

## **RBSA Valuation Advisors LLP**

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# **REPORT ON EQUITY SHARE ENTITLEMENT RATIO FOR DEMERGER OF POWER TRANSMISSION AND DISTRIBUTION BUSINESS OF BAJAJ ELECTRICALS LIMITED TO BAJEL PROJECTS LIMITED**

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Report Reference Number: RVA2122AFASREP02001

Date: February 8, 2022

**The Board of Directors**  
**Bajaj Electricals Limited**  
45/47, Veer Nariman Road  
Fort,  
Mumbai – 400023

**The Board of Directors**  
**Bajel Projects Limited**  
1, Rustomjee Aspiree,  
Anik Wadala Link Road, Sion East,  
Mumbai 400022

**Subject: Recommendation of equity share entitlement ratio for the Proposed Demerger of Power Transmission and Distribution Business of Bajaj Electricals Limited to Bajel Projects Limited**

Dear Sirs,

We refer to our engagement letter dated January 11, 2022, wherein Bajaj Electricals Limited (“BEL” / “Company” / “Client”) has requested RBSA Valuation Advisors LLP (“RBSA”, “Valuer”), to recommend equity share entitlement ratio for the proposed demerger of the Power Transmission and Power Distribution Business (“PT PD” or “Demerged Undertaking”) of Bajaj Electricals Limited, on a ‘going concern value’ premise, into Bajel Projects Limited (“BPL”, “Resulting Company”), pursuant to a scheme of arrangement under section 230-232 of the Companies Act, 2013, and other applicable provisions of the Companies Act, 2013, read with Section 2(19AA) and other applicable provisions of the Income Tax Act, 1961 (the “Scheme”).

BEL and BPL are together hereinafter referred to as the “Specified Companies”

The equity share entitlement ratio for the purpose of this Report refers to the number of fully paid-up equity shares of face value INR 2/- each to be issued by BPL to the equity shareholders of BEL as a consideration for the proposed demerger of the Demerged Undertaking on a ‘going concern value’ premise into BPL (the “Share Entitlement Ratio”)

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

## **CONTEXT AND PURPOSE OF THIS REPORT**

We understand that the Board of Directors of BEL propose to demerge the Demerged Undertaking of BEL into BPL with effect from April 1, 2022, pursuant to the Scheme (“Proposed Transaction”).

As consideration for the transfer of Demerged Undertaking, equity shares of BPL shall be issued to the equity shareholders of BEL. Upon Scheme becoming effective and upon allotment of equity shares by the Resulting Company, the shares held by BEL in BPL shall be cancelled, extinguished, and annulled.

In this context, the Board of Directors of BEL have requested RBSA to submit a report (“Report”) recommending the equity share entitlement ratio for the proposed demerger of the Demerged Undertaking of BEL on a ‘going concern value’ premise into BPL, pursuant to the Scheme. The scope of our services is to arrive at the share entitlement ratio for the Proposed Transaction in accordance with the standards prescribed by the Institute of Chartered Accountants of India.



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### SOURCES OF INFORMATION

In connection with the preparation of this Report, we have relied on the following information received from the management of BEL (the "Management"),

- i. Shareholding pattern of BEL as of December 31, 2021;
- ii. Discussions with the Management to augment our knowledge on the operations of the Companies / Demerged Undertaking;
- iii. Management certified Balance sheet of PT PD as on December 31, 2021;
- iv. Draft scheme of arrangement;
- v. Such other information, explanations and representations that were required and provided by the Management;
- vi. Such other analysis, inquiries, and reviews as we considered necessary.

### BACKGROUND OF THE SPECIFIED COMPANIES

Bajaj Electricals Limited is a public limited company incorporated in July 1938 under the provisions of the Indian Companies Act, 1913. BEL primarily operate in Consumer Product Segment (which includes appliances, fan, and consumer lighting products) and Engineering Procurement and Construction ("EPC") segment (which includes Power Transmission, Power Distribution, and Illumination Projects). The equity shares of BEL are listed on the BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE").

The shareholding pattern of BEL as of December 31, 2021, is as under:

No.	Shareholder category	No. of equity shares #	Percentage
1.	Promoter and Group	72,342,278	63.01%
2.	Public shareholders	42,471,551	36.99%
	<b>Total</b>	<b>114,813,829</b>	<b>100.00%</b>

# Face value INR 2 each

Source: Management

The EPC segment comprises providing solutions that include design, engineering, procurement, construction and project management and managing all aspects of project execution from conceptualizing to commissioning. It also comprises of providing end-to-end EPC solutions or any combination of individual services, depending on customer's needs and market opportunity. As per the Scheme, PT PD Business means all business and related ventures of engineering, procurement, and construction division of BEL except the business of illumination and certain investments.

BPL is a public limited company incorporated on January 19, 2022, under the provisions of the Companies Act, 2013, as a wholly owned subsidiary of BEL. The main object of BPL is to *inter-alia* carry out the Power Transmission and Power Distribution Business.



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### EXCLUSIONS AND LIMITATIONS:

- Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. These services do not represent accounting, assurance, accounting and tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.
- The scope of our services is to recommend a Share Entitlement Ratio for the Proposed Transaction. Valuation Standards ("ICAI VS") issued by the Institute of Chartered Accountants of India has been adopted for the valuation.
- This Report, its contents and the results herein are (i) specific to the purpose of valuation agreed as per the terms of our engagement; (ii) the date of the Report and other information provided by the Management.
- A valuation of this nature is necessarily based on the information made available to us as of the date hereof, the prevailing market conditions, financial, economic, and other conditions in general and industry trends in particular, as of the Valuation Date. 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 represents our recommendation based upon information till date, furnished by the Management (or its representatives) and other sources and the said recommendation shall be considered to be in the nature of non-binding advice. Our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors.
- Determination of Share Entitlement 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 judgement. There is, therefore, no single undisputed Share Entitlement Ratio. While we have provided our recommendation of the Share Entitlement Ratio based on the information available to us and within the scope of our engagement, others may have a different opinion. The final responsibility for the determination of the Share Entitlement Ratio at which the Proposed Transaction shall take place will be with the Board of Directors of BEL who should take into account other factors such as their own assessment of the Proposed Transaction and inputs from other advisors.
- In the course of the valuation, we were provided with both written and verbal information. In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification the accuracy and completeness of information made available to us by BEL. We have not carried out a due diligence or audit of the information provided for this engagement, nor have we independently investigated or otherwise verified the data provided. We do not express any form of assurance that the financial information or other information as prepared and provided by BEL is accurate and no responsibility is assumed for matters of a legal nature.
- This Report does not look into the business/ commercial reasons behind the Proposed Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the



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Proposed Transaction as compared with any other alternative business transaction or other alternatives or whether such alternatives could be achieved or are available.

- We owe responsibility to only the Boards of Directors of BEL and BPL who have appointed us under the terms of our engagement letter and nobody else. 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 advisor to the Specified Companies. In no event shall we be liable for any loss, damages, cost, or expenses arising in any way from fraudulent acts, misrepresentations, or willful default on part of the Specified Companies, their directors, employees, or agents. In no circumstances shall the liability of a Valuer, its partners, its directors, or employees, relating to the services provided in connection with the engagement set out in this Report shall exceed the amount paid to the Valuer in respect of the fees charged by it for these services. 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 on the Share Entitlement Ratio. 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.
- The Report assumes that the Specified Companies and the Demerged Undertaking comply fully with relevant laws and regulations applicable in all its area of operations and usage unless otherwise stated, and that they will be managed in a competent and responsible manner. Further, unless specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/ reflected in the provisional financial statements provided to us. Our assumption of value assumes that the assets and liabilities of the Specified Companies and the Demerged Undertaking, reflected in the respective latest balance sheets remain intact as of this Report date.
- Neither this 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 Scheme, without our prior written consent. This Report does not in any manner address the prices at which equity shares of the Specified Companies will trade following the consummation of the Proposed Transaction and we express no opinion or recommendation as to how the shareholders of BEL should vote at the shareholders' meeting(s) to be held in connection with the Proposed Transaction.
- This Report is intended only for the sole use and information of the Board of Directors of BEL in connection with the Proposed Transaction including for the purpose of obtaining regulatory approvals, as required under applicable laws of India, for the proposed demerger. Without limiting the foregoing, we understand that BEL may be required to share this Report with their shareholders, regulatory or judicial authorities and merchant banker providing fairness opinion on the Share Entitlement Ratio, in connection with the Proposed Transaction (together, "Permitted Recipients"). We hereby give consent to such disclosure of this Report, on the basis that the Valuer owes responsibility only to BEL who has engaged us, under the terms of the engagement, and to no other person; and that, to the fullest extent permitted by law, the Valuer accepts no responsibility or liability to any other party, in connection with this Report. It is clarified that reference to this Report in any document and / or filing with Permitted Recipients, in connection with the Proposed Transaction, shall not be deemed to be an acceptance by the Valuer of any responsibility or liability to any person/ party other than BEL and BPL.



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- The Management has informed us that there are no unusual / abnormal events in the Specified Companies till the Report Date materially impacting their operating / financial performance. Further, the Management has informed us that all material information impacting the Specified Companies has been disclosed to us and that there would be no variation between the draft Scheme of Arrangement and the final scheme approved and submitted with the relevant authorities.
- The fee for the engagement is not contingent upon the results reported.
- This Report is subject to the laws of India.

### BASIS OF SHARE ENTITLEMENT RATIO

The Proposed Transaction contemplates demerger of Demerged Undertaking of BEL and transfer to BPL, its wholly owned subsidiary, pursuant to the Scheme. As a consideration for the transfer of Demerged Undertaking, BPL shall issue its equity shares to the equity shareholders of BEL. Further, upon the Scheme becoming effective and upon allotment of equity shares by the BPL to BEL shareholders, the equity shares held by BEL in BPL shall be cancelled, extinguished, and annulled.

Accordingly, the shareholders of BEL are and will, upon demerger, be ultimate economic beneficial owners of BPL in the same proportion as they hold in BEL.

As per clause 4(b) of Annexure I of circular CFD/DIL3/CIR/2017/21 dated March 10, 2017, issued by the Securities and Exchange Board of India (SEBI), a Valuation Report is not required where there is no change in the shareholding pattern of the listed entity/resultant entity.

Considering *inter-alia*, the capital structure, serviceability and other factors, the Management has proposed a Share Entitlement Ratio of 1 (One) fully paid-up equity share of face value INR 2 each of BPL for every 1 (One) fully paid-up equity share of face value INR 2 each in BEL, as a consideration for the demerger of Demerged Undertaking on a 'going concern value' premise, pursuant to the Scheme.

Considering the aforementioned and, in particular, that all the shareholders of BEL are and will, upon demerger, be ultimate economic beneficial owners of BPL in the same proportion as they hold in BEL, the Share Entitlement Ratio of 1 (One) fully paid-up equity share of face value INR 2 each of BPL for every 1 (One) fully paid-up equity share of face value INR 2 each in BEL, as proposed by the Management, is fair.

The Proposed Transaction does not require valuation report under SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, since there is no change in the shareholding pattern of the Demerged Company and the Resulting Company.

BSE Circular No. LIST/COMP/02/2017-18 dated May 29, 2017, and NSE Circular No. NSE/CML/2017/12 dated June 1, 2017, requires a valuation report to disclose certain information in the specified format, which is given below,



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Valuation Approaches	PT PD Undertaking (A)		BPL (B)	
	Value per share	Weight (%)	Value per share	Weight (%)
Asset Approach	NA	Nil	NA	Nil
Market Approach	NA	Nil	NA	Nil
Income Approach	NA	Nil	NA	Nil
<b>Relative Value per share</b>	<b>NA</b>		<b>NA</b>	
Share Entitlement Ratio (A/B)	<b>NA</b>			

NA - Not Applicable

Thanking you.

For RBSA Valuation Advisors LLP

RVE No.: IBBI/RV-E/05/2019/110

A handwritten signature in blue ink, appearing to read 'S. D. Shah', with a horizontal line underneath.

**Samir D. Shah**

Partner

Asset Class: Securities or Financial Assets

RV No.: IBBI/RV/06/2019/12263





To  
BSE Limited  
P.J. Towers Dalal Street  
Mumbai – 400001  
**BSE scrip code: 500031**

**Re.: Application under Regulation 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, as amended (“LODR Regulations”) in respect of the Scheme of Arrangement between Bajaj Electricals Limited (“Demerged Company” or “BEL” or “Company”) and Bajel Projects Limited (“Resulting Company” or “BPL”) and their respective shareholders under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“Scheme”)**

In connection with the above application, we hereby confirm that:

- a) 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 as no relative valuation was carried out as explained by the Registered Valuer in its report dated February 8, 2022.
- b) There are no details on any past defaults of listed debt obligations of the Demerged and the Resulting Company.

For Bajaj Electricals Limited

AJAY  
SURESH  
NAGLE

Digitally signed by  
AJAY SURESH NAGLE  
Date: 2022.02.22  
12:21:58 +05'30'

Ajay Nagle  
Head of Department – Legal (and Company Secretary)  
ICSI Membership No. A9855

Date: February 22, 2022  
Place: Mumbai