



# Galactico Corporate Services Limited

A SEBI Registered Category I Merchant Banker

Ref. No: MB\2020-21\E01

**Date: July 15, 2020**

**To,**

**Board of Directors**

**Escorts Limited**

15/5, Mathura Road,

Faridabad, Haryana 121 003

**Subject:** Fairness opinion on the valuation report issued by N S Kumar & Co., Chartered Accountant dated July 15, 2020, in relation to the proposed scheme of reduction of capital by Escorts Limited under Section 66 read with Section 52 of the Companies Act, 2013.

Dear Sir,

We refer to the engagement letter dated 30 June 2020 ("Engagement Letter") and discussions undertaken with the Management of Escorts Limited ("EL" or "the Company") wherein the Management of EL has requested Galactico Corporate Services Limited, to provide fairness opinion on the valuation report dated July 15, 2020 issued by N S Kumar & Co. Chartered Accountants ("NSK") in relation to the 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 Exchange Board of India ('SEBI') guidelines with respect to reduction of share capital.

Though as a part of the Scheme, the capital reduction is proposed to be undertaken at NIL consideration, fairness opinion on the valuation report is required to be undertaken by a Merchant Banker under the relevant SEBI regulations.

Please find enclosed our deliverable in the form of report ("the Report"). The Report sets out the background of the Company, transaction overview, scope of work, source of information, valuer's recommendation and our opinion on the fair value per share of the Company determined by NSK including methodologies adopted for arriving at the fair value for the proposed reduction of share capital.

Yours faithfully,

**For Galactico Corporate Services Limited**

**Authorised Signatory**



Registered Office : 2nd Floor, Shree Surudeo Tower, Above Shirpur Co-op Bank Ltd, Canada Corner, Nashik (MH) – 422005.

Phone : +91-253-2319714 | Email : [info@galacticocorp.com](mailto:info@galacticocorp.com) | Website : [www.galacticocorp.com](http://www.galacticocorp.com)

CIN No. : U74110MH2015PTC265578 | SEBI Registration No. : INM000012519



# Galactico Corporate Services Limited

A SEBI Registered Category I Merchant Banker

Contents	Page No.
Brief background	3
Transaction overview	4
Scope, limitation, assumption, qualification, exclusions and disclaimers	5-6
Source of Information	7
Valuer's recommendation	8-9
Opinion on Valuer's Report	10



# Galactico Corporate Services Limited

A SEBI Registered Category I Merchant Banker

## BRIEF BACKGROUND

1. Escorts Limited (“the Company” or “EL”) is a public company incorporated under the Companies Act, 1913 in the year 1944. Equity shares of the Company are listed on National Stock Exchange of India Limited (“NSE”), BSE Limited (“BSE”) and Delhi Stock Exchange Limited (“DSE”).
2. The Company 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.
3. Shareholding pattern of the Company as on 31 March 2020 is as under:

Particulars	No of shares	Shareholding
Promoters	4,93,33,680	40.2%
Public	7,01,68,686	57.2%
Non-promoter and non-public	30,74,512	2.5%
<b>Total</b>	<b>12,25,76,878</b>	<b>100%</b>





# Galactico Corporate Services Limited

A SEBI Registered Category I Merchant Banker

## TRANSACTION OVERVIEW

We understand that Escorts Benefit Welfare Trust (“EBWT”) was settled on February 14, 2012 in terms of the Scheme of Arrangement and Amalgamation of Escorts Construction Equipment Limited (“ECEL”), Escotracs Finance and Investments Private Limited (“Escotracs”), Escorts Finance Investments and Leasing Private Limited (“EFILL”) with Escorts Limited (“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 Escorts Limited and its successors in interest. In terms of the EBWT Scheme, 3,73,00,031 (Three Crore Seventy Three Lakh 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.

As on the date of the approval of the Scheme of reduction of share capital by the Board of Directors of Escorts Limited, EBWT holds 3,37,00,031 (Three Crore Thirty Seven Lakh and Thirty One) equity shares of Escorts Limited.

The Company is contemplating a proposal entailing reduction of 1,22,57,688 equity share capital of the Company held with EBWT for NIL consideration in accordance with the provisions of Section 66 read with Section 52 of the Companies Act, 2013 or any statutory modifications, re-enactment or amendments thereof for the time being in force (“the Act”) read with National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) 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 Securities 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 Scheme of Reduction of Share Capital (hereinafter referred to as ‘proposed scheme’).

In this regard, EL has approached Galactico Corporate Services Limited (“GCSL” or “we”, “us” or “our”) to provide fairness opinion based on the valuation report (“Valuation Report”) dated 15 July 2020 (“Valuation date”) issued by N S Kumar & Co. Chartered Accountants (“NSK” or “the Valuer”) for the proposed scheme as discussed above.

This Report is our deliverable for the aforementioned engagement.

This Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereunder. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.





# Galactico Corporate Services Limited

A SEBI Registered Category I Merchant Banker

## SCOPE LIMITATION, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

1. As the equity shares of the Company are listed on nationwide stock exchanges, it is bound by the listing agreement and the provisions thereof as amended from time to time. Accordingly, there is a requirement of obtaining an opinion for the proposed scheme from SEBI registered Merchant Banker about fairness of the valuation done by a Chartered Accountant as per Para 2(d) and Para 8(b) of Part I(A) of Annexure I of the SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation.
2. This Fairness Opinion Report ('Report') is prepared by us on the basis of information, documents, papers and explanations given by the Management, officers and staff of the Companies.
3. In preparing the Report, we have relied upon and assumed without independent verification, the truthfulness, accuracy and completeness of the information and the financial data provided by the Management. We have therefore relied upon all specific information as received and declined any responsibility should the results presented be affected by the lack of completeness or truthfulness of such information.
4. Our work does not constitute an audit or certification or due diligence of the past financials of the Company and we have relied upon the information provided to us by the Company as regards such working results.
5. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the company. As implied by the financial statements, the Company is assumed to have those legal rights to the assets and be subject to those claims represented by the liabilities presented in its financial statements. No investigation was undertaken to confirm these legal rights or claims.
6. Publicly available information deemed relevant for the purpose of the analysis contained in this Report has also been used. Accordingly, this report is based on our interpretation of the information provided by the Company as well as its representatives and advisors, to date.





# Galactico Corporate Services Limited

A SEBI Registered Category I Merchant Banker

7. We shall not be liable for any losses whether financial or otherwise or expenses arising directly or indirectly out of the use of or reliance on the information set out herein in this report.
8. This report should not be construed as any accounting, tax or legal advice to the Company or any of its affiliates by us.
9. This Report does not constitute a, solvency opinion or an investment recommendation and should not be construed as such either for making or divesting investment.
10. This Report is furnished strictly on confidential basis. The same may be submitted to the stock exchanges, SEBI, National Company Law Tribunal and other regulatory or statutory authorities. Except as stated herein, neither this Report nor the information contained herein may be reproduced or passed to any person or used for any purpose other than as stated in this Report.
11. The fee for this engagement is not contingent upon the results reported and fairness opinion provided by us.
12. This Report, its contents and the results herein (i) are specific to the purpose of report agreed as per the terms of our engagement; (ii) are specific to the date of this report and (iii) are the prevailing financial, economic and other conditions in general and industry trends in particular as in effect on, and the written and oral information made available to us till the date of this report. Events occurring after this date may affect this report and we do not assume any obligation to update, revise or reaffirm this report.
13. This Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.





# Galactico Corporate Services Limited

A SEBI Registered Category I Merchant Banker

## SOURCES OF INFORMATION

We have relied on the following information made available to us by the management of the Company for the purpose of this report:

1. Brief History, Present Activities, Business Profile, Shareholding Pattern of the Companies;
2. Draft scheme of reduction of share capital under section 66 read with section 52 of the Companies Act 2013;
3. Valuation Report issued by M/s. N S Kumar & Co., Chartered Accountants dated July 15, 2020;
4. Audited standalone and consolidated financial results of the Company for the quarter ended 31 March 2020 and the year ended 31 March 2020;
5. Details of Market Price and trading volume of the Company;
6. Such other information and explanations as required and which have been provided by the management of the Company, which were considered relevant for the purpose the Fairness Opinion.

The Company has been provided with the opportunity to review the draft fairness opinion report (excluding our opinion) as part of our standard practice to make sure those factual inaccuracies/ omissions are avoided.





# Galactico Corporate Services Limited

A SEBI Registered Category I Merchant Banker

## VALUER'S RECOMMENDATIONS

1. The scope of work of the Valuer was, inter alia, to carry out the fair value per equity share of the Company for the proposed scheme of reduction of capital by way of cancellation of equity shares held by EBWT.
2. The fair value per equity share of the Company is calculated in the valuation report by the adoption of commonly used and accepted methods of valuation, to the extent relevant and applicable, including
  - a) Asset Approach : Net Asset Value method
  - b) Income Approach : Discounted Cash Flow method
  - c) Market Approach : Market Price method and Comparable Price method
3. The Valuer has assigned nil weightage to the value derived under Net Asset Value method since asset approach does not value the future profit generating potential of the Company.
4. The Valuer has not considered the Discounted Cash Flow Method for determining the fair value of per equity share of the Company as the Company is a listed company and information related to future financial projections are price sensitive and therefore, the valuer were not provided with the projections of the Company.
5. The Valuer has assigned full weightage to the value derived under Market Price method as equity shares of the Company are listed on BSE, NSE and DSE and have a quoted market price available with reasonable trade volume.

For determining the market price the Valuer has considered the higher of the following:

- (a) the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognized stock exchange during the twenty six weeks preceding the valuation date; or
- (b) the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognized stock exchange during the two weeks preceding the valuation date.







# Galactico Corporate Services Limited

A SEBI Registered Category I Merchant Banker

Further as the trading volume on NSE was higher during the above mentioned period, the Valuer has considered the market prices quoted on NSE for two weeks and twenty six weeks preceding the valuation date, to arrive at the market price under the Market Approach.

6. Accordingly, the Valuer recommended the fair value per equity share of the Company to be **INR 1,089.90.**





# Galactico Corporate Services Limited

A SEBI Registered Category I Merchant Banker

## OPINION ON VALUER'S REPORT

The formation of an opinion is generally a complex process involving careful consideration and review of valuation methods, associated financial and other analysis performed by the valuer. We have made a qualitative assessment of the appropriateness of the method and subsequent application.

In light of the above, we believe that the value of per equity share of the Company as recommended by M/s N S Kumar & Co., Chartered Accountants dated July 15, 2020, for the proposed Scheme is fair.

**For Galactico Corporate Services Limited**

**Authorized Signatory**



Place: Nashik

Date: July 15, 2020