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July 04, 2017

The Board of Directors,
Timken India Limited
39-42, Electronic City,
Phase II, Hosur Road,
Bengaluru – 560 100,
Karnataka.

The Board of Directors,
ABC Bearings Limited
402 - B, Poonam Chambers,
Dr. Annie Besant Road, Worli
Mumbai – 400 018,
Maharashtra.

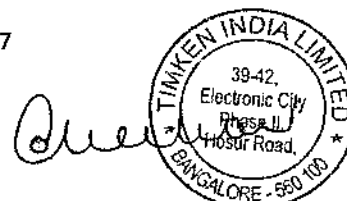
Re: Recommendation of fair share exchange ratio for the purpose of proposed amalgamation of ABC Bearings Limited into Timken India Limited.

Dear Sir(s),

As requested by the management of Timken India Limited (hereinafter referred to as "TIL") and ABC Bearings Limited (hereinafter referred to as "ABC") (hereinafter collectively referred to as "Companies"), we have undertaken the valuation exercise of equity shares of TIL and ABC for recommending the fair share exchange ratio for the purpose of proposed amalgamation of ABC into TIL through a scheme of amalgamation.

1. PURPOSE OF VALUATION

- 1.1 We have been informed that the Board of Directors of the Companies are considering a proposal for amalgamation of ABC into TIL. The amalgamation is proposed to be carried out through a scheme of amalgamation and arrangement under section 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Scheme"). In consideration for amalgamation of ABC into TIL, equity shares of TIL would be issued to the equity shareholders of ABC.
- 1.2 For this purpose, we have carried out valuation of the equity shares of TIL and ABC with a view to recommend fair share exchange ratio of equity shares of TIL to be issued to the equity shareholders of ABC for the consideration of the Board of Directors of the Companies.



The same is being issued as per the requirements of Securities and Exchange Board of India ("SEBI") circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with SEBI circular no. CFD/DIL3/CIR/2017/26 dated March 23, 2017.

2. BRIEF BACKGROUND

2.1. TIMKEN INDIA LIMITED

2.1.1. TIL, incorporated on December 12, 1996 has its registered office at 39-42, Electronic City, Phase II, Hosur Road, Bengaluru – 560 110. TIL is engaged in the business of engineering and manufacturing bearings and mechanical power transmission components including gear drives, coupling belts and chains. It also provides industrial services including those in the nature of bearing repair and powertrain rebuild. The manufacturing facility of TIL is located at Jamshedpur with cellular manufacturing technology.

2.1.2. The company also imports products such as spherical roller bearings, cylindrical roller bearings and specialty roller bearings from various Timken group entities.

2.1.3. The equity shares of TIL are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE").

2.2. ABC BEARINGS LIMITED

2.2.1. ABC, incorporated on May 30, 1961 having its registered office at 402 - B, Poonam Chambers, Dr. Annie Besant Road, Worli, Mumbai – 400 018 is engaged in engineering, product design, manufacturing, distribution and sale of various types of bearings.

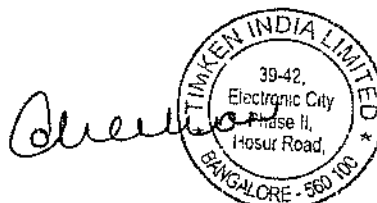
2.2.2. The products manufactured by ABC includes spherical roller bearings, clutch release bearings, needle roller bearings, ball bearings, king pin bearings etc. The business of ABC comprises of (i) engineering, product design, manufacturing, distribution and sale of bearings including inter alia taper roller bearings, cylindrical roller bearings, spherical roller bearings and slewing bearings; and (ii) procurement, distribution and sale of other bearings, grease, oil and UJ Cross not manufactured by ABC but are sold under the "ABC" brand.

2.2.3. The equity shares of ABC are listed on BSE.

3. SOURCES OF INFORMATION

For the purposes of our valuation exercise, we have relied upon the following sources of information as provided to us by the management of the respective Companies:

(a) Audited financial statements of the Companies for the financial year (FY) ended March



31, 2017.

- (b) Draft Scheme of amalgamation and arrangement.
- (c) Other relevant details regarding the Companies such as their history, past and present activities and other relevant information and data, including information in the public domain.
- (d) Discussions with the management of the Companies on various issues relevant for the valuation including the prospects and outlook for the industry, expected profitability from expansion, expected growth rate, etc.

4. EXCLUSIONS AND LIMITATIONS

- 4.1. Our report is subject to the scope limitations detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.
- 4.2. Valuation is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While SSPA has provided an assessment of the value based on the information available, application of certain formulae and within the scope and constraints of our engagement, others may place a different value to the same.
- 4.3. No investigation of the Companies' claim to title of assets has been made for the purpose of this valuation and their 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.
- 4.4. Our work does not constitute an audit or certification of the historical financial statements including the provisional results of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
- 4.5. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the management of the Companies have drawn our attention to



all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the fair value of the shares of the Companies including any significant changes that have taken place or are likely to take place in the financial position of the Companies, subsequent to the Appointed Date for the proposed amalgamation. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

- 4.6. In the course of the valuation, we were provided with both written and verbal information. We have not carried out due diligence or audit of the information provided for the purpose of this engagement. Public information, industry and statistical information relied in this report have been obtained from the sources considered to be reliable. However, we have not independently verified such information and make no representation as to the accuracy or completeness of such information from or provided by such sources. Our conclusions are based on the assumptions and other information given by/on behalf of the Companies. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.
- 4.7. Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed amalgamation.
- 4.8. This report is prepared only in connection with the proposed amalgamation exclusively for the use of the Companies and for submission to any regulatory / statutory authority as may be required under any law applicable in India.
- 4.9. Any person / party intending to provide finance / invest in the shares / business of the Companies 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.
- 4.10. The decision to carry out the transaction (including consideration thereof) lies entirely with the Management / the Board of Directors of the Companies, our work and our finding shall not constitute an opinion as to whether or not the Management / the Board of Directors of the Companies should carry out the transaction.
- 4.11. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed amalgamation as aforesaid, can be done only with our prior permission in writing.



- 4.12. SSPA & Co., nor its partners, managers, employees makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

5. VALUATION APPROACH

- 5.1. For the purpose of valuation for amalgamation, generally the following approaches are adopted:

- (a) the "Underlying Asset" approach
- (b) the "Income" approach; and
- (c) the "Market" approach

- 5.2. In the present case, TIL and ABC are intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, and therefore the "Underlying Asset" approach is not adopted for the present valuation exercise.

- 5.3. We have been informed that before the Appointed Date, the Management of ABC shall be entitled to divest certain non-core properties which are not used for the business of manufacture of bearings. As a result, we have not ascribed any value to such non-core properties. Considering this, we have not considered "Market" approach for the present valuation exercise.

5.4. INCOME APPROACH

Under the "Income" approach, shares of TIL and ABC have been valued using Comparable Companies Multiple ('CCM') method.

- 5.4.1. Under CCM Method, the value of the shares of the companies is determined by using multiples derived from valuations of comparable companies. 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. In the present case, Enterprise Value (EV) to Earnings before Interest Tax Depreciation and Amortization (EBITDA) multiples of comparable listed companies are used to arrive at Enterprise Value of both the Companies. While determining the comparable peer set for each of the Companies being valued, we have considered various qualitative factors such as size, market share, product portfolio, global support, growth potential, etc.
- 5.4.2. To the value so arrived, adjustments have been made for cash and cash equivalents, loan



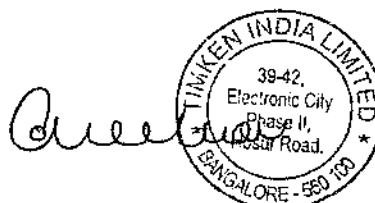
funds, contingent liabilities adjusted for probability of devolvement, value of investments and other adjustments after considering the tax impact wherever applicable, to arrive at equity value.

- 5.4.3. The equity value so arrived at is divided by the outstanding/dilutive number of equity shares to arrive at the value per share.

6. RECOMMENDATION OF FAIR SHARE EXCHANGE RATIO

- 6.1. The fair basis of amalgamation of ABC into TIL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove.
- 6.2. Our exercise is to work out relative value of shares to facilitate the determination of a fair share exchange ratio. As mentioned above we have considered the "Income" approach for arriving at the value per share of TIL and ABC.
- 6.3. The fair share exchange ratio has been arrived on the basis of a relative valuation of the shares of TIL and ABC as explained herein earlier and various qualitative factors relevant to company and the business dynamics and growth potential of the businesses of TIL and ABC, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.
- 6.4. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments, 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 recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

'If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made.'



Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible.'

6.5. In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report, in our opinion, the relative fair value per share and fair share exchange ratio in the event of amalgamation of ABC into TIL is as under:

Method of Valuation	TIL		ABC	
	Value per Share (INR)	Weights	Value per Share (INR)	Weights
Assets Approach	Not Applied	0%	Not Applied	0%
Income Approach	759	100%	473	100%
Market Approach	Not Applied	0%	Not Applied	0%
Relative Value per Share	759		473	
Exchange Ratio: (Rounded Off)	1:60			

Ratio:

5 (Five) equity shares of TIL of INR 10 each fully paid for every 8 (Eight) equity shares of ABC of INR 10 each fully paid.

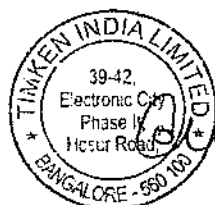
Thank you,
Yours faithfully,

SSPA & Co.



SSPA & CO.
Chartered Accountants
Firm registration number: 128851W

Place: Mumbai



[Handwritten Signature]