is given in Annex 1A and 1B respectively (Annex 1A and 1B together referred to as Annexes).

BASIS OF FAIR EQUITY SHARE ENTITLEMENT RATIO - MERGER

The Share Exchange Ratios has been arrived at on the basis of fair value of equity shares of REVL, RBL and RML on a relative basis, based on the various approaches/ methods explained herein after considering various qualitative factors relevant to the Companies, business dynamics and growth potentials of the businesses of the Companies, information base and the underlying assumptions and limitations. To arrive at the consensus on the Share Exchange Ratios for the proposed Scheme, suitable minor adjustments/ rounding off have been done.

While we have provided our recommendation of the Share Exchange Ratios 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 Ratios. The final responsibility for the determination of the Share Exchange Ratios at which the proposed Merger 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 proposed Scheme and input of other advisors.

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the fair equity share entitlement ratio for the merger of REVL and RBL into RML as under:

9 (Nine) equity shares of RML (of INR 10/- each fully paid up) for every 20 (Twenty) equity shares of REVL (of INR 10/- each fully paid up).

21 (Twenty-one) equity shares of RML (of INR 10/- each fully paid up) for every 20 (Twenty) equity shares of RBL (of INR 10/- each fully paid up).

Respectfully submitted,

PwC Business Consulting Services LLP
IBBI Registered Valuer No.: IBBI/RV-E/02/2022/158



Vishnu Giri
Partner

Registered Valuer No.: IBBI/RV/02/2021/14260

Date: 9 February 2024



Respectfully submitted,

BANSI S. MEHTA VALUERS LLP
Registered Valuer
Registration Number: IBBI/RV – E /06/2022/172



Drushti R. Desai
Partner

IBBI Registration No.: IBBI/RV/06/2019/10666

Place: Mumbai

Date: 9 February 2024

UDIN: 24102062BKEVBK8771



Annexure 1A- Approach to Valuation – PwC BCS LLP

The scope of our services is to conduct a relative (and not absolute) valuation of RML, REVL and RBL and to issue a joint report on the fair equity share entitlement / exchange ratio for the Transaction.

Arriving at the fair equity share entitlement / exchange ratios for the proposed merger of REVL and RBL into RML, would require determining the relative equity valuation of RML, REVL and RBL based on methodologies explained herein and various qualitative factors relevant to RML, REVL and RBL.

We have carried out the valuations in accordance with the International Valuation standards.

The three main valuation approaches are the market approach, income approach and asset approach. There are several commonly used and accepted methods within the market approach, income approach and asset approach, for determining the relative fair value of equity shares of a company, which can be considered in the present valuation exercise, to the extent relevant and applicable, to arrive at the fair equity Share Entitlement / Exchange Ratio for the purpose of the Proposed Transaction, such as:

1. Asset Approach- Net Asset Value (NAV) Method
2. Income Approach
 - Discounted Cash Flow (DCF) Method
3. Market Approach
 - Market Price Method
 - Comparable Companies Multiples (CCM) Method
 - Price of Recent Investment Method

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

Asset Approach - Net Asset Value method

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. This valuation approach is mainly used in cases where the firm is to be liquidated i.e., it does not meet the "going concern" criteria or in case where the assets base dominates earnings capability. A Scheme of merger would normally be proceeded with, on the assumption that the companies/ businesses would continue as going concerns and an actual realization of the operating assets is not contemplated. In such a going concern scenario, the relative earning power is of importance to the basis of merger, with the values arrived at on the net asset basis being of limited relevance.

The above assertions would hold true for auto components businesses as well. Any potential prudent buyer of the assets would not pay a price higher than that based on the earning capacity from assets by operating the business. Conversely, if the assets were to be sold piecemeal, there are significant costs, both direct (in terms of time, efforts and costs of sale) and indirect (closure costs for the business on piece-meal asset sale). Hence the underlying assets value has limited relevance for this exercise.



Income Approach

Income approach is a valuation approach that converts maintainable or future amounts (e.g., Cash flows or income and expenses) to a single current (i.e., discontinued or capitalised amount). This value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

Considering the stage of operations of all three companies and the availability of respective projected cash flows, we have relied on the Income Approach for the valuation.

• Discounted Cash Flows (DCF) Method

Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company/ business that are available to all providers of the companies' business' capital – both debt and equity.

Appropriate discount rate to be applied to cash flows i.e., the cost of capital:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company/ business. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

Market Approach: Market approach is a valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as business

• 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 merger, 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.

The equity shares of REVL, RBL and RML are listed on NSE and BSE and are frequently traded. Hence the Market Price method has been considered for valuation purposes.

• Comparable Companies Multiple (CCM) method

Under this method, value of a business / company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed 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 and adjusted for differences between the circumstances.

Taking into account the availability of comparable listed companies, we have relied on the CCM method. Considering that all three companies are profitable, we have relied on the Enterprise Value/EBITDA method.



- **Comparable Transaction Multiple Method (“CTM”)**

This method involves valuing an asset based on transactions in comparable companies as related to earnings, assets etc.

We have not used CTM Method due to lack of information in the public domain on comparable transactions.

The basis of merger of REVL and RBL into RML has been determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above methodologies, it is finally necessary to arrive at a single value for merger. It is important to note that we are not attempting to arrive at the absolute equity values of RML, REVL and RBL, but at their relative values to facilitate the determination of a fair equity share entitlement ratio for Merger. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

We have considered appropriate weights to values arrived at under Income and Market Approaches.

The computation of fair equity share entitlement ratio as derived by PwC BCS LLP for merger of REVL and RBL into RML, is given below:

Valuation Approach	REVL		RBL		RML	
	Value per Share (INR)	Weight	Value per Share (INR)	Weight	Value per Share (INR)	Weight
Asset Approach*	NA	NA	NA	NA	NA	NA
Income Approach - DCF Method	403	50%	972	50%	949	50%
Market Approach - Market Price Method	369	25%	855	25%	809	25%
- CCM Method	430	25%	1,043	25%	956	25%
Relative Value per Share	401		961		916	
Fair Equity Share Entitlement (rounded off) Ratio	9:20 (RML : REVL)		21:20 (RML : RBL)			

NA = Not Applied / Not Applicable

*Since, the businesses of RML, REVL and RBL are 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 valuation exercise.



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Annexure 1B- Approach to Valuation – BSM

It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose.

For the purpose of arriving at valuation of the Valuation Subjects, we have considered the valuation base as 'Fair Value'. Our valuation, and this report, is based on the premise of 'going concern value'. Any change in the valuation base, or the premise could have significant impact on our valuation exercise, and therefore, this Report.

It may be noted that the Institute of Chartered Accountants of India (ICAI) on June 10, 2018, has issued the ICAI Valuation Standards ("IVS") effective for all the valuation reports issued on or after July 1, 2018. IVS are mandatory for a valuation done under the Companies Act, 2013, and recommendatory for valuation carried out under other statutes/ requirements. We have given due cognizance to the same in carrying out the valuation exercise.

IVS 301 on Business Valuations deals with valuation of a business or business ownership interest (i.e., it includes valuation of equity shares).

IVS 301 specifies that generally, the following three approaches are used for valuation of business/business ownership interest:

1. Market approach
2. Income approach
3. Cost approach

Each of the above approaches are discussed in the following paragraphs.

1. Market Approach

Market approach is a valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities. The common methodologies under the Market Approach are as under.

a) Market Price Method:

This method involves determining the market price of an entity based on its traded price on the stock exchange over a reasonable period of time.

Equity shares of REVL, RBL and RML are listed on NSE and BSE and are frequently traded.

We have considered the market price of the shares of the Companies based on the weighted average price on NSE (being stock exchange with higher turnover) for three months up to the Valuation Date.

b) Comparable Companies Multiple Method ("CCM")

This method involves valuing the valuation subject based on market multiples of comparable companies.

Under Comparable Companies Multiple Method, we have computed the fair value based on operating profits, and asset base of the Valuation Subjects. We have used the EV/EBITDA and Price to Book multiple under this Method. To arrive at an average value under CCM we have given equal weights to values arrived using EV/EBITDA and Price to Book multiple.

c) Comparable Transaction Multiple Method ("CTM")

This method involves valuing an asset based on transaction of comparable companies as related to earnings, assets etc.




We have not used CTM Method due to lack of information in the public domain on comparable transactions of similar scale.

2. Income Approach

Income approach is a valuation approach that converts maintainable future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted, or capitalised) amount. An approach based on earnings is relevant in case of companies generating a steady stream of income.

We have used this approach for valuation of the shares of the Companies.

- Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company's capital.

- Appropriate discount rate applied to cash flows to equity i.e., the cost of equity:

Discount rate, which is the opportunity cost of capital provided i.e. the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of computing value under the DCF Method, we have relied on the projections provided by the Management. It may be noted that projections are the responsibility of the Management. We have, therefore, not performed any audit, due diligence of any prospective information used and therefore, do not express any opinion with regards to the same. However, we have reviewed and analysed the projections for their acceptability.




3. Cost Approach:

It is a valuation approach that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). IVS 301 on Business Valuations and IVS 103 on Valuation Approaches and Methods specify that common methodologies for Cost Approach are Replacement Cost Method and Reproduction Cost Method. These methods involve determining the value of the asset based on the cost that will have to be incurred to recreate/replicate the asset with substantially the same utility as that of the asset under valuation.

In a going concern scenario earning power of a business, as reflected under the Earnings based and Market approaches, is of greater importance, with the values arrived at on the net assets basis being of limited relevance. Cost Approach based on the net asset value of a company would not capture the future outlook and the growth potential of the Valuation Subjects. Therefore, we have not used cost approach to determine the value of Valuation Subjects.

Fair Valuation:

We have arrived at the fair value of equity shares of the Valuation Subjects by applying equal weights to the value derived under CCM, Market Price Method and DCF Method.

The value for CCM is derived under the Market Approach based on average of EV/EBITDA Multiple and Price to Book Multiple Method.

The computation of fair equity share entitlement ratio as derived by BSM for merger of REVL and RBL into RML, is given below:

Valuation Approach	REVL		RBL		RML	
	Value per Share (INR)	Weight	Value per Share (INR)	Weight	Value per Share (INR)	Weight
Cost Approach*	NA	NA	NA	NA	NA	NA
Income Approach - DCF Method (i)	381.1	33.3%	936.0	33.3%	894.2	33.3%
Market Approach						
Market Price Method (ii)	368.6	33.3%	855.4	33.3%	809.0	33.3%
Comparable Companies Multiples method (iii)	512.8	33.3%	1,137.5	33.3%	1073.5	33.3%
Relative Value per Share [Weighted Average of (i),(ii) and (iii)]	420.8		976.3		925.6	
Fair Equity Share Entitlement (rounded off)	9:20 (RML : REVL)		21:20 (RML : RBL)			

NA = Not Applied / Not Applicable

* Cost Approach based on the net asset value would not capture the future outlook and the growth prospects of the Companies. Therefore, we have not used cost approach to determine the value.



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CIN : L65993TN2004PLC052856

Rane (Madras) Limited



To,
The General Manager,
Department of Corporate Services,
BSE Limited,
P.J. Towers, Dalal Street,
Mumbai - 400 001.

BSE Scrip Code – 532661

Dear Madam/ Sir,

Sub: Confirmation by the Company Secretary

Re.: Scheme of Amalgamation of Rane Engine Valve Limited ("REVL" or "Transferor Company 1") and Rane Brake Lining Limited ("RBL" or "Transferor Company 2" or "Company") with and into Rane (Madras) Limited ("RML" or "Transferee Company") and their respective shareholders ("Draft Scheme"), presented under Section 230-232 read with other applicable provisions of the Companies Act, 2013.

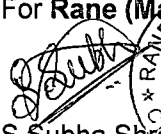
This is to certify/confirm that: -

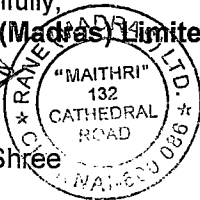
- (i) No material event impacting the valuation has occurred during the intervening period of filing the scheme documents with the Stock Exchange and the period under consideration for valuation; and
- (ii) There are no past defaults of listed debt obligations of the entities forming part of the scheme.

Thanking you,

Yours faithfully,

For Rane (Madras) Limited


S Subha Shree
Secretary



Date: February 26, 2024