SERVOTEACH INDUSTRIES LTD.

(Formerly Known as Servotech Engineering Industries Limited.)

Regd. Off: 502, Triveni Krupa, Carter Rd. No. 3, Opp. Ambaji Mata Temple, Borivali (E), Mumbai – 400 066
Tel : +91- 22 – 28669600/ 28624357/58, Fax : +91-22 - 28083296, Email:- info@servotech-india.com
Website : servotechengineering.in
CIN:- L28933MH1994PLC081857

ANNEXURE I

The valuation report shall display the workings, relative fair value per share and fair share exchange ratio in the following manner:

Computation of Fair Share Exchange Ratio

Valuation Approach	Servoteach Industries Limited (Transferee Company)		Servotech India Limited (Transferor Company)	
	Value per Share	Weight	Value per Share	Weight
Asset Approach	0.71	0%	22.78	0%
Income Approach	N.A.	N.A	N.A.	N.A
Market Approach	2.12	100%	N.A	N.A
Market Approach Comparable Companies Multiples Method	N.A.	N.A	13.87	100%
Relative Value per Share	**2.12**		**13.87**	
Exchange Ratio (rounded off)			**6.5**	
Split of Exchange Ratio- Towards Equity shares			**1**	
Split of Exchange Ratio – towards Optionally convertible Redeemable Preference shares (OCRPS)			**5.5**	

Fair share exchange ratio:

- One (1) Equity Share of the Transferee company (Servoteach Industries Limited) of Rs. 10/- each fully paid up for every One (1) Equity Share of Rs. 10 each fully paid up held in the Share Capital of the Transferor Company (Servotech India Limited) and

- Eleven (11) Optionally Convertible Redeemable Preference Shares [OCRPS] of the Transferee Company (Servoteach Industries Limited) of Rs. 10/- each fully paid up for every Two (2) Equity Shares of Rs. 10/- each fully paid up held in the share capital of the Transferor Company (Servotech India Limited)

SERVOTEACH INDUSTRIES LTD. MUMBAI

VALUATION REPORT

FOR THE PROPOSED MERGER OF SERVOTECH INDIA LTD
INTO
SERVOTEACH INDUSTRIES LTD.
ON 5TH APRIL 2018

SURESH SHAH & CO.
CHARTERED ACCOUNTANTS
Shop No S-15, 2nd floor, Sej Plaza, Marve road, Near Nutan school, Malad (west)
(O) : 28012075, Mobile : 9820562075

SURESH SHAH & CO. Payal Gada B.Com,FCA
CHARTERED ACCOUNTANTS

05 April 2018

To,

The Board of Directors
Servoteach Industries Ltd
502, Triveni Krupa, Carter Road No 3,
Opp Ambaji Mata Temple, Borivali (East), Mumbai – 400066.

The Board of Directors
Servotech India Limited
501, Triveni Krupa, Carter Road No 3,
Opp Ambaji Mata Temple, Borivali (East), Mumbai – 400066.

Sub: Recommendation of fair exchange ratio of equity shares for the proposed merger of Servotech India Limited into Servoteach Industries Limited

Dear Sirs,

We refer to the engagement letter with Suresh Shah & Co. Chartered Accountants (hereinafter referred to as "SSCO" or "Valuer" or "we" or "us"), wherein Servoteach Industries Limited ("SIL"), and Servotech India Limited ("STIL") (collectively SIL and STIL are hereinafter referred to as " the Companies") have requested us to recommend a fair share exchange ratio for the proposed merger of STIL into SIL ("Proposed Merger").

SCOPE AND PURPOSE OF THIS REPORT

We understand that the Management of the Companies ("Management") are proposing to merge STIL into SIL with effect from appointed date of 1st April, 2017. This is proposed to be achieved by implementing a scheme of Arrangement and Amalgamation under the provisions of Section 230 to 232 of the Companies Act, 2013 ("Scheme of Amalgamation"). As a part of the proposed merger, STIL will cease to exist and as consideration for their equity shares in STIL, the shareholders of STIL will be issued equity shares of SIL.

For the aforesaid purpose, the Companies have appointed SSCO to advise on the fair exchange ratio for distribution of SIL shares to the shareholders of STIL.

This report is our deliverable for the above engagement.

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.

SOURCES OF INFORMATION

In connection with preparing this report, we have received the following information from the Management of the Companies:

SURESH SHAH & CO. Mem. No. 110424 FRM No. 125085W Chartered Accountants

S-15, Sej Plaza, 2nd, Floor,Near Nutan School, Marve Road, Malad (W), Mumbai - 400 064, e-mail : payal@rskca.com
Ph.: 022-28012075 Mob .: 9820562075

SIL

- Audited Financial Statements of SIL for the years ended 31 March 2015, 31 March 2016 and 31 March 2017
- Financial statements of SIL as filed with stock exchanges for the period 1 April 2017 to 31 December 2017

STIL

- Audited Financial Statements of STIL for the years ended 31 March 2015, 31 March 2016 and 31 March 2017

Besides the above listing, we have also undertaken discussions with the Management of the Companies in connection with the operations of the respective Companies, past trends and future plans and prospects, etc. We have also been provided with draft Composite Scheme of Arrangement and Amalgamation.

We have also obtained explanations and information considered reasonably necessary for our exercise, from the executives and representatives of the Companies. The Companies have been provided with the opportunity to review the draft report (excluding the recommended exchange ratio) for this engagement to make sure that factual inaccuracies are avoided in our final report.

PROCEDURES ADOPTED

- Discussions with the management for understanding the business and fundamental factors that affect the earning-generating capability of the Companies.
- Requested and received financial and qualitative information on both the Companies.
- Within the framework of valuation approaches and SEBI guidelines, finalizing valuation methods for valuing the Companies
- Identified suitable comparable companies
- Arrived valuation of the Companies using methods considered appropriate.
- Determined fair share exchange ratio for the proposed merger of STIL into SIL.

SURESH SHAH & CO. Mem. No. 110424 FRM No. 125085W Chartered Accountants

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.

This report, its contents and the results herein (i) are specific to the purpose of valuation agreed as per the terms of our engagement; (ii) are specific to the date of this report, (iii) are based on the latest financials of the Companies. A valuation of this nature is necessarily based on the prevailing stock market, financial, economic and other condition in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after this date may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information 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).

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 independently verifying, (i) the accuracy of the information that was publicly available and (ii) the accuracy of information made available to us by the Companies. In accordance with our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information provided to us. 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 financial statements. 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 respective Managements of the Companies have 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. 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 and other contingent liabilities that are not disclosed in the audited/unaudited financial statements of the Companies.

SURESH SHAH & CO. Mem. No. 110424 FRM No. 125985W Chartered Accountants

This report does not look into the business/ commercial reasons behind the Proposed Merger nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Merger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. This report is restricted to computation of fair exchange ratio only.

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. The book values of the assets and liabilities of the Companies have been considered as representative of their intrinsic value in the absence of any report of external valuers.

The financial forecasts used in the preparation of the report reflects judgment of the Management of the Companies, based on the present circumstances, as to the most likely set of conditions and the course of action they are most likely to take. It is usually the case that some events and circumstances do not occur as expected and are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecasts, and such differences may be material. To the extent that our conclusions are based on the forecasts, we express no opinion on achievability of those forecasts. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

The fee for the Engagement is not contingent upon the results reported.

We owe responsibility only to the Board of Directors of the Companies, under the terms of our engagement, and nobody else. We do not accept any liability to any third party in relation to the issue of this report. It is understood that this analysis does not represent a fairness opinion. 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 Scheme of Amalgamation, without our prior written consent. In addition, we express no opinion or recommendation as to how the shareholders of Companies should vote at any shareholders' meeting(s) to be held in connection with the Proposed Merger.

SURESH SHAH & CO.
Mem. No. 110424
FRM No. 125085W
Chartered Accountants

BACKGROUND OF THE COMPANIES

Servoteach Industries Limited

The Company is not having any material operation as of now. As of date of this report, SIL had issued, outstanding and subscribed paid-up equity share capital comprising of 39,29,000 equity shares of Rs 10/- each fully paid-up. SIL also has additionally forfeited 12,02,400 equity shares. The equity shares of SIL are listed and infrequently traded on Bombay Stock Exchange.

SIL has suffered huge losses historically. Via composite scheme of Amalgamation and Arrangement, the existing issued, subscribed and paid up Equity share capital of SIL shall be reduced from Rs.3,92,90,000/- divided into 39,29,000 Equity Shares of Rs. 10/- (Rupees Ten only) each fully paid up to Rs.2,75,03,000/ divided into 27,50,300 Equity Shares of Rs. 10/- (Rupees Ten only) each and that such reduction be effected by cancelling of 11,78,700 Equity Shares of Rs. 10/- each amounting to Rs.1,17,87,000/- which is lost or un-represented by the available assets i.e. Debit balance in Profit and Loss Account of SIL. An Equity share holder holding 10 Equity shares of Rs.10/- each in SIL will get then post reduction, 7 Equity shares of Rs.10/- each. The face value of Equity share will remain at Rs.10/- only.

Servotech India Limited

STIL is engaged as manufacturer and supplier of turnkey projects of solvent extraction plants, castor oil plants, edible oil plants, oil refinery plants, Vanaspati plants, Chemical plants, pharmaceutical plants and Dairy & Food processing plants. As of date of this report, STIL had issued and subscribed paid-up equity share capital comprising of 47,85,000 equity shares of Rs 10/- each fully paid-up.

The Companies do not have any warrants, options or other convertible instruments issued and outstanding as of the date of this report as informed to us.

The Management has informed us that there would not be any other capital variation in the Companies till the merger becomes effective.

APPROACH - BASIS OF AMALGAMATION

Arriving at the fair exchange ratio for the proposed merger of STIL into SIL would require determining the relative values of each company. These values are to be determined independently but on a relative basis and without considering the effect of the proposed merger.

For the proposed merger of STIL into SIL, we have considered the following commonly used and accepted methods for determining the fair exchange ratio, to the extent relevant and applicable:

1. Market Price method (Market Approach)
2. Comparable Companies' Multiples method / Guideline Company method (Market Approach)
3. Discounted Cash Flows method (Income Approach)
4. Net Asset Value method (Asset Approach)

SURESH SHAH & CO. Mem. No. 110424 FRM No. 125085W Chartered Accountants

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 condition, many of which are beyond the control of the Companies.

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 internationally accepted valuation approaches and methods adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner.

Market Price Method

Since the shares of SIL are traded on Bombay Stock Exchange, we have considered this method for valuation of SIL. We note that the equity shares are infrequently traded and have hence also considered other method of valuation. Since STIL's equity shares are not traded, we have not considered this method for valuation of STIL.

For determining the prices of shares of SIL, we have considered SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017 and SEBI (Issue of Capital and Disclosure Requirements) Regulations, which prescribes using Market prices being higher of the following:

(a) The average of the weekly high and low of the volume weighted average price (VWAP) of the related equity shares quoted on the recognised stock exchange during the twenty six weeks preceding the relevant date; or

(b) The average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date.

Considering the above mentioned prescription, we arrived at a value of INR 2.12 per equity share for SIL.

Comparable Companies' Multiple (CCM) / Guideline Company method

Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies or comparable transactions, as manifest through stock market valuations of listed companies and the transaction valuation. 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.

Since STIL has business operation, we have used this method for valuation of STIL. We could not use this method for valuation of SIL as it does not have business operation as of the report date.

We have used Price to Earnings (P/E) Multiple of comparable company – Kilburn Engineering Limited (KEL). We have adjusted P/E Multiple for various factors such as difference in profile and

SURESH SHAH & CO. Mem. No. 110424 FRN No. 125085W Chartered Accountants

small size of STIL as compared to KEL. The adjusted finalized P/E Multiple has been applied to Profit After Tax of STIL to arrive at equity value of STIL. This equity value has been divided by total number of equity shares of STIL to compute the per share value of STIL.

We have computed the value of STIL at INR 13.87 per share using CCM method.

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.

We have not considered DCF method for the present valuation as SIL does not have business operation. We have used CCM for valuation of STIL which is its value under Market Approach of Valuation. Since we are not using DCF method for valuation of SIL, we have also not considered DCF method for valuation of STIL. We also understand that reliable forecasts cannot be prepared for STIL as well.

Net Asset Value (NAV) Methodology

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. A Scheme of Amalgamation would normally be proceeded with, on the assumption that the companies amalgamate as going concerns. The operating assets have therefore been considered at their book values.

We have considered Net Asset Value method for the valuation of the Companies. We arrived at a value of INR 0.71 per equity share for SIL and INR 22.78 per equity share for STIL.

Relative Weights to different methods

Considering that SIL does not have operations but is still traded infrequently and considering SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017 and SEBI (Issue of Capital and Disclosure Requirements) Regulations, we have given 100% weight to the value of equity share of SIL as computed under Market Price method. We note that the value of SIL under Market Price method is much higher than its value under Net Asset Value method.

We have given 100% weight to the equity value of STIL as computed using CCM method as the value computed under NAV method does not capture the earning capacity of the business and hence NAV would not be representative of fair value.

SURESH SHAH & CO. Mem. No. 110424 FRN No. 125085W Chartered Accountants

BASIS OF AMALGAMATION

The basis of merger of STIL into SIL would have to be 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, for the purposes of recommending a fair exchange ratio of equity shares it is necessary to arrive at a single value for the equity shares of SIL and STIL. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values of SIL and STIL but at their relative values to facilitate the determination of a fair exchange ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion by the valuer and judgment taking into account all the relevant factors. There will always be several factors, e.g. quality and integrity of the management, 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 recognised in judicial decisions.

We also understand that the Management of SIL is planning to issue Optionally Convertible Redeemable Preference Shares as discharge of consideration for the merger. This is to meet Regulation 38 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. We have hence considered issuance of OCRPS as well in our recommendation of share exchange ratio.

The valuation of OCRPS is computed as higher of the two scenarios:
Scenario I: If OCRPS get converted into equity shares of SIL:
In this scenario, since conversion ratio is 1:1, the value of each OCRPS is Rs 2.12 (ie same as fair value of equity share of SIL as per computation below)
Scenario II: If OCRPS are redeemed at end of 10 years:
In this scenario, each OCRPS is entitled to a redemption price of Rs 10 per share. The present value of each OCRPS is computed in this scenario using a discount rate of 20%. The computation is: Rs 10/((1.20)^(10)) = Rs 1.62 per OCRPS.

The value of OCRPS is taken as higher of two ie Rs 2.12 per OCRPS which is same as value of equity share of SIL.

The fair share exchange ratio has been arrived at on the basis of a relative equity valuation of the Companies for the proposed merger based on the various methodologies explained herein earlier.

The values as per different methods is presented below:

SURESH SHAH & CO. Mem. No. 110424 FRM No. 125085W Chartered Accountants

Valuation Approach	Servoteach Industries Ltd (A)		Servotech India Ltd (B)	
	Value per share (Rs)	Weight	Value per share (Rs)	Weight
Asset Approach	0.71	0%	22.78	0%
Income Approach	NA	NA	NA	NA
Market Approach - Market Price method	2.12	100%	NA	NA
Market Approach - Comparable Companies' Multiples method	NA	NA	13.87	100%
Relative value per share	**2.12**		**13.87**	
Exchange Ratio (rounded off) (B/A)			**6.5**	
Split of Exchange Ratio - Towards Equity Shares			**1.0**	
Split of Exchange Ratio - Towards Optionally Convertible Redeemable Preference shares			**5.5**	

The workings are given in Annexure A to this report

In the light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we consider that the fair exchange ratio is as represented below:

Fair share exchange ratio:
One (1) Equity Share of the Transferee company (Servoteach Industries Limited) of Rs. 10/- each fully paid up for every One (1) Equity Share of Rs. 10 each fully paid up held in the Share Capital of the Transferor Company (Servotech India Limited) and Eleven (11) Optionally Convertible Redeemable Preference Shares [OCRPS] of the Transferee Company (Servoteach Industries Limited) of Rs. 10/- each fully paid up for every Two (2) Equity Shares of Rs. 10/- each fully paid up held in the share capital of the Transferor Company (Servotech India Limited)

The above fair exchange ratio has been arrived at on the basis of a relative equity valuation for each of the Companies based on the various methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations. It should be noted that we have examined the fair and equitable share exchange ratio for the proposed merger and not examined any other matter including economic rationale for the proposed merger per se or accounting, legal or tax matters involved in the proposed transaction.

Respectfully submitted.

For Suresh Shah & Co.
Chartered Accountants
ICAI Firm Registration No.: 125085W

SURESH SHAH & CO. Mem. No. 110424 FRM No. 125085W Chartered Accountants

FCA Payal
Membership No.: 110424.
Place: Mumbai

Annexure A – Valuation Workings

Table 1: Valuation as per different methods

Valuation Approach	Servoteach Industries Ltd (A)		Servotech India Ltd (B)	
	Value per share (Rs)	Weight	Value per share (Rs)	Weight
Asset Approach	0.71	0%	22.78	0%
Income Approach	NA	NA	NA	NA
Market Approach - Market Price method	2.12	100%	NA	NA
Market Approach - Comparable Companies' Multiples method	NA	NA	13.87	100%
Relative value per share	**2.12**		**13.87**	
Exchange Ratio (rounded off) (B/A)			**6.5**	
Split of Exchange Ratio - Towards Equity Shares			**1.0**	
Split of Exchange Ratio - Towards Optionally Convertible Redeemable Preference shares			**5.5**	

Table 2: Net Asset Value of Servoteach Industries Ltd

Net Asset Value of Servoteach Industries Ltd	
Particulars	**Rs**
Equity Share Capital	4,22,96,000
Reserves & Surplus	-4,03,32,328
Net Asset Value of Servotech India Ltd	**19,63,672**
Number of Equity Shares (post reduction)	27,50,300
Net Asset Value per Equity Share	**0.71**

SURESH SHAH & CO. Mem. No. 110424 FRM No. 125085W Chartered Accountants