



Date- March 1, 2018

The Board of Directors,
JBM Auto limited
601, Hemkunt Chambers 89,
Nehru Place, New Delhi-110019

The Board of Directors
JBM Auto System Private Limited
601, Hemkunt Chambers 89,
Nehru Place, New Delhi-110019

The Board of Directors
JBM MA Automotive Private Limited
Plot No. C-1/2, M.I.D.C. Chakan,
Tal-Khed, Pune- 410501, Maharashtra

Sub: Opinion on the share exchange ratio on the proposed scheme of arrangement for amalgamation of JBM Auto System Private Limited and JBM MA Automotive Private Limited with JBM Auto Limited through a Scheme of Arrangement for amalgamation u/s 230-232 of the Companies Act, 2013 and other applicable provisions of the Act.

Dear Members of the Board:

We understand that Board of Directors of JBM Auto Limited (here in after referred as "Transferee Company" or "JBMA") is considering a scheme of arrangement for amalgamation of JBM Auto System Private Limited (hereinafter referred to as "JBMAS" or "Transferor Company - 1") and JBM MA Automotive Private Limited (hereinafter referred to as "JBMAA" or "Transferor Company - 2") with JBM Auto Limited (*Transferor Company 1, Transferor Company 2 and Transferee Company being hereinafter individually referred to as Company and collectively referred to as the Companies*) with effect from 1st April 2017 or such other date (hereinafter referred to as the "Appointed date") as may be fixed or Approved by Hon'ble National Company Law Tribunal (hereinafter referred to as "NCLT") through a scheme of arrangement (hereinafter referred to as "Proposed Scheme") under sections 230 – 232, and other applicable provisions of the Companies Act, 2013 (hereinafter referred to as "Act").

We further understand that, equity shares of JBMA are listed at BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). Also, JBMA holds 73.89% shares in JBMAS and 50% in JBMAA.

The proposed scheme of arrangement provides for -

- Amalgamation of JBMAS, JBMAA with JBMA on going concern basis, thereby transfer and vesting of all the assets and liabilities of the Transferor Companies with the Transferee Company w.e.f Appointed Date; and
- In consideration, issuance of equity shares of JBMA to the equity shareholders of JBMAS and JBMAA (post cancellation shares already held by JBMA in JBMAS and JBMAA) on the basis of share exchange ratio as recommended by an Independent Valuer;

The share exchange ratio for the Proposed Scheme for amalgamation has been determined by M/s. Santosh K Singh & Co., Chartered Accountants (SKS) vide their valuation report dated March 1, 2018. In terms of Regulation 37 of SEBI





(Listing Obligations and Disclosure Requirements), Regulations, 2015 (LODR Regulations) read with SEBI Circular No. CFD/ DIL3/CIR/ 2017/21 dated March 10, 2017, the listed companies undertaking a scheme of arrangement is required to submit to stock exchange, copy of fairness opinion obtained from the Merchant Banker on the valuation of shares / assets of the companies done by the independent valuer.

With reference to above, we Finshore Management Services Limited, a SEBI Registered (Cat-I) Merchant Banker have been appointed by the Transferee Company to provide our fairness opinion on the same.

Brief Background of the Companies, our opinion and basis for forming an opinion and caveats is as hereunder -

1 Background of companies:

1.1 JBM Auto Limited is a company registered under Companies Act, 1956 having its registered office at 601, Hemkunt Chambers 89, Nehru Place, New Delhi-110019 in the state of Delhi and its equity shares are listed on the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). JBMA is into business of manufacturing of sheet metal component, welding assemblies and chassis suspension parts, tools and dies and other related parts for automobiles and also into the business of manufacturing of motor buses and allied products is a group company of JBM Group which is primarily a tier- 1 supplier to the automotive OEM industry. The Group has a diversified portfolio to serve in the field of automotive, engineering & design services, renewable energy and education sectors.

1.2 JBM Auto System Pvt Ltd is a company registered under Companies Act, 1956 having its registered office at 601, Hemkunt Chambers 89, Nehru Place, New Delh-110019 in the state of Delhi and is owned 73.89% by the JBMA. JBMA is into business of manufacturing of sheet metal component, welding assemblies and chassis suspension parts and other related parts for automobiles.

1.3 JBM MA Automotive Pvt Ltd is a company registered under Companies Act, 1956 having its registered office at Plot No. C-1/2, M.I.D.C. Chakan, Tal-Khed, Pune- 410501, Maharashtra. It is owned 50% by JBMA and 50% by one of the associate JBM group companies. JBMA is into business of manufacturing of sheet metal component, welding assemblies, skin panels, body and under body for automobiles.

2 Basis of our opinion

2.1 Rationale of the Proposed Scheme (as per extract of draft Proposed Scheme of arrangement dated March 1, 2018)

It is proposed to consolidate the operations/ business of the Transferor Companies and the Transferee Company into a single company by amalgamation of the Transferor Companies with the Transferee Company pursuant to a Scheme of Amalgamation under Sections 230-232 and other applicable provisions, if any, of the Companies Act, 2013. The amalgamation of the Transferor Companies with the Transferee Company would result, *inter-alia*, in the following benefits: -

- Achieving business and Administrative synergies
- Consolidation and simplification of the group structure, cost savings resulting from rationalization, standardization and simplification of business processes.
- Improved organizational capability arising from pooling of financial resources.
- Avoiding un-necessary duplication of costs of administration, distribution, selling and marketing and reduction in legal and regulatory compliances;
- Maximize the overall shareholders value by strengthening its core competencies.





2.2 For arriving at the opinion on the fairness of the valuation of shares / assets of the companies, we have relied upon the following information, as provided to us by the Management of the Companies:

- 2.2.1 Brief background of the business of JBMA, JBMA and JBMMA;
- 2.2.2 Valuation report dated March 1, 2018, issued by M/s. Santosh K Singh & Co., Chartered Accountants (Independent Valuer).
- 2.2.3 Audited financial statements of JBMA, JBMA and JBMMA for the financial years ended 31st March 2015, 31st March 2016, 31st March 2017;
- 2.2.4 Unaudited Limited Reviewed financials of JBMA and JBMMA for the nine months period ended Dec 31 2017;
- 2.2.5 Limited reviewed financials of JBMA for the nine months period ended Dec 31 2017
- 2.2.6 Management certified projected financial statements of JBMA and JBMMA;
- 2.2.7 Draft Scheme of Arrangement of proposed amalgamation;
- 2.2.8 Shareholding pattern of JBMA, JBMA and JBMMA as at March 31, 2017 and Dec 31 2017;
- 2.2.9 Discussions with the management of Companies including necessary information, explanations and representations provided by the management;

2.3 Valuer Approach to Valuation

M/s Santosh K. Singh & Co., Chartered Accountants, in its valuation report recommending the swap ratio for the proposed amalgamation have stated that they have used the following valuation methodologies and applied appropriate weights to arrive at their fair valuation of the Companies.

Valuation of JBMA

For valuation of JBMA, the valuer have used following valuation methodologies and have applied following weightages:

- Comparable Companies Multiple (CCM) method (70%),
- Discounted Cash Flow (DCF) method (30%)

We have assigned higher weightage of 70 % to CCM method considering the fact that JBMA is part of JBMA and while computing CCM value we have used the earnings multiple of JBMA itself as comparable. Moreover, JBMA derives substantial value from its subsidiary JBMA. Further, we have assigned weight of 30 % each to DCF method.

Valuation of JBMMA

For valuation of JBMMA, the valuer have used following valuation methodologies and have applied following weightages:

- Price of Recent Investment (PORI) Method (100%)

We have assigned weightage of 100% to PORI method considering the fact that there has been buy-out of the equity stake of 50% from JV partner by one of the group company of JBM in an arm length transaction and the same has been considered for our valuation analysis.

Valuation of JBMA

For valuation of JBMA, the valuer have used following valuation methodologies and have applied following weightages:





- Market price (MP) method (100%),

We have assigned weightage of 100% to Market Price method being the most relevant method to value listed companies whose share are regularly traded in good volumes.

Considering the above valuation methodologies and assigned weightages, the valuers have arrived at the valuation of the Companies as provided in annexure to valuation report and have recommended following share exchange ratio to undertake the scheme of amalgamation-

- **86 (Eighty Six)** equity shares of face value of Rs. 5 each of JBMA to be issued against 100 (One Hundred) equity shares of face value of Rs. 10 of JBMA to the existing shareholders of JBMA
- **3 (Three)** equity shares of face value of Rs. 5 each of JBMA to be issued against every 100 (One Hundred) equity shares of face value of Rs.10 of JBMMA to the existing shareholders of JBMMA

3 Conclusion and Our Opinion

- 3.1 With reference to above and based on information provided by Management and after discussions with the Valuers, we understand that the Proposed Scheme has been structured to consolidate the business of JBMA and JBMMA with JBMA. The proposed amalgamation is driven by motive to achieve synergies through focused business segments and leverage on its operations for future growth.
- 3.2 With reference to the valuation of the Companies, we are of opinion that the valuers to arrive at the fair valuation has rightly opted the valuation methodologies considering the facts and circumstances of each company and has assigned appropriate weightages to arrive at the fair values of the Companies.
- 3.3 *"Considering above and subject to our caveats as provided in annexure, we as a Merchant Banker hereby certify that we have reviewed the valuation report recommending the swap ratio for the proposed scheme of arrangement for amalgamation of Transferor Companies with Transferee Company and are of the opinion that following share exchange ratio -*

- **86 (Eighty Six)** equity shares of face value of Rs. 5 each of JBMA to be issued against 100 (One Hundred) equity shares of face value of Rs. 10 of JBMA to the existing shareholders of JBMA.
- **3 (Three)** equity shares of face value of Rs. 5 each of JBMA to be issued against every 100 (One Hundred) equity shares of face value of Rs.10 of JBMMA to the existing shareholders of JBMMA.

as fair and reasonable to the equity shareholders of Transferor Companies and Transferee Company"

Thanking You,

For Finshore Management Services Limited

Authorized Signatory





Annexure

Caveats

1. Our opinion and analysis is limited to the extent of review of documents as provided to us by the Management's of JBM Auto Limited including the share exchange ratio report prepared by M/s. Santosh K Singh & Co., Chartered Accountants and draft Proposed Scheme. We have relied on accuracy and completeness of all the information and explanations provided by the Management's. We have not carried out any due diligence or independent verification or validation to establish its accuracy or sufficiency. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of demerged company/ resulting companies or their subsidiaries, if any.
2. The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this Report, which might be relevant in the context of the transaction and which a wider scope might uncover.
3. We have no present or planned future Interest in JBM Auto Limited / JBM Auto System Private Limited/ JBM MA Automotive Private Limited and the fee payable for this opinion is not contingent upon the opinion reported herein. The company has been provided with an opportunity to review the draft opinion as a part of our standard practice to make sure that factual accuracy / omissions are avoided in our final opinion.
4. Our fairness opinion is not intended to and does not constitute a recommendation to any shareholders as to how such holder should vote or act in connection with the Proposed Scheme or any matter related thereto.
5. The Opinion contained herein is not intended to represent at any time other than the date that is specifically stated in this Report. This opinion is issued on the understanding that the KMP's of JBM Auto Limited has drawn our attention to all matters of which they are aware, which may have an impact on our opinion up to the date of signature. We have no responsibility to update this report for events and circumstances occurring after the date of this Report.
6. Our report should not be construed as an opinion or certificate certifying the compliance of the Proposed Scheme of amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implication or issues arising from proposed amalgamation.

