Niranjan Kumar
Registered Valuer - Securities or Financial Assets

Strictly Private and Confidential

Date: 15 September 2022

To,
Independent Committee/ Audit Committee/ The Board of Directors
Escorts Kubota Limited,
15/5, Mathura Road,
Faridabad – 121 003, Haryana.

To,
Audit Committee/ The Board of Directors
Escorts Kubota India Private Limited,
18/4, Mathura Road,
Faridabad – 121 007, Haryana

To,
Audit Committee/ The Board of Directors
Kubota Agricultural Machinery India Private Limited,
18/4, Mathura Road,
Faridabad – 121 007, Haryana

Subject: Recommendation of fair share exchange ratios for the Proposed Amalgamation of Escorts Kubota India Private Limited and Kubota Agricultural Machinery India Private Limited with Escorts Kubota Limited.

Dear Sir / Madam,

We refer to the engagement letter dated 18 August 2022 and subsequent discussions undertaken with the Management of Escorts Kubota Limited ('EKL' or 'Amalgamated Company'), Escorts Kubota India Private Limited ('EKI' or 'Amalgamating Company No. 1') and Kubota Agricultural Machinery India Private Limited ('KAI' or 'Amalgamating Company No. 2'), whereby it has appointed Niranjan Kumar, Registered Valuer – Securities or Financial Assets ('NK', or 'We' or the 'Valuer') to undertake valuation exercise and recommend fair share exchange ratios for the proposed amalgamation of EKI and KAI with EKL, pursuant to a Composite Scheme of Amalgamation (the 'Scheme') as per the provisions of section 230 to 232, and other applicable sections of the Companies Act, 2013 ('Proposed Amalgamation').

Hereinafter, Amalgamating Company No. 1 and Amalgamating Company No. 2 shall together be referred to as 'Amalgamating Companies'; the Amalgamating Companies and the Amalgamated Company shall together be referred to as the 'Companies' and the Management including the Independent Committee of EKL, Audit Committee and Board of Directors of the Companies shall together be referred to as the 'Management';

Please find enclosed the Report (comprising 17 pages including annexures) detailing our recommendation of share exchange ratios for the Proposed Amalgamation, 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 recommendation of the fair share exchange ratio(s) for the Proposed Amalgamation.

BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT

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

Escorts Kubota India Private Limited ('EKI' or 'Amalgamating Company 1'), a private limited company incorporated on 23 February 2019 is engaged in the business of production and sale of tractors for the Indian and global markets. EKI is a 60:40 joint venture between Kubota Corporation, Japan ('Kubota') and EKL respectively.

Kubota Agricultural Machinery India Private Limited ('KAI' or 'Amalgamating Company 2'), a private limited company incorporated on 08 December 2008 is engaged in the business of assembling and trading of tractors and other agri machines procured from EKI or Kubota. KAI is a 60:40 joint venture between Kubota and EKL respectively.

We understand that with an intention to consolidate agri-business operations in India, the Management of the Companies are contemplating a scheme of amalgamation, wherein they propose to amalgamate EKI and KAI with EKL in accordance with the provisions of sections 230 to 232 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, in each case, as amended from time to time, and in a manner provided in the Draft Composite Scheme of Amalgamation (hereinafter referred to as 'the Scheme'). Further as a consideration for the Proposed Amalgamation under Part B of the Scheme, equity shares of the Amalgamated Company would be issued to the equity shareholders of Amalgamating Companies (except equity shares held by EKL which shall be cancelled pursuant to the Proposed Amalgamation).

The equity shares to be issued for the aforesaid Proposed Amalgamation will be based on the fair share exchange ratio as determined by the Management on the basis of the fair share exchange ratio report prepared by us.

In connection with the above-mentioned Proposed Amalgamation, the Management has appointed Niranjan Kumar, Registered Valuer – Securities or Financials Assets ('NK') to submit a report recommending the fair share exchange ratio for the Proposed Amalgamation of EKI and KAI with EKL.

We would like to emphasize that certain terms of the Proposed Amalgamation are stated in our report, however the detailed terms of the Proposed Amalgamation shall be more fully described and explained in the Scheme document to be submitted with relevant authorities in relation to the Proposed Amalgamation. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the underlying Scheme.

We understand that the appointed date for the Proposed Amalgamation shall be 1 April 2023. We have carried out our Valuation to determine the fair share exchange ratios for the Proposed Amalgamation as at the Report Date ('Valuation Date').

The scope of our services is to conduct a relative (and not absolute) valuation exercise as at the Valuation Date to determine the equity value of the Companies and then arrive at the fair share exchange ratios using internationally accepted valuation methodologies as may be applicable to the Companies including requirement prescribed by the Securities Exchange Board of India ('SEBI') Regulations as may be applicable to listed companies and report on the same in accordance with generally accepted professional standards including ICAI Valuation Standards, 2018 notified 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.

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BACKGROUND OF THE COMPANIES

A. Escorts Kubota Limited ('EKL' or 'Amalgamated Company')

EKL is one of leading engineering conglomerates offering solutions for agriculture, infrastructure and railways.

EKL primarily operates in 3 different segments:

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

It also trades in oils & lubricants, implements, trailers, tractors, compressor accessories and spares, etc. The equity shares of EKL are listed on BSE and NSE.

The issued and subscribed outstanding equity share capital of EKL as on date comprises of 13,19,40,604 equity shares of face value of INR 10 each fully paid up. EKL has approved a scheme for cancellation of 2,14,42,343 equity shares of INR 10 each held by Escorts Benefit and Welfare Trust (referred to as 'Capital Reduction Scheme'), we understand that it has already received no objection certificate/observation letter from the respective stock exchanges and shareholder's approval in relation to such capital reduction. Upon effectiveness of the above-mentioned Capital Reduction Scheme and consequent cancellation of the equity share capital as provided above, the revised shareholding pattern as at the Valuation Date would be as under:

Name of shareholder	Number of shares	Percentage (%)
Promoter & Promoter Group	7,47,46,365	67.6%
Public	3,34,57,518	30.3%
Employee Trust	22,94,378	2.1%
Total no. of equity shares outstanding	**11,04,98,261**	**100.0%**

<u>Escorts Kubota India Private Limited</u>

EKI is primarily engaged in the business of production and sale of tractors for the Indian and global markets. It also exports certain components and spare parts.

We have been informed that up to FY22, EKI manufactured two kinds of tractors (i.e. 45HP and 55HP) Further, it plans to foray into production of small tractors in the ongoing financial year.

It is joint venture between Kubota and EKL with an equity holding of 60% and 40% respectively. Share capital of EKI as at the Valuation Date comprises of 3,00,00,000 equity shares with a face value of INR 100/- each. The shareholding pattern of EKI is as follows:

Name of shareholder	Number of shares	Percentage (%)
Kubota Corporation	1,80,00,000	60.0%
Escorts Kubota Limited	1,20,00,000	40.0%
Total no. of equity shares outstanding	**3,00,00,000**	**100.0%**

Kubota Agricultural Machinery India Private Limited

KAI, incorporated in 2008 is engaged in carrying out following business activities:

- trading of agricultural machineries - tractors, farm machines such as combine harvesters and rice planters, implements and related parts;
- exports of spares parts procured locally in India to Kubota group companies; and
- provides various services including post sales service, warranty and key components for repair and maintenance.

Its product range includes tractors, combine harvester and rice transplanter, utility vehicle, turf equipment, engines, weighing and measuring control systems, ductile iron pipes, valves, pumps etc.

KAI operates through its units in Pune and Chennai and has warehouses in various cities in India.

The share capital of KAI as at the Valuation Date comprises of 5,00,00,000 equity shares with a face value of INR 10/- each. The share holding pattern is as follows:

Name of shareholder	Number of shares	Percentage (%)
Kubota Corporation	3,00,00,000	60.0%
Escorts Kubota Limited	2,00,00,000	40.0%
Total no. of equity shares outstanding	**5,00,00,000**	**100.0%**

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SOURCES OF INFORMATION

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

A. Companies' specific information:

- Audited financial statements for the financial year ('FY') ended 31 March 2020, 31 March 2021 ('FY21') and 31 March 2022 ('FY22') according to Indian Accounting Standards ('Ind AS') for the Companies;
- Limited review standalone and consolidated financial statements of EKL for 3 months period ended 30 June 2022;
- Projected income statement, working capital and capital expenditure from FY ended 31 March 2023 ('FY23') to FY ended 31 March 2030 ('FY30') for EKI which the Management of EKI believes to be their best estimate of the expected performance of the company ('Management Projections of EKI');
- Projected income statement, working capital and capital expenditure from FY23 to FY30 for KAI which the Management of KAI believes to be their best estimate of the expected performance of the company ('Management Projections of KAI');
- Provisional computation of income tax return for the EKI and KAI for FY22 including the statement of carried forward income tax and book losses available for set-off;
- Draft Composite Scheme of Amalgamation;
- Shareholding pattern of the Companies as at the Valuation Date;
- Discussions and correspondences with the respective Management to inter-alia understand the historical and expected future performance and prospects, key value drivers, and competitive scenario affecting the Companies; and
- Other information and documents considered relevant for the purpose of this engagement.

B. Industry and economy information:

- Information available in public domain and databases such as Capital IQ and other subscribed databases.
- Such other information and relevant data, representations, information and explanations provided by the Management as considered relevant for the purpose of this engagement.

Besides the above listing, there may be other information provided by the Management which may not have been perused by us in detail, if not considered relevant for our defined scope.

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

The Management of the Companies have been provided with the opportunity to review the draft report (excluding the recommended fair share exchange ratios) as part of our standard practice to make sure that factual inaccuracy/ omissions are avoided in our report.

PROCEDURE ADOPTED

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

- Discussion with the Management to *inter-alia*:
  - Understand the business and fundamental factors that affect the business of the Companies including their earning generating capability including strength, weakness, opportunity and threat analysis;
  - Understand historical financial performance, current state of affairs, future financial estimates/ plans for Management Projections;
- Analysis of information shared by the Management;
- Considered the audited financial statements of the Companies as per Ind AS for FY20, FY21 and FY22;
- Considered limited review financial statements of EKL for 3 months period ended 30 June 2022;
- Considered the Management Projections of EKI and Management Projections of KAI (together referred to as 'Management Projections');
- Considered Draft Composite Scheme of Amalgamation;
- Considered the shareholding pattern of the Companies as at Report Date;
- Discussions with the Management to obtain requisite explanation and clarification of data provided;
- Selection of appropriate internationally accepted valuation methodology/ (ies) after deliberations and consideration to the sector in which the Companies operate and analysis of the business operations and financial performance of the Companies;
- Arrived at the valuation of the Companies using the method/(s) considered appropriate;
- Arrived at the value of equity shares of Companies after giving due weightage to the value arrived under the different methods;
- Arrived at the fair share exchange ratios for the Proposed Amalgamation of EKI & KAI with EKL.

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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 companies using internationally accepted valuation methodologies as may be applicable to the subject companies 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 specific to

- the purpose of valuation agreed as per the terms of our engagement;
- the date of the Report;
- the market price reflecting the fair value of the underlying equity shares of EKL; and
- data detailed in the section - Sources of Information.

We have been informed by the Management that the business activities of the Companies have been carried out in the normal and ordinary course between the latest financials and the report date and that no material changes have occurred in their respective operations and financial position between the latest available financials and the Valuation Date.

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 we do 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 equity value/ the worth of the security.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Management (or its representatives) till the date of this report and other sources, and the said conclusion 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).

It was not part of our Valuation exercise to perform an assessment with regard to the amount and specific usability of the tax loss carry forward available with the Companies. In this regard, we have relied on assumptions provided by the Companies. Any change in the assumptions might have a significant impact on the Valuation.

The determination of fair value for arriving at fair share exchange ratios 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 fair share exchange ratio 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 fair share exchange ratios at which the Proposed Amalgamation shall take place will be with the Management of the Companies, who should take into account other factors such as their own assessment of the Proposed Amalgamation and input of other advisors.

In the course of our analysis, we were 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, we 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.

We have not carried out a due diligence or audit or review of the Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided.

We are not legal or regulatory advisors with respect to legal and regulatory matters for the Proposed Amalgamation. We 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, we 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, we 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, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the report. Also, we assume 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. We do not imply, and it should not be construed that we 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 Companies comply fully with relevant laws and regulations applicable in all its areas of operations and that the Companies 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 Amalgamation nor the likely benefits arising out of the same. Similarly, the report does not address the relative merits of the Proposed Amalgamation 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 share exchange ratios only.

We would like to emphasize that the Management Projections and realization of free cash flow forecast used in the 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 Management 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 Management Projections. The fact that we have considered the Management Projections in the valuation exercise should not be construed or taken as our being associated with or a party to such Management Projections.

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

We owe responsibility only to the Management, who have appointed us, and nobody else. We do 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 the purpose of determining the fair share exchange ratio for the Proposed Amalgamation and relevant filing with regulatory authorities in this regard, without our prior written consent.

In addition, this report does not in any manner address the prices at which equity shares of the EKL shall trade following announcements of the Proposed Amalgamation and we express no opinion or recommendation as to how shareholders of the Companies should vote at any shareholders' meetings. Our report and the opinion/ valuation analysis contained herein is not to be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities.

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VALUATION APPROACH & METHODOLOGY

Basis and Premise of Valuation:

Valuation of the equity shares of the Companies as on the Valuation Date is carried out in accordance with ICAI Valuation Standards ('ICAI VS'), considering 'relative value' base and 'going concern' premise. Valuation base means the indication of the type of value being used in an engagement. Any change in the Valuation base, or the Valuation premise could have a significant impact on the Valuation outcome of the Companies.

Basis of Valuation

It means the indication of the type of value being used in an engagement. Fair Value as per ICAI VS is defined as under:

'Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.'

Premise of Value:

Premise of Value refers to the conditions and circumstances how an asset is deployed. Valuation of the Companies is carried out on a Going Concern Value premise which is defined under ICAI VS as under:

'Going concern value is the value of a business enterprise that is expected to continue to operate in the future. The intangible elements of going concern value result from factors such as having a trained work force, an operational plant, the necessary licenses, systems, and procedures in place, etc.'

It is pertinent to note that the valuation of any business/company or its assets is inherently imprecise and is subject to various uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions considering inter-alia general business and economic conditions, many of which are beyond the control of the company. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the business, and other factors which generally influence the valuation of the company, its business and assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although, different values may exist for different purpose, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

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

- Market Approach
  a. Market Price method
  b. Comparable Companies Market Multiple method
- Income Approach – Discounted Cash Flow method
- Asset Approach – Net Asset Value Method

For the Proposed Amalgamation, we have considered the following commonly used and accepted methods for determining the value of the equity shares of the Companies for the purpose of recommending the fair share exchange ratios, to the extent relevant and applicable:

Market Approach

Market approach is a valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.

Market Price Method

Under this method, the value of shares of a company is determined by taking the average of the market capitalization of the equity shares of such companies as quoted on a recognized stock exchange over reasonable periods of time where such quotations are arising from the shares being regularly and freely traded in an active market, subject to the element of speculative support that may be inbuilt in the market price.

In the present case, equity shares of EKL are widely held, regularly and frequently traded with reasonable volumes on NSE and BSE respectively. The market value of the shares arising from regular trading reflects the investors perception of about the true worth of the listed companies. Hence, we have adopted the market price method for valuation of EKL.

The equity shares of the EKI and KAI are not listed on any stock exchange and we have therefore not considered this method to arrive at the equity value of the EKI and KAI.

Since in the subject case equity shares of a listed company would be issued to the equity shareholders of an unlisted company, the minimum price at which shares are to be issued is prescribed under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2018 issued vide notification No. SEBI/LAD-NRO/GN/2018/31 dated 11 September 2018 and as amended from time to time ('SEBI ICDR Regulations'), is as under:

***"Regulation 164**: If the equity shares of the issuer have been listed on a recognised stock exchange for a period of 90 trading days or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:*

a. the 90 trading days volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date; or

b. the 10 trading days volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date.

Pursuant to the SEBI Circular CFD/DIL3/CIR/2017/26 dated March 23, 2017, *"the 'Relevant Date' for the purpose of computing pricing shall be the date of Board meeting in which the scheme is approved"*. Considering inter-alia the aforesaid, the prices up to day prior to the Relevant Date i.e. price up to 14 September 2022 are considered for computing the price of the equity shares of EKL.

Comparable Companies Multiple (CCM) Method

Under this method, the value of the shares / business of a company is estimated by applying the derived market multiple based on market quotations of comparable public / listed companies, in an active market, possessing attributes similar to the business of such company - to the relevant financial parameter of the company / business (based on past and / or projected working results) after making adjustments to the derived multiples on account of dissimilarities with the comparable companies and the strengths, weaknesses and other factors peculiar to the company being valued. These valuations are based on the principle that such 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 differences between the circumstances.

Based on our analysis and discussion with the Management, we understand that there are comparable listed companies which operate in a similar line of business and having similar financial/ operating metrics as that of EKL, we have therefore used CCM Method to value the equity shares of EKL.

Further, considering inter-alia the commencement date of operations, capacity utilization, planned expansion in production of small tractors, historical business operating performance of EKI and basis discussion with the Management, the current performance of EKI is not considered to be representative of its expected future performance. Accordingly, CCM method has not been adopted for valuation of EKI.

KAI is engaged in the business of trading of agri-machines and exports of products, procured from domestic market. Basis discussion with the Management and our analysis, there are no listed companies that can be considered as a company comparable having regard to the size and business profile, we have therefore not used CCM Method to value the equity shares of KAI.

Comparable Transaction Multiple (CTM) Method

Under Comparable Transaction Method, 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.

Based on our analysis and discussion with the Management, we understand that there are no 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 the Companies, we have therefore not used CTM method to value the equity shares of the Transacting Companies.

Income Approach - Discounted Cash Flow ('DCF')

Income approach is a valuation approach that converts maintainable or future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted or capitalized) amount.

Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. This method is used to determine the present value of a business on a going concern assumption and recognizes the time value of money by discounting the free cash flows for the explicit forecast period and the perpetuity value at an appropriate discount factor. The terminal value represents the total value of the available cash flow for all periods subsequent to the horizon period. The terminal value of the business at the end of the horizon period is estimated, discounted to its present value equivalent, and added to the present value of the available cash flow to estimate the value of the business.

Such DCF analysis involves determining the following:

- Estimating future free cash flows: Free cash flows are the cash flows expected to be generated by the company/ asset that are available to the providers of the company's capital - both debt and equity.
- Appropriate discount rate to be applied to cash flows i.e., the cost of capital: This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

Under the DCF method the projected free cash flows to the firm for the horizon period are discounted at the weighted average cost of capital. Terminal value of the business at the end of the horizon period is estimated based on an appropriate perpetual growth rate considering inter-alia long-term inflation and other business-related factors. The sum of the discounted value of such free cash flows for the horizon period and terminal value is the enterprise value. Adjustments for debt and debt-like items, cash and cash equivalents, post balance sheet events and contingent liability (if any) adjusted for probability of devolvement is considered to determine the equity value.

EKL being a listed company, the information related to future financial projections of EKL are price sensitive in nature. Considering inter-alia, we were not provided with the financial projections of EKL by the Management. Hence, we have not used DCF method to determine the value of the equity shares of EKL.

The Management of EKI and KAI have provided the Management Projections for EKI and KAI respectively, which the Management believes to be their best estimates as to the future operating performance of the respective Amalgamating Companies. Considering the aforementioned, DCF method has been adopted for valuation exercise of EKI and KAI.

Asset Approach

The asset-based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This methodology is likely to be appropriate for business which derives value mainly from the underlying value of its assets rather than its earnings. This value analysis approach may also be used in case where the firm is to be liquidated or in case where the assets base dominates earning capability. It is also used where the main strength of the business is its asset backing rather than its capacity or potential to earn profits.

The relative valuation of the Companies is carried out on an 'going concern' *premise. The historical net asset value of the business may not be representative of their earning potential. Further, self-generated key intangibles such as technology, customer relationship, brand/ trademark, distribution network may not be reflected in their historical net asset value. Accordingly, Asset Approach has not been adopted for the valuation of the Companies.*

RECOMMENDATION OF FAIR SHARE EXCHANGE RATIOS FOR THE PROPOSED AMALGAMATION

The basis of Proposed Amalgamation of EKI and KAI with EKL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above methodologies, for the purposes of recommending fair share exchange ratios, it is necessary to arrive at a single value for the Companies. It is however important to note that in doing so we are not attempting to arrive at the absolute values but at their relative values to facilitate the determination of fair share exchange ratios. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

The fair share exchange ratio has been arrived at on the basis of a relative (and not absolute) equity value of the Amalgamating Companies and Amalgamated Company for the proposed scheme of amalgamation based on the various approaches/ methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses, having regard to information base, key underlying assumptions, and limitations. Suitable rounding off have been carried out wherever necessary to arrive at the recommended fair share exchange ratios.

Refer Annexure 1 for value per share of the Companies under different methods prescribed and the fair share exchange ratio for Proposed Amalgamation of EKI and KAI with EKL.

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 fair share exchange ratios for proposed amalgamation of EKI and KAI with EKL on a 'going concern' basis as at Valuation Date is as follows:

1) **To the equity shareholders of EKI**

   5 (Five) equity shares of EKL having face value of INR 10 each fully paid up shall be issued for every 129 (One Hundred Twenty-Nine) equity shares held in EKI having face value of INR 100 each fully paid up.

2) **To the equity shareholders of KAI**

   5 (Five) equity shares of EKL having face value of INR 10 each fully paid up shall be issued for every 220 (Two Hundred Twenty) equity shares held in KAI having face value of INR 10 each fully paid up.

Respectfully submitted,

NIRANJAN KUMAR IBBI Regn. No. IBBI/RV/06/2018/10137 REGISTERED VALUER-SEC. OR FIN. ASSETS

Niranjan Kumar
Registered Valuer- Securities or Financial Assets
IBBI Registration Number: IBBI/RV/06/2018/10137
ICAIRVO/06/RV-P000021/2018-19
UDIN: 22121635ASGYZL8589

Date: 15 September 2022
Place: Pune

Annexure 1 – Summary of fair share exchange ratio

Amalgamation of EKI (Amalgamating Company 1) and KAI (Amalgamating Company 2) with EKL (Amalgamated Company)

Approach/Method of Valuation	EKL			EKI			KAI		
	Value per share (INR)	Weights	Product	Value per share (INR)	Weights	Product	Value per share (INR)	Weights	Product
Market Approach									
- Market Price Method	2,023.3	100.0%	2,023.3	NA	0.0%	NA	NA	0.0%	NA
- Comparable Companies Method	1,499.2	0.0%	-	NA	0.0%	NA	NA	0.0%	NA
Income Approach - Discounted Cash Flow Method	NA	0.0%	NA	78.4	100.0%	78.4	46.0	100.0%	46.0
Asset Approach - Net Asset Value Method	NA	0.0%	NA	NA	0.0%	NA	NA	0.0%	NA
Relative value per equity share (INR)			**2,023.3**			**78.4**			**46.0**
Recommended Fair Share Exchange Ratio for EKI (Rounded off)			**25.8**						
Recommended Fair Share Exchange Ratio for KAI (Rounded off)			**44.0**						

NA: Not Adopted/Applicable

Notes:

1) **Market Approach – Market Price Method**

The equity shares of EKI and KAI are not listed on any stock exchange, hence we have not used this method to determine the fair value of equity shares of EKI and KAI.

Market Approach – CCM Method

Considering inter-alia comparable listed companies which operate in a similar line of business as that of EKL, we have considered CCM Method to arrive at the equity value of EKL. However, considering that unlisted company is proposed to be amalgamated with EKL, the price as per market price method pursuant to SEBI Guidelines is considered to be the minimum price and the value of EKL as per CCM method is not accorded any weightage.

Considering the commencement date of operations, capacity utilization, planned expansion in production of small tractors, historical business operating performance of EKI and basis discussion with the Management the current performance of EKI is not considered to be representative of its expected future performance. Accordingly, CCM method has not been adopted for valuation of EKI.

KAI is engaged in the business of trading of agri-machines and exports of products, procured from domestic market. Basis discussion with the Management and our analysis, there are no listed companies that can be considered similar as a company comparable having regard to the size and business profile, we have therefore not considered CCM Method for valuation of KAI.

2) **Income Approach - Discounted Cash Flow Method**

EKL being a listed company and since the information related to future financial projections of the company are price sensitive in nature, we were not provided with the financial projections of EKL by the Management. We have therefore not used DCF method to determine the value of the equity shares of EKL.

3) Asset Approach - NAV Method

The Companies, presently operate as a going concern and would continue to do so for the foreseeable future and NAV Method does not value the future profit generating ability of the business, we have therefore not used this method to value the equity shares of the Companies.

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Annexure-3A

Escorts Kubota Limited

To,

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra East, Mumbai – 400051

BSE – 500495

NSE – ESCORTS

Sub: Confirmation from Company Secretary

Dear Sir/ Ma'am,

This is to certify/confirm that :-

(i) No material event impacting the valuation has occurred during the intervening period of filing the scheme documents with Stock Exchange and period under consideration for valuation; and

(ii) There are no past defaults of listed debt obligations of the entities forming part of the scheme.

Thanking you,
Yours faithfully,
For **Escorts Kubota Limited**

ESCORTS KUBOTA LIMITED

Satyendra Chauhan
Company Secretary & Compliance Officer

Date: September 26, 2022

Note: The Equity Shares of the Company were listed on the Delhi Stock Exchange Limited (DSE). However, DSE has been de-recognised and allowed to exit as a stock exchange by SEBI by way of SEBIs Order No. WTM/ SR/ SEBI/ MRD-DSA/ 04/ 01/ 2017 dated 23 January 2017. For avoidance of doubt, the securities of the Company are not listed on DSE owing to DSE having been de-recognised by SEBI.