Katre Barwe & Associates
Chartered Accountants

Date: 4 December 2017

Approaches / methods of valuation considered in Valuation Report for recommendation of fair entitlement / allotment ratio of equity shares of Bajaj Electricals Limited to be issued to the shareholders of Hind Lamps Limited

To,

The Board of Directors, Bajaj Electricals Limited 45/47, Veer Nariman Road, Mumbai-400 001	The Board of Directors, Hind Lamps Limited Shikohabad, Firozabad Uttar Pradesh 283141

1. This is with reference to our report dated 31 October 2017 on recommendation of fair entitlement /allotment ratio of equity shares of Bajaj Electricals Limited ("BEL") to be issued to the shareholders of Hind Lamps Limited ("HLL") for the proposed demerger of manufacturing business of HLL into BEL.

   As required by Circular No. LIST/COMP/02/2017-18 dated 29 May 2017 issued by the BSE Limited ("BSE") and Circular No. NSE/CML/2017/12 dated 01 June 2017 issued by the National Stock Exchange of India Limited ("NSE") (hereinafter referred to as "Circulars"), we hereby present the requisite information in the format prescribed along with the approaches / methods of valuation considered in the Valuation Report.

Share Entitlement/Allotment Ratio in compliance with pricing provisions of Chapter VII of SEBI (ICDR) Regulations, 2009

Particulars	BEL		Manufacturing Business of HLL	
Valuation Approach	**Value per share**	**Weight (%)**	**Value per share**	**Weight (%)**
NAV Method Approach / Asset Approach – Note 1	N.A.	-	0.00*	20.00
DCF Method Approach / Income Approach – Note 2	N.A.	-	31.70	80.00
Market Price Method / Market Approach – Note 3	260.90	100.00	N.A.	-
Relative value per share	260.90		25.40	
Share entitlement / allotment ratio (rounded off)				0.097

** Considered Nil, since net asset value is negative and HLL is a limited liability entity.*

Conclusion : The fair entitlement/allotment ratio of equity shares for the proposed demerger of the manufacturing business of HLL into BEL, should be a ratio of 97 equity shares of BEL of Rs 2 each fully paid up for every 1000 equity shares of HLL of Rs 25 each fully paid up.

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For and on behalf of
Bajaj Electricals Limited

Mangesh Patil
EVP-Legal & Taxation and Company Secretary

Approaches / methods of valuation considered in Valuation :

Note 1 :

NAV Method Approach / Asset Approach

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 Arrangement would normally be proceeded with, on the assumption that the demerged business will continue on a going concern basis and an actual realization of the operating assets is not contemplated.

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In such a going concern scenario the relative earning power is of importance, with the values arrived at on the net asset basis being of limited relevance.

Considering the nature of business of BEL and the Manufacturing Undertaking of HLL, we feel it is appropriate to give no weightage to this method for BEL and lower weightage for the Manufacturing Undertaking of HLL for valuation. The NAV of Manufacturing Undertaking of HLL is considered Nil since the net assets value is negative and HLL is a limited liability entity. Further, considering that the market price method is the best indicator of the value of the listed company, market price methodology was used for valuation for BEL (please refer Note 3 below) and NAV Method is not applicable for BEL.

Note 2 :

Discounted Cash Flow (DCF) Method Approach / Income Approach

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.

Using the DCF method involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to all providers of the company's capital – both debt and equity.

Appropriate discount rate to be applied to cash flows i.e. the cost of capital:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

The value arrived above under DCF method is adjusted for the value of loans, cash, non-operating assets/liabilities as deemed appropriate.

In business valuations, it is essential for the valuers to not only take into consideration the past profits of the company, but also look at its future profitability. The DCF method values the business by discounting the free cash flows for the explicit forecast period and the perpetuity value (terminal value) thereafter. The free cash flows represent the cash available for distribution to both, the owners and the creditors of the business. The perpetuity value of the entity is calculated to fully capture the growth capacity of the entity to infinity after the explicit period of projections. It is important for the valuer to consider the past growth rate of the company as well as to consider the future growth rate expected basis the future projections for the explicit period to arrive at the perpetuity growth rate. Thus, considering the multiple factors of inputs required for the calculation of DCF method, the information so required is regarded as price sensitive information, and so not suitable for listed company and hence the market price is regarded as the good barometer of fair value of the equity shares at which an informed buyer and an informed seller are willing to transact in the equity shares of the company.

Therefore, considering that the market price method is the best indicator of the value of the listed company, the value of BEL as per DCF Method is worked out by using the business plan provided by the management of BEL only for benchmarking purposes and the valuation of BEL is considered basis for the market price method (please refer Note 3 below) and hence DCF method for valuation for BEL is not applicable.

The DCF Method for valuation of Manufacturing Business of HLL is based on the business plan provided by the management of HLL.

RADHAKRISHNAN KATHE GANESH & ASSOCIATES Chartered Accountants

Note 3 :

Market Price Method / Market Approach

The market price of an equity share as quoted on a 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 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 as 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 demerger, 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 on the stock exchange over a reasonable period would have to be of a comparable standard.

In the present case, the shares of BEL are listed on the recognized stock exchanges viz BSE and NSE and there are regular transactions in its equity shares with adequate volumes. In these circumstances, the share price observed on NSE for BEL over a reasonable period have been considered for determining the value of BEL under the market price methodology.

The reasonable period is considered in terms and compliance of newly inserted Proviso to Clause 70(1)(b) read with Clause 76 of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (as amended) ('the ICDR regulations'), if the equity shares of the issuer have been listed on a recognised stock exchange for a period of twenty six weeks or more as on the relevant date, the equity shares shall be allotted at a price not less than **higher** of the following:

(a) the average of the weekly high and low of the volume weighted average price 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.

The Undertaking is a part of HLL and HLL's shares are not listed on any recognized stock exchange, hence market price method / market approach is not applicable for HLL's valuation

Restriction on Use

The above should be read in conjunction with our Report dated 31 October 2017 and the valuation report issued by S. R. Batliboi & Co. LLP dated 22 November 2015 and is subject to the scope of limitations enunciated in the reports. It should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For Katre Barwe & Associates
Chartered Accountants
ICAI Firm Registration Number: 137690W

Abhishek Katre
Partner
Membership Number: 132349

Place of Signature: Mumbai
Date: 4 December 2017

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