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Share Entitlement Ratio for the Scheme of Arrangement and Demerger between Texmaco Rail and Engineering Limited & Belgharia Engineering Udyog Private Limited Under Section 230-232 of the Companies Act, 2013

Prepared for:

Texmaco Rail and Engineering Limited & Belgharia Engineering Udyog Pvt. Ltd.

Cut-off Date: September 30, 2023

Report Date: October 13, 2023

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STRICTLY PRIVATE & CONFIDENTIAL

October 13, 2023

To,

The Audit Committee
Texmaco Rail and Engineering Limited,
Belgharia, Kolkata, WB 700056 IN

The Board of Directors
Belgharia Engineering Udyog Private Limited,
Belgharia, 24 Parganas (North),
Kolkata, WB – 700056 IN

Dear Sir(s),

Subject: Recommendation of Share Entitlement Ratio for the purpose of demerger of Infra – Rail & Green Energy Division ("Demerged Undertaking") of Texmaco Rail and Engineering Limited ("Demerged Company" or "TREL") into Belgharia Engineering Udyog Private Limited ("Resulting Company" or "BEL"), as per the Scheme of Arrangement ("Scheme") under the Companies Act, 2013.

We refer to our Engagement Letter dated October 13, 2023 confirming our appointment to provide our recommendation on the Share Entitlement Ratio for the proposed Demerger of Infra – Rail & Green Energy Division of Texmaco Rail and Engineering Limited (TREL) into Belgharia Engineering Udyog Private Limited (BEL).

I. SCOPE AND PURPOSE OF THE REPORT

We understand that as a part of a business restructuring exercise, the management of Companies (hereinafter referred to as "Management") is considering-

- Demerger of Infra – Rail & Green Energy Division of Texmaco Rail and Engineering Limited, (TREL) into Belgharia Engineering Udyog Private Limited (BEL).

- In consideration for demerger of Infra – Rail & Green Energy Division, to Resulting Company, equity shares will be issued to the shareholders of TREL by Resulting Company.

Therefore, the Management has requested Mr. Harpreet Singh, Registered Valuer ("HS" or "Valuer" or "We" or "Our") to provide recommendation as follows:

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- Share Entitlement Ratio for the proposed demerger of Demerged Undertaking of Texmaco Rail and Engineering Limited into Belgharia Engineering Udyog Private Limited pursuant to the Scheme, under the provisions of Sections 230-232 of the Companies Act, 2013 (hereinafter referred to as "Act") and other applicable provisions of the Act, as may be applicable, with effect from the Appointed Date, i.e., April 01, 2024 or such other date as may be fixed or approved by the National Company Law Tribunal (hereinafter referred to as "NCLT").

- Share Entitlement Ratio is defined as the number of equity shares of Resulting Company, as applicable, to which a shareholder of Texmaco Rail and Engineering Limited, as applicable would be entitled to in proportion to his/her/its existing shareholding in Texmaco Rail and Engineering Limited, as applicable.

The scope of our services is to recommend a Fair Share Entitlement Ratio for the proposed Scheme in accordance with generally accepted professional standards.

In the following paragraphs, we have summarized our recommendation on the Share Entitlement Ratio together with the limitations on our scope of work. 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.

II. SOURCES OF INFORMATION

For the purpose of recommending the Share Entitlement Ratio, we have essentially relied on the information provided to us by the Management of TREL which we believe to be reliable and our conclusions are dependent on such information being complete and accurate in all material respect. In particular, we were provided with the following information by the management of TREL for the purpose of our value analysis:

- Scheme of Arrangement and Demerger ("Scheme");
- Statement of assets and liabilities of BEL as on the September 30, 2023;
- Unaudited carved out financial statements of the Demerged undertaking of TREL as on June 30, 2023;
- Shareholding Pattern of TREL as on September 30, 2023;
- Shareholding Pattern of BEL as on September 30, 2023 and
- Other relevant information and documents for the purpose of this engagement.

We have also obtained explanations and information considered reasonably necessary for our exercise, from the Management. The Management has been provided with the opportunity to review the draft report (excluding the recommended share entitlement ratio) for this engagement to make sure that factual inaccuracies are avoided in our final report.

III. VALUATION STANDARDS, BASES OF VALUE, PREMISES OF VALUE, VALUATION DATE & VALUATION CURRENCY

As we are only recommending the Share Entitlement Ratio in respect of the Proposed Demerger, the disclosures regarding Valuation Standards, Basis of Value, Premise of Value, General Principle for Valuation and Valuation Currency is not applicable. Refer Section XIV & Section XV of the Report

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which highlights reasons of non-applicability of valuation and hence the non-applicability of valuation related disclosures.

IV. CAPITAL STRUCTURE OF DEMERGED COMPANY AND RESULTING COMPANY

As on the September 30, 2023, the capital structure of TREL is as under:

Authorised Share Capital	**Amount (In Rs.)**
197,00,00,000 Equity Shares of Re. 1 each	197,00,00,000
Total	**197,00,00,000**
Issued, Subscribed and Paid-up Capital	**Amount (In Rs.)**
32,18,69,895 Equity Shares of Re. 1 each	32,18,69,895
Total	**32,18,69,895**

As on September 30, 2023, the capital structure of BEL is as under:

Authorised Share Capital	**Amount (In Rs.)**
10,000 Equity Shares of Rs. 10 each	1,00,000
Total	**1,00,000**
Issued, Subscribed and Paid-up Capital	**Amount (In Rs.)**
10,000 Equity Shares of Rs. 10 each	1,00,000
Total	**1,00,000**

V. DETAILS OF DIRECTORS AND SHAREHOLDERS OF TREL & BEL

Details of Equity Shareholders of TREL as on September 30, 2023

Name	Class of Shares	No. of Shares	Percentage
Promotor and Promotor Group	Equity	18,89,22,142	58.70%
Public	Equity	13,29,47,753	41.30%
Total		**32,18,69,895**	**100%**

 # Face Value Re. 1/- each

Source: Management

Details of Director of TREL as on September 30, 2023

S. No.	DIN	Name of Director
1	00008654	Saroj Kumar Poddar
2	00008686	Akshay Poddar
3	00027642	Utsav Parekh
4	00327907	Kaarthikeyan Devarayapuram Ramasamy
5	00329479	Partha Sarathi Bhattacharyya
6	01050842	Damodar Hazarimal Kela
7	01103278	Ashok Kumar Vijay
8	01419627	Indrajit Mookerjee

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9	02836707	Amitabha Guha
10	03113274	Virendra Sinha
11	06871871	Sudipta Mukherjee
12	08402204	Rusha Mitra

Details of Equity Shareholders of BEL as on September 30, 2023

Name	Class of Shares	No. of Shares	Percentage
Texmaco Rail and Engineering Limited	Equity	9,990	99.90%
Prakash Chandra Kejriwal (Nominee of Texmaco Rail and Engineering Limited)	Equity	10	0.10%
Total		**10,000**	**100%**

 # Face Value Rs. 10/- each
Source: Management

Details of Director of BEL as on September 30, 2023

S. No.	DIN	Name of Director
1	00964460	Prakash Chandra Kejriwal
2	09547926	Alok Kumar Singh
3	00381686	Kishor Kumar Rajgaria

VI. DATE OF APPOINTMENT, DATE OF SHARE ENTITLEMENT RATIO AND DATE OF REPORT

Date of Appointment as Valuer	October 13, 2023
Date for Computation of Share Entitlement Ratio	September 30, 2023
Date of Report	October 13, 2023

VII. INSPECTION AND/OR INVESTIGATION UNDERTAKEN

Website of ministry of corporate affairs (MCA), BSE and other relevant public domain was inspected to carry out the inspections of various documents filed by the companies as considered necessary in connection with performance of duties.

VIII. DISCLOSURE OF VALUER INTEREST / CONFLICT, IF ANY:

I, Harpreet Singh, an Independent Registered Valuer under the Companies Act, 2013, carried out a computation of Fair Share Entitlement Ratio for the Proposed Scheme.

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IX. INDUSTRY OUTLOOK[1]

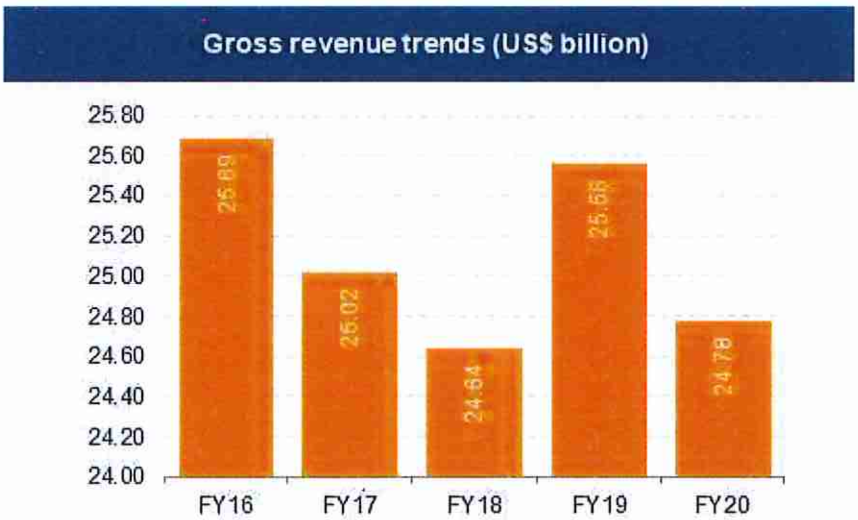
Introduction

The Indian railway system is regarded as the foundation and lifeblood of the economy. Indian railways span thousands of kilometres practically covering the entire nation, making it the fourth largest in the world after the US, China, and Russia. The Railways Board, which has a monopoly over the provision of rail services in India, oversees overseeing the whole infrastructure. Due to its low cost and effective operations, railways continue to be the most popular means of transportation for most Indians when travelling long distances.

India's railway network is recognised as one of the largest railway systems in the world under single management. The railway network is also ideal for long-distance travel and movement of bulk commodities, apart from being an energy-efficient and economic mode of conveyance and transport. Indian Railways is the preferred carrier of automobiles in the country.

The government of India has focused on investing in railway infrastructure by making investor-friendly policies. It has moved quickly to enable Foreign Direct Investment (FDI) in railways to improve infrastructure for freight and high-speed trains. At present, several domestic and foreign companies are also looking to invest in Indian rail projects.

Market Size



India has the fourth largest railway network with over 22,593 operating trains (9141 freight and 13,452 passengers) with a daily passenger count of 24 million passengers and 203.88 million tonnes of freight. In FY22 passenger traffic stood at 3.54 billion as compared to 1.28 billion in

FY21. In FY 2022-23, railway freight volume stood at 1,109.38 MT which depicted year-on-year growth of 8%. Since August 2020, the Indian Railways has run 450 Kisan Rail services and was able to transport over 1.45 lakh tonnes of agricultural produce & perishables RailTel, a PSU under the Railway Ministry, which provides fast and free Wi-Fi across the In November 2020, India Railways announced that 40% of dedicated freight corridor (DFC) will be opened for traffic by end-FY21. India

[1] https://www.ibef.org/industry/indian-railways

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is among the top 3 exporters of railways globally as of 2022. India's export of railways has grown at a CAGR of 31.51% during 2010-2018 to US$ 507.90 million. Exports of railways in 2021 stood at US$ 633.27 million.

Indian Railways is developing and creating technology in areas such as signalling and telecommunication with 15,000 km being converted into automatic signalling and 37,000 km to be fitted with 'KAVACH', the domestically developed Train Collision Avoidance System.

Investments/Developments

Following are some of the major investments and developments in India's railways sector:

- Revenue growth has been strong over the years. Indian Railways' revenue reached US$ 5.21 billion in the third quarter of FY 2023.
- The total passenger revenue stood at US$ 8.51 billion during 2022-23.
- In FY 2023 (until October 2022) passenger traffic stood at 3.61 billion.
- Total revenue from traffic is estimated to be Rs. 2,64,600 crore (US$ 32.18 billion), which comprises 99.8% of the total revenue.
- From April-January 2023, railway freight loading of 1243.46 MT was achieved against last year's loading of 1159.08 MT which depicted an improvement of 7%.
- FDI inflows in railway-related components stood at US$ 1.23 billion from April 2000- March 2023.
- In the case of freight earnings, it experienced a year-on-year growth of 20.84%. It stood at US$ 18.55 billion in FY22 as compared to FY21 which was at US$ 15.35 billion.
- Freight remains the key revenue-earning segment for Indian Railways, accounting for 75.2% of the total revenue in FY22, followed by the passenger segment.
- Indian Railways aims to achieve 100% electrification of all broad-gauge routes by 2023.
- In November 2021, Indian Railways announced that ~102 semi-high-speed Vande Bharat Expresses are expected to commence operations by 2024.
- In July 2021, the South-Central Railway zone announced infrastructure development by doubling the maximum permissible speed to 100 km per hour on the Godavari Bridge. The initiative gave a major boost to the Indian Railways on infrastructure modernisation.
- Since the launch of first 'Kisan Rail' service on August 7, 2020, the Indian Railways have operated a total of 1,040 Kisan Rail services by transporting ~3.38 lakh tonnes of consignment across 72 routes in the country until July 30, 2021.
- The Indian Railways is likely to deliver 58 supercritical as well as 68 critical projects worth more than Rs.1,15,000 crore (US$ 15.44 billion) in the next few years. 29 supercritical projects—spanning 1,044 km and costing Rs. 11,588 crore (US$ 1.5 billion)—have been commissioned. Four projects worth Rs. 1,408 crore (US$ 189.05 million) have been completed and the remaining projects are targeted for completion by March 2024.

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- On July 25, 2021, the Indian Railways Station Development Corporation (IRSDC), a nodal agency of the Ministry of Railways spearheading the re-development of railway stations across the country, claimed that the two railway stations will be redeveloped at an indicative cost of Rs. 1,285 crore (US$ 172.54 million) in four years.
- The Indian Railways has decided to undertake electrification of Broad Gauge (BG) rail lines in a mission mode and is likely to complete the process by 2023-24. Of the 64,689 km of broad-gauge route, 45,881 km has been electrified and the remaining 18,808 km route is yet to be electrified. About Rs. 21,000 crore (US$ 2.8 billion) is estimated to be spent on electrification of the remaining BG routes.
- In January 2021, Hyundai Motor India Ltd. (HMIL) announced that it has exported 125 cars to Nepal via the Indian Railways. The export is claimed to be eco-friendly and the first-ever by the company. With this step, the company is aiming to reduce its carbon footprint by 20,260 tonnes.
- The Indian Railways completed eight major capacity enhancement projects by taking advantage of the coronavirus lockdown. These projects included three supercritical projects with a combined length of 68km, three critical projects with a combined length of 45km, upgradation of the entire 389km railway line from Jhajha in Bihar to Pandit Deen Dayal Upadhyaya Junction in Uttar Pradesh and a new 82km port connectivity line to Paradip.
- As a part of the Railways' plans to upgrade its network, the Ministry announced that all non-AC sleeper coaches will be replaced by AC coaches for trains running >130 kmph. This move has been taken as a technical necessity for high-speed trains with the bonus of improving the passenger experience.

Government Initiatives

The Government of India has adopted few initiatives for the Railways sector in the recent past, some of these are as follows:

- Under the Union Budget 2023-24, capital outlay of Rs. 2.40 lakh crore (US$ 29 billion) has been allocated to the Ministry of Railways, which is the highest ever outlay and about nine times the outlay made in 2013-14.
- Under the Union Budget 2023-24, the government allocated US$ 29 billion to the Ministry of Railways.
- The Bairabi-Sairang project aims to create an additional 51.38 km of railway track in northeast India.
- In the Union Budget 2022-23
    i. The government allocated Rs. 140,367.13 crore (US$ 18.40 billion) to the Ministry of Railways.
    ii. Indian Railways will develop new products and efficient logistics services for small farmers, and small and medium enterprises. It will also take steps towards integration of postal and railway networks to provide seamless solutions for movement of parcels.

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iii. 100 PM-GatiShakti Cargo Terminals for multimodal logistics facilities will be developed over next three years.

iv. Multimodal connectivity between mass urban transport and railway stations will be facilitated on priority.

v. 2,000 km of network will be brought under Kavach, the indigenous technology for safety and capacity augmentation.

vi. 'One Station-One Product' concept will be popularized to help local businesses and supply chains.

vii. The new & upgraded version of Vande Bharat Express between Gandhinagar Capital & Mumbai Central was inaugurated by Prime Minister Mr. Narendra Modi on September 30, 2022.

- In August 2022, the government launched Mission Raftaar for speed enhancement and to achieve a target of doubling average speed of freight trains and increasing the average speed of superfast /mail/express trains by 25 kmph.
- In October 2021, India and Nepal signed a MoU (Memorandum of Understanding), for a proposed US$ 3.15 billion railway line project, to connect Kathmandu and the Indian border town, Raxaul.
- Indian Railways has logged the highest ever electrification of sections covering 6,015 Route Kilometer (RKM) in a single year during 2020-21. More than 5 times electrification was achieved during (2014-21) last seven years as compared to during 2007-14.
- In April 2021, Indian Railways completed the arch closure of the under-construction Chenab Bridge which is the world's highest railway bridge. Chenab Bridge is 1315 m long and will be 35 meters higher than Eiffel Tower in Paris. The total cost of the bridge is estimated to be Rs. 1,486 crore (US$ 200.46 million) and the design life of the bridge is said to be 120 years.
- To boost rail infrastructure and make the Indian Railways network future ready, Indian Railways has identified 56 projects across the country in various zones to be completed by Feb-Mar 2021 and FY22.
- In July 2020, the Ministry of Railways has invited Request for Qualifications (RFQ) for private participation in operating passenger train services across 109 Origin Destination (OD) routes. As part of the plan, the railways will introduce 12 trains in FY23, 45 in FY24, 50 in FY26 and 44 more in the next fiscal, taking the total number of trains to 151 by the FY27. The project would entail private sector investments of about Rs. 30,000 crore (US$ 4.09 billion).
- The Government is going to come up with a 'National Rail Plan' to enable the country to integrate its rail network with other modes of transport and develop a multi-modal transportation network.
- A 'New Online Vendor Registration System' has been launched by Research Designs & Standards Organisation (RDSO), the research arm of Indian Railways, to have digital and transparent systems and procedures.
- The Ministry of Railways plans to monetize assets including Eastern and Western Dedicated Freight Corridors after commissioning, induction of 150 modern rakes through PPP, station

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redevelopment through PPP, railway land parcels, multifunctional complexes (MFC), railway colonies, hill railways and stadiums.

Road Ahead

Indian Railway network is growing at a healthy rate. In the next five years, the Indian railway market is expected to be the third largest, accounting for 10% of the global market. The government has announced two key initiatives for seeking private investments-running passenger trains by private operators across the railways network and redevelopment of railway stations across the country. According to Indian Railways, these projects have the potential of bringing an investment of over US$ 7.5 billion in the next five years.

'Adarsh' Station Scheme has been started in 2009-10 and presently, railway stations are upgraded/modernised based on identified need of providing better-enhanced passenger amenities at stations. Under the scheme, 1253 stations have been identified for development, out of which 1215 stations so far have been developed. The remaining 38 stations are planned to be developed by 2022-23. Indian Railways is also looking at other areas of revenue generation such as the following: a) Change in composition of coaches so that it can push the more profitable AC coach travel; b) Additional revenue streams by monetising traffic on its digital booking IRCTC; and c) Disinvesting IRCTC.

The Indian Railway launched the National Rail Plan, Vision 2024, to accelerate implementation of critical projects, such as multitrack congested routes, achieve 100% electrification, upgrade the speed to 160 kmph on Delhi-Howrah and Delhi-Mumbai routes, upgrade the speed to 130 kmph on all other golden quadrilateral-golden diagonal (GQ/GD) routes and eliminate all level crossings on the GQ/GD route, by 2024.

X. BACKGROUND INFORMATION

1. Texmaco Rail and Engineering Limited, (hereinafter referred to as TREL, "Demerged Company") is a listed public limited company incorporated under the laws of India on June 25, 1998 bearing Corporate Identification Number L29261WB1998PLC087404. The registered office of TREL Belgharia, 24 Parganas (North), Kolkata, West Bengal – 700056, India. TREL is primarily engaged in four lines of businesses through separate business divisions as follows: (i) "Heavy Engineering Division", engaged in the business of manufacturing of freight car and its components, etc; (ii) "Steel Foundry Division", engaged in the business of manufacturing of steel castings, etc; (iii) "Infra – Electrical" engaged in the business of execution of electrical projects, etc; and (iv) "Infra – Rail & Green Energy" Division engaged in execution of projects related to green/renewable power, track laying, signaling and telecommunication, etc.

2. Belgharia Engineering Udyog Private Limited, (hereinafter referred to as BEL, "Resulting Company") is a private limited company incorporated under the laws of India on April 7, 2023 bearing Corporate Identification Number U30204WB2023PTC260915. The registered office of BEL is situated at Belgharia, 24 Parganas (North), Kolkata, West Bengal – 700056, India. The Resulting Company will carry on business similar to the "Infra – Rail & Green Energy" i.e., Division of TREL.

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XI. RATIONALE FOR PROPOSED SCHEME

TREL is primarily engaged in four lines of businesses through separate business divisions as follows: (i) "Heavy Engineering Division", engaged in the business of manufacturing of freight car and its components, etc; (ii) "Steel Foundry Division", engaged in the business of manufacturing of steel castings, etc; (iii) "Infra - Electrical" engaged in the business of execution of electrical projects, etc; and (iv) "Infra - Rail & Green Energy" Division engaged in execution of projects related to green/renewable power, track laying, signaling and telecommunication, etc.

Each of these businesses carried on by TREL have significant potential for growth and profitability, however, the nature of risk, competition, challenges, opportunities, management focus and expertise, requirement of working capital, construction period for the Infra - Rail & Green Energy Division is very different. Accordingly, it is intended to segregate and transfer of the Infra - Rail & Green Energy Division into BEL through demerger.

This Scheme is expected to result in the following benefits for TREL and/or BEL (as applicable):

(i) Enable value unlocking of Infra - Rail & Green Energy Division within BEL and of the other divisions in TREL and giving option of investment to public shareholders into respective businesses and enable their independent value discovery;

(ii) greater management focus for Infra - Rail & Green Energy Division and other divisions and provide opportunity to address independent business opportunities, pursue efficient capital allocation;

(iii) providing scope for independent growth, collaboration and expansion of the segregated business verticals for enhancing their valuation;

(iv) enabling independent focus towards Infra - Rail & Green Energy Division and the other divisions, better alignment of Infra - Rail & Green Energy Division and the other divisions to their customers and strengthening of their position in the relevant market segment, resulting in a more sustainable long-term growth and competitive edge.

The Scheme Entities (TREL and BEL collectively) believe that this Scheme is in the best interests of the Scheme Entities and their respective shareholders and creditors, and other stakeholders, as it is expected to provide greater financial strength and flexibility and better access to funds to both TREL and BEL.

XII. PROCEDURE ADOPTED:

In connection with this exercise, we have adopted following approaches:

- Receipt of proposal for share entitlement ratio,
- Discussion with the management and acceptance of the proposal,
- Receipt of intimation about appointment and acceptance of proposal,
- Execution of share entitlement ratio engagement letter and providing the checklist for required information, documents, financial statement and records,
- Receipt of information, documents as per the checklist leading to preliminary study including analysis of business,

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- Consideration of Management's inputs and representations relating to the Share Entitlement Ratio;
- Consideration of the existing and proposed shareholding pattern of TREL and BEL.

XIII. APPROACH - BASIS FOR PROPOSED DEMERGER

The Proposed Scheme contemplates the proposed demerger of the Undertaking pursuant to the Scheme of Arrangement under the relevant provisions of the Act. Arriving at the Fair Share Entitlement Ratio for the Proposed Demerger would require determining the relative values of the concerned businesses and shares of the companies. These values are to be determined independently but on a relative basis, and without considering the effect of the Proposed Demerger.

The Proposed Demerger envisages the demerger of the Demerged Undertaking into Resulting Company, with equity shares of Resulting Company, being issued to the shareholders of Demerged Company for transfer of the Demerged Undertaking. This requires the relative valuation of the relevant Businesses of Demerged Undertaking of Texmaco Rail and Engineering Limited for determination of a Fair Share Entitlement Ratio for the Proposed Demerger.

There are several commonly used and accepted methods for determining the Fair Share Entitlement Ratio for the Proposed Demerger, which have been considered in the present case, to the extent relevant and applicable, including:

a) Net Asset Value method
b) Comparable Companies' Multiples method / Earnings Capitalisation Value method
c) Market Price method
d) Discounted Cash Flows method

a) 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 therefore mainly used in case where the firm is to be liquidated or in case where the asset base dominates earnings capability. A scheme of demerger would normally be proceeded with, on the assumption that the companies / businesses demerge as going concerns and an actual realization of the operating assets is not contemplated. The operating assets are therefore considered at their book values. In such a going concern scenario, the relative earning power is of importance to the basis of demerger, with the values arrived at on the net asset basis being of limited relevance.

Based on Information provided by the Management, Proposed Demerger can be classified as a 'Mirror Demerger' and hence valuation of equity shares of Companies is not required. Therefore, we have not carried out valuation of equity shares of Companies. As all shareholders of the Demerged Company shall become shareholders of the Resulting Company and the proposed demerger does not envisage the dilution of the effective holding of any one or more shareholders as a result of the operation of the Proposed Scheme.

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b) Comparable Companies' Multiple (CCM) / Earnings Capitalisation Value Method (ECV)

Under the CCM / ECV method, value of the equity shares of a company is arrived at by using multiples / capitalization rates 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 / capitalization rates need to be chosen carefully and adjusted for differences between the circumstances.

Based on Information provided by the Management, Proposed Demerger can be classified as a 'Mirror Demerger' and hence valuation of equity shares of Companies is not required. Therefore, we have not carried out valuation of equity shares of Companies. As all shareholders of the Demerged Company shall become shareholders of the Resulting Company and the proposed demerger does not envisage the dilution of the effective holding of any one or more shareholders as a result of the operation of the Proposed Scheme.

c) Market Price Method

The market price of an equity shares 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. 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.

Based on Information provided by the Management, Proposed Demerger can be classified as a 'Mirror Demerger' and hence valuation of equity shares of Companies is not required. Therefore, we have not carried out valuation of equity shares of Companies. As all shareholders of the Demerged Company shall become shareholders of the Resulting Company and the proposed demerger does not envisage the dilution of the effective holding of any one or more shareholders as a result of the operation of the Proposed Scheme.

d) 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.

Using the DCF analysis 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:

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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.

Based on Information provided by the Management, Proposed Demerger can be classified as a 'Mirror Demerger' and hence valuation of equity shares of Companies is not required. Therefore, we have not carried out valuation of equity shares of Companies. As all shareholders of the Demerged Company shall become shareholders of the Resulting Company and the proposed demerger does not envisage the dilution of the effective holding of any one or more shareholders as a result of the operation of the Proposed Scheme.

XIV. BASIS OF PROPOSED SHARE ENTITLEMENT RATIO

For the purpose of arriving at a fair ratio of entitlement, we have examined, considered and placed reliance on various details, data, documents, accounts, statements furnished and explanations and information given to me and have proceeded to find out the ratio on a consideration of the following:

(i) The assets and liabilities identified as pertaining to or in relation to the Infra – Rail & Green Energy Division would be transferred to BEL at the same values as appearing in the books of Demerged TREL pursuant to the scheme between TREL and BEL.

(ii) As can be observed from the shareholding pattern of the TREL and BEL mentioned earlier, BEL is the wholly owned subsidiary of TREL. It is further understood that upon the scheme being effective, the existing share capital of BEL (currently held by TREL along with Nominee) shall stand cancelled and new shares shall be allotted to the shareholders of TREL holding shares therein on the record date as defined in the scheme. Therefore, only the shareholders of TREL shall hold shares of BEL. Thus, effectively the shareholding in BEL would continue to mirror the shareholding of TREL.

(iii) Further, we have also given due consideration to the level of paid-up Equity Share Capital that is considered reasonable for servicing in the medium term by the BEL

(iv) From the foregoing, it is evident that the question or aspect of adjusting the equities between two or more disparate groups of shareholders (which is ordinarily at the root of fixing such ratio of entitlement) is not relevant in this case due to mirroring of the shareholding in case of BEL and TREL.

(v) It may be noted that the Institute of Chartered Accounts of India (ICAI) on June 10, 2018 has issued that ICAI Valuation Standards ("IVS") effective for all the valuation reports issued on or after July 1, 2018. The IVS is mandatory for the valuation done under Companies Act, 2013, and recommendatory for valuation carried out under other statutes/requirements. However, as the current exercise does not entail valuation, the question of following the Valuation Standards does not arise.

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XV. RECOMMENDED RATIO

It may be noted that any proposed share entitlement ratio for the Demerger can be considered as fair and reasonable, only if the proposed share entitlement ratio to be adopted does not result in any adverse consequence to the shareholders of Texmaco Rail and Engineering Limited.

As per clause 4(b) of Annexure I of circular SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, issued by the Securities and Exchange Board of India (SEBI), a Valuation Report is not required where there is no change in the shareholding pattern of the listed entity/resultant entity.

In the light of the information provided, the Resulting Company shall issue and allot on a proportionate basis to each shareholder of the Demerged Company whose name is recorded in the register of members and records of the depository as members of the Demerged Company as on the Record Date (as defined in the scheme). Considering inter alia, the capital structure, serviceability and other factors, the Management has proposed following Share Entitlement Ratio:

"1 (One) fully paid-up equity shares of INR 10/- (Indian Rupees Ten only) each of the resulting company, credited as fully paid up, for every 30 (Thirty) equity share of INR 1/- (Indian Rupee One only) each of the Demerged Company".

Further, upon coming into effect of the clause 3.5.2 of the scheme, the share entitlement ratio would be as follows:

"1 (one) fully paid-up equity shares of INR 1/- (Indian Rupee One only) each of the resulting company, credited as fully paid up, for every 3 (Three) equity share of INR 1/- (Indian Rupee One only) each of the Demerged Company".

We believe that the above Share Entitlement Ratio is fair, considering the proposed share entitlement ratio to be adopted does not result in any adverse consequence to the shareholders of Texmaco Rail and Engineering Limited and each equity shareholders of Demerged Company would upon demerger be ultimate beneficial owners of Resulting Company in the proportion as they hold in Demerged Company, as on the Record Date.

BSE Circular No. List/COMP/02/2017-18 dated May 29, 2017, and NSE Circular No. NSE/CML/2017/12 dated June 1, 2017, requires a valuation report to disclose certain information in the specified format, which is given below:

Valuation Approaches	**Infra – Rail & Green Energy Division (A)**		**Belgharia Engineering Udyog Private Limited (B)**	
	Value per share	**Weight %**	**Value per share**	**Weight %**
Asset Approach	NA	NIL	NA	NIL
Income Approach	NA	NIL	NA	NIL
Market Approach	NA	NIL	NA	NIL
Relative Value per share	**NA**		**NA**	
Share Entitlement Ratio (A/B)	**NA**			

*** NA Stands for Not Applicable**

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XVI. RESTRICTION ON USE OF THE REPORT, IF ANY;

Our report is meant for the purpose of determining the Share Entitlement for purpose of demerger and filing the same with the NCLT / ROC /Stock Exchange for the purpose of reporting under Companies Act, 2013 and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.

Management of TREL is the only authorized user of this report and is restricted for the purpose indicated in the engagement letter. This restriction does not preclude the TREL from providing a copy of the report to third-party advisors whose review would be consistent with the intended use. I/we do not take any responsibility for the unauthorized use of this report.

XVII. CAVEATS, LIMITATIONS, AND DISCLAIMERS ON THE REPORT

i. While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the TREL & BEL existing business records. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of TREL & BEL. Our report is subject to the scope and 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 and in the context of the purpose for which it is made.

ii. We owe responsibility to only to the authority/ management of TREL that has appointed me/us under the terms of the engagement letters. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the client or companies, their directors, employees or agents.

iii. An analysis of such nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof 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.

iv. In the course of the assignment, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Company through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Company.

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v. We are independent of the TREL & BEL and have no current or expected interest in the Company or its assets. The fee paid for our services in no way influenced the results of our analysis.

vi. Our report is meant for the purpose of determining share entitlement ratio and filing the same with regulatory authorities, including Stock Exchange, National Company Law Tribunal (NCLT), Registrar of Companies and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.

vii. We don't make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the assignment is carried out. We expressly disclaim any and all liability for, or based on or relating to any such information contained in the report.

viii. We are fully aware that based on the opinion of value expressed in this report, we may be required to give testimony or attend court / judicial proceedings with regard to the subject assets, although it is out of scope of the assignment, unless specific arrangements to do so have been made in advance, or as otherwise required by law. In such event, the party seeking our evidence in the proceedings shall bear the cost/professional fee of attending court / judicial proceedings and my / our tendering evidence before such authority shall be under the applicable laws.

Harpreet Singh

HARPREET SINGH
IBBI/RV/06/2019/12112
Registered Valuer (SFA)

Harpreet Singh

Registered Valuer

(Securities or Financial Assets)

IBBI Registration No.: IBBI/RV/06/2019/12112

ICAIRVO Regn. No.: ICAIRVO/06/RV-P00210/2019-20

Date: **October 13, 2023**

Place: **New Delhi**