



SEBI REGN. NO. INM 000010163

Strictly Private & Confidential

Dated: 22nd July, 2021

The Board of Directors,

BEML Limited

“BEML Soudha”,

No. 23/1, 4th Main,

Sampangirama Nagara,

Bengaluru,

Karnataka – 560 027;

Dear Members of the Board,

Reg: Fairness Opinion in connection with the proposed transfer and vesting of Identified Surplus/Non-core Assets of BEML Limited (“BEML” or “Demerged Company”) into BEML Land Assets Limited (“Resulting Company”)

We refer to our sub-contractor agreement dated 20 July 2021 (“Agreement”), whereby Fedex Securities Private Limited (hereinafter referred to as “Fedex” or “We”) has been appointed by Deloitte Haskins & Sells LLP (“DHS”) in their capacity as advisors to the management of BEML Limited [CIN: L35202KA1964GOI001530] (hereinafter referred to as “BEML” or “the Company” or “the Demerged Company” or “Transferor Company”) to inter alia to provide a fairness opinion to BEML on the share entitlement ratio report dated 22nd July 2021 (“Valuation Report”)



issued by CA Harsh Chandrakant Ruparelia, Registered Valuer – Securities or Financial Assets (the “Valuer”) 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” or “Transferee 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”). We understand that the Scheme will be considered by the Board of Directors of BEML.

Company Background and Purpose

- a) BEML was incorporated on 11th 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 (CIN L35202KA1964GOI001530). The registered office of BEML is currently situated at “BEML Soudha”, No. 23/1, 4th Main, Sampangirama Nagara, Bangalore – 560 027 in the State of Karnataka.

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”)

- b) BEML Land Assets Limited was incorporated on 15th July 2021 (CIN: U70109KA2021GOI149486) under the provisions of the Companies Act, 2013. The registered office of BEML Land is currently situated at “BEML Soudha”, No. 23/1, 4th Main, Sampangirama Nagara, Bengaluru – 560 027 in the State of Karnataka.

The Valuer has been appointed to recommend the share entitlement ratio to be issued as a consideration to the equity shareholders of BEML Limited in connection with the proposed Scheme for demerger of Identified Surplus/Non-core Assets of BEML to the Resulting Company and has in terms of the Agreement requested us to examine the Valuation Report issued by the Valuer and other related information provided by the Company and issue our independent opinion as to the



fairness of the Valuation (“Fairness Opinion”) as per the requirement of SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (“SEBI Circular”), as modified.

All terms not specifically defined in this Fairness Opinion shall carry same meaning as in the proposed Scheme.

Brief Background of the Proposed Scheme

BEML, a Government Company is engaged in the business of a) Mining & Construction, (b) Defense & Aerospace and (c) Rail & Metro. Presently the President of India through the Ministry of Defense (“MoD”) holds 54.03% of the equity share capital of BEML as on date. The Government of India (“Gol”) 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”).

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”.

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.

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–

- a) 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

- b) 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.

The Scheme between BEML Limited and BEML Land Assets Limited and their respective shareholders and creditors under section 230 and 232 read with section 66 and other applicable provisions of the Companies Act, 2013 ("Scheme") provide for:

- i. Demerger of Identified Surplus/ Non-core Assets of Demerged company into Resulting Company as a going on concern; and
- ii. Reduction and cancellation of share capital of Resulting Company

The Board of Directors of BEML and the Resulting Company are of the opinion that the Demerger (as defined in the Scheme) would benefit the shareholders, employees and other stakeholders of the respective companies.

Source of Information

For the said examination and for arriving at the opinion set forth below, we have received:

1. Valuation Report issued by the Valuer;
2. Audited Financial Statements of BEML for the year ended 31st March 2020;
3. Latest shareholding pattern of the Companies, as duly certified;
4. Draft Scheme (as duly certified by the management of the Companies "Management");
5. Memorandum and Articles of Association of the Companies;
6. Management certified position of assets and liabilities of the Identified Surplus/ Non-core assets proposed to be demerged;
7. Other relevant details of the Companies such as its history, past and present activities, future plans and prospects, and other relevant information; and
8. Such other information and explanations as required and which have been provided by the Management.



Limitation of Scope and Review

Our Opinion and analysis are limited to the extent of review of documents as provided to us by the Company and the Resulting Company including the Valuation Report and the draft Scheme. The Company has been provided with the opportunity to review the draft Opinion as part of our standard practice to make sure that factual inaccuracy / omissions are avoided in our final opinion.

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by the Company for the purposes of this Fairness Opinion. We express no opinion and accordingly accept no responsibility with respect to or for such information, or the assumptions which it is based. We have not assumed any obligation to conduct, nor have conducted any physical inspection or title verification of the properties or facilities of the Company and the Resulting Company and neither express any opinion with respect thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of the Company nor do we technically qualify to value immovable assets. We have, however been furnished with valuation report obtained by the Company and the Resulting Company. We have not received any internal management information statement or any non-public reports, and instead, with your consent, have relied upon information that was publicly available or provided or otherwise made available to us by the Company & the Resulting Company for the purposes of this Fairness Opinion. We are not experts in evaluation of litigation or other actual or threatened claims or any tax implication connected with the proposed Scheme and accordingly we have not evaluated any litigation or other actual or threatened claims. In addition, we have assumed that the proposed Scheme will be approved by regulatory authorities and that the proposed Scheme will be consummated substantially in accordance with the terms set forth in the proposed Scheme. We have assumed that there are no other contingent liabilities or circumstances that could materially affect the business or financial prospects of the Company or the Resulting Company, other than those disclosed in the information provided or considered in the proposed Scheme.

We understand that the management of the Company and, during our discussion with them, would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the proposed Scheme, no restrictions will be imposed or there will be no delays that will have a material adverse effect on the benefits of the proposed Scheme that may have been contemplated. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and, on the information, made available to us as of the date



hereof. It should be understood that although subsequent developments may affect this opinion, we do not have an obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we were not authorised to solicit, and did not solicit, interest from any party with respect to the acquisition, business combination or other extraordinary transaction involving the Company or any of its assets, nor did we negotiate with any other party in this regard.

We express no opinion whatever and make no recommendation at all as to Company's underlying decision to effect the proposed Scheme or as to how the holders of equity shares or secured or unsecured creditors of the Company should vote at their respective meetings held in connection with the proposed Scheme. We do not express and should not be deemed to have expressed any views on any other terms of the proposed Scheme. We also express no opinion and accordingly accept no responsibility for or as to the price at which the equity shares of the Company will trade following the announcement of the proposed Scheme or as to the financial performance of the Company or the Resulting Company following the consummation of the proposed Scheme.

Fedex and/or our affiliates in the past may have provided, and may currently or in the future provide, investment banking, commercial banking and other financial services to the Company and /or the Resulting Company and/or their affiliates unrelated to the proposed Scheme. We may have received or in the future may receive compensation for the rendering of the aforementioned services. In the ordinary course of our businesses, we and our affiliates may invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in debt, equity or other securities or financial instruments (including derivatives or other obligations) of the Company and/or the Resulting Company and/or their respective affiliates, holding companies and group companies.

Fedex will receive a fee in connection with the delivery of this Fairness Opinion. The fee is not contingent upon the nature of the opinion provided to the Company. The fee for our service is not subject to the outcome of the proposed Scheme. In addition, the Company has agreed to reimburse certain of our expenses and to indemnify us against liabilities arising out of our engagement. This Fairness Opinion is subject to the laws of India.

In no circumstances shall the liability of Fedex, its directors or employees related to the service provided in connection with this opinion, exceed the amount paid to Fedex as fees for this Fairness Opinion.



Distribution of this Fairness Opinion

The Fairness Opinion is addressed to the Board of Directors of BEML (in its capacity as such) solely for the purpose of providing them with an independent opinion on the fairness of the Valuation as determined by the Valuer and for the purpose of submission to the Stock Exchanges, National Company Law Tribunal along with the petition for the Proposed Scheme and such other regulatory authorities under SEBI Circular and /or Companies Act, 2013. The Fairness Opinion shall not be disclosed or referred to publicly or to any third party, other than as required by Indian law (in which case you would provide us a prior written intimation) without our prior written consent. The Fairness Opinion should be read in totality and not in parts. Further, this Fairness Opinion should not be used or quoted for any purpose. If this Fairness Opinion is used by any person other than to whom it is addressed or for any purpose other than the purpose stated hereinabove, then we will not be liable for any consequences thereof. In no circumstances however, will Fedex or its directors, officers, employees and controlling persons of Fedex accept any responsibility or liability including any pecuniary or financial liability to any third party, in any registration statement, prospectus, offering memorandum, annual report, loan agreement or any other agreement or documents given to third parties.

Conclusion

Based on and subject to the foregoing, we are of the opinion that, as of the date hereof, the Share Entitlement Ratio of 1 (One) equity share of Rs. 10/- each of BEML Land Assets Limited, Resulting Company for every 1 (One) equity share of Rs. 10/- each of BEML Limited, Demerged Company to the equity shareholders of BEML Limited as recommended by CA Harsh C. Ruparelia, Registered Valuer – Securities or Financial Assets, is fair to the Equity Shareholders of the Company.

Yours truly,

For Fedex Securities Private Limited

(formerly known as Fedex Securities Limited)



Director

DIN: 03431884