

We refer to our engagement letter wherein the management of National Fittings Limited (hereinafter referred to as "NFL") and the Management of Interfit India Limited (hereinafter referred to as "IIL" and jointly referred to as the "Companies") has requested Rangarajan & Co., Chartered Accountants, Chennai (hereinafter referred to as "RR" or "Valuer") to recommend the fair share exchange ratio for the proposed amalgamation of Interfit India Limited, the Holding Company into its subsidiary, NFL ("Proposed Amalgamation") to the Board of Directors of the Companies

Scope and Purpose of this Report

Interfit India Limited manufactures and sells components for piping products in India. The company offers castings for grooved and threaded ductile iron pipe fittings. The company sells its products primarily to NFL who in turn exports the finished products primarily to the United States, Japan, the Middle East, Australia, and other countries. Interfit India Limited was incorporated in 1981 and is headquartered in Coimbatore, India. The company manufactures S G iron castings. It has manufacturing facilities in Tamilnadu. The company manufactures S G iron pipe fitting and rubber gaskets.

National Fittings Limited, an export oriented company and an ISO 9001 certified manufacturer of Quality Piping components to various industries. National Fittings manufactures a complete range of fittings and ball valves in stainless and carbon steels and grooved couplings and fittings from SG Iron Castings.

National Fittings is committed to innovative product design, state of the art production engineering and continuous monitoring of product and process quality. National Fittings, manufactures products with recognized International standards and most of the products are approved by various international testing agencies for specific application. Technical competence, reliability, and rigorous adherence to Quality Standards and process discipline are the keys to our success.

National Fittings operates an ISO 9001 certified investment casting foundry utilizing lost wax process and IIL as the exclusive supply source for its entire SG Iron Castings requirement. Striving for continual improvement and working towards total customer satisfaction has carved a niche for us in our domain. Its prompt services, delivery schedule & most competitive pricing has brought in substantial profit and has also made NFL the most preferred business associate in this Industry.



We have been informed that the Board of Directors of NFL and IIL are considering a proposal for the amalgamation of IIL into NFL ("Proposed Amalgamation") as per the draft scheme of Amalgamation under the provision of Section 61, 66, 230 to 232 and other applicable provisions of the Companies Act, 2013 and corresponding provisions of the Companies Act, 1956 ("Scheme of Amalgamation"). Under the Scheme of Amalgamation, the shareholders of IIL will be issued equity share of NFL pursuant to share exchange ratio being approved.

In this connection, RR has been requested by the managements of NFL and IIL (the "Management") to submit a report recommending a fair share exchange ratio in the event of the Proposed Amalgamation for the consideration of the Boards of NFL and IIL.

The scope of our services is to conduct relative valuation for recommending a fair share exchange ratio for the Proposed Amalgamation in accordance with generally accepted professional standards.

This report is our deliverable in respect of our recommendation of fair share exchange ratio for the purpose of the Proposed Amalgamation.

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 this exercise, we have used information received from the Management and/or available in the public domain as follows:

- a. With respect to Interfit India Limited
 - Audited financial statements for the years ended March 31, 2015, 2016 and 2017
 - Projected business plan of IIL for the period April 2017 to March 2022
 - Details of assets and liabilities proposed to be transferred NFL
 - List of land owned by IIL along with their current 'Guideline Value' as fixed by the Government of Tamilnadu
 - Number of shares of NFL held by IIL
- b. With respect to National Fittings Limited
 - Audited financial statements for the years ended March 31, 2015, 2016 and 2017
 - Share prices and the traded volumes considered from BSE.
 - Draft Scheme of Amalgamation



- c. Other relevant information made available to us by the Management of NFL and IIL through emails and discussions.

IIL and NFL has been provided with the opportunity to review the draft report for this engagement to make sure the stated facts are accurate and appropriately considered in the final report.

SCOPE, LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of regular corporate advisory practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by WCC or our affiliates.

This report, its contents and the results herein:

- a) are specific to the purpose of the valuation as per agreed terms of engagement;
- b) are specific to the date of this report; and
- c) are based on the data detailed earlier in this report.

A valuation of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions specific to the industry and in general and on the basis of the information made available to the undersigned from time to time. 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 recommendations in this report only represent our recommendations based upon information provided by IIL and NFL, including those available in the public domain, and the said recommendations shall be considered to be in the nature of non-binding advise(our recommendation will however not be used for advising anybody to consider buy or sell decision, for which specific opinion needs to be obtained). We have no obligation to update this report.

In the course of the valuation, we have assumed and relied upon, without independently verifying the accuracy of the information available in public domain and other industry-related spaces. 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 information made available 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 historical financial statements.



The report assumes that the Companies comply fully with the 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 recorded in the audited / unaudited balance sheet of the Companies.

The report does not look into the business or commercial reasons behind the proposed amalgamation nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Amalgamation 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 / enquiry of the Companies' claim to title of assets has been made for the purpose of this report and the Companies' claim to such rights have been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the financial statements. Therefore, no responsibility is assumed for matters of a legal nature.

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

We owe responsibility to only the Board of Directors of IIL and NFL under the terms of engagement, and nobody else. We do not accept any liability to any third party in relation to the issue of this report. 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 only and shall not be referred to as an expert in regulatory filings in any other country. Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan report or other agreement or document given to third parties, other than in connection with the Proposed Amalgamation, without our prior written consent. In addition, this report does not in manner address the prices at which NFL's shares will trade following the announcement of the Proposed Amalgamation and we express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders' meetings to be held in connection with the Proposed Amalgamation.



DETAILS OF SHARE CAPITAL OF THE COMPANIES

The following are the shareholding patterns of IIL and NFL as of March 31, 2017 as provided by the respective Managements:

Interfit India Limited

Sl. No.	Particulars	No. of Shares	% of Shareholding
1	Promoter Group	1,557,081	42.78%
2	Others	2,083,047	57.22%
3	TOTAL	3,640,128	100.00%

National Fittings Limited

Sl. No.	Particulars	No. of Shares	% of Shareholding
1	Promoter Group	54,52,782	65.55%
2	Others	28,67,218	34.45%
3	TOTAL	83,20,000	100.00%

BASIS OF PROPOSED AMALGAMATION

The Scheme of Amalgamation contemplates the Proposed Amalgamation of the Companies under the provisions of Sections 61, 66, 230 to 232 and other applicable provisions of the Companies Act, 2013 and corresponding provisions of the Companies Act, 1956. Arriving at the fair share exchange ratio for the Proposed Amalgamation would require determining the relative values of the concerned shares of the Companies.

Hence we have carried out a relative valuation of the shares of IIL and NFL in order to determine the fair share exchange ratio for the Proposed Amalgamation.

There are several commonly used and accepted methods for determining the fair share exchange ratio for the Proposed Amalgamation which have been considered in the present case to the extent relevant and applicable, including:

1. Net Asset Value Method
2. Market Price Method
3. Discounted Cash Flows Method



It should be understood that the valuation of any company or its assets is inherently subjective and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond control. In performing our analysis, we have made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, the 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 the 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 emphasised 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 judgement, in an independent and *bona fide* manner based on past experience.

Adjusted Net Asset Value [ANAV] Method

The value arrived at under this method is based on the audited financial statements of the Companies and may be defined as Shareholders' Funds or Net Assets owned by the business, the Adjusted Net Asset Value of the business is arrived at after making adjustments for the fair value of the Assets (including investments) and Liabilities. The Net Asset Value is generally used as the minimum break-up value for any business since this methodology ignores the future return the assets can produce and is calculated using historical accounting data that does not reflect how much the business is worth to someone who may buy or invest in the business as a going concern.

In the case of IIL, we understand that the Company is operating in an industry which has a lot of competing products from industries located in China and other parts of the world. Due to the competition the Management is expecting a significant fall in the market prices of the IIL's products in order to compete in the industry as well as to retain market share. Therefore going by the inconsistent pricing and uncertain market conditions, the management is not in a position to reasonably estimate the future cashflows that can be generated out of the business. In addition the Company, being a manufacturing Company, significant investments have been made in physical assets, hence ANAV approach to valuation may provide a more reasonable estimate of the value of shares of IIL.

Under the ANAV Method, we have considered the fair value of the assets [Tangible and Intangible] and liabilities proposed to be taken over by NFL from IIL under the Proposed Amalgamation. The Assets mainly consist of Land, Building, Machinery, Office Equipment and Furniture & Fittings. The Land owned by IIL have been valued at the guideline value as fixed by the Government of Tamilnadu. All other assets have been valued at book value. In



addition to the above, IIL owns 46,97,010 equity shares of Rs. 10 each in NFL, its subsidiary, which is listed on the Bombay Stock Exchange [BSE]. Hence these shares have been valued at the 6 month average between July 1, 2017 – December 31, 2017 obtained from www.bseindia.com and the adjusted value of such shares have been considered for arriving at the ANAV of IIL for the Proposed Amalgamation.

Market Price 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 is 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 a 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 in the stock exchange over a reasonable period would have to be of a comparable standard. This method would also cover any other transactions in the shares of the company including primary / preferential issues / open offer in the shares of the Company as envisaged in the overall scheme of arrangement and reported to the stock exchanges / available in the public domain.

In the present case, the equity shares of NFL are listed on BSE and there are regular transactions on the bourses in their equity shares. Accordingly, the share price over reasonable periods for the shares of NFL, as deemed appropriate for the purpose of our valuation analysis, have been considered for determining the value of NFL under the market price methodology.

Discounted Cash Flows [DCF] Method

The DCF method uses the future free cash flows of the firm discounted by the Cost of Capital to arrive at the present value. In general, the DCF method is a strong and widely accepted valuation tool as it concentrates on cash generation potential of a business. Given the industry, competitive and pricing scenarios, significant asset concentration and IIL's position as compared to competitors in respect of pricing of final products, we have not considered this method for arriving at the valuation of shares for determination of the swap ratio. Moreover, this method does not consider the adjusted value of the land and the investments in arriving at the valuation as the value is only based on the cash flows from the business, the significant market values of such assets are not reflected in the final valuation which deems the value so arrived at inappropriate for the Proposed Amalgamation.



BASIS FOR FAIR SHARE EXCHANGE RATIO

The fair basis for the Proposed Amalgamation would have to be determined after taking into account all the factors and methodologies mentioned hereinabove. For the purposes of recommending a swap ratio, it is necessary to arrive at a single value for the shares of the concerned companies. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values of the shares of the companies but at their relative values to facilitate the determination of the swap ratio.

In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion by the Valuer and his/her judgements taking into account all the relevant factors. There will always be several factors, e.g. quality of management, market competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the financial statements but which will strongly influence the worth of a share. This concept is also recognised in judicial decisions.

The fair exchange ratio of the equity shares of IIL and NFL has been arrived at on the basis of a relative valuation of IIL and NFL based on the methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses, having regard to information base, key underlying assumptions and limitations.

In the light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above, as per our analysis the shareholders of IIL shall be issued 3 shares NFL of Rs. 10 each fully paid for every 2 equity shares of Rs. 10 each held in IIL as the total consideration for the Proposed Amalgamation.

Thanking you

Yours Faithfully

For Rangarajan & Co.,
Chartered Accountant
FRN: 009782S


R Rangarajan
Proprietor
Mr. No. 011005



Date: 08th January 2018

Interfit India Limited

Valuation as on 8th January, 2018

Valuation Summary

Valuation Summary

Method Used	Value per share (₹)	Weights
Discounted Cash Flow Statement	336.17	30%
Net Assets Value Method	353.85	70%
Profit Earning Capacity Value Method	55.23	0%
Weighted Average Value per Share (Rs./share)	₹348.55	

Calculation of Share Exchange Ratio

Weighted Average Value per Share of Interfit India Limited	₹348.55
Market Price of Share of National Fittings Limited	₹231.92
	3/2



Relevant Date

31/12/2017

Stock Quote Data is 16 days old

Week	Start Date	End Date	High	Low	Average
1	24/12/2017	30/12/2017	213.58	208.89	211.24
2	17/12/2017	23/12/2017	212.63	210.76	211.70
3	10/12/2017	16/12/2017	210.96	203.82	207.39
4	03/12/2017	09/12/2017	206.15	203.11	204.63
5	26/11/2017	02/12/2017	209.56	204.52	207.04
6	19/11/2017	25/11/2017	220.74	214.52	217.63
7	12/11/2017	18/11/2017	221.73	209.47	215.60
8	05/11/2017	11/11/2017	228.43	223.59	226.01
9	29/10/2017	04/11/2017	232.95	223.37	228.16
10	22/10/2017	28/10/2017	244.18	219.23	231.71
11	15/10/2017	21/10/2017	219.98	210.05	215.02
12	08/10/2017	14/10/2017	221.97	204.11	213.04
13	01/10/2017	07/10/2017	235.98	222.63	229.30
14	24/09/2017	30/09/2017	231.49	228.45	229.97
15	17/09/2017	23/09/2017	237.02	232.19	234.60
16	10/09/2017	16/09/2017	241.48	235.67	238.57
17	03/09/2017	09/09/2017	242.91	235.58	239.24
18	27/08/2017	02/09/2017	248.58	237.77	243.17
19	20/08/2017	26/08/2017	243.71	236.24	239.98
20	13/08/2017	19/08/2017	256.07	249.26	252.66
21	06/08/2017	12/08/2017	282.18	264.54	273.36
22	30/07/2017	05/08/2017	273.30	268.01	270.66
23	23/07/2017	29/07/2017	267.03	258.06	262.55
24	16/07/2017	22/07/2017	265.07	239.78	252.43
25	09/07/2017	15/07/2017	239.94	239.32	239.63
26	02/07/2017	08/07/2017	239.83	229.59	234.71
i) Weighted Average Price of 26 weeks					231.92
ii) Weighted Average Price of 2 weeks					211.47

Higher of i) and ii)

231.92

