

Addendum to the Valuation Report

Titagarh Wagons Limited

August 2019

MSKA

& Associates

Chartered Accountants

MSKA & Associates

Chartered Accountants

Floor 3, Enterprise Centre, Nehru Road
Near Domestic Airport, Vile Parle (E)
Mumbai - 400099

To

The Board of Directors
Titagarh Wagons Limited
756, Anandapur
E M Bypass, Kolkata West Bengal - 700107
India

The Board of Directors
Cimmco Limited
756, Anandapur
E M Bypass, Kolkata West Bengal - 700107
India

The Board of Directors
Titagarh Capital Private Limited
756, Anandapur
E M Bypass, Kolkata West Bengal - 700107
India

The Board of Directors
Titagarh Enterprises Limited
756, Anandapur
E M Bypass, Kolkata West Bengal - 700107
India

Dear Sir(s)/ Madam(s),

Sub: Addendum to our valuation report dated May 30, 2019 recommending fair equity share exchange ratio for the proposed merger of Cimmco Limited, Titagarh Capital Private Limited and Titagarh Enterprises Limited into Titagarh Wagons Limited.

We, MSKA & Associates, Chartered Accountants ("MSKA" or "We" or "Us"), had been appointed vide Engagement Letter dated May 2, 2019 to recommend the fair equity share exchange ratio for the proposed merger of Cimmco Limited ('Cimmco'), Titagarh Capital Private Limited ('TCPL') and Titagarh Enterprises Limited ('TEL') into Titagarh Wagons Limited ('TWL' or 'Company') (collectively referred to as 'Original Scheme of Merger').

Pursuant to the same, we had issued the valuation report dated May 30, 2019 with UDIN 19116349AAAFX5976 ("Valuation Report") for the purpose of complying with relevant provisions of the Securities and Exchange Board of India ('SEBI') and to the extent mandatorily required under any applicable laws of India. This Addendum Report shall be read in conjunction to the Valuation Report. All other contents mentioned in the main report shall remain unchanged.

We understand from the management of the Company, that the Board of Directors are considering modification in the Original Scheme of Merger, the salient features of Original Scheme of Merger are detailed herein below:

- A. Cimmco Limited which is a subsidiary company of Titagarh Wagons Limited, was proposed to be merged with Titagarh Wagons Limited;
- B. Titagarh Enterprises Limited, which is an associate company of Titagarh Wagons Limited, was proposed to be merged with Titagarh Wagons Limited;
- C. Titagarh Capital Private Limited, which is a wholly owned subsidiary of Titagarh Wagons Limited, was proposed to be merged with Titagarh Wagons Limited.

The revised scheme of merger ("**Revised Scheme of Merger**"), does not consider merger of TEL with TWL. The salient features of the proposed Revised Scheme of Merger are detailed herein below:

- A. Cimmco Limited is proposed to be merged with Titagarh Wagons Limited, and;
- B. Titagarh Capital Private Limited is proposed to be merged with Titagarh Wagons Limited.

In relation to the above, we have been requested to provide our recommendation on the fair equity share exchange ratio as on April 1, 2019 ("**Valuation Date**"), after considering the Revised Scheme of merger. Hence, we are issuing this addendum to our Valuation Report dated May 30, 2019.

Our recommendation of fair equity share exchange ratio is provided herein below:

Recommendation 1:

In case of Merger of Cimmco into TWL, following is the computation of fair equity share exchange ratio:

Valuation Approach	Valuation Method	TWL		Cimmco	
		Value Per Share (INR)	Weights	Value Per Share (INR)	Weights
Market Approach	MP Method	70.7	40%	35.7	40%
Market Approach	CCM Method	81.6	40%	38.9	40%
Cost Approach	NAV Method	61.3	20%	48.7	20%
Relative Value Per Share		73.2	100%	39.6	100%
Exchange Ratio (Rounded Off)		13		24	

Fair Equity Share Exchange Ratio Conclusion 1 :

24 equity shares of face value INR 10 each fully paid up of Cimmco will get 13 equity shares of face value INR 2 each fully paid up of TWL.

Recommendation 2 :

Fair Equity Share Exchange Ratio Conclusion 2 :

In case of merger of TCPL into TWL, TWL shall not be required to issue any equity shares to the shareholders of TCPL, since the entire issued, subscribed and paid-up equity share capital of the TCPL is held by TWL.



We believe that this addendum must be considered as a whole, along with the Valuation Report. This Addendum Report shall be read in totality and in conjunction with the Valuation Report, reading of selected portions of our report could lead to undue emphasis on any particular factor.

Yours truly,

For MSKA & Associates
Chartered Accountants

ICAI Firm Reg. No. 105047W

Jiger K Saiya



Jiger Kishor Saiya

Partner

M. No. 116349

UDIN: 19116349AAAAFX5976

Valuation Report

May 2019

MSKA

& Associates

Chartered Accountants

MSKA & Associates
Chartered Accountants
Floor 3, Enterprise Centre, Nehru Road
Near Domestic Airport, Vile Parle (E)
Mumbai - 400099

UDIN: 19116349AAAFX5976

May 30, 2019

To

The Board of Directors
Titagarh Wagons Limited
756, Anandapur
E M Bypass, Kolkata West Bengal - 700107
India

The Board of Directors
Cimmco Limited
756, Anandapur
E M Bypass, Kolkata West Bengal - 700107
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The Board of Directors
Titagarh Capital Private Limited
756, Anandapur
E M Bypass, Kolkata West Bengal - 700107
India

The Board of Directors
Titagarh Enterprises Limited
756, Anandapur
E M Bypass, Kolkata West Bengal - 700107
India

Dear Sir(s)/ Madam(s),

Sub: Recommendation of Fair Equity Share Exchange Ratio for the Proposed Amalgamation of Cimmco Limited, Titagarh Capital Private Limited and Titagarh Enterprises Limited into Titagarh Wagons Limited.

We, MSKA & Associates, Chartered Accountants ('MSKA' or 'We' or 'Us'), have been appointed vide letter dated May 2, 2019 to recommend the fair equity share exchange ratio for the amalgamation of Cimmco Limited ('Cimmco'), Titagarh Capital Private Limited ('TCPL') and Titagarh Enterprises Limited ('TEL') into Titagarh Wagons Limited ('TWL' or 'Company') (collectively referred as 'Proposed Amalgamation' or 'Proposed Merger'). We are pleased to present herewith our report on the same.

The cut-off date for the present valuation exercise has been considered as at April 1, 2019 ('Valuation Date') and the market factors have been considered till May 29, 2019. The attached report details the valuation methodologies, calculations and conclusions with respect to this valuation.

We believe that our analysis must be considered as a whole. Selected portions of our analysis or the factors we considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.



This letter should be read in conjunction with the attached report.

Thanking you,

For MSKA & Associates
Chartered Accountants
Firm Reg. No. 105047W

Jiger K Salya



Jiger Kishor Salya
Partner
M. No. 116349

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1. Brief Background of the Companies

Titagarh Wagons Limited ('TWL')

- 1.1. Titagarh Wagons Limited, incorporated on July 3, 1997, is listed on National Stock Exchange of India Limited ('NSE') and Bombay Stock Exchange Limited ('BSE'). It manufactures railway wagons, bailey bridges, heavy earth moving and mining equipment, steel and spheroidal graphite iron castings of moderate to complex configuration. Its Company Identification Number as per Registrar of Companies' ('ROC') record is L27320WB1997PLC084819.
- 1.2. The issued, subscribed and paid-up equity share capital of TWL as at March 31, 2019 stood at INR 231.1 Mn, comprising of 11,55,27,920 equity shares of face value INR 2 each, and the summarized shareholding pattern as on the Valuation Date is as follows:

Name of Shareholders	No. of Equity Shares	Holding %
I. Promoter Group		
Individuals		
Umesh Chowdhary	77,530	0.1%
Jagdish Prasad Chowdhary	1,56,540	0.1%
Savitri Devi Chowdhary	1,81,16,035	15.7%
Vinita Bajoria	80	0.0%
Rashmi Chowdhary	1,28,16,105	11.1%
Sumita Kandoi	85	0.0%
Bimla Devi Kajaria	1,800	0.0%
Other		
Titagarh Capital Management Services Private Limited	2,16,70,165	18.8%
Total Promoter Group	5,28,38,340	45.7%
II. Public	6,26,89,580	54.3%
Total	11,55,27,920	100.0%

TWL has investments in the following companies which are its subsidiary / associate companies (collectively referred as 'Group Companies' or 'Titagarh Group') - Cimmco Limited ('Cimmco'), Titagarh Capital Private Limited ('TCPL'), Titagarh Enterprises Limited ('TEL'), Titagarh Wagons Arbel Fauvet Rail ('TWAFR'), Continental Valves Limited ('CVL'), Titagarh Singapore Pte Limited ('TSPL'), Titagarh Firema Adler S.p.A. ('TFSA'), Matiere Titagarh Bridges Private Limited ('MTBPL'), Titagarh Mermec Private Limited ('TMPL'), Traco International Investment Private Limited (Previously known as Tecalemit Industries Limited) ('Traco') and Titagarh Industries Limited ('TIL').



Cimmco Limited ('Cimmco')

- 1.3. Cimmco Limited, incorporated on September 8, 1943, is listed on the NSE and BSE. It manufactures and sells wagons and engineering goods in India. Cimmco offers wagons, including bottom discharge coal wagons for power houses; bulk cement carrying wagons; and other specialty wagons, such as tank carriers for transporting liquefied petroleum gas, liquid ammonia, phosphoric acid, etc., as well as supplies wagons to Indian Railways. Its Company Identification Number as per ROC's record is L28910WB1943PLC168801.
- 1.4. The issued, subscribed and paid-up equity share capital of Cimmco as at March 31, 2019 stood at INR 273.5 Mn, comprising of 2,73,48,526 equity shares of face value INR 10 each, and the summarized shareholding pattern as on the Valuation Date is as follows:

Name of Shareholders	No. of Equity Shares	Holding %
I. Promoter Group		
Individuals		
Vinita Bajoria	13,424	0.0%
Gaurav Kajarla	14,000	0.1%
Sumita Kandoi	4,000	0.0%
Other		
Titagarh Wagons Limited	2,17,07,382	79.4%
Total Promoter Group	2,17,38,806	79.5%
II. Public	56,09,720	20.5%
Total	2,73,48,526	100.0%

Titagarh Capital Private Limited ('TCPL')

- 1.5. Titagarh Capital Private Limited, incorporated on May 10, 1994, is a wholly owned subsidiary of TWL. It has been registered under Section 45-IA of the Reserve Bank of India Act, 1934 as a non-banking financial institution without accepting public deposits. As informed to us by the management, it has no major business operations. Its Company Identification Number as per ROC's record is U01122WB1994PTC138832.
- 1.6. The issued, subscribed and paid-up equity share capital of TCPL as at March 31, 2019 stood at INR 150.0 Mn, comprising of 15,00,000 equity shares of face value INR 100 each, and the summarized shareholding pattern as on the Valuation Date is as follows:

Name of Shareholders	No. of Equity Shares	Holding %
Promoter Group		
Titagarh Wagons Limited	15,00,000	100.0%
Total	15,00,000	100.0%



Titagarh Enterprises Limited ('TEL')

- 1.7. Titagarh Enterprises Limited, incorporated on December 16, 2002, is an associate company of TWL. It is engaged in the business of leasing and renting and provides storage facilities for commodities, goods, railway rolling stock, assets, properties, articles and things in India. It has given some of its properties on lease and has certain land parcels in Kolkata. Its Company Identification Number as per ROC's record is U72200WB2002PLC095513.
- 1.8. The issued, subscribed and paid-up equity share capital of TEL as at March 31, 2019 stood at INR 257.5 Mn, comprising of 2,57,50,000 equity shares of face value INR 10 each, and the summarized shareholding pattern as on the Valuation Date is as follows:

Name of Shareholders	No. of Equity Shares	Holding %
Promoter Group		
Titagarh Wagons Limited	49,33,000	19.2%
Titagarh Logistics Infrastructures Private Limited	1,95,32,000	75.8%
Others	12,85,000	5.0%
Total	2,57,50,000	100.0%

2. Purpose of Valuation

- 2.1. We understand that following is the proposed scheme of amalgamation (referred to as 'Proposed Amalgamation' or 'Proposed Merger'):
- Cimmco Limited, which is a subsidiary company of Titagarh Wagons Limited, is proposed to merge with Titagarh Wagons Limited.
 - Titagarh Capital Private Limited, which is a wholly owned subsidiary of Titagarh Wagons Limited, is proposed to merge with Titagarh Wagons Limited.
 - Titagarh Enterprises Limited, which is an associate company of Titagarh Wagons Limited, is proposed to merge with Titagarh Wagons Limited.

Companies under the Proposed Amalgamation and their respective shareholders will comply with the provisions of section 230 to 232 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013 ('the Scheme'), along with the applicable provisions of Securities and Exchange Board of India ('SEBI') and Reserve Bank of India ('RBI') - if any.

- 2.2. In this regard, we have been appointed to undertake the valuation of the above companies to recommend the fair equity share exchange ratio/share swap ratio for the Proposed Amalgamation.

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3. Exclusions and Limitations

- 3.1. Our report is subject to the limitations detailed hereinafter. This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- 3.2. This report and the information contained herein are absolutely confidential and are intended for the use of management and representatives of the companies for providing select information and only in connection with the purpose mentioned above or for sharing with shareholders, Regional Directors, Registrar of Companies, National Company Law Tribunal and office of other regulatory or statutory authorities. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without our written consent. In the event, the companies or their management or their representatives intend to extend the use of this report beyond the purpose mentioned earlier in the report, with or without our consent, we will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report.
- 3.3. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence or legal title search of the assets or liabilities of the Companies or any of its subsidiaries or associated companies and have considered them at the value as disclosed by the Companies in their regulatory filings or in submissions, oral or written, made to us.
- 3.4. In rendering this report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.
- 3.5. Any matters related to legal title and ownership are outside the purview and scope of this valuation exercise. Further, no legal advice regarding the title and ownership of the subject property has been obtained while conducting this valuation exercise. Valuation may be significantly influenced by adverse legal, title or ownership, encumbrance issues.
- 3.6. This report is based on the information received from the sources mentioned herein and discussions with the representatives of the companies. We have assumed that no information has been withheld that could have influenced the purpose of our report.
- 3.7. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the companies. Nothing has come to our knowledge to indicate that the material provided to us was mis-stated or incorrect or would not afford reasonable grounds upon which to base our report.



- 3.8. During the course of our work, we have relied upon the certain opinion documents made available by the management and representatives of the Companies. Though we have reviewed it, we have not independently verified the same. As these opinions/assumptions require the exercise of judgment and are subject to uncertainties, there can be no assurance that these assumptions are accurate.
- 3.9. For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.
- 3.10. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of our report or by virtue of fact that the details provided to us are incorrect or inaccurate.
- 3.11. Further, this report is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us up to, the date hereof. Subsequent developments in the aforementioned conditions may affect this report and the assumptions made in preparing this report and we shall not be obliged to update, revise or reaffirm this report if the information provided to us changes.
- 3.12. We have arrived at a relative value based on our analysis. Any transaction price may however be significantly different and would depend on the negotiating ability and motivations of the respective buyers and sellers in the transaction.
- 3.13. Valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different value on this business.
- 3.14. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations taking into consideration the economic, social and market patterns existing at that point in time but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event will occur or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates and the variations may be material.
- 3.15. Whilst all reasonable care has been taken to ensure that the factual statements in the report are accurate, neither us, nor any of our partners, officers or employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim any and all liabilities, which may arise

based upon the information used in this report. We are not liable to any party in relation to the issue of this report.

- 3.16. MSKA owes responsibility to only the Boards of Directors of TWL, Cimmco, TCPL and TEL; with reference to terms of engagement letter and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to TWL, Cimmco, TCPL and TEL. 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 Group Companies, their directors, employees or agents. In no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this Report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.
- 3.17. The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information furnished by TWL, Cimmco, TCPL and TEL (or its representatives) 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). We have no obligation to update this Report.

4. Sources of Information

- 4.1. For the purpose of undertaking this valuation exercise, we have relied on the following sources of information provided by the management representatives of the Company:
- Detailed business profile and information of current business operations of Group Companies;
 - Audited financial statements of Group Companies for the financial years ('FY') ended March 31, 2017 and March 31, 2018;
 - Provisional financial statements of TWL, Cimmco, TCPL, TEL and other Group Companies for the financial year ended March 31, 2019;
 - Limited Review financial statements of TWL and Cimmco for nine months period ended December 31, 2018 which are submitted to stock exchange(s);
 - Latest shareholding pattern as on the Valuation Date of Group Companies. Further we have been informed that there would not be any capital variation in TWL, Cimmco, TEL and TCPL till the Proposed Merger becomes effective, except issuance of Employee Stock Options in the normal course of the business of TWL. Further to that neither companies would declare any substantial dividends having materially different yield as compared to the past few years;
 - List of contingent liabilities of Group Companies and its current status along with relevant documents;
 - Relevant documents pertaining to land parcels ownership, valuation reports (wherever available);

- Relevant data and information provided to us by the representatives of TWL, Cimmco, TCPL and TEL either in written or oral form or in form of soft copy of the Group Companies;
- Information provided by leading database sources (proprietary databases subscribed by us or our network firm), market research reports and other published data (including NSE and BSE);
- Draft scheme of amalgamation; and
- Management Representation Letter addressed to MSKA.

5. Procedures Adopted

5.1. In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- Requested and received financial and qualitative information;
- Obtained data available in public domain;
- Undertook industry analysis such as researching publicly available market data including economic factors and industry trends that may impact the valuation. Further, analysis of key trends and valuation multiples of comparable companies was undertaken.
- Discussion (physical/over call) with the management to understand the business and fundamental factors that could affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance.
- Selection of internationally accepted valuation methodology/(ies) as considered appropriate by us. For the purpose of arriving at the valuation of the companies we have considered the valuation base as 'Fair Value'. Our valuation, and this report, is based on the premise of going concern value. Any change in the valuation base, or the premise could have significant impact on our valuation exercise, and therefore, this Report.

6. Valuation Approaches

- 6.1. The Proposed Amalgamation scheme contemplates the merger of the Companies pursuant to the scheme of Amalgamation under sections 230 to 232 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013. Arriving at the share exchange ratio for the Proposed Amalgamation would require determining the relative values of each company. These values are to be determined independently but on a relative basis, and without considering the effect of the Proposed Amalgamation.
- 6.2. It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous 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, and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.

- 6.3. 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 methodology of valuation has been arrived at using usual and conventional methodologies 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.
- 6.4. It may be noted that the Institute of Chartered Accountants of India ('ICAI') on June 10, 2018 has issued the ICAI Valuation Standards ('IVS'). IVS 301 on Business Valuations deals with valuation of a business or business ownership interest (i.e. it includes valuation of equity shares). We have given due cognizance to the same in carrying out the valuation exercise.
- 6.5. The cut-off date for the current valuation exercise has been considered as April 1, 2019 ('Valuation Date') and market factors have been considered till May 29, 2019.
- 6.6. There are three internationally accepted approaches/Valuation Standards 2018 issued by the Institute of Chartered Accountants of India ('ICAI') to valuation:
- (a) "Market" Approach
 - (b) "Cost" Approach
 - (c) "Income" Approach

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 Multiples ("CCM") Method

This valuation approach is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. The value is determined on the basis of multiples derived from valuations of comparable companies, as manifest in the stock market valuations of listed companies. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.



Comparable Transactions Multiples ("CTM") Method

The valuation is undertaken on the basis of multiples derived from valuations of similar transactions in the industry in the near history. Relevant multiples have to be chosen carefully and adjusted for differences between the circumstances. This valuation approach is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

Cost Approach

The Cost Approach, also known as the Asset-based Approach, involves methods of determining a company's value by analyzing the market value of a company's assets.

Net Asset Value ("NAV") Method

The Net Asset Value ("NAV") method under cost approach, consider the assets and liabilities, including intangible assets and contingent liabilities. The net assets, after reducing the dues to the preference shareholders, if any, represent the value of the company or firm.

This valuation approach is used where the business requires reasonable amount of capital expenditure and working capital.

Income Approach

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow (DCF) Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

Discounted Cash Flow ("DCF") Method

Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The Free Cash Flows to Firm ("FCFF") represent the cash available for distribution to the owners as well as lenders of the business and the Free Cash Flows to Equity ("FCFE") represent the cash available for distribution to the owners of the business. The free cash flows to firm are discounted by the Weighted Average Cost of Capital ("WACC") and the free cash flows to equity are discounted by the Cost of Equity ("Ke"). The WACC or Ke, based on an optimal vis-à-vis actual capital structure, is an appropriate rate of discount to calculate the present value of the future cash flows as it considers risk of the firm.

The perpetuity (terminal) value is calculated based on the business's potential for further growth beyond the explicit forecast period. The "Constant Growth Model" is applied, which implies an expected constant level of growth for perpetuity in the cash flows over the last year of the forecast period.



The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business's future operations. The Business/Enterprise Value (aggregate of the present value of explicit period and terminal period cash flows) so derived, is further reduced by the value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of the business.

7. Conclusion on Valuation Approach

- 7.1. In order to consider reasonable methods for the valuation exercise, we have referred to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 as amended from time to time and the specific information/explanations available of the Group Companies. We have considered the following respective methods for the valuation of the companies of the Proposed Amalgamation:

TWL: Market Price Method and Comparable Companies Multiples Method under the Market Approach and Net Asset Value Method under the Cost Approach have been considered for valuation of TWL. Further, Discounted Cash Flow Method under the Income Approach has not been considered as TWL is a listed entity and information related to future profit and loss account, balance sheet and cash flows is price sensitive. In light of the above, we have not used the Discounted Cash Flow Method for the valuation of TWL.

Cimmco: Market Price Method and Comparable Companies Multiples Method under the Market Approach and Net Asset Value Method under the Cost Approach have been considered for valuation of Cimmco. Further, Discounted Cash Flow Method under Income Approach has not been considered as Cimmco is a listed entity and information related to the future profit and loss account, balance sheet and cash flows is price sensitive. In light of the above, we have not used Discounted Cash Flow Method for the valuation of Cimmco.

TCPL: It is an unlisted company and does not have major business operations. Hence, only Net Asset Value Method under the Cost Approach has been considered, Income Approach and Market Approach have not been used considering the facts.

TEL: It is an unlisted company and in the business of leasing and renting to provide facilities for storage of commodities, goods, railway rolling stock, assets, properties, articles and things in India. It has land parcels in Kolkata, out of which certain parcels are given on lease and other are lying vacant. Hence, Discounted Cash Flow Method under Income Approach is used, Cost Approach and Market Approach are not used considering the facts of TEL.



8. Basis of Fair Equity Share Exchange Ratio

- 8.1. The basis of the fair equity share exchange ratio for the Proposed Amalgamation would have to be determined after taking into consideration all the factors and methods mentioned hereinabove. Though different values have been arrived at under each of the above methods, for the purposes of recommending the fair equity share exchange ratio, it is necessary to arrive at a final value for the shares of each company. It is, however, important to note that in doing so, we are not attempting to arrive at the absolute values of the Companies, but at their relative values to facilitate the determination of the fair equity share exchange ratio.
- 8.2. The fair equity share exchange ratio has been arrived at on the basis of a relative equity valuation of the Companies 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 the Companies, having regard to information base, key underlying assumptions and limitations. For this purpose, we have assigned appropriate weights to the values arrived at under each approach/method.
- 8.3. The equity shares of the listed companies in the Proposed Transaction (TWL and Cimmco) are frequently traded as per the requirements of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 and Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations 2011 guidelines, as applicable, on a recognized stock exchange (NSE) during the twelve calendar months preceding the Report date.
- 8.4. Attention may also be drawn to Regulation 158 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation 2018 ('ICDR Regulations') which specifies that issue of equity shares to shareholders of an unlisted entity pursuant to a National Company Law Tribunal approved scheme shall conform with the pricing provisions of preferential issue specified under Regulation 164 of the said regulations. Further it may be noted that Regulation 164 specifies the minimum price for issue of shares on a preferential basis. In the Proposed Amalgamation inter-alia, TEL (an unlisted entity) is proposed to be amalgamated with TWL (listed entity). We have therefore, given due cognizance to the minimum price derived using the formula prescribed under ICDR Regulations after considering the fair value of TWL while determining the fair equity share exchange ratio for amalgamation of TEL with TWL. Since the fair value of TWL is higher than the minimum price for issue of equity shares as mentioned in Regulation 164 of ICDR Regulation, we have considered the fair value of TWL for determining the share exchange ratio for amalgamation of TEL.

Similarly, since the fair value of Cimmco is higher than the minimum price for issue of equity shares as mentioned in Regulation 164 of ICDR Regulations, we have considered the fair value of Cimmco for determining the share exchange ratio for the amalgamation of Cimmco with TWL.

- 8.5. Further for the valuation of TEL, Optionally Fully Convertible Preference Shares of INR 203.1 Mn, which are outstanding as on the Valuation Date, are considered as redeemed based on the facts and explanations provided by the management.
- 8.6. We have independently applied methods discussed above, as considered appropriate, and arrived at their assessment of value per share of the Companies. To arrive at the consensus on the fair equity share exchange ratio for the Proposed Amalgamation, rounding off have been done in the values.



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9. Conclusion

9.1. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments etc. which are not evident from the face of the balance sheets, but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Honorable Supreme Court of India in the case reported in 176 ITR 417 as under:

"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."

9.2. In the light of the above, and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion the fair equity share exchange ratio in the event of merger of Cimmco, TCPL and TEL into TWL would be as follows (recommendation):

- In case of merger of TCPL into TWL, TWL shall not be required to issue any equity shares to the shareholders of TCPL, since the entire issued, subscribed and paid-up equity share capital of the TCPL is held by TWL.
- Further in case of merger of Cimmco into TWL, following is the exchange ratio:

Valuation Approach	Valuation Method	TWL		Cimmco	
		Value Per Share (INR)	Weights	Value Per Share (INR)	Weights
Market Approach	MP Method	70.7	40%	35.7	40%
Market Approach	CCM Method	81.6	40%	38.9	40%
Cost Approach	NAV Method	61.3	20%	48.7	20%
Relative Value Per Share		73.2	100%	39.6	100%
Exchange Ratio (Rounded Off)		13		24	

Note 1: NA means not applicable.

- Further in case of merger of TEL into TWL, following is the exchange ratio:

Valuation Approach	Valuation Method	TWL		TEL	
		Value Per Share (INR)	Weights	Value Per Share (INR)	Weights
Market Approach	MP Method	70.7	40%	NA	NA
Market Approach	CCM Method	81.6	40%	NA	NA
Cost Approach	NAV Method	61.3	20%	NA	NA
Income Approach	DCF Method	NA	NA	62.2	100%
Relative Value Per Share		73.2	100%	62.2	100%
Exchange Ratio (Rounded Off)		11		13	

Note 2: NA means not applicable.

Recommendation:

1. 24 equity shares of face value INR 10 each fully paid up of Cimmco will get 13 equity shares of face value INR 2 each fully paid up of TWL.
2. 13 equity shares of face value INR 10 each fully paid up of TEL will get 11 equity shares of face value INR 2 each fully paid up of TWL.
3. In case of merger of TCPL into TWL, TWL shall not be required to issue any equity shares to the shareholders of TCPL, since the entire issued, subscribed and paid-up equity share capital of the TCPL is held by TWL.

Respectfully submitted,

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