

Strictly Private and Confidential

Date: 18 February 2022

The Board of Directors
Escorts Limited
15/5 Mathura Road,
Faridabad - 121 003

Subject: Independent opinion on valuation of equity shares of Escorts Limited for the purpose of proposed reduction of share capital by way of cancellation of equity shares held by Escorts Benefit and Welfare Trust.

Dear Sir(s)/ Madam,

I refer to the engagement letter dated 12 February 2022 and discussions undertaken with the Management of Escorts Limited ('Escorts' or 'the Company'), wherein the Management of Escorts has requested Niranjan Kumar, Registered Valuer Securities or Financial Assets ('NK' or 'I' or 'myself') to provide our independent opinion on the fair value of equity shares of the Company for the purpose of proposed reduction of share capital by way of cancellation of equity shares held by Escorts Benefit and Welfare Trust ('EBWT') as required under relevant Securities and Exchange Board of India ('SEBI') guidelines with respect to reduction of share capital.

Please find enclosed the report (comprising 10 pages including exhibits) detailing our recommendation of fair value towards the per equity share of the Company for the proposed reduction of share capital, the methodologies employed, and the assumptions used in our analysis.

This report sets out our scope of work, background, source of information, procedures performed by us, and our opinion on the fair value analysis of the equity shares of the Company.

Your sincerely,



Niranjan Kumar.

BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT

Escorts Limited ('Escorts' or 'the Company') was incorporated on 17 October 1944 and is engaged in the business of automotive engineering and manufacturing agricultural tractors, material handling equipment, railway equipment, construction etc. The equity shares of Escorts are listed on BSE and National Stock Exchange of India Limited (NSE).

I understand from the Company pursuant to the scheme, 3,73,00,031 equity shares of the Company were issued / vested with EBWT for the sole benefit of the Company in 2012 and sell the shares in accordance with the provisions of the EBWT Trust Deed and forthwith remit the proceeds to the Company. 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 (define hereinafter) which was implemented by the Company which aided the Company to raise funds from time to time.

I understand that Hon'ble National Company Law Tribunal approved the cancellation of 12,257,688 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.

The Board of Directors of the Company has approved issuance of 93,63,726 equity shares of the Company ('Subscription Shares') at a price of INR 2,000/- per equity share, which includes a premium of INR 1,990/- per equity share for an aggregate consideration of INR 18,72,74,52,000/-, by way of preferential allotment to the Investor pursuant to its resolution dated November 18, 2021. Post allotment of the above shares, the Company believes that the purpose for which the Treasury Shares were held by EBWT has been duly served.

In this connection, I have been informed by the Management of Escorts (hereinafter referred to as the 'Management') that they are contemplating a proposal entailing reduction of share capital of the company in accordance with the provision of section 66 read with section 52 of the Company Act, 2013 or any statutory modification, re-enactment or amendment thereof for the time being in force ('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 Securities and Exchange Board of India ('SEBI') Guidelines and the rules framed therein with respect to the reduction of share capital and in a manner provided in the draft scheme of Reduction of Share Capital ('the Scheme') (hereinafter referred to as 'proposed reduction').

Though as a part of the scheme, the capital reduction is proposed to be undertaken at NIL consideration, valuation of the equity shares is required to be undertaken by a Registered Valuer under the relevant SEBI regulations.

In connection with the above-mentioned proposed reduction of share capital, the Management has requested Niranjn Kumar, Registered Valuer – Securities or Financial Assets to submit a valuation report to determine the fair value of the per equity shares of Escorts as at Report Date ('Valuation Date') and recommend on the proposed reduction.

As instructed by the Management, I have conducted the valuation of equity shares for the purpose of reduction of equity shares in accordance with the provisions of the aforesaid SEBI Guidelines. The scope of our service is to determine the price as may be applicable based on the guidelines and report on the same in accordance with generally accepted professional standards including ICAI Valuation Standards, 2018 issued by the Institute of Chartered Accountants of India (ICAI).

This report is our deliverable for the said engagement and is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality and in conjunction with the relevant documents referred to therein.

COMPANY BACKGROUND

Escorts Limited ('Escorts' or 'the Company')

Escorts is engaged in the business of automotive engineering and manufacturing agricultural tractors, material handling equipment, railway equipment, construction etc.

The Company primarily operates in 3 business segments:

- 1) **Escorts Agri Machinery (EAM)** - Tractors, engines, spare parts, gensets etc.;
- 2) **Escorts Construction Equipment (ECE)** - Construction and material handling equipment (backhoe loaders, soil compactors, pick-and-carry hydraulic mobile cranes etc.; and
- 3) **Railway Equipment Division (RED)** - Brake systems, couplers, suspension systems, shock absorbers etc. for railways.

The Company also trades in oils & lubricants, implements, trailers, tractors, compressor accessories, spares etc.

The shares of the Company are listed on BSE and National Stock Exchange.

The issued and subscribed and outstanding equity share capital of Escorts as on date comprises of 12,25,76,878 equity shares of face value of INR 10 each fully paid up.

The equity shareholding pattern of Escorts as at December 31, 2021 is as follows:

Category of shareholder	Number of shares (Face Value of INR 10 each)	Percentage %
Promoters & Promoter Group	3,70,75,738	30.2%
Public	8,28,22,990	67.6%
Non promoter and Non public	26,78,150	2.2%
Total	12,25,76,878	100%

The non promoter and non public shares pertain to equity shares held by ESOP Trust (Escorts Employees Benefit and Welfare Trust i.e. 'EEBWT').

SOURCES OF INFORMATION

In connection with this exercise, I have used the following information received from the Management and/or obtained from the public domain:

A. Company' specific information

- Audited financial statements for the year ended 31 March 2021 ('FY21') and limited reviewed financial statements for the six and nine-month period ended 30 September 2021 and 31 December 2021(Annexure-1);
- Shareholding pattern of the Company as at Report Date;
- Draft scheme for the reduction of share capital;
- Discussions and correspondences with the Management;
- Other information and documents considered relevant for the purpose of this engagement and available in public domain;
- Discussions and correspondence with the Management in connection with the business operations, past trends, key developments, etc.

I have also considered/ obtained such other analysis, review, explanations and information considered reasonably necessary for our exercise, from the Management.

PROCEDURE ADOPTED

Procedures adopted for our analysis included such substantive steps as I have considered necessary under the circumstances, including, but not necessarily limited to the following:

- Reviewed the draft scheme for the reduction of share capital;
- Reviewed of data available in public domain including share price of the Company;
- Considered audited/limited review financial statement of the Company;
- Selection of appropriate internationally accepted valuation approach/methodology/(ies);
- Arrived at the fair valuation of the Company using method/(s) considered appropriate; and
- Determined the fair value of equity share.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

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

The scope of our service is to conduct a relative (and not absolute) valuation exercise as at the Valuation Date to determine the value of the Company using internationally accepted valuation methodologies as may be applicable to the subject Company being valued and arrive at a share exchange ratio and report on the same in accordance with generally accepted professional standards including ICAI Valuation Standards, 2018 issued by the Institute of Chartered Accountants of India (ICAI).

The recommendation contained herein is as at the Valuation Date and is not intended to represent value at any time other than the date of the Report.

This Report, its contents and the results herein are (i) specific to the purpose of valuation agreed as per the terms of our engagement; (ii) the Valuation Date and (iii) are based on the data detailed in the section - Sources of Information.

An analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular. It is based on information made available to us as of the date of this Report, events occurring after that date hereof may affect this Report and the assumptions used in preparing it, and NK does not assume any obligation to update, revise or reaffirm this Report.

The ultimate analysis will have to be tempered by the exercise of judicious discretion by the Valuer and judgment taking into account the relevant factors. There will always be several factors e.g., Management capability, present and prospective yield on comparable securities, market sentiment etc., which are not evident on the face of the financial statements, but which will strongly influence the worth of a share.

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

The determination of fair value is not a precise science and the conclusions arrived at in many cases, will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single fair value. While NK have provided the fair value of Escorts share exchange ratio and recommendation for proposed reduction based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion.

In the course of our analysis, NK was provided with both written and verbal information, including market, technical, financial and operating data including information as detailed in the section – Sources of Information by the Management.

In accordance with the terms of our engagement, I have assumed and relied upon, without independent verification of,

- i) the accuracy of information made available to us by the Management, which formed a substantial basis for the report; and
- ii) the accuracy of information that was publicly available;

NK has not carried out a due diligence or audit or review of the Company for the purpose of this engagement, nor have I independently investigated or otherwise verified the data provided.

NK is not legal or regulatory advisors with respect to legal and regulatory matters for the Proposed Transaction. I do not express any form of assurance that the financial information or other information as prepared and provided by the Management is accurate. Also, with respect to explanations and information sought from the advisors, NK have been given to understand by the Management that they

have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt.

Accordingly, I do not express any opinion or offer any form of assurance regarding its accuracy and completeness. Our conclusions are based on these assumptions and information given by/ on behalf of the Management. The Management have indicated to us that they have understood any omissions, inaccuracies or misstatements may materially affect our recommendation. Accordingly, NK assumes no responsibility for any errors in the information furnished by the Company and their impact on the report. Also, NK assumes no responsibility for technical information (if any) furnished by the Management. However, nothing has come to our attention to indicate that the information provided was materially misstated/ incorrect or would not afford reasonable grounds upon which to base the report. I do not imply, and it should not be construed that I have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

The Report assumes that the Company comply fully with relevant laws and regulations applicable in all its areas of operations and that the Company will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration on to matters of a legal nature, including issues of legal title and compliance with local laws and litigation and other contingent liabilities that are not represented to us by the Management.

This Report does not look into the business/ commercial reasons behind the Proposed Transaction nor the likely benefits arising out of the same. Similarly, the Report does not address the relative merits of the Proposed Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. This Report is restricted to recommendation of fair value of equity share for the purpose of reduction of capital by way of cancellation of equity share capital only.

The fee for the Engagement is not contingent upon the results reported.

NK owe responsibility only to the Board of Directors of Escorts, who have appointed us, and nobody else.

NK does not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion. In no circumstance, shall the liability of NK exceed the amount as agreed in our Engagement Letter.

This valuation Report is subject to the laws of India.

Neither the Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with relevant filings with the statutory authorities with respect to the Proposed Amalgamation, without our prior written consent.

VALUATION APPROACH & METHODOLOGY

Valuation Base:

Valuation base means the indication of the type of value being used in an engagement. Different Valuation bases may lead to different conclusions of value. Considering the nature of this exercise, I have adopted 'Fair Value' as the Valuation base.

Premise of Value:

Premise of Value refers to the conditions and circumstances how an asset is deployed. Considering the nature of this exercise, I have adopted 'Going Concern' value as the premise of value.

Intended Users:

This Report is intended for consumption of the Board of Directors of Escorts and may be submitted to the shareholders of respective Company and relevant regulatory and judicial authorities as may be mandatorily required under the laws of India, in connection with the Proposed Scheme.

It should be understood that the valuation of any entity or business is inherently subjective and is subject to uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, I have relied on explanations provided by the Management and have made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Company. This valuation could fluctuate with the passage of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions financial and otherwise, of the Company, and other factors which generally influence the valuation of Company and their assets.

Commonly accepted approach/ methods for determining the value of the equity shares of a company/ business, include:

- Income Approach – Discounted Cash Flow method
- Market Approach:
- Asset Approach – Net Asset Value Method

Considering that the proposed capital reduction is without any consideration being discharged to EWBT. Further, the EWBT acts in the interest of the Company. The fair valuation of equity shares shall not have material impact on the Proposed reduction. Hence, I have adopted market price method under market approach to determine the fair value of equity shares of Escorts.

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Fair value of equity shares

For valuing equity shares of Escorts, I have only used Market Price Method, have assigned weightage of NIL to the value derived under NAV Method and assigned full weightage to the value derived under Market price method, to arrive at final fair value per equity share of Escorts.

Suitable rounding off have been carried out whatever necessary to arrive at fair value per equity share. (refer annexure 1) for value under each of the methods and the weightages attributed to the same.

In light of the above and on a consideration of all relevant factors and circumstances as discussed and outlined herein above I recommend the fair value per equity share to be ~INR 1,844.5 (One thousand eight hundred forty four rupees and fifty paise).

Recommendation and Conclusion:

I am of the opinion that, considering the Company is the sole beneficiary of the equity shares held by EBWT, the proposed reduction at NIL is fair to the equity shareholders.

Respectfully submitted,



Niranjn Kumar
Registered Valuer- Securities or Financial Assets
IBBI Registration Number: IBBI/RV/06/2018/10137
ICAIRVO/06/RV-P000021/2018-19
UDIN: 22121635ADAMJF6533

Date: 18 February 2022
Place: Pune

Annexure-2

a) Calculation of market price per share are as follows:

Particulars	Price (INR per share)
i) The 90 trading days volume weighted average price of equity shares of the entity quoted on NSE preceding the relevant date [^]	1,761.3
ii) The 10 trading days volume weighted average price of equity shares of the entity quoted on NSE preceding the relevant date [^]	1,844.5
Higher of the above considered as minimum price under Regulation 164	1,844.5

*NSE: National Stock Exchange of India Limited;

[^]Relevant Date is considered as 18 February 2022

b) Calculation of average of the trading days volume weighted average price ('VWAP') are as follows:

Trading Day	Date	VWAP	Trading Day	Date	VWAP	Trading Day	Date	VWAP
1	17-Feb-22	1,858.6	31	05-Jan-22	1,884.8	61	24-Nov-21	1,813.0
2	16-Feb-22	1,852.4	32	04-Jan-22	1,893.7	62	23-Nov-21	1,808.7
3	15-Feb-22	1,841.1	33	03-Jan-22	1,903.8	63	22-Nov-21	1,790.9
4	14-Feb-22	1,846.7	34	31-Dec-21	1,908.1	64	18-Nov-21	1,747.0
5	11-Feb-22	1,851.1	35	30-Dec-21	1,907.0	65	17-Nov-21	1,629.4
6	10-Feb-22	1,853.3	36	29-Dec-21	1,897.8	66	16-Nov-21	1,632.2
7	09-Feb-22	1,847.6	37	28-Dec-21	1,876.0	67	15-Nov-21	1,623.0
8	08-Feb-22	1,833.1	38	27-Dec-21	1,865.4	68	12-Nov-21	1,567.9
9	07-Feb-22	1,821.2	39	24-Dec-21	1,857.4	69	11-Nov-21	1,492.7
10	04-Feb-22	1,840.0	40	23-Dec-21	1,853.3	70	10-Nov-21	1,563.9
11	03-Feb-22	1,866.2	41	22-Dec-21	1,837.9	71	09-Nov-21	1,551.4
12	02-Feb-22	1,843.5	42	21-Dec-21	1,831.1	72	08-Nov-21	1,487.8
13	01-Feb-22	1,848.5	43	20-Dec-21	1,808.3	73	04-Nov-21	1,527.5
14	31-Jan-22	1,850.1	44	17-Dec-21	1,820.6	74	03-Nov-21	1,513.7
15	28-Jan-22	1,843.4	45	16-Dec-21	1,836.8	75	02-Nov-21	1,570.2
16	27-Jan-22	1,852.3	46	15-Dec-21	1,848.9	76	01-Nov-21	1,548.0
17	25-Jan-22	1,852.6	47	14-Dec-21	1,852.2	77	29-Oct-21	1,545.8
18	24-Jan-22	1,852.3	48	13-Dec-21	1,860.2	78	28-Oct-21	1,537.2
19	21-Jan-22	1,860.1	49	10-Dec-21	1,866.0	79	27-Oct-21	1,557.4
20	20-Jan-22	1,860.2	50	09-Dec-21	1,885.6	80	26-Oct-21	1,527.4
21	19-Jan-22	1,862.8	51	08-Dec-21	1,868.7	81	25-Oct-21	1,479.9
22	18-Jan-22	1,869.1	52	07-Dec-21	1,851.6	82	22-Oct-21	1,484.9
23	17-Jan-22	1,864.3	53	06-Dec-21	1,853.9	83	21-Oct-21	1,459.7
24	14-Jan-22	1,861.9	54	03-Dec-21	1,860.3	84	20-Oct-21	1,460.3
25	13-Jan-22	1,855.8	55	02-Dec-21	1,848.0	85	19-Oct-21	1,516.3
26	12-Jan-22	1,854.6	56	01-Dec-21	1,849.8	86	18-Oct-21	1,549.6
27	11-Jan-22	1,855.2	57	30-Nov-21	1,858.5	87	14-Oct-21	1,527.4
28	10-Jan-22	1,866.6	58	29-Nov-21	1,865.7	88	13-Oct-21	1,532.9
29	07-Jan-22	1,878.7	59	26-Nov-21	1,855.5	89	12-Oct-21	1,516.8
30	06-Jan-22	1,880.5	60	25-Nov-21	1,812.6	90	11-Oct-21	1,507.0