

VALUATION REPORT
OF
PAVNA INDUSTRIES LIMITED

(Strictly privileged and confidential)

Purpose : **Issue of Equity Shares & Convertible Warrants on Preferential basis**

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Reference No.: - RV/SFA/SEP/2024/07

Date: September 26, 2024

To,

The Board of Directors

PAVNA INDUSTRIES LIMITED

CIN: L34109UP1994PLC016359

R.O.: Vimlanchalhari Nagar Aligarh,

Uttar Pradesh, India, 202001

Sub: Valuation report on fair value of equity shares as required for the purpose of issue of equity shares and warrants convertible into equity shares, on preferential basis as required under Chapter V of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Dear Sir/ Madam,

I refer to the engagement letter, whereby, the management of Pavna Industries Limited, referred as (“**Company**” or “**PIL**”) has appointed Mr. Manish Manwani (“**Registered Valuer**” or “**RV**” or “**I**”) as the Registered Valuer, for evaluation of fair value of equity shares of the Company. I understand that valuation analysis has been required by the management of the Company for the purpose of compliance with the regulatory provisions of the Companies Act, 2013 (“**Companies Act**”) read with applicable rules framed thereunder and Regulation 164 and 166A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended) (“**SEBI (ICDR) Regulations**”).

This cover letter is intended to provide you with an overview of the purpose and scope of my analysis and my conclusions. Please refer to the attached report for a discussion and presentation of the analysis performed in connection with this assignment.

Purpose and Scope

Based on my discussions with the management of PIL, I understand that the management of the Company wishes to do preferential allotment of equity shares and warrants convertible into equity shares. In this regard, the management of the Company is required to determine the fair value of equity shares, to comply with the requirements laid down under the applicable provisions of the Companies Act, 2013 read with applicable rules framed thereunder and Regulation 164 and 166A of Chapter V of SEBI (ICDR).

In this regard, the management of PIL requires a report on valuation of equity shares of PIL carried out by a "Registered Valuer" (as defined in Companies Registered Valuers and Valuation Rules, 2017). I understand that this analysis and valuation report will be used by the management of PIL for necessary regulatory compliances as stated above.

The Report has been prepared exclusively for specified purposes as mentioned above, and except for the compliances to be made mentioned above, should not be used for any other purpose without obtaining the prior written consent of the Registered Valuer. This opinion should not be considered, in whole or in part, as investment advice by anyone.

Summary of Findings

Based on my valuation analysis of the Company, in my assessment, the fair value per equity share of the Company works out to **INR 504.26/-**. For detailed working kindly refer Section III of this report.

**MANISH
MANWANI** Digitally signed
by MANISH
MANWANI
Date: 2024.09.26
19:23:41 +05'30'

MANISH MANWANI

CS & Registered Valuer -SFA

IBBI Registration No: IBBI/RV/03/2021/14113

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I. ENGAGEMENT OVERVIEW

1.1 Purpose and Scope

Based on my discussions with the management of Pavna Industries Limited (“**Company**” or “**PIL**”), I understand that the Company wishes to do preferential allotment of equity shares and warrants convertible into equity shares of the Company and has appointed Mr. Manish Manwani (“**Registered Valuer**” or “**RV**” or “**I**”) as the Registered Valuer, to determine the fair value of equity shares of the Company, to comply with the requirements laid down under the applicable provisions of the Companies Act, 2013 read with applicable rules framed thereunder and Regulation 164 and 166A of Chapter V of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended) (“**SEBI (ICDR) Regulations**”).

1.2 About the Valuer

Mr. Manish Manwani is an associated member of The Institute of Company Secretaries of India and also registered with Insolvency and Bankruptcy Board of India “IBBI” as a Registered Valuer under Securities or Financial Assets Class, having IBBI Registration No. IBBI/RV/03/2021/14113.

1.3 Bases of Value (Standard of Value)

Value has no meaning until it is defined. In the valuation nomenclature different definitions of value are called bases of value (or standard of value). In terms of IVS (International Valuation Standards), ‘bases of value’ describe the fundamental premises on which the estimate of values is based. In any valuation it is important that the basis (or bases) of value be appropriate to the terms and purpose of the valuation assignment, as a basis of value may influence or dictate a valuer’s selection of methods, inputs and assumptions, and the ultimate opinion of value. The different value conclusion can be attributed to the differences in the definition of value.

In terms of IVS, a valuer is required to select the basis of value and this is typically done based on the definition given in statute, regulation, private contract or another document. The applicable basis of value (or standard of value) for the assignment is the Fair Value.

The term ‘Fair Value’ has been defined in IVS 102 as under:

“Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date”.

1.4 Premise of Value

Premise of value refers to the conditions and circumstances how an asset is deployed. Determining the business value depends upon the situation in which the business or a business interest is valued, i.e. the events likely to happen to the business as contemplated at the valuation date. In a given set of circumstances, a single premise of value may be adopted while in some situations multiple premises of value may be adopted.

The present valuation of PIL is undertaken on a **Going Concern Premise** i.e. on the premise that the company will continue to operate in future and earn cash flows.

1.5 Scope of Analysis

My scope of valuation includes fair valuation of equity shares of PIL, certify fair value as arrived for the above-mentioned necessary regulatory compliances in relation to the Companies Act and SEBI ICDR Regulations.

1.6 Information Relied Upon

I have based this opinion on information provided and represented by the management of PIL. I have fully relied on the information provided by the Company and do not vouch for the accuracy of the information provided by the management of the Company.

- Discussion with management concerning its assets, financial and operating history of the Companies.
- Audited financial statements for FY 2023-24, 2022-23 and 2021-22 and Unaudited Financial Statements for the quarter ended June, 2024.
- Other relevant details such as its history, present activities and other information (including verbal) as required from time to time.

I have also obtained such other analysis, review, explanations and information considered reasonably necessary for our exercise, from the client or other public available sources.

1.7 Valuation Date

For the fair valuation analysis, the valuation date has been considered September 23, 2024, with cutoff date for financial being audited financial statement as of March 31, 2024 and un-audited financial statement as of June 30, 2024, being the Company's latest financial statements, publicly accessible as of the signing date of this valuation report and September 23, 2024 being the relevant date has been considered as cut-off date for the fair value data.

1.8 Conflict of Interest

I have acted as in Independent Registered Valuer and there is no conflict of interest in my opinion on valuation analysis of the businesses as envisaged in this report. My fee is not contingent upon the opinion expressed herein. This report is subject to the terms and conditions as discussed with the management of PIL.

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II COMPANY OVERVIEW¹

Company Background- Pavna Industries Limited

Pavna Industries Limited is a listed Company and was incorporated on April 19, 1994. The registered office of the Company is situated at Vimlanchalhari Nagar Aligarh, Uttar Pradesh, India, 202001.

Business Overview of the Company: -

The Company is primarily engaged in the business of manufacturing of automotive parts, providing solutions for automobile applications and serving automobile & other applications worldwide.

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¹ Source: Website of the Company and Information provided by the management.

III VALUATION APPROACH AND METHODOLOGY

3.1 Valuation Approaches

Valuation of a business is not an exact science and ultimately depends upon what it is worth to a serious investor or buyer who may be prepared to pay a substantial goodwill. This exercise may be carried out using various methodologies, the relative emphasis of each often varying with:

- whether the entity is listed on a stock exchange
- industry to which the Company belongs.
- past track record of the business and the ease with which the growth rate in cash flows to perpetuity can be estimated.
- Extent to which industry and comparable company information is available.

The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the valuer. In respect of going concerns, certain valuation techniques have evolved over time and are commonly in vogue. These approaches can be broadly categorized as follows:

1. Asset Approach
2. Income Approach
3. Market Approach

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3.1.1 Asset Approach

This method determines the worth of a business by the assets it possesses. It involves examining every asset held by the company, both tangible and intangible. The value of intangibles is referred to as the company's goodwill, the difference in value between the company's hard assets and its true value.

The value arrived at under this approach is based on the financial statements of the business and may be defined as Shareholders' Funds or Net Assets owned by the business. The Net Asset Value is generally used as the minimum break-up value for the transaction 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 it as a going concern. Pursuant to accounting convention, most assets are reported on the books of the subject company at their acquisition value, net of depreciation where applicable. These values must be adjusted to fair market value wherever possible. Further, the balance sheet values are to be adjusted for any contingent liabilities that are likely to materialize.

Intrinsic value is at the core of fundamental analysis since it is used in an attempt to calculate the value of the total assets of the business and then compare it with the fair value.

3.1.2 Income Approach

The income approaches determine fair market value by dividing the benefit stream generated by the subject or target company by a discount or capitalization rate. Usually, under the Income Based Approach, the methods that may be applied are Discounted Cash Flow (DCF) Method or the Price Earning Capacity (PECV) Method.

Under DCF approach, the future free cash flows of the business are discounted to the valuation date to arrive at the present value of the cash flows of the business or capitalized using a discount rate depending on the capital structure of the Company. This approach also takes into account the value of the business in perpetuity by the calculation of terminal value using the exit multiple method or the perpetuity growth method, whichever is appropriate.

Under PECV method, the average earning on the basis of the past 3-5 years is first determined, adjustments are then made for any exceptional transactions or items of non- recurring nature. The adjusted average earnings are then capitalized at an appropriate rate to arrive at the value of business. The capitalization rate so factored has to be decided depending upon various factors such as the earnings trends in the industries. P/E prevailing in the industries etc. After this, the normalized earnings are then capitalized at an appropriate discount rate.

3.1.3 Market Approach

The Market Approach

Under the Market approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors' perception about the true worth of the company.

Market Price ('MP') 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 investors' perception about the true worth of the company.

Comparable Companies Multiple Method

Under the Comparable Companies Multiple ('CCM') method, the value is determined on the basis of multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed 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 and adjusted for differences between the circumstances.

To the value of the business so arrived, adjustments need to be made for the value of contingent assets/liabilities, surplus Asset and dues payable to preference shareholders, if any, in order to arrive at the value for equity shareholders.

Each of the described approaches may be used to develop a value indication; however, the appropriateness of these approaches varies with the type of business or asset being valued.

3.2 Valuation Methodology Used

Asset Approach:

I have considered Net Asset Value (NAV) Method for determining the fair value of the equity shares of the Company and have assigned weight to determine the fair value.

Income Approach:

I have considered Profit Earning Capitalization Value (PECV) Method for valuation analysis and weight has been assigned to determine the fair value.

Market Approach:

I have applied Comparable Companies' Multiple "CCM" method and Market Price Method for valuation analysis and assigned weights to determine fair value of the equity shares.

A Comprehensive Overview on Approaches applied:

Asset Approach	Market Approach	Income Approach
Net Asset Value Method	CCM & Market Price Method	PECV
Applied	Applied	Applied

I. Asset Approach -Net Asset Value Method:

Net Asset value is computed by subtracting total outstanding liabilities from the total book value of assets of the Company. I have applied Net Asset Value Method to compute fair value, as under:

Computation of Net Asset Value of Pavna Industries Limited as on 31 March,2024	
Particulars	Figures in INR Lakhs
Assets	
Non-Current Assets:	
Property, plant and equipment	7,350.77
Intangible Work in Progress	34.61
Right of Use Assets	151.66
Others	916.76
Other Non-Current Assets	233.18
Current Assets:	
Inventories	9,779.98
Trade receivables	5,569.67
Cash and cash equivalents	35.14
Other Financial Assets	15.48
Other Current Assets	1,683.23
Total Assets	25,770.48
Non-Current Liabilities:	
Borrowings	1,443.63
Lease Liabilities	153.26
Other Non- Current Liabilities	70.32
Provisions	262.61
Deferred Tax Liabilities	4.24

Current Liabilities:	
Borrowings	10,651.75
Lease Liabilities	22.35
Trade payables	3,893.92
Other Financial Liabilities	319.07
Other current liabilities	265.74
Current Tax Laibilities (Net)	31.53
Short Term Provisions	184.13
Total Liabilities	17,302.55
Net Asset Value	8,467.93
No. of Equity Shares	1,21,80,800
NAV Per Share (In INR)	69.52

II. A) Market Approach -Comparable Companies Multiple Method

Comparable Companies Multiple Method is a relative valuation method under which a company's value is assessed from comparisons of similar companies available in the market. I have applied Price to Earnings (P/E) multiple for computation of fair value, which is as under:

Price to Earnings Multiple

Amount in INR except stated otherwise

TTM Earning Per Shares as on June 30, 2024	7.14
Price to Earnings Multiple *	39.38x
Value Per Share	281.14

**Details of Comparable Companies are as follows:*

Sr. No.	Name of Companies	P/E Multiple
1	Pritika Auto Industries Limited	39.38x
2	Minda Corporation Limited	57.14x
3	Sandhar Technologies Limited	29.89x

Note: As of valuation date financials of Comparable Companies for computation of Price to Earnings Multiple, Consolidated Financials has been considered as on June 30, 2024 and Median P/E is considered for computation of fair value.

B) Market Approach – Market Approach -Market Price Method

As the equity shares of PIL are listed on BSE Limited and NSE Limited (“Stock Exchange”) and are frequently traded shares as per sub regulation 5 of regulation 164 of SEBI (ICDR) Regulations, therefore the pricing guidelines of Regulation 164 of SEBI (ICDR) Regulations have been relied upon for valuing the equity shares of the Company under the Market Price Method.

SEBI (ICDR) Regulations, provides following guidelines for pricing of the Preferential issue of frequently traded shares:

If the equity shares of the issuer have been listed on a recognized stock exchange for a period of 90 trading days or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than **higher** of the following:

- a. the 90 trading days’ volume weighted average price of the related equity shares quoted on the recognized stock exchange preceding the relevant date; or
- b. the 10 trading days’ volume weighted average prices of the related equity shares quoted on a recognized stock exchange preceding the relevant date.

Explanation:

(a) For the purpose of this regulation, ‘stock exchange’ means any of the recognized stock exchange(s) in which the equity shares of the issuer are listed and in which the highest trading volume in respect of the equity shares of the issuer has been recorded during the preceding 90 trading days prior to the relevant date.

(b) "Relevant date “in case of preferential issue of equity shares means, the date thirty days prior to the date on which the meeting of shareholders is held to consider the proposed preferential issue.

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I have carried out valuation as per SEBI (ICDR) Regulations, which is as following:

- A. Volume Weighted Average Price (VWAP) for a period of 90 trading days of the equity shares of PIL quoted on NSE Limited (*being the stock exchange with highest trading volume*) during the last 90 trading days preceding the Relevant date i.e. September 23, 2024.

Volume Weighted Average Price = Sum of Total Value ÷ Total Volume

$$504.26 = 71,00,59,977 \div 14,08,129$$

DATE	VOLUME	VALUE
20-Sep-24	9,027	38,15,265
19-Sep-24	8,103	33,68,349
18-Sep-24	4,515	19,05,064
17-Sep-24	7,999	34,44,897
16-Sep-24	8,375	35,57,483
13-Sep-24	12,543	52,91,127
12-Sep-24	7,016	30,38,929
11-Sep-24	9,232	40,28,199
10-Sep-24	4,997	21,71,239
09-Sep-24	6,770	29,85,041
06-Sep-24	13,420	61,60,057
05-Sep-24	6,049	27,76,694
04-Sep-24	5,472	25,04,623
03-Sep-24	6,077	27,47,030
02-Sep-24	5,206	24,10,483
30-Aug-24	4,132	19,21,414
29-Aug-24	4,924	22,55,517
28-Aug-24	5,895	26,75,851
27-Aug-24	10,364	46,49,339
26-Aug-24	6,482	27,86,123
23-Aug-24	4,539	19,30,207
22-Aug-24	2,934	12,37,815
21-Aug-24	2,517	10,58,627
20-Aug-24	7,128	30,15,686
19-Aug-24	3,029	12,97,673
16-Aug-24	6,143	26,19,790
14-Aug-24	11,405	49,07,621
13-Aug-24	6,916	30,01,466
12-Aug-24	2,380	10,57,636
09-Aug-24	4,918	21,83,328
08-Aug-24	3,856	17,03,470
07-Aug-24	18,911	85,13,075
06-Aug-24	13,680	60,74,423
05-Aug-24	12,236	55,13,900

02-Aug-24	14,457	68,41,979
01-Aug-24	6,458	30,70,921
31-Jul-24	18,113	86,24,771
30-Jul-24	13,423	65,46,528
29-Jul-24	62,563	3,02,60,704
26-Jul-24	4,256	20,40,634
25-Jul-24	21,492	1,04,91,370
24-Jul-24	5,525	26,53,387
23-Jul-24	12,007	57,94,351
22-Jul-24	10,633	51,98,643
19-Jul-24	40,182	1,92,18,766
18-Jul-24	84,498	4,21,08,347
16-Jul-24	45,397	2,23,58,510
15-Jul-24	9,070	42,63,589
12-Jul-24	20,765	1,01,14,594
11-Jul-24	8,549	41,76,250
10-Jul-24	18,863	91,96,869
09-Jul-24	16,648	78,67,713
08-Jul-24	20,539	96,51,864
05-Jul-24	17,447	85,77,528
04-Jul-24	29,125	1,48,03,274
03-Jul-24	24,075	1,23,34,307
02-Jul-24	93,298	4,89,62,477
01-Jul-24	53,334	2,84,27,548
28-Jun-24	65,926	3,53,36,363
27-Jun-24	23,301	1,28,64,449
26-Jun-24	49,670	2,71,93,441
25-Jun-24	5,826	30,90,964
24-Jun-24	5,212	27,43,359
21-Jun-24	2,856	15,18,655
20-Jun-24	5,109	27,05,375
19-Jun-24	3,256	16,95,777
18-Jun-24	13,825	72,82,718
14-Jun-24	5,038	27,16,711
13-Jun-24	3,606	19,68,488
12-Jun-24	22,233	1,25,63,779
11-Jun-24	22,662	1,29,51,208
10-Jun-24	21,752	1,23,84,417
07-Jun-24	17,167	95,77,416
06-Jun-24	67,777	3,73,77,179
05-Jun-24	9,500	49,67,355
04-Jun-24	10,168	53,18,134
03-Jun-24	6,107	33,24,664
31-May-24	13,167	72,11,677
30-May-24	13,869	76,42,671

29-May-24	6,232	34,48,578
28-May-24	16,683	91,91,948
27-May-24	5,920	32,40,290
24-May-24	7,446	40,69,151
23-May-24	12,117	67,09,217
22-May-24	14,431	79,17,118
21-May-24	14,516	77,64,168
18-May-24	7,227	38,60,811
17-May-24	8,140	42,41,428
16-May-24	18,322	93,00,386
15-May-24	11,161	56,89,722
Total	14,08,129	71,00,59,977
'90 Trading Days' Volume Weighted Average Price Preceding Relevant i.e. September 23, 2024		504.26

B. Volume Weighted Average Price (VWAP) for a period of 10 trading days of the equity shares of PIL quoted on BSE Limited & NSE Limited (*being the stock exchange with highest trading volume*) during the last 10 trading days preceding the Relevant date i.e. September 23, 2024.

Volume Weighted Average Price = Sum of Total Value ÷ Total Volume

$$427.68 = 3,36,05,594 \div 78,577$$

Date	VOLUME	VALUE
20-Sep-24	9,027	38,15,265
19-Sep-24	8,103	33,68,349
18-Sep-24	4,515	19,05,064
17-Sep-24	7,999	34,44,897
16-Sep-24	8,375	35,57,483
13-Sep-24	12,543	52,91,127
12-Sep-24	7,016	30,38,929
11-Sep-24	9,232	40,28,199
10-Sep-24	4,997	21,71,239
09-Sep-24	6,770	29,85,041
Total	78,577	3,36,05,594
10 Trading Days' Volume Weighted Average Price Preceding Relevant Date i.e. September 23, 2024		427.68

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III. Income Approach -Profit Earning Capitalization Method “PECV”

Profit Earning Capitalization Value method is one of the traditional methods of business valuation whereby maintainable future profits are ascertained on the basis of past earnings (suitably adjusted for any changes in the key parameters) which are then capitalized at a discounting rate.

I have considered PECV Method for valuation analysis and the calculation is as under:

<i>Amount in INR Lakhs except weights</i>			
Particulars	Amount (In INR Lakh)	Weight	Product
Profit Before Tax:			
30-06-2024 (TTM)	1,342.31	0.5	671.16
30-06-2023 (TTM)	1,760.61	0.5	880.31
Weighted Average PBT			1,551.46
Less: Marginal Tax Rate		25.17%	390.47
Weighted Average PAT			1,160.99
Capitalization Rate			17.39%
Fair Value (in INR Lakh)			6,676.29
No. of Shares			1,21,80,800
Fair Value Per Share			54.81

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IV. VALUATION SUMMARY

In terms of the first Proviso to the Sub-Regulation 1 of Regulation 166A read with Sub-Regulation (1) of Regulation 164 of the SEBI (ICDR) Regulations and by using the valuation Parameters, the following is the valuation analysis of the equity shares of the Company.

Amount in INR except weights				
Valuation Approaches	Methodologies	Value (in INR)	Weight	Product
Market Approach	Market Price Method#	504.26	0.25	126.06
	CCM	281.14	0.25	70.28
Income Approach	Price Earning Capitalization Method	54.81	0.25	13.70
Asset Approach	Net Asset Value Method	69.52	0.25	17.38
Fair Value Per Share			1.00	227.43

** The final indication of value, on a going concern basis, is generally one number computed from a variety of analytical procedures and one or more of the three valuation methods discussed above. As per the guidelines prescribed under International Valuation Standards, the goal in selecting the valuation approaches and methods for an asset is to find the most appropriate method under the particular circumstances. No one method is suitable in every possible situation. The selection process should consider, at a minimum:*

- a) the appropriate basis(s) of value and premise(s) of value, determined by the terms and purpose of the valuation assignment,*
- b) the respective strengths and weaknesses of the possible valuation approaches and methods,*
- c) the appropriateness of each method in view of the nature of the asset, and the approaches or methods used by participants in the relevant market, and*

Further, in assessing the fair value of a share, it is important to consider various valuation approaches to obtain a comprehensive and reliable estimate.

*#For Market Price the value has considered **higher** of the following:*

- a. the 90 trading days' volume weighted average price of the related equity shares quoted on the recognized stock exchange preceding the relevant date;*

or

- b. the 10 trading days' volume weighted average prices of the related equity shares quoted on a recognized stock exchange preceding the relevant date.*

V. VALUATION CONCLUSION

Regulation 166A of SEBI (ICDR) Regulations

Any preferential issue, which may result in a change in control or allotment of more than five per cent of the post issue fully diluted share capital of the issuer, to an allottee or to allottees acting in concert, shall require a valuation report from an independent registered valuer and consider the same for determining the price:

Provided that the floor price, in such cases, shall be higher of the floor price determined under sub regulation (1), (2) or (4) of regulation 164, as the case may be, or the price determined under the valuation report from the independent registered valuer or the price determined in accordance with the provisions of the Articles of Association of the issuer, if applicable:

Provided further that if any proposed preferential issue is likely to result in a change in control of the issuer, the valuation report from the registered valuer shall also cover guidance on control premium, which shall be computed over and above the price determined in terms of the first proviso.

In light of the above and after consideration of all the relevant factors and circumstances as discussed and outlined in this report, in my assessment, the floor price per equity share of the Company works out to **INR 504.26/-**.

Sr. No.	Particulars	Value per Share (in INR)
1	Floor Price in terms of First Proviso to Regulations 166A (1) of SEBI (ICDR) Regulations	227.43
2	Floor Price in terms of Regulations 164 (1) of SEBI ICDR Regulations	504.26

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VI. CAVEATS AND LIMITATIONS

6.1 Purpose and Distribution of Report

The report prepared by the valuer is prepared solely for the purpose as discussed with the management of PIL and should not be used for any other purpose. Except as specifically stated in the report prepared by valuer, the report and its contents may not be quoted or referred to, in whole or in part, in any registration statement, prospectus, public filing, loan agreement, or other agreement or document without the prior written approval of valuer. Except as set forth in this report, the report is prepared for PIL / Client use only and may not be reproduced or distributed to any third parties without valuer's prior written consent.

6.2 Scope of Analysis

The appraisal of any financial instrument or business is a matter of informed judgment. The accompanying appraisal has been prepared on the basis of information and assumptions set forth in the attached report, its appendices, our underlying work papers, and these limiting conditions and assumptions.

6.3 Nature of Opinion

Neither the opinion nor the report provided or prepared by the RV are to be construed as a fairness opinion as to the fairness of an actual or proposed transaction, a solvency opinion, or an investment recommendation, but, instead, are the expression of RV's determination of the fair value of assets between a hypothetical willing buyer and a hypothetical willing seller in an assumed transaction on an assumed valuation date. For various reasons, the price at which the assets might be sold in a specific transaction between specific parties on a specific date might be significantly different from the fair market value as expressed in my report.

6.4 Basis of analysis and Assumptions considered

Registered Valuer's analysis:

- a) is based on the present financial condition of PIL assets as of the valuation date;
- b) assumes that as of the valuation date the Client and its assets will continue to operate as configured as a going concern;
- c) assumes that the current level of management expertise and effectiveness would continue to be maintained and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed; and
- d) assumes that PIL had no undisclosed real or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business, nor had

any litigation pending or threatened that would have a material effect on our analysis other than those considered for valuation calculation.

6.5 Verification of Information Provided

With the exception of any audited financial statements provided to the RV, the RV has relied on information supplied by PIL without audit or verification. The RV have assumed that all information furnished is complete, accurate and reflects Client's management's good faith efforts to describe the status and prospects of the Client at the valuation date from an operating and a financial point of view. As part of this assignment, the RV has relied upon publicly available data from recognized sources of financial, industry, or statistical information, which have not been verified.

6.6 Subsequent Events

The terms of RV as discussed with the management of the Company are such that the valuer has no obligation to update this report or to revise the valuation because of events and transactions occurring subsequent to the date of the valuation unless the RV is engaged to provide valuations in the future.

6.7 Legal Matters

The RV assumes no responsibility for legal matters including interpretations of either the law or contracts. The RV has made no investigation of legal title and has assumed that all owners' claims to property are valid. The RV has given no consideration to liens or encumbrances except as specifically stated in financial statements provided to us. The RV have assumed that all required licenses, permits, etc. are in full force and effect. The RV assumes that all applicable federal, state, local zoning, environmental and similar laws and regulations have and continue to be complied with by Client. The RV assumes no responsibility for the acceptability of the valuation approaches used in my report as legal evidence in any particular court or jurisdiction. The suitability of RV's report and opinion for any legal forum is a matter for Client and Client's legal advisor to determine.

6.8 Testimony

The RV and its employees, consultants and agents shall not provide any testimony or appear in any legal proceeding unless the valuer coordinates such testimony.