

**FAIRNESS OPINION REPORT ON VALUATION FOR THE PROPOSED SCHEME OF
REDUCTION OF CAPITAL**

amongst

Power & Instrumentation (Gujarat) Limited

AND

ITS SHAREHOLDERS

By



Navigant

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20th July, 2022

SEBI Registered Category I Merchant Banker

SEBI Registration No. INM000012243



For, Power & Instrumentation (Guj.) Ltd.

Director

Notice to Reader

Navigant Corporate Advisors Limited ("Navigant" / "NCAL" or "Authors of the Report") is a SEBI registered 'Category I' Merchant banker in India and was engaged by Board of Directors of Power & Instrumentation (Gujarat) Limited (herein after referred as "PIGL" / "Company") to prepare an Independent Fairness Opinion Report ("Report") with respect to providing an independent opinion and assessment as to fairness of Valuation for the purpose of intended reduction of Share Capital.

The Fairness Opinion Report ("Report") has been prepared on the basis of the review of information and specifically the valuation Report (hereinafter referred as Valuation Report) prepared by Mr. Subodh Kumar, registered with Insolvency and Bankruptcy Board of India ("IBBI") with Registration No.: IBBI/RV/05/2019/11705 (Valuer) as an Independent Valuer, provided to Navigant. The report does not give any valuation or suggest any fair value of equity share of the Company, However this report is limited to provide its fairness opinion on the Valuation for the purpose of intended proposed reduction of Share Capital.

The information contained in this Report is selective and is subject to updations, expansions, revisions and amendment. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent.

This Report is based on data and explanations provided by the management and certain other data culled out from various websites believed to be reliable. Navigant has not independently verified any of the information contained herein. Neither the Company nor Navigant, nor affiliated bodies corporate, nor the directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information contained in the Report. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained in, or errors in or omissions from, this Report or based on or relating to the Recipients' use of this Report.



Executive Summary

Purpose: Express an Independent Fairness Opinion and assessment with respect to fairness of Valuation provided by the Valuer for the purpose of intended proposed reduction of Share Capital.

Background of the Company

Power & Instrumentation (Gujarat) Limited

The Company was originally incorporated as 'Power & Instrumentation (Gujarat) Private Limited' on September 12, 1983 under the Companies Act 1956 with a Certificate of Incorporation issued by Registrar of Companies, Gujarat. The Company was subsequently converted into a public company and consequently name was changed from 'Power & Instrumentation (Gujarat) Private Limited to 'Power & Instrumentation (Gujarat) Limited vide a fresh certificate of incorporation dated July 05, 2004 issued by the Registrar of Companies, Ahmedabad, Gujarat.

The registered office of the Company is situated at B-1104 Sankalp Iconic, Opp. Vikram Nagar, Iscon Temple Cross Road, S. G. Highway, Ahmedabad - 380054, Gujarat.

The corporate identity number of the Company is L32201GJ1983PLC006456.

The shares of the Company are currently listed on SME (EMERGE) of the NSE.

The Company is, inter alia, engaged in the business of Electrical equipment, General Purpose and Special purpose Machinery & equipment, Transport equipment.

The share capital and holding structure of the Company, on a fully diluted basis, as on 30th June, 2022 is as under:

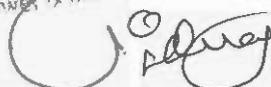
Particulars	Amount in INR
Issued, subscribed and paid up Capital	8,39,39,000
83,93,900 Equity Share of INR 10 each fully paid-up	

Shareholding Pattern as on 30th June, 2022:

Particulars	% of Holding
Promoter & Promoter Group	58.39
Other than Promoter & Promoter Group	41.60
Total	100.00



For. Power & Instrumentation (Guj.) Ltd


Director

Transaction Overview and Rational

This Scheme provides for undertaking capital reduction of POWER AND INSTRUMENTATION (GUJARAT) LIMITED (hereinafter referred as "PIGL or "the Company"), whereby the paid-up share capital of the PIGL shall be reduced from Rs. 8,58,39,000/- divided into 85,83,900 equity shares of Rs.10/- each fully paid-up to Rs.8,39,39,000/- divided into 83,93,900 equity shares of Rs.10/-each fully paid-up and that such selective reduction be effected by reducing the paid-up share capital of the Company by Rs.19,00,000/-, divided into 1,90,000 equity shares of Rs.10/- each, and payment shall be utilized and paid out of the balance in the Securities Premium Account of the Company as on 31.03.2021, to the shareholders whose equity shares were not permitted for listing and trading by National Stock Exchanges (NSE EMERGE), as detailed in the Scheme hereinafter.

The Company had made allotment of 38,50,000 Warrants on 04/05/2021 and 2,00,000/- Warrants on 05/05/2021 at price of Rs.16.52/- per warrant convertible into 41,50,000 equity shares of Rs.10/- each in terms of Regulation Companies Act, 2013, Listing regulations of NSE and Securities and Exchange Board of India (issue of capital and disclosure requirements) Regulations , 2018 as amended (SEBI (ICDR) Regulations), the SEBI (Substantial Acquisition of Shares and takeover) regulations 2011.

The Company had made allotment of 15,40,000 equity shares on 04/05/2021 at price of Rs.16.52/- per share (including premium of Rs.6.52/- per share) on preferential basis to the selected group of persons to whom the offer was made. However, out of the total 15,40,000 shares allotted, the Company has received listing and trading approval of 13,50,000 equity shares only from NSE. NSE has not granted listing and trading approval of total 1,90,000 equity shares (for 1,50,000 and 40,000 equity shares allotted to Mr. Prajal Bhandari and Ms. Nandini Agarwal respectively) owing to certain non-fulfilment of certain conditions specified in the Regulation 167(6) of the SEBI (ICDR).

The Scheme provides for the reduction of equity share capital of POWER AND INSTRUMENTATION (GUJARAT) LIMITED pursuant to section 66 read with section 52 and other relevant provisions of the Companies Act, 2013.



For, Power & Instrumentation (Guj.) Ltd

Director

Information relied upon:

We have prepared the fairness opinion report on the basis of the information provided to us and inter alia the following:

- Valuation report issued by Mr. Subodh Kumar, Registered Valuer (SFA) ("Valuer" / "Independent Valuer") (IBBI Registration No. IBBI/RV/05/2019/11705) dated 20th July, 2022.
- Draft scheme for reduction of Share Capital;
- Other information and explanations as provided by the management.

We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed to be good and marketable and we would urge the company to carry out the independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment.

We have been informed that all information relevant for the purpose of issuing the Fairness Opinion report has been disclosed to us and we are not aware of any material information that has been omitted or that remains undisclosed.

Valuation Summary:

Valuation Methods are broadly classified into –

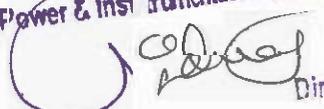
- **Market Approach**

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 a business.

- **Market Price Method**

Under this method, the market price of an equity share of the company as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded. The market value generally reflects the investor's perception about the true worth of the company.



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○ **Comparable Companies Multiples (CCM) Method**

The value is determined on the basis of the multiples derived from valuations of comparable companies, as manifest in the stock market valuations of listed companies. This valuation is based on 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.

○ **Comparable Transactions Multiples (CTM) Method**

Under CTM Method, the value is determined on the basis of multiples derived from valuations of similar transactions in the industry. Relevant multiples need to be chosen carefully and adjusted for differences between circumstances.

• **Income Approach**

○ **Discounted Cashflow Approach ("DCF")**

- DCF Approach is widely used for valuation under 'Going Concern' basis. It focuses on the income generated by the company in the past as well as its future earning capability.
- Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows in the explicit period and those in perpetuity are discounted by Weighted Average Cost of Capital (WACC). The WACC, based on an optimal vis-à-vis actual capital structure, is an appropriate rate of discount to calculate the present value of future cash flows as it considers debt-equity risk by incorporating debt-equity ratio of the firm.
- The perpetuity (terminal value) is calculated based on the business potential for further growth beyond the explicit forecast period. The "Constant Growth Model" is applied, which implies an expected constant level of growth for perpetuity in the cash flows over the last year of forecast period.
- The discounting factor reflects not only the time value of money, but also the risk associated with the future business operations. The Enterprise Value (aggregate of present value of explicit period and terminal period cash flows) so derived, is further reduced by value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of business.

• **Cost Approach**

Cost approach 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).

○ **Replacement Cost Method**

Replacement Cost Method, also known as 'Depreciated Replacement Cost Method' involves valuing an asset based on the cost that a market participant shall have to incur to recreate an asset with substantially the same utility (comparable utility) as that of the asset to be valued, adjusted for obsolescence.

○ **Reproduction Cost Method**

Reproduction Cost Method involves valuing an asset based on the cost that a market participant shall have to incur to recreate a replica of the asset to be valued, adjusted for obsolescence.

○ **Net Asset Value / Asset based Approach**

The NAV Method considers assets and liabilities, including intangible assets and contingent liabilities. The Net Assets, after reducing the dues to the preference shareholders, if any represent the value of the Company. It is best used when the company is non-operating or has been generating losses.

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This Opinion is intended only for the sole use and information of the Company and in connection with the Scheme, including for the purpose of obtaining Judicial and Regulatory Approvals for the Scheme or the purpose of complying with the SEBI Regulations and requirement of Stock Exchange on which the Company is listed, and for no other purpose. We are not responsible in any way to any Person/Party/Statutory Authority for any decision of such Person or Party or Authority based on this opinion. Any Person/Party intending to provide finance or invest in the Shares/Business of the Company shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

For the purpose of this Assignment, Navigant has relied on the Valuation Certificate for the proposed "Scheme of Reduction" of the Company and information and explanation provided to it, the accuracy whereof has not been evaluated by Navigant. Navigant's work does not constitute certification or due diligence of any past working results and Navigant has relied upon the information provided to it as set out in working results of the aforesaid reports.

Navigant has not carried out any physical verification of the Assets and Liabilities of the Company and takes no responsibility on the identification and availability of such Assets and Liabilities.

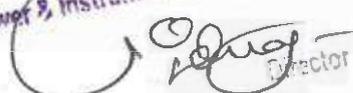
We hereby give our consent to present and disclose the Fairness Opinion in the Board /General Meetings of the Company. Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed scheme of Reduction with the provisions of any Law including Companies, Taxation and Capital Market related Laws or as regards any Legal implications or issues arising thereon.

The information contained in this Report is selective and is subject to updating, expansions, revisions and amendment, if any. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent. Recipients are advised to independently conduct their own Investigation and analysis of the business of the Companies. The Report has been prepared solely for the purpose of giving a Fairness Opinion on Valuation Certificate issued for the proposed Scheme of reduction and may not be applicable or referred to or quoted in any other context.

Our opinion is dependent on the information provided to us being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our assignment does not involve performing Audit tests for the purpose of expressing an Opinion on the Fairness or Accuracy of any Financial or Analytical information used during the course of our work. As such we have not performed any audit, review or examinations of any of the historical or prospective information used and, therefore,



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do not express any Opinion with regard to the same. In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to this date.

We have assumed that the Final Scheme will not differ in any material respect from the Draft Scheme Document shared with us.

We do not express any Opinion as to any tax or other consequences that might arise from the Scheme on the Company and their respective Shareholders, nor does our Opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the respective Companies have obtained such advice as they deemed necessary from qualified Professionals. We have undertaken no independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims, government investigation or other contingent liabilities to which the Company are or may be Party.

The Company has been provided with an opportunity to review the Draft Opinion as part of our standard practice to make sure that factual inaccuracy/omissions are avoided in our Final Opinion.

Our Opinion is not intended to and does not constitute a recommendation to any Shareholder as to how such holder should vote or act in connection with the Scheme or any matter thereto.

Fairness Opinion:

Based upon Valuation work carried out by Mr. Subodh Kumar, Registered Valuer (SFA) ("Valuer") we are of the Opinion that the purpose of the proposed reduction by the Company is fair, from a financial point of view.

This being of our best of professional understanding, we hereby sign the Fairness Opinion Report on Valuation.

For Navigant Corporate Advisors Limited



Sarthak Vijlani
Managing Director

Date: 20th July, 2022
Place: Mumbai

For Director & Instrumentation (Guj.) Ltd

Director