



December 20, 2016

The Board of Directors
HIM TEKNOFORGE LIMITED
 Billanwali Village, Labana, Baddi,
 Solan District - 173205
 Himachal Pradesh

The Board of Directors
GUJARAT AUTOMOTIVE GEARS LIMITED
 Village Billanwali, Baddi,
 Solan (Dist.) – 173 205
 Himachal Pradesh.

Dear Sirs,

Re: Fairness Opinion Report on the Share Allotment Ratio issued by M/s. R.J.Rathi & Co, in connection with the proposed amalgamation of HIM Teknoforge Limited with Gujarat Automotive Gears Limited pursuant to Scheme of Amalgamation of HIM Teknoforge Limited with Gujarat Automotive Gears Limited and their Respective Shareholders (the "Scheme")

1. BACKGROUND

- 1.1. Pantomath Capital Advisors Private Limited ("Pantomath" or "we" or "us") is a Category I Merchant Banker registered with the Securities Exchange Board of India ("SEBI"). Pursuant to Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015, we have been requested to issue a fairness opinion on Valuation Report issued by M/s. R.J.Rathi & Co, Chartered Accountants, for the recommendation of Share Exchange Ratio for the proposed Merger of HIM Teknoforge Limited ("HTL" or "Transferor Company") with Gujarat Automotive Gears Limited ("GAGL" or "Transferee Company").
- 1.2. M/s. HIM Teknoforge Limited (hereinafter referred to as "HTL" or "Transferor Company") was incorporated on 11th January 1989 under the provisions of Companies Act, 1956, having its registered office in District Solan, Himachal Pradesh. HTL is engaged in the business of production of forgings and finished components for automotive and engineering applications.
- 1.3. M/s. Gujarat Automotive Gears Limited (hereinafter referred to as "GAGL" or "Transferee Company") was incorporated on 27th March, 1971 under the provisions of Companies Act, 1956, having its registered office in the District, Solan, Himachal Pradesh. The equity shares of GAGL are listed on BSE Limited. GAGL is engaged in the business of manufacturing of Auto and Tractor Components under the brand name KAG. GAGL is an associate company of HTL.
- 1.4. The management of GAGL and HTL are considering the amalgamation of HTL with GAGL, with effect from the Appointed Date i.e. April 1, 2016 for the rationale as provided in the Draft Scheme of Amalgamation.
- 1.5. The above scheme of amalgamation is proposed under section 230-232 read with Section 66 and other applicable provisions of the Companies Act, 2013.

2. SOURCES OF INFORMATION

For arriving at the fairness opinion set forth below, we have relied upon the following sources of information:

- 2.1. Valuation Report issued by M/s. R. J. Rathi & Co, Chartered Accountants, dated December 20, 2016;

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For Gujarat Automotive Gears Ltd.

Chintan Doshi
 Company Secretary



- 2.2. Draft Scheme of Amalgamation of HTL with GAGL under section 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013;
- 2.3. Audited financial statements of HTL for the year ended March 31, 2016;
- 2.4. Audited financial statements of GAGL for the year ended March 31, 2016;
- 2.5. Unaudited financial statements of HTL and GAGL for 6 months ended September 30, 2016;
- 2.6. Projected profitability statement, balance sheet and cash flow of HTL for 6 months 4 years starting from October 1, 2016 and ending March 31, 2021;
- 2.7. Projected profitability statement, balance sheet and cash flow of GAGL for 6 months 4 years starting from October 1, 2016 and ending March 31, 2021;
- 2.8. Latest shareholding patterns of HTL and GAGL (Pre Amalgamation);
- 2.9. Memorandum of Association and Articles of Association of HTL and GAGL; and
- 2.10. Other relevant information and documents for the purpose of this engagement.

In addition to the above, we have also obtained such other information and explanations, which were considered relevant for the purpose of our analysis. HTL and GAGL have been provided with the opportunity to review the draft Opinion as part of our standard practice to make sure that factual accuracy / omissions are avoided in our final opinion.

3. RATIONALE AND CONCLUSION

In the circumstances, having regard to the relevant factors and on the basis of information and explanations given to us, in our view, the proposed Share Exchange Ratio as recommended by M/s. R. J. Rathi & Co, Chartered Accountants, which forms the basis for the proposed merger, appears to be fair and reasonable.

4. EXCLUSIONS AND LIMITATIONS

- 4.1. We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by HTL and GAGL for the purpose of this opinion without carrying out any audit or certification or due diligence of the working results, financial statements, financial estimates or estimates of value to be realized for the assets of HTL and GAGL.
- 4.2. We have solely relied upon the information provided to us by HTL and GAGL. We have not reviewed any books or records of HTL and GAGL.
- 4.3. We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of HTL and GAGL and neither express any opinion with respect thereto nor accept any responsibility therefor.
- 4.4. We have not made any independent valuation or appraisal of the assets or liabilities of HTL and GAGL. In particular we do not express any opinion as to the value of assets of HTL and GAGL, whether at current market prices or in future.

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- 4.5. We have not reviewed any internal management information statements or any non-public reports, and, instead, with your consent we have relied upon information which was publicly available or provided or otherwise made available to us by HTL and GAGL for the purpose of this opinion.
- 4.6. We are not experts in the evaluation of litigation or other actual or threatened claims and hence have not commented on the effect of such litigation or claims on the valuation. We are not legal, tax, regulatory or actuarial advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of HTL and GAGL with respect to these matters. In addition, we have assumed that the Draft Scheme of Amalgamation will be approved by the regulatory authorities and that the proposed transaction will be consummated substantially in accordance with the terms set forth in the Draft Scheme of Amalgamation.
- 4.7. We understand that the managements of HTL and GAGL during our discussion with them would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion.
- 4.8. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Draft Scheme of Amalgamation, no restrictions will be imposed that will have a material adverse effect on the benefits of the transaction that HTL and GAGL may have contemplated.
- 4.9. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we are not authorized to solicit, and did not solicit, interests for any party with respect to the acquisition, business combination or other extraordinary transaction involving HTL and GAGL or any of its assets, nor did we negotiate with any other party in this regard.
- 4.10. It is understood that this letter is solely for the benefit of confidential use by the Board of Directors of HTL and GAGL for the purpose of facilitating companies to comply with Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Circular No. CIR/CID/CMD/16/2015 dated November 30, 2015 issued by SEBI and it shall not be valid for any other purpose. The letter is only intended for the aforementioned specific purpose and if it is used for any other purpose, we will not be liable for any consequences thereof.
- 4.11. The fee for our service is not contingent upon the results of the proposed Merger. This opinion is subject to the laws of India.
- 4.12. Valuation, as it is said, is an art as well as a science. It is very subjective and based on individual perception. Large number of valuation models and its countless variants are in vogue, each of which has its own strength and weakness. Such practices lead to varying values arrived at by experts which, at times, may differ by larger margin. We express no opinion whatever and make no recommendation at all as to HTL's and GAGL's underlying decision to effect to the proposed Merger or as to how the holders of equity shares or secured or unsecured creditors of HTL and GAGL should vote at their respective meetings held in

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 Company Secretary

V.S.



connection with the proposed Merger. We do not express and should not be deemed to have expressed any views on any other terms of the proposed Merger. We also express no opinion and accordingly accept no responsibility for or as to the prices at which the equity shares of GAGL will trade following the announcement of the proposed Merger or as to the financial performance of HTL and GAGL following the completion of the proposed Merger.

4.13. In no circumstances however, will Pantomath or its associates, directors or employees accept any responsibility or liability to any third party and in the unforeseen event of any such responsibility or liability being imposed on Pantomath or its associates, directors or employees by any third party, HTL and GAGL and their affiliates shall indemnify them.

For Pantomath Capital Advisors Private Limited

Madhu Lunawa
 Madhu Lunawa
 Executive Director



For Gujarat Automotive Gears Ltd.
[Signature]
 Corporate Secretary

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V.S.