Annexure - 3

Finvox Analytics *Registered Valuer Entity* (Securities and Financial Assets) IBBI Registration Number: IBBI/RV-E/06/2020/120 D-15/15, Ground Floor, Ardee City, Sector 52 Gurgaon – 122 011	**SSPA & CO.** **Chartered Accountants** Registered Valuer -Securities or Financial Assets IBBI Registration No. IBBI/RV-E/06/2020/126 1st Floor, "Arjun" Plot No. 6A, V.P. Road, Andheri (West), Mumbai – 400 058

Date: December 09, 2024

To,
The Audit Committee / Board of Directors,
Triveni Engineering & Industries Limited,
A-44, Hosiery Complex, Phase II Extention,
Nepz Post Office, Gautam Buddha Nagar,
Noida, Uttar Pradesh, India, 201305.

To,
The Audit Committee / Board of Directors,
Sir Shadi Lal Enterprises Limited
A-44, Hosiery Complex, Phase II Extention,
Nepz Post Office, Gautam Buddha Nagar,
Noida, Uttar Pradesh, India, 201305.

To,
Board of Directors,
Triveni Power Transmission Limited,
A-44, Hosiery Complex, Phase II Extention,
Nepz Post Office, Gautam Buddha Nagar,
Noida, Uttar Pradesh, India, 201305.

Subject: Recommendation of the following:

a) **fair equity share exchange ratio for the proposed amalgamation of Sir Shadi Lal Enterprises Limited with Triveni Engineering & Industries Limited; and**
b) **fair equity share entitlement ratio for the proposed demerger of Power Transmission Business of Triveni Engineering & Industries Limited into Triveni Power Transmission Limited**

Dear Sir/Madam,

We refer to

- the engagement letter dated November 16, 2024 whereby Finvox Analytics, Registered Valuer – Securities and Financial Assets (hereinafter referred to as 'Finvox') has been appointed by Triveni Engineering & Industries Limited ('TEIL'); and
- the engagement letter dated November 22, 2024 whereby, SSPA & Co., Chartered Accountants – Registered Valuer – Securities or Financial Assets (hereinafter referred to as 'SSPA') have been appointed by Sir Shadi Lal Enterprises Limited (hereinafter referred to as 'SSEL')

to recommend the following:

- fair equity share exchange ratio for the proposed amalgamation of SSEL with TEIL ('Proposed Amalgamation'); and
- fair equity share entitlement ratio for the proposed demerger of Power Transmission Business of TEIL ('PTB Undertaking') into Triveni Power Transmission Limited (hereinafter referred to as 'TPTL' or the 'Resulting Company') ('Proposed Demerger')

Proposed Amalgamation and Proposed Demerger are hereinafter collectively referred to as the 'Proposed Transactions', as more particularly provided for in the Draft Composite Scheme of Arrangement (hereinafter referred to as 'the Scheme').

TEIL, SSEL and TPTL are hereinafter together referred to as the 'Transacting Companies' or 'the Companies' or 'the Valuation Subjects' and individually referred to as "Company", as the context may require.

Post the Proposed Amalgamation, TEIL shall be referred to as the 'Demerged Company'.

Finvox and SSPA are hereinafter jointly referred to as "Valuers" or "we" or "us" in this report.

The Management including the Board of Directors of the Transacting Companies shall together be referred to as 'the Management'.

This report sets out our scope of work, background, sources of information, procedures performed by us and our recommendation of the fair equity share exchange ratio and fair equity share entitlement ratio for the Proposed Transactions.

FINVOX ANALYTICS
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Triveni Engineering & Industries Limited
Noida

COMPANIES BACKGROUND

Triveni Engineering & Industries Limited ('Amalgamated Company')

- TEIL is engaged in diversified businesses, mainly categorised into three segments – a) Sugar & allied businesses; b) Power Transmission business; and c) Water business. Sugar & allied businesses primarily comprise manufacture of sugar and distillation of alcohol. Power Transmission business primarily comprises manufacturing across two streams – gears and defence. Water business comprises providing water/waste-water treatment solutions.
- The equity shares of TEIL are listed and traded on both National Stock Exchange of India Limited ('NSE') and BSE Limited ('BSE').
- The standalone revenue from operations of the Amalgamated Company for six months period ended September 30, 2024 ('6ME Sep24') is INR 3,262.11 crores.

Power Transmission Business of TEIL ('PTB Undertaking')

- Power Transmission Business of TEIL ('PTB') is consists of gears and defence business segments. The gears business involves original equipment manufacturing, built-to-print manufacturing, and aftermarket; and the defence business involves original equipment manufacturing and providing defence business solutions such as: platform level support, propulsion systems equipment as gearboxes and propulsion shafting, gas turbine generator for auxiliary power generation, and individual equipment such as pumps, etc.
- As defined in the Scheme, 'PTB Undertaking' means the Demerged Company's business, activities, operations and properties pertaining to the PTB, and comprising of all the assets and liabilities, as on the Demerger Appointed Date, on a going concern basis.

Sir Shadi Lal Enterprises Limited ('Amalgamating Company')

- SSEL is engaged in sugar and allied businesses which includes a) Sugar business and b) Distillery business. Sugar businesses primarily comprise manufacture of sugar. Distillery business primarily comprises manufacture of Spirit, Alcohol and Ethanol. The by–product molasses is used in the distilleries for manufacture of alcohol & ethanol.
- The equity shares of SSEL are listed and traded on BSE.
- TEIL acquired 25.43% equity stake in SSEL in March 2024 and additional 36.34% equity stake in SSEL in June 2024 from the erstwhile promoters of SSEL. Post the said acquisition, TEIL made an open-offer to the public shareholders of SSEL wherein only 5 equity shares of SSEL were offered and accepted in August 2024. Accordingly, as on the date, TEIL holds ~61.77% equity stake in SSEL.
- The standalone revenue from operations of the Amalgamating Company for 6ME Sep24 is INR 118.97 crores.

Triveni Power Transmission Limited ('Resulting Company')

- TPTL is a wholly owned subsidiary ('WOS') of TEIL incorporated on December 04, 2024 under the Companies Act 2013 as a public limited Company. The Resulting Company has been recently incorporated in order to carry on the business of the PTB Undertaking upon its demerger from the Demerged Company.

FINVOX ANALYTICS ★ REGISTERED VALUER ★ IBBI/RV-E/06/2020/120

Triveni Engineering & Industries Limited ★ Noida

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BACKGROUND OF VALUERS

FINVOX ANALYTICS, REGISTERED VALUER ENTITY (SECURITIES AND FINANCIAL ASSETS)

Finvox Analytics, a partnership firm, is a Registered Valuer Entity for the Securities or Financial Assets class under the provisions of Section 247 of the Companies Act 2013, registered with the Insolvency and Bankruptcy Board of India with registration number IBBI/RV-E/06/2020/120. Finvox Analytics provides valuation advisory services. The registered office is located at D-15/15, Ground Floor, Ardee City, Sector-52, Gurgaon, Haryana – 122011.

SSPA & CO., CHARTERED ACCOUNTANTS

SSPA, is a partnership firm, located at 1st Floor, "Arjun", Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing various corporate consultancy services.

We are a firm of practising Chartered Accountants registered with The Institute of Chartered Accountants of India ('ICAI'). We are also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/06/2020/126.

FINVOX ANALYTICS ★ IBBI/RV-E/06/2020/120 REGISTERED VALUER

SSPA & CO ★ REGISTERED VALUER CHARTERED ACCOUNTANTS

Triveni Engineering & Industries Limited ★ Noida

SCOPE AND PURPOSE OF THIS REPORT

We understand that the Management are contemplating the following restructuring proposals:

i. Merger of SSEL into TEIL; and thereafter
ii. Demerger of PTB Undertaking into TPTL.

The Proposed Transactions will be carried out pursuant to a Composite Scheme of Arrangement, under sections 230 to 232 and other relevant provisions of the Companies Act, 2013 or any statutory modifications, re-enactment or amendments thereof for the time being in force ("the Act") read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 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 (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the circulars issued therein ("the Regulations"), in each case, as amended from time to time, and in a manner provided in the Draft Composite Scheme of Arrangement (earlier defined as 'the Scheme').

We understand that as consideration for the proposed amalgamation of SSEL with TEIL, equity shares of TEIL would be issued to equity shareholders of SSEL. Further, the existing equity shares of SSEL held by TEIL would stand cancelled following the issuance of shares of TEIL.

In accordance with the provisions of the Scheme, we understand that as part of the Proposed Demerger, all assets and liabilities identified as pertaining to the PTB Undertaking shall be transferred to the Resulting Company at values as appearing in the books of Demerged Company in compliance with Section 2(19AA) and other applicable provisions of the Income Tax Act, 1961 and related rules and notifications.

As per the Scheme provided to us and based on discussions with Management, we understand that upon Proposed Demerger, transfer and vesting of the PTB Undertaking of Demerged Company into Resulting Company, the equity shares of Resulting Company will be issued to all the equity shareholders of Demerged Company. Upon allotment of the equity shares by Resulting Company to the equity shareholders of Demerged Company, it is envisaged that ~70% equity shareholding in Resulting Company would be directly owned by the equity shareholders of Demerged Company in the same proportion as their shareholding in Demerged Company as of the record date, with the remaining ~30% equity shareholding to continue being held by the Demerged Company. We further understand from the Management, that the Resulting Company was recently incorporated as a wholly owned subsidiary of the Demerged Company and has been capitalized by TEIL with a share capital of INR 6.26 crores (3,13,00,000 equity shares of face value of INR 2 each).

In this connection, TEIL and SSEL (collectively referred to as the 'Client') have appointed Finvox and SSPA under the Companies Act, 2013, to submit a joint valuation report (hereinafter referred to as 'Report') recommending the following to Audit Committee / Board of Directors of the Companies for the Proposed Transactions:

a. fair equity share exchange ratio for the Proposed Amalgamation ('Exchange Ratio'); and
b. fair equity share entitlement ratio for the Proposed Demerger ('Entitlement Ratio').

(Exchange Ratio and Entitlement Ratio have together been referred to as 'Ratios')

According to the Scheme, the appointed date for the Proposed Amalgamation shall be April 01, 2025 or such other date as may be approved by NCLT. Additionally, the appointed date for Proposed Demerger shall be the same date as the Effective Date (as defined in the Scheme) or such other date as may be mutually agreed by the Demerged Company and the Resulting Company, or such other date as may be directed by the NCLT.

We would like to emphasize that certain terms of the Proposed Transactions are stated in our report, however the detailed terms of the Proposed Transactions shall be more fully described and

FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER

Triveni Engineering & Industries Limited Noida

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

explained in the Scheme document to be submitted with relevant authorities in relation to the Proposed Transactions.

For the purpose of this Report, we have considered Valuation Date to be December 08, 2024 ('Valuation Date').

The scope of our services is to a) conduct a relative (and not absolute) valuation exercise as at the Valuation Date to determine the equity value of TEIL and SSEL using internationally accepted valuation methodologies as may be applicable to TEIL and SSEL and then arrive at the Exchange Ratio for the Proposed Amalgamation; and b) recommend Entitlement Ratio for the Proposed Demerger and report on the same in accordance with generally accepted professional standards including ICAI Valuation Standards, 2018 ('ICAI VS') notified by ICAI and requirement prescribed by the regulations applicable to listed companies as prescribed by SEBI.

The Valuers have worked independently in their analysis. The Valuers have independently arrived at different values per share of TEIL and SSEL. However, to arrive at the consensus on the fair equity share exchange ratio for the Proposed Amalgamation, appropriate minor adjustments, rounding-off has been done in the values arrived at by the Valuers.

We have been provided with the limited reviewed financial statements of TEIL and SSEL for 6ME Sep24. We have taken into consideration the current market parameters in our analysis and have adjusted for additional facts made known to us till the date of our Report. The Management has informed us that there are no unusual / abnormal events in TEIL and SSEL materially impacting their operating / financial performance after September 30, 2024, until the Report Date. Further, we have been informed by the Management that to the best of their knowledge, material information regarding the business of each of the Transacting Companies has been disclosed to us.

We have relied on the above while arriving at Ratios for the Proposed Transactions.

We have been informed that:

a) With effect from the appointed date, and up to and including the effective date, there would not be any capital variation in the Transacting Companies except by mutual consent of the Board of Directors of Transacting Companies or such other events as contemplated in the Scheme.

b) Till the Proposed Transaction becomes effective, neither of the Transacting Companies would declare any dividend which are materially different from those declared in the past few years.

c) There would be no significant variation between the draft Scheme of arrangement and the final scheme approved and submitted with the relevant authorities which may have impact on the Ratios recommended in this report.

We have been informed that, in the event either of the Transacting Companies restructure their equity share capital by way of share split / consolidation / issue of bonus shares / merger / demerger / reduction of share capital before the Scheme becomes effective, the issue of shares pursuant to the Ratios recommended in this Report shall be adjusted accordingly to consider the effect of any such corporate actions.

This Report is our deliverable for the above engagement and is subject to the scope, assumptions, qualifications, exclusions, limitations and disclaimers detailed hereinafter.

As such, the Report is to be read in totality and not in parts and in conjunction with the relevant documents referred to therein.

FINVOX ANALYTICS ★ REGISTERED VALUER IBBI/RV-E/ 06/2020/120

Triveni Engineering & Industries Limited ★ Noida

SSPA & CO. ★ CHARTERED ACCOUNTANTS ★ REGISTERED VALUER

SOURCES OF INFORMATION

In connection with this exercise, we have received / obtained the following information about the Transacting Companies from the Management of the respective companies:

- Audited financial statements of TEIL and SSEL for the financial year ended March 31, 2024;
- Limited reviewed financial statements of TEIL and SSEL for 6ME Sep24;
- Financial Projections of TEIL and SSEL which represents the Management's best estimate of the future financial performance of TEIL and SSEL ('Management Projections');
- Shareholding pattern of TEIL and SSEL as on September 30, 2024, and of TPTL as of the Valuation Date;
- Total number of issued equity shares of the Companies as of the Valuation Date;
- Draft Scheme of Arrangement;
- Discussions with the Managements to obtain requisite explanation and clarification of data provided, to inter-alia understand their perception of historical and expected future performance of TEIL and SSEL;
- Information available in public domain and databases subscribed by us; and
- Other relevant information and documents for the purpose of this engagement.

During the discussions with the Management, we have also obtained explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise. Besides the above information and documents, there may be other information provided by the Companies which may not have been perused by us in any detail, if not considered relevant for the defined scope. The Clients have been provided with the opportunity to review the draft report (excluding the recommended Ratios) as part of our standard practice to make sure that factual inaccuracy / omissions are avoided in our Report.

FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER

Triveni Engineering & Industries Limited ★ Noida

SSPA & CO. ★ REGISTERED VALUER CHARTERED ACCOUNTANTS

PROCEDURES ADOPTED

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

- Requested and received financial and operational information.
- Used data available in public domain related to the Companies and their peers.
- Discussions (physical / over call) with the Management to:
  - Understand the business and fundamental factors that affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis.
  - Enquire about the historical financial performance, current state of affairs, business plans, and the future performance estimates.
- Identification of suitable comparable companies in discussion with the Management.
- Undertook Industry Analysis:
  - Research publicly available market data including economic factors and industry trends that may impact the valuation.
  - Analysis of key trends and valuation multiples of comparable companies using proprietary databases subscribed by us.
- Obtained and analysed market prices, volume data and other relevant information for the Companies.
- Reviewed the financial projections provided by the Management for TEIL and SSEL including understanding basis of preparation and the underlying assumptions.
- Selection of appropriate internationally accepted valuation methodology/(ies), after deliberations and consideration to the sector in which TEIL and SSEL operate and analysis of their business operations.
- Arrived at the equity value of TEIL and SSEL in order to determine Exchange Ratio for the Proposed Amalgamation and to further recommend Entitlement Ratio for the Proposed Demerger.

FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER

Triveni Engineering & Industries Limited Noida

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

This Report is subject to the limitations detailed in respective engagement letters. 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.

This Report, its contents and the results herein are specific and subject to

- the purpose of valuation agreed as per the terms of our engagement;
- the date of this Report ("Report Date");
- limited reviewed financial statements of TEIL and SSEL for 6ME Sep24;
- financial projections and underlying assumptions as provided by the Management of the Companies;
- accuracy of the information available in public domain with respect to the comparable companies identified including financial information;
- market price reflecting the fair value of the underlying equity shares of the Companies; and
- data detailed in the Section - Sources of Information.

We have been informed that the business activities of TEIL and SSEL have been carried out in the normal and ordinary course between September 30, 2024 and the Report Date and that no material changes have occurred in their respective operations and financial position between September 30, 2024 and the Report Date.

Valuation analysis and results are specific to the purpose of valuation and as per the agreed terms of the respective engagements. It may not be valid for any other purpose or as of any other date. Also, it may not be valid if done on behalf of any other entity.

A valuation of this 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. This Report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the Ratios for the Proposed Transactions. 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.

The recommendation rendered in this Report only represent our recommendation based upon information furnished by the Companies and gathered from public domain (and analysis thereon) 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 decision to carry out the Proposed Transactions (including consideration thereof) lies entirely with the Management / Board of Directors of the respective Company and our work and findings shall not constitute recommendation as to whether or not the Management / the Board of Directors of the Company should carry out the Proposed Transactions.

The determination of fair value for arriving at Exchange Ratio 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 we have provided our recommendation of the Ratios based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion. The final responsibility for the determination of the Ratios at which the Proposed Transactions shall take place will be with the Board of Directors of the Transacting Companies, who should consider other factors such as their own assessment of the Proposed Transactions and input of other advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, financial and operating data. In accordance with the terms of our respective engagements, we have carried out relevant analysis and evaluations through discussions, calculations and such other means, as may be applicable and available. We have assumed and relied upon, without independently verifying (i) the accuracy of the information that was publicly available, sourced from subscribed databases; and (ii) the accuracy of information made available to us by the Companies; both of which formed a substantial basis for this Report. While information obtained from the public domain or external sources have not been verified for authenticity, accuracy or completeness, we have obtained information, as far as possible, from sources generally considered to be reliable. We assume no responsibility for such information. Our valuation does not constitute an audit or review in accordance with the auditing standards applicable in India, accounting / financial / commercial / legal / tax / environmental due diligence or forensic / investigation services and does not include verification or validation work. In accordance with the terms of our engagement / appointment letters and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed, certified, carried out a due diligence, or otherwise investigated the historical financials / financial information or individual assets or liabilities, provided to us regarding the Companies / subsidiary / associates / joint ventures / investee companies, if any. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in such historical financials / financial statements. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies 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. Our conclusion is based on the assumptions and information given by / on behalf of the Companies. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis / results.

It may herein be noted that the projections are responsibility of the Management of each company. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, or examination of any of the historical or prospective information used and therefore, we do not express any opinion with regard to the same.

The Clients and its management/representatives warranted to us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the Clients, their management and other third parties, if any, concerning the financial data, operational data and other information, except as specifically stated to the contrary in the report.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. This Report has given no consideration 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 disclosed in the audited / unaudited balance sheets of the Companies. No investigation of Companies' claims to title of assets has been made for the purpose of this Report and Companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature. Our conclusion of value assumes that the assets and liabilities of the Companies reflected in their respective latest balance sheets remain intact as of the Report Date.

This Report has been prepared for the purposes stated herein and should not be relied upon for any other purpose. Clients are the only authorized user of this Report and is restricted for the purpose indicated in the engagement letter. This restriction does not preclude the Clients from providing a copy of the report to third-party advisors whose review would be consistent with the intended use.

We do not take any responsibility for the unauthorized use of this report. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Clients or Companies, their directors, employees or agents. 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.

We accept no responsibility or any direct or indirect liability towards any third party including but not limited to any person, who may have been provided a copy of this Report for intended use in connection with the Scheme and hence, no party other than the Client shall have any recourse to us in relation to this engagement. In no event, we shall be liable for any loss, damage, cost or expense arising in any way from any acts carried out by the Companies referred herein or any person connected thereto.

We have not carried out any physical verification of the assets and liabilities of the Transacting Companies and take no responsibility for the identification of such assets and liabilities.

This Report does not look into the business / commercial reasons behind the Proposed Transactions nor the likely benefits arising out of it. Similarly, it does not address the relative merits of the Proposed Transactions 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 Ratios for the Proposed Transactions only.

We must emphasize that realization of forecasted free cash flow or the realizability of the assets at the values considered in our analysis will be dependent on the continuing validity of assumptions on which they are based. Our analysis, therefore, will not, and cannot be directed to providing any assurance about the achievability of the final projections. Since the financial forecasts relate to the future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences could be material. To the extent that our conclusions are based on the forecasts, we express no opinion on achievability of those forecasts. The fact that we have considered the projections in this valuation exercise should not be construed or taken as our being associated with or a party to such projections.

The valuation analysis and results thereof for recommendation under this Report are governed by concept of materiality.

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

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 the Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Companies, their directors, employees or agents.

It is understood that this analysis does not represent a fairness opinion. This report is not a substitute for the third party's own due diligence / appraisal / enquiries / independent advice that the third party should undertake for his purpose.

This 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 the purpose of determining the Ratios for the Proposed Transactions and relevant filings with regulatory authorities in this regard, without our prior written consent.

In addition, this Report does not in any manner address the price at which equity share of Transacting Companies shall trade following announcement of the Proposed Transactions, and we express no opinion or recommendation as to how the shareholders of either of the Companies

FINVOX ANALYTICS IBBI/RV-E/ 06/2020/120 REGISTERED VALUER

SSPA & CO. CHARTERED ACCOUNTANTS REGISTERED VALUER

should vote at any shareholders' meeting(s) to be held in connection with the Proposed Transactions. Our report and opinion / valuation analysis contained herein is not to be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities.

We will owe the responsibility only to the Board of Directors of the Transacting Companies.

Disclosure of Registered Valuers' Interest or Conflict, if any and other affirmative statements

We do not have any financial interest in the Clients, nor do we have any conflict of interest in carrying out this valuation, as of the date of the engagement letter till the Report Date. We further state that we are not related to the Company or their promoters or their directors or their relatives. Further, the information provided by the Management have been appropriately reviewed in carrying out the valuation. Sufficient time and information was provided to us to carry out the valuation.

FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER

SSPA & CO. CHARTERED ACCOUNTANTS REGISTERED VALUER

Triveni Engineering & Industries Limited Noida

SHAREHOLDING PATTERNS

TEIL

As of September 30, 2024, the shareholding of TEIL comprises 21,88,97,968 equity shares of face value INR 1 each.

Particulars	Number of shares	% Shareholding
Promoter and Group	13,34,91,162	60.98%
Public	8,54,06,806	39.02%
Total	**21,88,97,968**	**100.00%**

Source: BSE Filings

According to the Management, there has been no further issue of equity shares/convertible instruments/ESOPs by TEIL post September 30, 2024 till the Valuation Date. Accordingly, the number of equity shares as of the Valuation Date for TEIL are same as that on September 30, 2024.

SSEL

As of September 30, 2024, the shareholding of SSEL comprises 52,50,000 equity shares of face value INR 10 each.

Particulars	Number of shares	% Shareholding
Promoter and Group	32,42,879	61.77%
Public	20,07,121	38.23%
Total	**52,50,000**	**100.00%**

Source: BSE Filings

According to the Management, there has been no further issue of equity shares/convertible instruments/ESOPs by SSEL post September 30, 2024 till the Valuation Date. Accordingly, the number of equity shares as of the Valuation Date for SSEL are same as that on September 30, 2024.

TPTL

As of date, the shareholding of TPTL comprises 3,13,00,000 equity shares of face value INR 2 each.

Particulars	Number of Shares	% Shareholding
TEIL Including 6 nominees holding one share each	3,13,00,000	100.00%
Total	**3,13,00,000**	**100.00%**

Source: Management

FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER

Triveni Engineering & Industries Limited Noida

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

APPROACH FOR RECOMMENDATION OF EXCHANGE RATIO:

The Proposed Amalgamation contemplates the amalgamation of SSEL with TEIL. Arriving at the Exchange Ratio for the Proposed Amalgamation would require determining the relative value of equity shares of TEIL and SSEL. These values are to be determined independently, but on a relative basis for TEIL and SSEL, without considering the effect of the Proposed Amalgamation.

Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for Proposed Amalgamation and our reasonable judgment, in an independent and bona fide manner.

The Valuation Approach adopted by Finvox and SSPA is given in Annexure 1A and 1B respectively (Annexure 1A and 1B together referred to as Annexures).

BASIS FOR RECOMMENDATION OF EXCHANGE RATIO

The basis of the amalgamation of SSEL with TEIL would have to be determined after taking into consideration all the factors and methods mentioned hereinafter. Though different values have been arrived at under each of the approaches / methods as mentioned in the Annexures, for the purpose of recommending the Exchange Ratio, it is necessary to arrive at a final value for each valuation subject. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values of TEIL and SSEL, but at their relative values to facilitate the determination of the Exchange Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each approaches / methods.

The Exchange Ratio has been arrived at on the basis of a relative equity valuation of TEIL and SSEL based on the various approaches / methods explained in the Annexures and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of TEIL and SSEL, having regard to information base, key underlying assumptions and limitations.

We have independently applied approaches / methods discussed in the Annexures, as considered appropriate, and arrived at the relative value per share of TEIL and SSEL. To arrive at the consensus on the Exchange Ratio for the Proposed Amalgamation of SSEL with TEIL, suitable minor adjustments / rounding off have been done.

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APPROACH FOR RECOMMENDATION OF ENTITLEMENT RATIO:

In view of the above and considering that the Demerged Company intends to hold ~30% equity stake in the Resulting Company, and the Resulting Company should issue such number of equity shares to the shareholders of the Demerged Company in proportion to their shareholding in the Demerged Company so that they own the balance ~70% equity stake in the Resulting Company, and on consideration of the relevant factors and circumstances as outlined hereinabove, the table below summarizes the Share Entitlement Ratio as recommended by us:

Particulars	Value
A. Existing number of equity shares having face value of INR 2 each and fully paid up, owned by TEIL in Resulting Company *(Source: Management)*	3,13,00,000
B. Post the Proposed Demerger, equity stake Demerged Company intends to hold in Resulting Company *(Source: Management)*	~30%
C. Expected total number of equity shares of INR 2 each of Resulting Company. This considers the existing number of equity shares of Resulting Company (as stated in A above) and the proposed equity stake corresponding to such existing equity shares (as stated in B above) ***(i.e. A/ B)***	10,43,33,333
D. Number of equity shares of Resulting Company to be issued to shareholders of Demerged Company for the balance 70% equity stake in Resulting Company pursuant to the Proposed Demerger in accordance with the Scheme ***(C - A)***	7,30,33,333
E. Total number of outstanding ordinary shares of Demerged Company *i.e. post Proposed Amalgamation.#*	22,03,63,020
F. Share Entitlement Ratio: Number of ordinary shares of Demerged Company for which 1 equity share of Resulting Company is proposed to be issued ***(E/D)***	3.02

 # The number of outstanding ordinary shares of Demerged Company has been computed based on the Exchange Ratio recommended by us, hereinafter in this Report, and the outstanding number of equity shares of TEIL and SSEL as on date. The actual number of outstanding ordinary shares of Demerged Company (post the Proposed Amalgamation) could be different considering the impact of fractional entitlements, if any, for the Proposed Demerger.

The Entitlement Ratio has been determined based on the capital structure of Resulting Company as on the date of issuance of this Report and the proposed equity stake to be held by Demerged Company in Resulting Company pursuant to the Proposed Demerger.

In view of the above, we note that the Proposed Demerger will not have any impact on the beneficial economic interest of the shareholders of Demerged Company as the equity shareholders of Demerged Company would continue to have the same beneficial economic interest in the PTB Undertaking, now by way of indirect ~30% equity ownership of Resulting Company through Demerged Company and direct ~70% equity ownership of Resulting Company. As the proposed Demerger will not affect the beneficial economic interest of the equity shareholders of Demerged Company, valuation of Resulting Company and PTB Undertaking has no bearing on the recommended Entitlement Ratio and accordingly, we have not carried out any valuation in the instant case.

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Accordingly, the valuation under the valuation approaches mentioned in the format prescribed under BSE Circular No. LIST/COMP/02/2017-18 dated 29 May 2017 and NSE Circular No. NSE/CML/2017/12 dated 01 June 2017 are not applicable in the given case.

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Noida

Recommendation of <u>Exchange Ratio</u> for the proposed amalgamation of SSEL with TEIL:

In light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above including scope, limitations and assumptions described in this report and the engagement letter, we recommend the Exchange Ratio as follows:

<u>To the equity shareholders of SSEL</u>

*"**100 (One Hundred)** equity shares of TEIL having a face value of INR 1 each fully paid-up shall be issued **for every 137 (One Hundred and Thirty Seven)** equity shares held in SSEL having face value of INR 10 each fully paid-up".*

Recommendation of <u>Entitlement Ratio</u> for the proposed demerger of the PTB Undertaking of Demerged Company into TPTL:

In light of the above, the Entitlement Ratio as indicated above is fair and reasonable considering that the Proposed Demerger will not have any impact on the economic and beneficial interest of the equity shareholders of the Demerged Company and is value neutral.

<u>Entitlement Ratio</u> <u>*(rounded off)*</u>:

"1 (One) equity share of INR 2 each fully paid up of TPTL for every 3 (Three) equity shares of INR 1 each fully paid up held in Demerged Company.

<table>
<tr>
<td>Respectfully submitted,
For Finvox Analytics,
Registered Valuer Entity
(Securities and Financial Assets)
IBBI Registered Valuer No.: IBBI/RV-E/06/2020/120
Amrish Garg
Digitally signed by Amrish Garg
Reason: I am approving this document with my legally binding signature
Date: 09-12-2024 12:28
FINVOX ANALYTICS IBBI/RV-E/06/2020/120 REGISTERED VALUER
CA Amrish Garg, Partner
ICAI Membership No. 511520
Registration Number: IBBI/RV/06/2018/10044
UDIN: 24511520BKDIWN5185
Place: Gurugram
Date: December 09, 2024</td>
<td>Respectfully submitted,
For SSPA & Co.,
Chartered Accountants
ICAI Firm Registration No: 128851W
IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126
PARAG SHAMJI VED
Digitally signed by PARAG SHAMJI VED
Date: 2024.12.09 12:55:33 +05'30'
SSPA & CO. CHARTERED ACCOUNTANTS REGISTERED VALUER
Parag Ved, Partner
ICAI Membership No. 102432
Registered Valuer No.: IBBI/RV/06/2018/10092
UDIN: 24102432BKCJCV8243
Place: Mumbai
Date: December 09, 2024</td>
</tr>
</table>

Triveni Engineering & Industries Limited ★ Noida

Annexure IA – Valuation Workings: Finvox Analytics

Bases and Premise of Valuation

Our valuation analysis of the equity shares of TEIL and SSEL is in conformity with the ICAI Valuation Standards, 2018 issued by the Institute of Chartered Accountants of India. The valuation of the equity shares of the Companies as on the Valuation Date is carried out in accordance with ICAI VS, considering 'relative value' base and 'going concern value' premise. Any change in the valuation base or the valuation premise would impact the valuation outcome.

Valuation Approaches

A brief explanation of each valuation approach is provided below.

Income Approach

The income approach provides an estimate of the present value of the monetary benefits expected to flow to the owners of the business. It requires the projection of the cash flows that the business is expected to generate. These cash flows are then converted to their present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risk in the investment. The value of the business is the sum of the discounted cash flows.

Market Approach

The market approach considers actual arm's-length transactions for which the market value of investments alternative to the subject company can be observed. The value of a company or an ownership interest in the company can be estimated by developing relevant multiples for the comparative companies that relate value to underlying revenue, earnings, or cash flow variable, and then applying these multiples to the comparable underlying revenue, earnings, or cash flow variable for the subject company. The value multiples can be derived from guideline public company and comparable transactions of publicly traded companies or private companies.

Cost (Asset-Based) Approach

The asset-based (net underlying assets) approach is a form of the cost approach. The values of the individual assets (i.e., current, fixed, and intangible) of the business are estimated. The sum of the individual asset values represents the total asset value of the enterprise. The enterprise's liabilities related to working capital are deducted to arrive at an indication of value for the invested capital of the business. Because the cost approach does not always reflect the full value of intangible assets, it is often not appropriate to value an operating business completely on the basis of this approach without giving weights to other valuation methods. The cost approach may be relevant to the value of an operating business that is not sufficiently profitable and whose "breakup" values may be greater than its going concern value.

Valuation Methodologies

The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. Different methodologies are adopted for the valuation of manufacturing, investment, consultancy, and trading companies.

Though there are no thumb rules for valuation, the method to be adopted has to be appropriate to the particular purpose for which valuation is being done as well as the attendant circumstances of each case. For example, a manufacturing company is generally valued on the combination of asset value and the earning potential of the business. An investment company is valued on the basis of the value of underlying assets.

However, the value is specific to the point in time and may change with the passage of time. The value is derived in the context of an existing environment that includes economic conditions, state of industry/market and state of business activities of companies being valued etc. as of the appointed date of valuation. The basis of valuation would depend upon the purpose of valuation, the type of business, the future prospects and other attendant circumstances.

<u>Discounted Cash Flow Method ("DCF") – Income Approach</u>

The DCF method values the asset by discounting the cash flows expected to be generated by the asset for the explicit forecast period and also the perpetuity value (or terminal value) in the case of assets with an indefinite life. The DCF method is one of the most common methods for valuing various assets such as shares, businesses, real estate projects, debt instruments, etc. This method involves discounting of future cash flows expected to be generated by an asset over its life using an appropriate discount rate to arrive at the present value. The important inputs for the DCF method are (a) Cash flows; (b) Discount rate; and (c) Terminal value.

(a) The following are the cash flows that are used for the projections:

- Free Cash Flows to Firm ("FCFF"): FCFF refers to cash flows that are available to all the providers of capital, i.e. equity shareholders, preference shareholders and lenders. Therefore, cash flows required to service lenders and preference shareholders such as interest, dividend, repayment of principal amount and even additional fund-raising are not considered in the calculation of FCFF.

- Free Cash Flows to Equity ("FCFE"): FCFE refers to cash flows available to equity shareholders and therefore, cash flows after interest, dividend to preference shareholders, principal repayment and additional funds raised from lenders/preference shareholders are considered.

(b) Appropriate Discount Rate - Discount Rate is the return expected by a market participant from a particular investment and shall reflect not only the time value of money but also the risk inherent in the asset being valued as well as the risk inherent in achieving future cash flows. In discounting the FCFF the appropriate discount rate is the weighted average cost of capital, which results in the enterprise value of the company. Whereas, in the case of FCFE the appropriate discount rate is the cost of equity, which results in the equity value of the company.

(c) Terminal Value – It represents the present value at the end of the explicit forecast period of all subsequent cash flows to the end of the life of the asset or into perpetuity if the asset has an indefinite life. There are different methods for estimating the terminal value. The commonly used methods are:

- Gordon (Constant) Growth Model;
- Variable Growth Model; and
- Exit Multiple;

<u>Capitalization of Free Cash Flows Method – Income Approach</u>

The capitalization of free cash flows method is an income-based approach which is used to value a business based on future estimated free cash flow to equity or free cash flow to the firm generated

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Triveni Engineering & Industries Limited Noida

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by a company. The projected free cash flow is capitalized using an appropriate capitalization rate. This method expresses a relationship between the following:

- Estimated future benefits (earnings or cash flows)
- Yield (required rate of return) on either equity or total invested capital (capitalization rate)

It is important that any income or expense items generated from non-operating assets and liabilities be removed from estimated future benefits prior to applying this method. The value of net non-operating assets and liabilities is then added to the value of the business derived from the capitalization of earnings. The capitalization of FCFE/FCFF is a single period method that assumes a stable level of cash flow. This method is appropriate for valuing companies which have reached a stable stage and are expected to generate a stable level of cash flow in the future years.

<u>Market Price Method – Market Approach</u>

The market price of an equity share as quoted on a 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 in, subject to the element of speculative support that may be inbuilt in the value of the shares.

<u>Comparable Companies Multiples Method – Market Approach</u>

This method involves reviewing valuation multiples for companies that are in the same or similar line of business as the company being valued and then applying the relevant valuation multiples to the subject company to determine its value. The theory behind this approach is that valuation measures of similar companies, as manifested through stock market valuations of listed comparable companies, should represent a good proxy for the specific company being valued. Depending on the source of data available and the underlying company being valued, a variety of valuation measures might be used including Enterprise Value ("EV") to Sales, EV to EBITDA, Price to Earnings, etc.

<u>Comparable Transactions Multiples Method – Market Approach</u>

This method involves reviewing transaction multiples for companies that are in the same or similar line of business as the company being valued and then applying the relevant transaction multiples to the subject company to determine its value. The transaction multiples are determined for the comparable transactions for which financial details are available in the public domain. The theory behind this approach is that valuation measures of similar companies, as manifested through market transactions (i.e. acquisition or equity funding), should represent a good proxy for the specific company being valued. Depending on the source of data available and the underlying company being valued, a variety of valuation measures might be used including Enterprise Value (EV) to Sales, EV to EBITDA, Price to Earnings, etc.

<u>Net Assets Value Method – Cost (Asset-Based) Approach</u>

The net asset value method is an asset-based approach to valuation where the value of the business is based on the difference between the value of the assets and liabilities of the business.

Recommendation of Fair Equity Share Exchange Ratio

The fair basis for recommending the share exchange ratio for the Draft Composite Scheme of Arrangement of TEIL and SSEL is dependent upon various factors and considerations mentioned here in this report. Though different values have been arrived at under different methods, for the purposes of recommending a ratio of exchange it is necessary to arrive at a single value for the shares of the companies. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of each company. Our exercise is to work out the relative value of shares of the Companies to facilitate the determination of the fair share exchange ratio. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.

We have independently applied the approaches/methods discussed above, as considered appropriate, and arrived at their assessment of the relative values per equity share of the Companies. To arrive at the fair equity share exchange ratios for the Draft Composite Scheme of Arrangement, suitable minor adjustments/rounding off have been done in the relative values arrived by Finvox.

The fair equity share exchange ratio has been arrived on the basis of a relative valuation of equity shares of the Companies based on the approaches explained herein and various qualitative factors relevant to the companies and the business dynamics and growth potential of the businesses, having regard to information base, management representation and perceptions, key underlying assumptions and limitations.

In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgement 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.

In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove in this report, we recommend the following fair equity share exchange ratio for the Draft Composite Scheme of Arrangement whose computation as required as per BSE Circular number LIST/COMP/02/2017-18 dated May 29, 2017 and NSE Circular number NSE/CML/2017/12 dated June 01, 2017.

The calculation of the fair equity share exchange ratio of TEIL and SSEL is presented in the exhibit below:

Triveni Engineering and Industries Limited
Sir Shadi Lal Enterprises Limited
Computation of Fair Equity Share Exchange Ratio

Valuation Approach	Triveni Engineering and Industries Limited		Sir Shadi Lal Enterprises Limited	
	Value Per Share (INR)	Weight	Value Per Share (INR)	Weight
Asset Approach	NA	NA	NA	NA
Income Approach				
Discounted Cash Flow Method	458.71	50%	327.30	50%
Market Approach				
Market Price Method (ICDR)	454.67	25%	366.66	25%
Comparable Companies Method	452.85	25%	313.11	25%
Relative Value Per Share	456.24		333.59	
Fair Equity Share Exchange Ratio (Rounded)	**100 : 137**			

NA = Not Applied/ Applicable

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Triveni Engineering & Industries Limited Noida

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Notes to Exhibit:

- Asset Approach: As of the Valuation Date, TEIL and SSEL are intended to be continued on a going concern basis and there is no intention to dispose-off the assets/business. In a going concern scenario, the earning power, as reflected under the income/market approach, is of greater importance to the basis of arrangement, with the values arrived at on the net asset basis being of limited relevance. Accordingly, the asset approach was not used for the valuation of TEIL and SSEL.

- Income Approach: Given the operating nature of the business of TEIL and of SSEL and based on the multi-year projections provided by the Management, we have applied the income approach, utilizing the discounted cash flow method to compute the enterprise value of TEIL and SSEL. We made appropriate adjustment to the enterprise value for outstanding loans, contingent liabilities, cash and cash equivalents, value of investments and other non-operating assets/liabilities, after considering the tax wherever applicable, to arrive at the equity value and fair value per share of TEIL and SSEL.

- Market Approach: The value of equity shares of TEIL and SSEL are calculated based on the market price method, using the market pricing formula given in the ICDR regulations and the comparable companies multiples method.

(i) Market Price Method

As previously discussed, TEIL is listed on BSE and NSE whereas, SSEL is only listed on BSE. As of the Valuation Date, the equity share of both TEIL and SSEL are frequently traded on the stock exchanges.

According to Section 164(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, ("ICDR") for issuers that have been listed on a recognized stock exchange for a period of 90 days or more as of the relevant date, the price of equity shares to be allotted pursuant to the preferential issue shall not be less than higher of the following:

- The 90 trading days' Volume Weighted Average Price ("VWAP") of related equity shares quoted on the recognized stock exchange preceding the relevant date.

- The 10 trading days' VWAP of related equity shares quoted on the recognized stock exchange preceding the relevant date.

Based on the guidance given in the ICDR regulations for determining the share price, we have calculated the per share of TEIL (based on NSE) and SSEL (based on BSE) using the formula of 90 days/10 days VWAP.

(ii) Comparable Companies Multiples Method

In order to calculate the enterprise value of TEIL and SSEL, we used the EV/EBITDA multiples of the comparable listed companies in India. We made appropriate adjustment to the enterprise value for outstanding loans, contingent liabilities, cash and cash equivalents, value of investments and other non-operating assets/liabilities, after considering the tax wherever applicable, to arrive at the equity value and fair value per share of TEIL and SSEL.

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Triveni Engineering & Industries Limited Noida

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(iii) Comparable Transactions Multiples Method

Our search for comparable transactions with a similar core business, sales size and other attributes did not yield a sufficient number of results to adequately perform this method. Accordingly, the comparable transactions multiples method was not used in our valuation of TEIL and SSEL.

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Triveni Engineering & Industries Limited Noida

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Annexure IIA - Valuation Workings - SSPA:

VALUATION APPROACHES FOR PROPOSED AMALGAMATION

Bases and Premise of Valuation

Valuation of the equity shares of TEIL and SSEL as on the Valuation Date is carried out in accordance with ICAI VS, considering 'relative value' base and 'going concern value' premise. Any change in the valuation base, or the valuation premise could have a significant impact on the valuation outcome of the TEIL and SSEL.

The following are commonly used and accepted methods for determining the value of the equity shares of a company:

1. Cost Approach – Net Asset Value method
2. Market Approach:
    a) Market Price method
    b) Comparable Companies Multiple method
3. Income Approach – Discounted Cash Flow method

Each of the aforesaid approaches proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance, to a given situation. Thus, the approach to be adopted for a particular valuation exercise must be judiciously chosen.

For the Proposed Amalgamation, we have considered the following commonly used and accepted methods for determining the value of equity shares of TEIL and SSEL for the purpose of recommending Exchange Ratio to the extent relevant and applicable:

1. Cost Approach - Net Asset Value Method ('NAV')

The Cost Approach reflects the amount that would be required currently to replace the service capacity of an asset; often referred to as current replacement cost.

TEIL and SSEL

In the present case, the business of TEIL and of SSEL is intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the Cost Approach is not adopted for the present valuation exercise.

2. Market Approach

a) Market Price ('MP') Method

The market price of an equity share as quoted on a 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 in, subject to the element of speculative support that may be inbuilt in the value of the shares.

TEIL and SSEL

In the present case, the equity shares of TEIL are listed on both NSE and BSE whereas for SSEL is listed on BSE. The value of equity shares of TEIL and SSEL under this method is determined considering the share prices of TEIL on NSE and SSEL on BSE over an appropriate period.

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b) Comparable Companies' Multiple (CCM) / Comparable Transactions Multiples (CTM) Method

Under CCM method, the value of equity shares of companies is determined by using multiples derived from valuations of comparable 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 need to be chosen carefully and adjusted for material differences, if any.

TEIL and SSEL

In the present case, the businesses of TEIL and SSEL have been valued based on Enterprise Value ('EV') to Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA') multiple of comparable listed companies to arrive at EV of TEIL and SSEL.

To the value so arrived, appropriate adjustments have been made for loan funds, contingent liabilities, cash and cash equivalents, value of investments and other assets/liabilities, after considering the tax wherever applicable to arrive at the equity value and fair value per share of TEIL and SSEL.

Under CTM, the value of shares / business of a company is determined based on market multiples of publicly disclosed transactions in the similar space as that of the subject company. Multiples are generally based on data from recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

TEIL and SSEL

Based on our analysis and discussion with the Management, we understand that there are no sufficient recent comparable transactions, data of which is available in public domain, involving companies of similar nature and having a similar operating / financial metrics as that of TEIL and SSEL, we have therefore not used CTM method to value the equity shares of these companies.

3. Income Approach - Discounted Cash Flows Method ('DCF')

Under the Income Approach, equity shares of TEIL and SSEL are valued using DCF Method.

Under DCF method, the projected free cash flows from business operations, after considering fund requirements for projected capital expenditure and incremental working capital for each business, are discounted at the respective Weighted Average Cost of Capital (WACC). The sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business.

The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are determined by adding back to earnings before interest and tax (i) depreciation and amortizations (non-cash charge), and (ii) any non-operating item. The cash flow is adjusted for outflows on account of (i) capital expenditure, (ii) incremental working capital requirements and (iii) tax.

WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the company. In other words, WACC is the weighted average of cost of equity and cost of debt of the respective companies.

To the value so arrived, appropriate adjustments have been made for loan funds, contingent liabilities, cash and cash equivalents, value of investments and other assets/liabilities, after considering the tax wherever applicable to arrive at the equity value.

As mentioned above, we have considered a combination of Market Approach and Income Approach for arriving at the relative value per equity share of TEIL and SSEL.

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Exchange Ratio:

Valuation Approach	TEIL		SSEL	
	Value per Share (INR)	Weights	Value per Share (INR)	Weights
Asset/Cost Approach*	NA	NA	NA	NA
Income Approach				
- DCF Method	460.57	50%	337.47	50%
Market Approach				
- MP Method	460.16	25%	365.63	25%
- CCM Method	454.58	25%	301.91	25%
Relative value per share	**458.97**		**335.62**	
Exchange Ratio *(rounded off)*	**100 : 137**			

NA = Not Applied / Applicable

** Since, the businesses of TEIL and SSEL are both intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the 'Asset' approach is not adopted for the present valuation exercise.*

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