



SEBI REGN. NO. INM 000010163

Strictly Private & Confidential

Dated: February 18, 2022

**The Board of Directors/ Members of the Audit Committee,
Escorts Limited**

15/5, Mathura Road,
Faridabad, Haryana- 121003

Dear Members of the Board,

Reg: Fairness Opinion on the valuation report issued by the CA Niranjn Kumar, Registered Valuer dated February 18, 2022 in connection with the proposed scheme of reduction of capital by Escorts Limited under Section 66 read with Section 52 of the Companies Act, 2013.

We refer to the request made by the management of Escorts Limited [CIN: L74899HR1944PLC039088] (hereinafter referred to as "**EL**" or "the **Company**") for the purpose of arriving at a fairness opinion on the valuation report dated February 18, 2022 ("**Valuation Report**") issued by CA Niranjn Kumar, Registered Valuer- Securities or Financial Assets (the "**Valuer**") for the proposed reduction of share capital by way of cancellation of equity shares held by Escorts Benefit and Welfare Trust ("**EBWT**") as per the regulation of Securities and Exchange Board of India ("**SEBI**") and under the provisions of Companies Act, 2013 or any statutory modification, re-enactment or amendment thereof for the time being in force ("**Act**") read with National Company Law Tribunal (Procedure for the Reduction of Share Capital of Company) Rule,



M. Ashok

2016 in respect of the proposed reduction of the share capital of the Company pursuant to a scheme for reduction of share capital ("**Proposed Scheme/Scheme**"). The Scheme provides for the reduction of the share capital of EL.

With reference to the above, Fedex Securities Private Limited ("**Fedex**") has been appointed as Merchant Bankers by the management of the Company to provide a Fairness Opinion on the valuation report issued by the Valuer pursuant to the Proposed Scheme of capital reduction for cancellation of shares held by EBWT in EL.

Company Background and Purpose

The Company is a public company, which was incorporated on October 17, 1944, under the erstwhile provisions of the Companies Act, 1913, under the name 'Escorts (Agents) Limited'. The registered office of the Company is currently situated at 15/5, Mathura Road, Faridabad – 121003 in the State of Haryana.

EL is engaged in the business of manufacturing and sale of agricultural tractors, automotive engineering and operates in the sectors of Agri-machinery, construction and material handling equipment and railway equipment. The equity shares of the Company are listed and traded on National Stock Exchange of India Limited and BSE Limited.

The Valuer has been appointed to determine the fair value of the equity shares of EL as at report date and recommend on the proposed reduction of share capital by way of cancellation of equity shares held by EBWT in EL. In this connection, the management of EL has requested us to examine the Valuation Report issued by the Valuer and other related information provided by the Company and issue our independent opinion as to the fairness of the valuation ("**Fairness Opinion**") as per the requirement of SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 ("**SEBI Circular**"), as modified.

All terms not specifically defined in this Fairness Opinion shall carry the same meaning as in the Proposed Scheme.

 *M. Ashok*

Brief Background of the Proposed Scheme

We understand that EBWT was settled on February 14, 2012, in terms of the Scheme of Arrangement and Amalgamation of Escorts Construction Equipment Limited ("ECEL"), Escorts Finance Investments and Leasing Private Limited, Escotrac Finance and Investments Private Limited with the Company, approved by the High Court of the States of Punjab and Haryana at Chandigarh vide order dated August 9, 2012, and September 5, 2012 (hereinafter referred to as "**EBWT Scheme**"), for the exclusive benefit of the Company and its successors in interest. In terms of the EBWT Scheme, 3,73,00,031 (Three Crores Seventy-Three Lakhs and Thirty-One) equity shares of the Company were issued/ vested with EBWT and as such held by it upon the effectiveness of the EBWT Scheme. Over a period of time, EBWT, acting through its trustees and in accordance with the EBWT Trust deed, has sold certain shares and later consented to the First Capital Reduction (defined hereinafter), which was implemented by the Company.

We understand that Hon'ble National Company Law Tribunal approved the cancellation of 1,22,57,688 (One Crore Twenty-Two Lakhs Fifty-Seven Thousand Six Hundred and Eighty-Eight) fully paid-up equity shares of INR 10 (Indian Rupees Ten) each of the Company held by EBWT (**'First Capital Reduction'**), by way of an order dated December 23, 2021.

As on date, EBWT holds 2,14,42,343 (Two Crores Fourteen Lakhs Forty-Two Thousand Three Hundred and Forty-Three) equity shares of EL.

The Management of EL is considering a proposal of capital reduction of 2,14,42,343 (Two Crores Fourteen Lakhs Forty-Two Thousand Three Hundred and Forty-Three) equity shares of the Company held by EBWT in EL for NIL consideration in accordance with the provisions of Section 66 read with Section 52 of the Act read with National Company Law Tribunal (Procedure for the Reduction of Share Capital of Company) Rule, 2016 ("the **Rules**"), as amended from time to time and all other applicable provisions, if any, of the Act and any other applicable law for the time being in force including the applicable provisions of the SEBI Circular and the rules framed therein with respect to the reduction of share capital and in a manner provided in the Proposed Scheme.



The image shows a circular stamp of Federal Securities Pvt. Ltd. Mumbai. The stamp contains the text "FEDERAL SECURITIES PVT. LTD." around the top edge and "MUMBAI" in the center. To the right of the stamp is a handwritten signature in blue ink that appears to read "Yashak".

Source of Information

For the said examination and for arriving at the opinion set forth below, we have received:

1. Valuation Report issued by the Valuer;
2. Audited financial statements of EL for the year ended March 31, 2021 and limited reviewed financial statement for the 6 (six) and 9 (nine) month period ended September 30, 2021 and December 31, 2021;
3. Latest shareholding pattern of EL, as duly certified;
4. Draft Scheme (as duly certified by the management of EL);
5. Other relevant details of EL, such as its history, past and present activities, future plans and prospects, and other relevant information; and
6. Such other information and explanations as required and which have been provided by the management of EL.

Limitation of Scope and Review

Our Opinion and analysis are limited to the extent of review of documents as provided to us by the Company, including the Valuation Report and the draft Scheme. The Company has been provided with the opportunity to review the Valuation Report as part of our standard practice to make sure that factual inaccuracy / omissions are avoided in our final opinion.

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by the Company for the purposes of this Fairness Opinion. We express no opinion and accordingly accept no responsibility with respect to or for such information, or the assumptions on which it is based. We have not assumed any obligation to conduct, nor have conducted any physical inspection or title verification of the properties or facilities of the Company and neither express any opinion with respect thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of the Company, nor do we technically qualify to value immovable assets. We have, however, been furnished with the Valuation Report obtained by the Company. We have not received any internal management information statement or any non-public report, and instead, with your consent, have relied upon information that was publicly available or provided or



otherwise made available to us by the Company for the purposes of this Fairness Opinion. We are not experts in the evaluation of litigation or other actual or threatened claims or any tax implication connected with the Proposed Scheme, and accordingly, we have not evaluated any litigation or other actual or threatened claims. In addition, we have assumed that the Proposed Scheme will be approved by regulatory authorities and that the Proposed Scheme will be consummated substantially in accordance with the terms set forth in the Proposed Scheme. We have assumed that there are no other contingent liabilities or circumstances that could materially affect the business or financial prospects of the Company, other than those disclosed in the information provided or considered in the Proposed Scheme.

We understand that the management of the Company and, during our discussion with them, would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Proposed Scheme, no restrictions will be imposed or there will be no delays that will have a material adverse effect on the benefits of the Proposed Scheme that may have been contemplated. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and, on the information, made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have an obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we were not authorised to solicit, and did not solicit, interest from any party with respect to the Proposed Scheme involving the Company or any of its assets, nor did we negotiate with any other party in this regard.

We express no opinion whatever and make no recommendation at all as to Company's underlying decision to affect the Proposed Scheme or as to how the holders of equity shares or secured or unsecured creditors of the Company should vote at their respective meetings held in connection with the Proposed Scheme. We do not express and should not be deemed to have expressed any views on any other terms of the Proposed Scheme. We also express no opinion and accordingly accept no responsibility for or as to the price at which the equity shares of the Company will trade following the announcement of the Proposed Scheme or as to the financial performance of the Company following the consummation of the Proposed Scheme.

Fedex and/or our affiliates in the past may have provided, and may currently or in the future provide, investment banking, commercial banking and other financial services to the Company and /or their



The image shows a circular purple stamp with the text "FEDEX SECURITIES PVT. LTD. * MUMBAI *". To the right of the stamp is a handwritten signature in blue ink that reads "Mashuk".

affiliates unrelated to the Proposed Scheme. We may have received or in the future may receive compensation for the rendering of the aforementioned services. In the ordinary course of our business, we and our affiliates may invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in debt, equity or other securities or financial instruments (including derivatives or other obligations) of the Company and/or their respective affiliates, holding companies and group companies.

Fedex will receive a fee in connection with the delivery of this Fairness Opinion. The fee is not contingent upon the nature of the opinion provided to the Company. The fee for our service is not subject to the outcome of the Proposed Scheme. In addition, the Company has agreed to reimburse certain of our expenses and to indemnify us against liabilities arising out of our engagement. This Fairness Opinion is subject to the laws of India.

In no circumstances shall the liability of Fedex, its directors or employees related to the service provided in connection with this opinion, exceed the amount paid to Fedex as fees for this Fairness Opinion.

Distribution of this Fairness Opinion

The Fairness Opinion is addressed to the Board of Directors of EL/members of the Audit Committee of EL (in its capacity as such) solely for the purpose of providing them with an independent opinion on the fairness of the valuation as determined by the Valuer and for the purpose of submission to the Stock Exchanges, National Company Law Tribunal along with the petition for the Proposed Scheme and such other regulatory authorities under SEBI Circular and /or Act. The Fairness Opinion shall not be disclosed or referred to publicly or to any third party, other than as required by Indian law (in which case you would provide us with a prior written intimation) without our prior written consent. The Fairness Opinion should be read in totality and not in parts. Further, this Fairness Opinion should not be used or quoted for any purpose. If this Fairness Opinion is used by any person other than to whom it is addressed or for any purpose other than the purpose stated hereinabove, then we will not be liable for any consequences thereof. In no circumstances, however, will Fedex or its directors, officers, employees and controlling persons of Fedex accept any responsibility or liability including any pecuniary or financial liability to any third party, in any registration statement, prospectus, offering

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memorandum, annual report, loan agreement or any other agreement or documents given to third parties.

Conclusion

Based on our examination of the draft Scheme, Valuation Report, other information's and our independent analysis and evaluation of such information and subject to the scope limitations as detailed above and to the best of our knowledge and belief, we are of the opinion that, the fair value per equity share of INR 1,844.5 (Indian Rupees One Thousand Eight Hundred Forty-Four and fifty paise) of Rs. 10/- (Indian Rupees Ten) each of Escorts Limited, as recommended by CA Niranjana Kumar, Registered Valuer – Securities or Financial Assets, is fair and reasonable.

In connection with the aforesaid, considering the Company is the sole beneficiary of the equity shares held by EBWT, the proposed reduction of share capital at NIL is fair to the equity shareholders.

Yours truly,

For **Fedex Securities Private Limited**

(formerly known as Fedex Securities Limited)

A circular purple stamp of Fedex Securities Private Limited, Mumbai, is positioned to the left of a handwritten signature in blue ink. The signature appears to be 'Yashak'.

Authorised Signatory