

STRICTLY PRIVATE & CONFIDENTIAL

Ref: DHS/G-200/107

18 September 2017

To, Texmaco Rail & Engineering Limited Belgharia, Kolkata - 700 056 India.	To, Texmaco Hi-tech Private Limited Belgharia, Kolkata - 700 056 India.	To, Bright Power Projects (India) Private Limited Belgharia, Kolkata - 700 056 India.
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Sub: Recommendation of the Fair Equity Share Exchange Ratio for the purpose of the Proposed Merger of Texmaco Hi-tech Private Limited and Bright Power Projects (India) Private Limited into Texmaco Rail & Engineering Limited ("Proposed Merger").

We refer to the engagement letter with Deloitte Haskins & Sells (hereinafter referred to as "DHS" or the "Valuer" or "us"), wherein Texmaco Rail & Engineering Limited ("TREL"), Texmaco Hi-tech Private Limited ("THPL") and Bright Power Projects (India) Private Limited ("BPPL") (hereinafter collectively referred to as the "Companies") have requested us to recommend the fair equity share exchange ratio in the event of the Proposed Merger, i.e., the number of equity shares of Texmaco Rail & Engineering Limited ("TREL") to be issued for the equity shares of Bright Power Projects (India) Private Limited ("BPPL") (the "Fair Equity Share Exchange Ratio").

It is in this connection, please find enclosed the following deliverables:

1. Valuation report dated 18 September 2017
2. Relevant computations dated 18 September 2017, which, inter alia, have formed the basis for our arriving at recommendation of the Fair Equity Share Exchange Ratio for the Proposed Merger.

As per the relevant provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 relating to Preferential Issue and the SEBI circulars, the relevant date for the purpose of valuation analysis and computing the pricing shall be the date of the Board meeting in which the Proposed Merger is approved. Texmaco informed that its Board meeting would be held on 18 September 2017. Accordingly, the relevant date considered for the above mentioned deliverables is 18 September 2017.

We trust the above meets your requirements.

Yours faithfully,

For **Deloitte Haskins & Sells**

Chartered Accountants
[Registration No. 117365W]



Rukshad N. Daruvala

Partner [Membership No. 111188]



STRICTLY PRIVATE AND CONFIDENTIAL

Ref: DHS/G-200/098

18 September 2017

To, Board of Directors Texmaco Rail & Engineering Limited Belgharia, Kolkata - 700 056 India.	To, Board of Directors Texmaco Hi-tech Private Limited Belgharia, Kolkata - 700 056 India.	To, Board of Directors Bright Power Projects (India) Private Limited Belgharia, Kolkata - 700 056 India.
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Sub: Recommendation of the fair equity share exchange ratio for the purpose of the proposed merger of Texmaco Hi-tech Private Limited and Bright Power Projects (India) Private Limited into Texmaco Rail & Engineering Limited.

Dear Sir / Madam,

We refer to the engagement letter with Deloitte Haskins & Sells (hereinafter referred to as "DHS" or the "Valuer"), wherein Texmaco Rail & Engineering Limited ("TREL"), Texmaco Hi-tech Private Limited ("THPL") and Bright Power Projects (India) Private Limited ("BPPL") (hereinafter collectively referred to as the "Companies") have requested us to recommend a Fair Equity Share Exchange Ratio (defined hereinafter) for the Proposed Merger (defined hereinafter) and the discussions that we have had with and information that we have received from the managements of the Companies ("Management/s") from time to time in the above matter.

SCOPE AND PURPOSE OF THIS REPORT

We have been informed as under:

TREL manufactures a diverse range of products viz. railway freight cars, hydro-mechanical equipment & industrial structures, locomotive components and locomotive shells, steel girders for railway bridges, steel castings and pressure vessels and undertakes EPC contracts for railways and metro including track work, railway signaling and metro track



work. The equity shares of TREL are listed on National Stock Exchange of India Limited, BSE Limited and The Calcutta Stock Exchange Limited.

THPL is a wholly owned subsidiary of TREL. THPL is engaged in the business of manufacturing of engineering goods such as fabricated locomotive bogies frames, platforms, wagons and wagon components.

BPPL is an EPC firm that offers solutions to the Indian railways and clients across diverse sectors such as power, utilities, petrochemicals, pharmaceuticals and real estate. TREL holds 55% equity stake in BPPL.

In order to consolidate their operations, the Managements of the Companies are considering the merger of THPL and BPPL into TREL, on a going concern basis with effect from the proposed Appointed Date of 1 April 2017, pursuant to a Scheme of Amalgamation under Section 230 to 232 of the Companies Act, 2013 or other applicable securities and capital market laws and rules issued thereunder to the extent applicable (the "Scheme") (the "Proposed Merger"). In consideration thereof, equity shares of TREL will be issued to equity shareholders of BPPL, other than towards equity shares held by TREL in BPPL which will be cancelled once the Scheme becomes effective. Further, considering that THPL is a wholly owned subsidiary of TREL, shares held by TREL in THPL will be cancelled once the Scheme becomes effective and no shares of TREL will be issued to shareholders of THPL.

In this connection, DHS has been requested by the Companies to submit a report for the consideration of the Board of Directors (the "Boards") of the respective Companies.

This report will be placed before the Board and the Audit Committee of TREL, as per the relevant SEBI circulars, and to the extent mandatorily required under applicable laws of India, maybe produced before the judicial, regulatory or government authorities, stock exchanges, shareholders in connection with the Proposed Merger.

The scope of our services is to conduct a relative valuation of equity shares of BPPL in terms of the relative value of equity shares of TREL for recommending Fair Equity Share Exchange Ratio for the Proposed Merger in accordance with generally accepted professional standards.



We have considered financial information up to 30 June 2017 (the "Valuation Date") in our analysis and made adjustments for facts made known (past or future) to us till the date of our report which will have a bearing on the financial position as at the Valuation Date. The Managements have informed us that they do not expect any events which are unusual or not in normal course of business up to the effective date of the Proposed Merger, other than the events specifically mentioned in this report. We have relied on the above while arriving at the Fair Equity Share Exchange Ratio for the Proposed Merger.

This report is our deliverable in respect of our recommendation of Fair Equity Share Exchange Ratio for the Proposed Merger.

This report and the information contained herein is absolutely confidential. It is intended only for the sole use and information of the Companies and only in connection with the Proposed Merger including for the purpose of obtaining regulatory approvals, as required under applicable laws of India, for the Proposed Merger. We understand that the Companies may be required to submit this report to judicial, regulatory or government authorities, stock exchanges, shareholders in connection with the Proposed Merger under applicable laws. We hereby consent to such disclosure of this report, on the basis that we owe responsibility to only the Boards of Directors of the Companies that have engaged us, under the terms of our engagement, and no other person; and that, to the fullest extent permitted by law, we accept no responsibility or liability to the shareholders of the Companies or any other party, in connection with this report. It is understood that this analysis does not represent a fairness opinion. The results of our computation and our report cannot be used or relied by the Companies for any other purpose or by any other party for any purpose whatsoever. We are not responsible to any other person / party for any decision of such person / party based on this report. Any person / party intending to provide finance / invest in the shares / businesses of the Companies or their holding company / subsidiaries / joint ventures / associates / investee companies, if any, 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. It is hereby notified that reproduction, copying or otherwise quoting of this report or any part thereof, other than for the aforementioned purpose, is not permitted.

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 received the following information from the respective Companies:

- Salient features of the Proposed Merger.
- Financial statements of Companies for three years ended 31 March 2017.
- Standalone financial statements of the Companies for three months ended 30 June 2017 and 30 June 2016.
- Discussion with the Managements of the Companies in connection with the operations of the respective Companies, past and present activities, future plans and prospects, quarterly results, share capital and shareholding pattern.
- Other relevant information and documents for the purpose of this engagement.

We have also obtained the explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise from the Managements of the Companies. The Companies have been provided with the opportunity to review the draft report (excluding the recommended Fair Equity Share Exchange Ratio) for this engagement to make sure that factual inaccuracies are avoided in our final report.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

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

Valuation analysis and results are specific to the purpose of valuation and the Valuation Date mentioned in the report is as agreed per 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.

Valuation analysis and results are specific to the date of this report. A valuation of this nature involves consideration of various factors including those impacted by prevailing stock 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 equity share exchange ratio for the Proposed Merger as on the Valuation Date. Significant events and circumstances may have occurred since the Valuation Date concerning the financial position of the Company or any other matter and such events or circumstances might be considered material by the Companies or any third party. We have no responsibility to update this report for such events and circumstances occurring after the Valuation Date - beyond those agreed to with the Companies - or for those occurring after the date of this report. Our valuation analysis was completed on a date subsequent to the Valuation Date and accordingly we have taken into account such valuation parameters and over such period, as we considered appropriate and relevant, up to a date close to such completion date.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Companies and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

In the course of the valuation, we were provided with both written and verbal information, including financial and operating data. In accordance with the terms of our engagement, we have assumed and relied upon, without independently verifying, (i) the accuracy of the information that was publicly available and formed a substantial basis for this report and (ii) the accuracy of information made available to us by the Companies. While information obtained from the public domain or external sources have not been verified for authenticity, accuracy or completeness, we have obtained information, as far as possible, from sources generally considered to be reliable. We assume no responsibility for such information. In accordance with our engagement letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed, certified, carried out a due diligence, or otherwise investigated the historical and projected financial information, if any, provided to us regarding the Companies and / or its holding / subsidiary / associates / joint ventures / investee companies, if any. 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 financials / financial statements and projections. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or



materiality of any specific information to the present exercise with us in case of any doubt. Our conclusion is based on the assumptions and information given by/on behalf of the Companies. The respective Managements of the Companies have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the report.

The report assumes that the Companies comply fully with 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.

Our report is not nor should it be construed as our opining or certifying the compliance of the Proposed Merger with the provisions of any law / standards including companies, foreign exchange regulatory, accounting and taxation (including transfer pricing) laws / standards or as regards any legal, accounting or taxation implications or issues arising from such Proposed Merger. No investigation of the Companies' claim to title of assets has been made for the purpose of this valuation and the Companies' 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.

Our report is not nor should it be construed as our recommending the Proposed Merger. This report does not address the relative merits of the Proposed Merger as compared with any other alternatives or whether or not such alternatives could be achieved or are available. Any decision by the Companies regarding whether or not to proceed with the Proposed Merger shall rest solely with the Companies. We express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders' meeting(s) to be held in connection with the Proposed Merger. This report does not in any manner address, opine on or recommend the prices at which the securities of the Companies could or should transact at following the Proposed Merger. Our report and the opinion / valuation analysis contained herein is not nor should it be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities or as providing management services or carrying out management functions.



We express no opinion on the achievability of the forecasts, if any, relating to the Companies given to us. The future projections are the responsibility of the respective management of the Companies. The assumptions used in their preparation, as we have been explained, are based on the management's present expectation of both – the most likely set of future business events and circumstances and the respective management's course of action related to them. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period may differ from the forecast and such differences may be material.

Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, without our prior written consent.

We have not conducted or provided an analysis or prepared a model for any fixed assets valuation and have wholly relied on information provided by the Companies in that regard.

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

This valuation report is subject to the laws of India.

SHARE CAPITAL DETAILS OF THE COMPANIES

TREL

As at 30 June 2017, the issued equity share capital of TREL was c. INR 219.58 million consisting of 219,576,593 equity shares of INR 1/- each fully paid up. Further, in July 2017, TREL has allotted 26,250 fully paid up equity shares pursuant to exercise of stock options granted under Employee Stock Option Scheme, 2008. Accordingly, the paid up and outstanding number of equity shares of TREL are 219,602,843 of INR 1/- each fully paid up which amount to c. INR 219.60 million, which we have considered for the purpose of the valuation analysis. The promoter and promoter group hold c. 52.43% of the paid up outstanding equity shares and balance is held by public shareholders.

BPPL

The issued, subscribed and paid up equity share capital of BPPL as at 30 June 2017 was INR 13.00 million consisting of 1,300,000 equity shares of face value of INR 10/- each fully paid up, which we have considered for the purpose of the valuation analysis. TREL



holds c. 55% of the aforesaid equity share capital and c. 45% of the same is held by Mr. U V Kamath.

THPL

The issued, subscribed and paid up equity share capital of THPL as at 30 June 2017 was c. INR 234.50 million comprising of 23,450,000 equity shares of face value of INR 10/- each fully paid up and c. INR 600 million 5.32% cumulative redeemable preference shares ("CRPS") capital consisting of 6,000,000 CRPS of face value of INR 100/- each fully paid up. TREL holds 100% of the aforesaid equity and CRPS of THPL.

APPROACH - BASIS OF AMALGAMATION

The Scheme contemplates the Proposed Merger under Sections 230 to 232 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013 and rules issued thereunder to the extent applicable.

Arriving at the Fair Equity Share Exchange Ratio for the purposes of a merger such as the Proposed Merger would require determining the relative values of each company involved and of their shares. These values are to be determined independently but on a relative basis, and without considering the effect of the merger.

There are several commonly used and accepted methods for determining the value of shares, under the asset, market and income approaches, which can be considered in the present case, to the extent relevant and applicable, to arrive at the Fair Equity Share Exchange Ratio for the purpose of the Proposed Merger, including:

1. Asset Approach - Net Asset Value method
2. Market Approach
 - a) Value based on market quotes as available from recognized stock exchanges
 - b) Comparable Companies' Multiples method
3. Income Approach
 - a) Discounted Cash Flows (DCF) method
 - b) Earnings Capitalization Value method

In the present case, the Companies have not provided us with detailed projections for a reasonably sufficient period of time and hence we have not applied the DCF method.



It should be understood that the valuation of any company or its assets is inherently subjective and is subject to uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we 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, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the companies / businesses, and other factors which generally influence the valuation of 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 emphasized that a valuer can only arrive at one value for one purpose. Our choice of method of valuation has been arrived at using usual and conventional methods adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

Net Asset Value (NAV) Method

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. The Net Asset Value 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. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base dominate earnings capability. A Scheme of Amalgamation would normally be proceeded with, on the assumption that the companies amalgamate as going concerns and an actual realization of the operating assets is not contemplated. The operating assets have therefore been considered at their book value. In such a going concern scenario, the relative earning power is of importance to the basis of amalgamation, with the values arrived at on the net asset basis being of limited relevance.

Under the Asset Approach, we have computed the Net Asset Value of equity shares of TREL and BPPL. We have considered the balance sheets as at the Valuation Date and made suitable adjustments for, inter-alia, investments, surplus assets as deemed appropriate for the purpose of our valuation analysis. In the present case, keeping in mind that our evaluation is on a going concern basis, we have not considered it appropriate to use the



value arrived at under this method in the present case for arriving at the relative value of the equity shares of TREL and BPPL.

Value based on market quotes as available from recognized stock exchanges:

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 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 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 on the stock exchange over a reasonable period would have to be of a comparable standard.

While the equity shares of BPPL are not listed on stock exchanges, the equity shares of TREL are listed and adequately traded on the stock exchanges. Accordingly, under the Market Approach, we have computed the market price of the equity shares of TREL over an appropriate period. For this purpose, we have taken into consideration the relevant provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 relating to Preferential Issue and the SEBI circulars CFD/DIL3/CIR/2017/21 dated 10 March 2017 and CFD/DIL3/CIR/2017/26 dated 23 March 2017 in this regard, which inter-alia lay down the minimum price at which the equity shares of TREL are to be issued pursuant to the Proposed Merger.

Comparable Companies' Multiples method

Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. These valuations are based on the principle that such 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.

We have performed a search for suitable comparable companies for valuing the shares of TREL and BPPL under this method. Our research did not indicate listed companies in India operating primarily in the similar businesses / geographies as that of TREL and BPPL which



could be considered comparable to them. Hence, we have not considered it appropriate to apply this method in the present case for arriving at the value of TREL and BPPL.

Earnings Capitalization Value Method

Earnings Capitalization Value Method involves determination of the maintainable earnings level of the company from its operations, based on past and / or projected working results. These earnings are then capitalized at a rate, which in the opinion of the valuer's combines an adequate expectation of reward from the enterprise risk, to arrive at the value of the company.

Under the Income Approach, applying the Earnings Capitalization Value Method, we have capitalized the maintainable earnings of TREL and BPPL and suitably adjusted the resultant enterprise value, inter alia, for debt, cash and cash equivalents, value of investments and value of surplus assets, if any, as deemed appropriate, for the purpose of arriving at the equity value. The total value for equity shareholders has then being divided by the total number of equity shares of the respective companies in order to work out the relative value per equity share of TREL and BPPL.

BASIS OF FAIR EQUITY SHARE EXCHANGE RATIO

The fair basis of the Proposed Merger would have to be determined after taking into consideration all the factors, approaches and methods mentioned hereinabove. Though different values can be arrived at under each of the above approaches / methods, for the purposes of recommending a Fair Equity Share Exchange Ratio it is necessary to arrive at a single value for the shares of the companies involved in a merger such as the Proposed Merger. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of the companies but at their relative values to facilitate the determination of a Fair Equity Share Exchange Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each approach / method. For arriving at the value of the equity shares of TREL and BPPL, for the purpose of arriving at the Fair Equity Share Exchange Ratio for the Proposed Merger, we have given weights to the values arrived at under different approaches / methods, based on our evaluation and judgement of the businesses of the companies, in order to arrive at the relative values of the equity shares of TREL and BPPL.

In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion by the valuer and judgments taking into account all the relevant factors. There will always be several factors, e.g. quality of the management, present and prospective



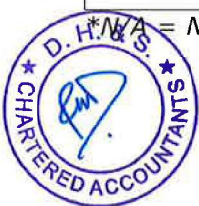
competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions.

The Fair Equity Share Exchange Ratio has been arrived at on the basis of a relative valuation of the equity shares of TREL and BPPL based on the various approaches / methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of these companies, having regard to information base, key underlying assumptions and limitations.

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above, we recommend the following Fair Equity Share Exchange Ratio for the Proposed Merger whose computation is as under:

Computation of Fair Equity Share Exchange Ratio:

	Texmaco Rail & Engineering Limited		Bright Power Projects (India) Private Limited	
Valuation Approach	Value per share (INR)	Weight	Value per share (INR)	Weight
Asset Approach	52.53	0%	376.73	0%
Income Approach	111.05	100%	908.41	100%
Market Approach	93.90	0%	N/A*	0%
Relative Value per share	111.05		908.41	
Fair Equity Share Exchange ratio (rounded off)			8.18	



*N/A = Not Applicable

Ratio:

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above, we recommend the following Fair Equity Share Exchange Ratio for the Proposed Merger:

818 (Eight Hundred and Eighteen Only) equity shares of Texmaco Rail & Engineering Limited of INR 1/- each fully paid up for every 100 (One Hundred Only) equity shares of Bright Power Projects (India) Private Limited of INR 10/- each fully paid up.

Yours faithfully,

For **Deloitte Haskins & Sells,**

Chartered Accountants

Firm Registration No. 117365W

Rukshad N. Daruvala

Partner

[Membership No.: 111188]

