

# CA Harsh Chandrakant Ruparelia

Registered Valuer – Securities or Financial Assets  
(IBBI Registration No. IBBI/RV/05/2019/11106 and  
Membership No. ICMAI RVO/S&FA/00054)

---

**STRICTLY PRIVATE & CONFIDENTIAL**

22<sup>nd</sup> July 2021

To,

**The Board of Directors,**

**BEML Limited**

"BEML Soudha",  
No. 23/1, 4<sup>th</sup> Main,  
Sampangirama Nagara,  
Bengaluru, Karnataka – 560 027; and

**The Board of Directors,**

**BEML Land Assets Limited**

"BEML Soudha",  
No. 23/1, 4<sup>th</sup> Main,  
Sampangirama Nagara,  
Bengaluru, Karnataka – 560 027.

Dear Sirs,

**Re: Report on recommendation of Share Entitlement Ratio for Demerger of  
the Identified Surplus / Non-core Assets (as defined in the Scheme) of  
BEML Limited into BEML Land Assets Limited**

I refer to my sub-contractor agreement dated 20<sup>th</sup> July 2021, whereby CA Harsh Chandrakant Ruparelia, Registered Valuer (hereinafter referred to as "the Valuer" or "I") has been appointed by Deloitte Haskins & Sells LLP ("DHS") in their capacity as advisors to the management of BEML Limited [CIN: L35202KA1964GOI001530]

Page 1 of 12

Phone No: +91 22 28050744  
Cell No: +91 90043 57775  
+91 83443 11113  
e-mail: [harsh.ruparelia@yahoo.com](mailto:harsh.ruparelia@yahoo.com)

B/702, Jyoti Tower,  
Kandivali Jyoti Park CHS Ltd,  
Opp. Anand Ashram,  
S.V. Road, Kandivali (West),  
Mumbai – 400 067



(hereinafter referred to as "BEML" or "the Demerged Company") to issue a report containing recommendation of the Share Entitlement Ratio for the proposed demerger ("Proposed Demerger") of Identified Surplus / Non-core Assets (as defined in the Scheme) of BEML into BEML Land Assets Limited [CIN: U70109KA2021GOI149486] (hereinafter referred to as "BEML Land" or "the Resulting Company"), both BEML and BEML Land collectively referred to as "Companies", pursuant to a Draft Scheme of Arrangement under Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013 and rules & regulations framed thereunder ("Scheme").

In the following paragraphs, I have summarized my understanding of the key facts; key information relied upon, basis of recommendation and limitations to my scope of work.

The report is structured as under:

1. Purpose of this report
2. Background
3. Sources of Information
4. Basis of Recommendation
5. Share Entitlement Ratio
6. Exclusions and Scope Limitations

#### **1. PURPOSE OF THIS REPORT**

- 1.1 I understand that the management of the Companies ("Management") is contemplating a Scheme of Arrangement ("Scheme") under Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013 and rules & regulations framed thereunder for the demerger of the Identified Surplus / Non-core Assets (as defined in the Scheme) of BEML Limited into BEML Land Assets Limited in accordance with Section 2(19AA) of the Income-tax Act, 1961. The demerger is proposed to take effect from the Appointed Date as defined in the Scheme.
- 1.2 In this regard, Harsh Chandrakant Ruparelia, Registered Valuer, has been appointed by DHS for recommendation of the Share Entitlement Ratio for the Proposed Demerger under the Scheme.

*(This space has been intentionally left blank)*



**2. BACKGROUND**

**2.1 BEML LIMITED ("BEML")**

- 2.1.1 BEML was incorporated on 11<sup>th</sup> May 1964 under the erstwhile provisions of the Companies Act, 1956 as Bharat Earth Movers Limited. Later, Bharat Earth Movers Limited was renamed as BEML Limited in the year 2007. The registered office of BEML is currently situated at "BEML Soudha", No. 23/1, 4<sup>th</sup> Main, Sampangirama Nagara, Bengaluru – 560 027 in the State of Karnataka.
- 2.1.2 The Authorised, Issued, Subscribed and Paid-up Share Capital of BEML as on date is as under:

<b>Particulars</b>	<b>Amount in INR</b>
<u>Authorised Share Capital</u>	
10,00,00,000 Equity Shares of INR 10/- each	100,00,00,000
<u>Issued Share Capital</u>	
4,19,00,000 Equity Shares of INR 10/- each	41,90,00,000
<u>Subscribed and Paid-up Share Capital</u>	
4,16,44,500 Equity Shares of INR 10/- each, fully paid-up	41,64,45,000
<u>Forfeited Shares (amount originally paid)</u>	
2,55,500 Equity Shares of paid-up value of INR 5/- each	12,77,500

- 2.1.3 The equity shareholding pattern of BEML as on 30<sup>th</sup> June 2021 is as under:

<b>Sr No</b>	<b>Name of the Shareholder</b>	<b>Percentage of Shareholding (%)</b>
1	Promoter & Promoter Group (viz. Government of India – Ministry of Defence)	54.03%
2	Public Shareholders	45.97%
<b>Total</b>		<b>100.00%</b>

- 2.1.4 BEML is a 'government company' as defined under Section 2(45) of the Companies Act, 2013 and consequently public sector undertaking under Section 2(36A) of the Income Tax Act, 1961. BEML has 3 divisions viz. (a) Mining & Construction, (b) Defense & Aerospace and (c) Rail & Metro. The equity shares of BEML are listed and traded on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE").

*(This space has been intentionally left blank)*



**2.2 BEML LAND ASSETS LIMITED**

2.2.1 BEML Land was incorporated on 15<sup>th</sup> July 2021 under the provisions of the Companies Act, 2013. The registered office of BEML Land is currently situated at "BEML Soudha", No. 23/1, 4<sup>th</sup> Main, Sampangirama Nagara, Bengaluru – 560 027 in the State of Karnataka.

2.2.2 The Authorised, Issued, Subscribed and Paid-up Share Capital of BEML Land as on date is as under:

<b>Particulars</b>	<b>Amount in INR</b>
<u>Authorised Share Capital</u>	
10,00,000 Equity Shares of INR 1/- each	10,00,000
<b>Total</b>	<b>10,00,000</b>
<u>Issued, Subscribed and Paid-up Share Capital</u>	
1,00,000 Equity Shares of INR 1/- each, fully paid-up	1,00,000
<b>Total</b>	<b>1,00,000</b>

2.2.3 The entire issued, subscribed and paid-up share capital of BEML Land is held by BEML Limited and its nominees as on date.

2.2.4 BEML Land is also a 'government company' as defined under Section 2(45) of the Companies Act, 2013 and consequently, public sector undertaking under Section 2(36A) of the Income Tax Act, 1961. The Resulting Company is a new and unlisted public limited company as on date. The Resulting Company is incorporated with the object to carry out real estate activities as laid down in detail in its Memorandum of Association.

**2.3** The proposed Scheme of Arrangement provides for transfer of "Identified Surplus / Non-core Assets" from BEML and its vesting in BEML Land, reduction and cancellation of share capital of BEML Land and matters incidental thereto.

**2.4 The rationale and benefits for the Scheme as provided in the Draft Scheme of Arrangement is reproduced as under:**

- 2.4.1 Presently, the President of India through the Ministry of Defense ("MoD") holds 54.03% of the equity share capital of BEML as on date.
- 2.4.2 The Government of India ("GoI") had 'in-principle' decided to disinvest 26.00% of the equity share capital of BEML Limited through strategic disinvestment along with transfer of management control ("Strategic Disinvestment").



- 2.4.3 BEML has land parcels and building spread across India, at its various manufacturing facilities, corporate office, marketing and regional offices out of which there are certain land parcels and buildings which can be categorized as surplus/ non-core assets. The surplus/ non-core land and building details of BEML is hereinafter referred to as "Identified Surplus/ Non-core assets".
- 2.4.4 The Board of Directors of BEML has agreed, based on the decision of Government of India, to hive-off of Identified Surplus/ Non-core assets separately and exclude it from the process of strategic disinvestment. In order to achieve the above objectives, Identified Surplus/ Non-core Assets are being demerged into BEML Land Assets Limited.
- 2.4.5 With a view to facilitate reconstruction and splitting up of public sector companies into separate companies, the Central Government vide Finance Act 2021, has inserted Explanation 6 to Section 2(19AA) of the Income Tax Act, 1961 with effect from 1 April 2021. Explanation 6 clarifies that the reconstruction or splitting up of a public sector company into separate companies shall be deemed to be a demerger, if such reconstruction or splitting up has been made to transfer any asset of the demerged company to the resulting company and such resulting company –
- is a public sector company on the appointed date indicated in such scheme as may be approved by the Central Government or any other body authorized under the provisions of the Companies Act, 2013 or any other law for the time being in force governing such public sector companies in this behalf; and
  - fulfills such other conditions as may be notified by the Central Government in the Official Gazette in this behalf.

The reconstruction and splitting up, by way of transfer of the Identified Surplus/ Non-core assets to BEML Land Assets Limited, is to be undertaken in terms of Explanation 6 to Section 2(19AA) of the Income Tax Act, 1961.

- 2.4.6 The proposed corporate restructuring mechanism by way of a Scheme under the provisions of the Act is beneficial, advantageous and not prejudicial to the interests of the shareholders, creditors, general public at large and other stakeholders of the companies involved.
- 2.4.7 The Scheme also provides for various matters consequential or otherwise integrally connected herewith.



**3. SOURCES OF INFORMATION**

- 3.1. For the purpose of the recommendation of Share Entitlement Ratio, I have relied upon the following sources of information provided by the management of the Companies:
- (a) Audited Financial Statements of BEML for the year ended 31<sup>st</sup> March 2020;
  - (b) Latest shareholding pattern of the Companies, as duly certified;
  - (c) Draft Scheme of the Arrangement (as duly certified by the Management);
  - (d) Memorandum and Articles of Association of the Companies;
  - (e) Other relevant details of the Companies such as its history, past and present activities, future plans and prospects, and other relevant information; and
  - (f) Such other information and explanations as required and which have been provided by the Management of the Companies.

*Besides the above information and documents, there may be other information provided by the Companies which may not have been perused by me in any detail, if not considered relevant for the defined scope. The Companies have been provided with the opportunity to review the draft report as part of the standard practice to make sure that factual inaccuracy & omissions are avoided in the final report.*

I have been informed that Fedex Securities Private Limited have been appointed by BEML (through DHS), to provide fairness opinion on the Share Entitlement Ratio for the purpose of the aforementioned Scheme. Further, I have had discussions with fairness opinion providers appointed by BEML (through their advisors) on the valuation approach.

**4. BASIS OF RECOMMENDATION**

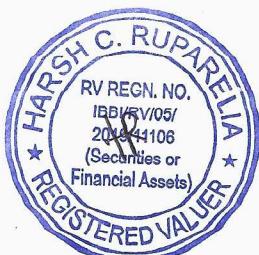
- 4.1. As per the proposed Scheme of Arrangement, in consideration of transfer and vesting of Identified Surplus / Non-core Assets of BEML into BEML Land (*a wholly owned subsidiary of BEML*), BEML Land shall issue and allot equity shares to the equity shareholders of BEML based on the ratio of entitlement of shares.
- 4.2. Upon the issue of shares by BEML Land, the entire existing capital of the BEML Land held by BEML as on the Effective Date shall stand cancelled without any payment. Accordingly, the issued share capital of BEML Land shall stand reduced by the face value of shares held by BEML prior to the issue of shares by BEML Land.



- 4.3. I understand that, as part of the Scheme, the Identified Surplus / Non-core Assets of BEML is proposed to be demerged into BEML Land. Once the Scheme is implemented, all the shareholders of BEML would also become shareholders in BEML Land, and their shareholding in BEML Land would be identical to their shareholding in BEML.
- 4.4. Further, as provided for in Clause 9.1 of the Draft Scheme and as represented by the Management of BEML and BEML Land, the authorized share capital of BEML Land shall stand re-organised to each equity share having a face value of INR 10/- (Rupees Ten Only) each, upon coming into effect of the Draft Scheme. Accordingly, the Face Value per Equity Share of BEML Land shall stand amended to INR 10/- each instead of existing Face Value per Equity Share of INR 1/- each upon consequential amendment in Memorandum and Articles of Association of BEML Land as provided for in the relevant clauses of the Draft Scheme.
- 4.5. I further understand that as an effect of Demerger, each shareholder of BEML would become owner of shares in two companies instead of one. Post Demerger, the percentage shareholding of a shareholder in BEML Land would remain unchanged from the proportion of capital held by such shareholder in BEML.
- 4.6. The management of BEML has further indicated that the shareholding of BEML Land pursuant to the Proposed Demerger of Identified Surplus / Non-core Assets of BEML into BEML Land would be, effectively, same as the shareholding of BEML (pre-Demerger) as the new shares of BEML Land would be issued to the shareholders of BEML in proportion to their shareholding in BEML (pre-Demerger). Thus, I understand that the interest of the shareholders in BEML will effectively remain unchanged and therefore, from that perspective shareholders interest would not be prejudicially affected. The Scheme does not envisage dilution of the holding of any one or more shareholders as a result of the Scheme.

## **5. SHARE ENTITLEMENT RATIO**

- 5.1. In the ultimate analysis, recommendation will have to involve the exercise of judicious discretion and judgment 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. This concept is also recognized in judicial decisions. For



example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

*'If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible.'*

- 5.2. On the basis of the foregoing, any Share Entitlement Ratio can be considered for the above Proposed Demerger as the proportionate shareholding of any shareholder would not vary.
- 5.3. The fair basis of Share Entitlement Ratio under the Scheme would have to be determined after taking into consideration all the factors and approach mentioned hereinabove. It is however important to note that in doing so, I am not attempting to arrive at the absolute value per share of the BEML attributable to Identified Surplus / Non-core assets / BEML Land as all the shareholders of BEML would also become shareholders of BEML Land, and their shareholding in BEML Land would mirror their shareholding in BEML. Hence, no relative valuation is required to be undertaken to facilitate the determination of the Share Entitlement Ratio. Accordingly, no relative valuation of Identified Surplus / Non-Core Assets of BEML and of BEML Land is required to be undertaken for Part B of the Scheme. Therefore, valuation approaches, as prescribed by circular number NSE/CML/2017/12 of NSE and LIST/COMP/02/2017-18 of BSE, have not been undertaken as they are not relevant in the instant case.
- 5.4. For the purpose of the current valuation exercise, I have provided following weights to the valuation methodologies based on my understanding of the financial position and other various factors relevant to the valuation exercise (in accordance with prescribed format by the Stock Exchanges):

*(This space has been intentionally left blank)*



<b>Valuation Approach</b>	<b>BEML Limited / (Identified Surplus / Non-Core Assets of BEML Limited)</b>		<b>BEML Land Assets Limited</b>	
	<i>Value per Share</i>	<i>Weight</i>	<i>Value per Share</i>	<i>Weight</i>
Asset Approach	NA	NA	NA	NA
Income Approach	NA	NA	NA	NA
Market Approach	NA	NA	NA	NA
<b>Relative Value Per Share</b>	NA			
<b>Share Entitlement Ratio (rounded-off)</b>	NA			

NA : Not Adopted / Not Applicable

- 5.5. Further, considering the desired capital structure of BEML Land, the management has proposed a Share Entitlement Ratio of 1 (One) fully paid-up equity share of BEML Land of face value of INR 10/- each, for every 1 (One) fully paid equity share of BEML of face value INR 10/- each as a consideration for the Proposed Demerger of Identified Surplus / Non-Core Assets of BEML into BEML Land.
- 5.6. In the present facts and circumstances and based on the information and explanation provided to me, I believe that the following Share Entitlement Ratio, after giving due consideration to the Management representations and the fact that upon Scheme becoming effective, as all the shareholders of BEML would also become shareholders of BEML Land, and their shareholding in BEML Land would mirror their shareholding in BEML and therefore upon the Scheme becoming effective, BEML Land would continue to be owned by the shareholders of BEML in the same proportion as their shareholdings in BEML in the manner provided under the Scheme. Thereby the interest of the shareholders in BEML will effectively remain unchanged and shareholders interest would not be prejudicially affected. Further, the Scheme does not envisage dilution of the holding of any one or more of the shareholders as a result of the Scheme becoming effective, the following Share Entitlement Ratio as suggested by the Management of the Companies, would be fair and reasonable –



<b>For equity shareholders of BEML with respect to the Proposed Demerger of Identified Surplus / Non-Core Assets of BEML into BEML Land</b>	<b>1 (One) Equity Share in BEML Land Assets Limited having face value of INR 10/- (Rupees Ten) each credited as fully paid-up for every 1 (One) Equity Share of INR 10/- (Rupee Ten) each fully paid-up, held by such member in BEML Limited as on the Record Date.</b>
---	---

## **6. EXCLUSIONS AND SCOPE LIMITATIONS**

- 6.1. The report is subject to the scope limitations detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.
- 6.2. No investigation of the title of assets of the Companies has been made for the purpose of my recommendation and their claim to such rights has been assumed to be valid as represented by the management of the Companies. Therefore, no responsibility is assumed for matters of a legal nature.
- 6.3. The work does not constitute certification of the historical financial statements including the working results of the Companies referred to in this report. Accordingly, I am unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report.
- 6.4. This report is issued on the understanding that the Companies have drawn my attention to all material information, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on my opinion, on the recommendation of the Share Entitlement Ratio of the Companies, including any significant changes that have taken place or are likely to take place in the financial position, subsequent to the report date. I have no responsibility to update this report for events and circumstances occurring after the date of this report.
- 6.5. This report does not look into the business / commercial reasons behind the proposed transaction or address any potential synergies to the Companies and other parties connected thereto.
- 6.6. In the course of issuing this report, I was provided with both written and verbal information. I have evaluated the information provided to me by the management of the Companies through broad inquiry, analysis and review. I assume no responsibility for any errors in the above information furnished by the management of the Companies and consequential impact on the



- recommendation of the Share Entitlement Ratio. I do not express any opinion or offer any assurance regarding accuracy or completeness of any information made available to me.
- 6.7. The report is not, nor should it be construed as me opining or certifying any compliance with the provisions of any law, whether in India or any other country including companies, taxation and capital market related laws or as regards any legal implications or issues arising from any transaction proposed to be contemplated based on this report.
  - 6.8. The information contained herein and the report is confidential. Any person/party intending to provide finance/invest in the shares/businesses of the Companies, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, can be done only with prior permission in writing.
  - 6.9. This document has been prepared solely for the purpose of assisting the Companies, under consideration, for the purpose of recommending the Share Entitlement Ratio under the Scheme in accordance to my engagement letter. Further, the fees for this engagement is not contingent upon the recommendation considering the facts and purpose of recommendation.
  - 6.10. The decision to carry out the transaction (including consideration thereof) lies entirely with the Management / Board of Directors of the Companies and the work and my finding shall not constitute recommendation as to whether or not the Management / the Board of Directors of the respective Companies should carry out the transaction.
  - 6.11. By its very nature, my work cannot be regarded as an exact science, the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgement. Given the same set of facts and using the same assumptions / approach, opinions may differ due to application of the facts and assumptions / approach, formulas used and numerous other factors. There is, therefore, no indisputable single or standard methodology / approach for arriving at my recommendation. Although the conclusions are in my opinion reasonable, it is quite possible that others may not agree.
  - 6.12. Harsh Chandrakant Ruparelia, nor its employees or its agents or any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the report



**CA Harsh C. Ruparelia**  
**Registered Valuer – Securities or Financial Assets**

is issued. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the report. I am not liable to any third party in relation to issue of this report. In no event, I 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.

If you require any clarifications on the above, I would be happy to clarify the same. I am thankful to your team for kind co-operation and support during this assignment.

Thanking you,

Yours faithfully,



**CA HARSH CHANDRAKANT RUPARELIA**

REGISTERED VALUER – Securities or Financial Assets

IBBI Registration No. IBBI/RV/05/2019/11106

Membership No. ICMAI RVO/S&FA/00054

ICAI Membership No. 160171

Date: 22<sup>nd</sup> July 2021

Place: Mumbai

UDIN: 21160171AAAAHU5064

