

**REPORT OF THE MEETING OF AUDIT COMMITTEE OF TEXMACO RAIL & ENGINEERING LIMITED ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN THE COMPANY AND BELGHARIA ENGINEERING UDYOG PRIVATE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS UNDER SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AT ITS MEETING HELD ON THURSDAY, 30<sup>TH</sup> JANUARY 2025 AT 11:45 A.M. AT BELGHARIA, KOLKATA.**

The following audit committee members were present:

1. Mr. Utsav Parekh, Chairman - through video conferencing
2. Mr. Viren Sinha - through video conferencing
3. Mr. Indrajit Mookerjee - through video conferencing

By invitation:

1. Mr. A. K. Vijay - Physically
2. Mr. U. V. Kamath - Physically
3. Mr. Sudipta Mukherjee - through video conferencing

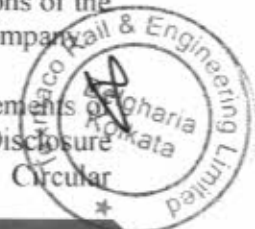
In attendance:

1. Mr. Hemant Bhuwania, CFO - Physically
2. Mr. Kishor Kumar Rajgaria, Company Secretary – Physically

## 1. Background

- 1.1. A meeting of the Audit Committee of Texmaco Rail & Engineering Limited ("**Company**" or "**Transferor Company**" or "**TREL**") was held on 30<sup>th</sup> January 2025 to consider and recommend to the board of directors of the Company, the proposed draft Scheme of Arrangement between the Company and Belgharia Engineering Udyog Private Limited ("**Transferee Company**" or "**BEL**") and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") ("**Scheme**").
- 1.2. The Audit Committee noted that the proposed Scheme provides for the transfer and vesting of the Transferred Undertaking (*as defined in the Scheme*) [comprising of the Infra – Rail & Green Energy Business (*as defined in the Scheme*)] from the Transferor Company as a going concern on slump exchange basis to the Transferee Company being a wholly owned subsidiary of the Transferor Company for a lump sum consideration as provided in the Scheme under Sections 230 to 232 and other applicable provisions of the Act. The said Scheme also provides for various other matters consequent and incidental thereto.
- 1.3. The Company is incorporated under the provisions of the Companies Act, 1956. The equity shares of the Company are listed on BSE Limited and the National Stock Exchange of India Limited, (collectively referred to as the "**Stock Exchanges**").
- 1.4. The Transferee Company is an unlisted company incorporated under the provisions of the Act. The Transferee Company is a wholly owned subsidiary of the Transferor Company.
- 1.5. This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and SEBI Master Circular

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number SEBI/HO/CFD/POD2/P/CIR/2023/93 dated June 20, 2023 ("SEBI Master Circular"), including amendments thereto.

1.6. The Audit Committee perused and noted the following:

1.6.1 Draft Scheme;

1.6.2 Valuation Report dated 30<sup>th</sup> January 2025 issued by Bishwanath Choudhary (Registration No. IBBI/RV/03/2020/12785), an Independent and Registered Valuer ("Valuation Report");

1.6.3 Fairness opinion dated 30<sup>th</sup> January 2025 given by an Independent SEBI registered the Merchant Bankers viz., Intelligent Money Managers Private Limited (Registration No. INM000012169) on the Valuation Report ("Fairness Opinion");

1.6.4 Certificate dated 30<sup>th</sup> January 2025, duly signed by M/s. L.B Jha & Co, Chartered Accountants, the Statutory Auditors of the Company, certifying that the accounting treatment proposed in the Scheme is in compliance with the accounting standards prescribed under the Act; and

1.3.1 Other presentations, documents and information made to / furnished before the Audit Committee pertaining to the draft Scheme.

## 2. Proposed Scheme of Arrangement

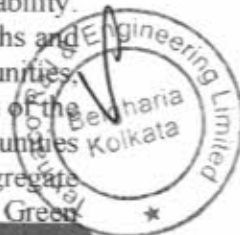
### 2.1 Need for the Arrangement and Rationale and Benefits of the Scheme

The Audit Committee of the Company noted the rationale and the benefits of the Scheme which, inter-alia, are as follows:

2.1.1 The Infra – Rail & Green Energy Division of TREL is one of the premier engineering division with market leadership in this field. TREL has been a leading factor in concept to commissioning of hydro mechanical equipment for hydro power plant, industrial steel structure, flyover and bridges, track laying, signalling & telecommunication. Over the years, TREL has built strong credentials in design, erection and commissioning of various types of steel gates (both vertical & radial), Trash racks, hoists, penstocks & specials (bifurcation, trifurcation, expansion joints etc.), goliath cranes, heavy steel structures, track laying, signalling & telecommunication etc. Numerous projects bear testimony to the Company's marvellous engineering and manufacturing capabilities, which has got national and international recognition for its outstanding performance.

2.1.2 TREL seeks to reorganise the businesses carried on by it to exploit the growth potential and attract fresh set of investors/strategic partners. Each of the businesses carried on by TREL have significant potential for growth and profitability. However, each of the businesses are distinct having their own set of strengths and dynamics in the nature of risks involved, competition, challenges, opportunities, business methods, leading to different growth potentials. Hence, segregation of the businesses would enable a focused management to explore business opportunities and potentials effectively and efficiently. Accordingly, it is intended to segregate and transfer of the Transferred Undertaking comprising the Infra – Rail & Green

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Energy Division of TREL into BEL.

- 2.1.3 The segregation of the business verticals shall enable them to move forward independently, with specialisation building on their respective capabilities. It will also help to channelize resources required for all the businesses to focus on the growing businesses and attracting right talent and providing enhanced growth opportunities to existing talent in line with sharper strategic focus on each business segment under separate entities.
- 2.1.4 The Scheme will also enable the Transferor Company and the Transferee Company to focus and enhance their respective management structure ensuring better and more efficient management control. It shall provide greater management focus and speedy decision process to achieve strategic advantage in the separate entity.
- 2.1.5 Bifurcation of the businesses will enable unlocking value of each vertical thereby paving way for focused growth with a view to create significant stakeholder value; will attract distinct investor base and at the same time allow investors to allocate their portfolio into separate entities, focused on the distinct businesses. Further, it will enable independent and distinct capital allocation approach and balance sheet management based on the distinct needs of each business.
- 2.1.6 Accordingly, the said Scheme is being proposed for transfer of the Transferred Undertaking to the Transferee Company as a going concern on slump exchange basis.

The Scheme is in the interest of the Transferor Company, the Transferee Company and their respective stakeholders.

## 2.2 Synergies of business of the entities involved in the Scheme

The background and information of the companies is, inter-alia, as under:

- 2.2.1 The Transferor Company is primarily engaged in three lines of businesses through separate divisions as follows: - (a) "Freight Car Heavy Engineering Division", engaged in the business of manufacturing of freight car and its components, Steel castings; (b) "Infra – Electrical" engaged in the business of execution of electrical projects; and (c) "Infra – Rail & Green Energy" engaged in execution of projects related to green/ renewable power, track laying, signalling and telecommunication.
- 2.2.2 The Transferee Company is incorporated with the intent of carrying on business similar to the Transferred Undertaking of the Transferor Company. The Transferee Company is a wholly owned subsidiary of the Transferor Company.
- 2.2.3 The Transferred Undertaking is proposed to be transferred to the wholly owned subsidiary of the Company as a going concern by way of slump exchange and on implementation of the Scheme, the Transferred Undertaking will be continued by the Transferee Company with existing synergies.



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### 2.3 Impact of the Scheme on the shareholders of the Company

- 2.3.1 Upon Scheme coming into effect, Equity Shares and 0.01% Cumulative Optionally Convertible Redeemable Preference Shares (“OCRPS”) shall be issued and allotted by the Transferee Company to the Transferor Company in the manner as stated in the Scheme;
- 2.3.2 The Company is transferring the Transferred Undertaking pursuant to the Scheme to the Transferee Company which is a wholly owned subsidiary of the Company;
- 2.3.3 Pursuant to the Scheme, the entire economic interest of the Company in the Transferred Undertaking shall continue with the Company through its 100% shareholding in the Transferee Company. Accordingly, the entire economic interest of the shareholders (promoter and non-promoter) of the Company in the Transferred Undertaking will continue as before.
- 2.3.4 The proposed Scheme is expected to be beneficial to the Company and its shareholders and all other stakeholders in large and is not detrimental to the shareholders of the Company.
- 2.3.5 It is also observed that as per the terms of the proposed Scheme, it shall be acted upon only if the votes cast by the public shareholders in favour of the proposal are more than the number of votes cast by the public shareholders, of the Company against it as required under the SEBI Master Circular issued in this regard.

### 3. **Cost benefit analysis of the Scheme**

Although the proposed Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company.

### 4. **Consideration for the Slump Exchange**

4.1 The Audit Committee reviewed the Valuation Report and noted the following:

4.1.1 Upon Part II of Scheme coming into effect, in consideration for the transfer and vesting of the Transferred Undertaking, the Transferee Company shall without any further application, acts, deed, consent, instrument or deed, discharge a lump sum consideration to the Transferor Company, without values being assigned to the individual assets and liabilities of the Transferred Undertaking in the following manner:

- i. *The Transferee Company shall issue and allot 1,50,00,000 fully paid-up equity shares of face value INR 10/- each fully paid up to the Transferor Company (“New Equity Shares of the Transferee Company”); and*
- ii. *The Transferee Company shall issue and allot 9,22,77,390 0.01% Cumulative OCRPS of face value of INR 100/- each fully paid up to the Transferor Company.*



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The New Equity Shares of the Transferee Company and the OCRPS of the Transferee Company to be issued shall be referred to as "Transferee Company New Shares".

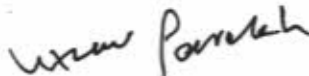
- 4.1.2 The Transferee Company New Shares shall be subject to the provisions of the memorandum of association and articles of association of Transferee Company, as the case may be. The equity shares issued and allotted shall rank *pari passu* in all respects with any existing shares of Transferee Company, after the Effective Date including with respect to dividend, bonus, right shares, voting rights and other corporate benefits attached to the said shares of the Transferee Company.
- 4.2 The Fairness Opinion confirmed that the consideration as recommended for the arrangement is fair.
- 4.3 The Audit Committee also noted the principal terms and conditions of the OCRPS to be issued to the Transferor Company by the Transferee Company.

**5. Recommendation of the Audit Committee**

The Audit Committee *inter alia* taking into consideration the draft Scheme, Valuation report, Fairness opinion and certificate issued by the Statutory Auditors of the Company confirming the accounting treatment prescribed in the Scheme is of the view that the Scheme is not detrimental to the interests of shareholders of the Company. In view thereof, the Audit Committee hereby recommends the Scheme for favourable consideration and approval by the board of directors of the Company, Stock Exchanges, SEBI and other appropriate authorities.

By Order of the Members of the Audit Committee

For and on Behalf of **TEXMACO RAIL & ENGINEERING LIMITED**



**Utsav Parekh**  
**Chairman, Audit Committee**  
DIN: 00027642



Place: Kolkata  
Date: 30 January 2025

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