

Letter Ref no. : **DSPL/BEL/01/2021-22**

February 08, 2022

FAIRNESS OPINION

STRICTLY PRIVATE & CONFIDENTIAL

The Board of Directors Bajaj Electricals Limited 45/47 Veer Nariman Road, Mumbai 400 001	The Board of Directors Bajel Projects Limited 801 Rustomjee Aspiree , Wadala Anik Link Road Sion Mumbai 400 022
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Dear Sir(s),

SUBJECT: FAIRNESS OPINION ON THE PROPOSED SCHEME OF ARRANGEMENT

Fairness Opinion for the proposed Scheme of Arrangement as per details as under:

This Scheme of Arrangement for Demerger ('Scheme') is presented under Sections 230 –232 and other applicable provisions of the Companies Act, 2013, rules and regulations thereunder, for:

- (a) Demerger of Power Transmission ("PT") and Power Distribution ("PD") business of Bajaj Electricals Limited (hereinafter referred to as "**BEL**" or "**Demerged Company**") into Bajel Projects Limited (Hereinafter referred to as "**BPL**" or "**Resulting company**") with effect from the Appointed Date of April 1, 2022; pursuant to a Scheme of Demerger under Sections 230 to 232 and other applicable clauses of the Companies Act, 2013 (Hereinafter referred to as "**Scheme**" or "**Demerger**")

The Demerged Company and Resulting Company are hereinafter referred as the "**Companies**".

Please refer to the engagement letter no. DSPL/BEL/01/2021/22 dated January 20, 2022 appointing Dalmia Securities Private Limited ["**DSPL**"], a SEBI Registered Category (I) Merchant Banker, to provide a fairness opinion in terms of the SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2021/000000665 dated November 23, 2021 ["**SEBI Master Circular**"] and other applicable SEBI Regulations for the proposed Scheme between Demerged Company and the Resulting Company and their respective shareholders pursuant to sections 230-232 and other applicable provisions of the Companies Act, 2013.



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1. BACKGROUND

1.1 Bajaj Electricals Limited

BEL is a public company incorporated on July 14, 1938 under the provisions of the Indian Companies Act, 1913, and deemed to exist within the purview of the Act, with the Corporate Identification Number L31500MH1938PLC009887. Its registered office is situated at 45/47, Veer Nariman Road, Mumbai 400001. BEL is engaged in the business of (a) manufacturing and marketing of electrical appliances, fan and consumer lighting products) and (b) Engineering Procurement and Construction segment (including Power Transmission and Power Distribution and Illumination Projects). The equity shares of BEL are listed and traded on the recognized Stock Exchanges viz. BSE and NSE. The authorized, issued, subscribed and paid-up share capital of BEL as on December 31, 2021 is as under:

Share Capital	Amount (in INR)
Authorized Capital	
20,00,00,000 Equity Shares of INR 2/- each	40,00,00,000
TOTAL	40,00,00,000
Issued, Subscribed and Paid-up Share Capital	
11,48,13,829 Equity Shares of INR 2/- each fully paid up	22,96,27,658
TOTAL	22,96,27,658

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

Sl.No	Shareholder particular	% of holding
1	Promoters and Promoter Group	63.01
2	Public shareholding	36.99

(Source: Filing with the BSE as per SEBI LODR requirements)

BEL is a Bajaj Group company.

1.2 Bajel Projects Limited (BPL)

Bajel Projects Limited (BPL), is a public company incorporated on January 19, 2022 under the provisions of the Companies Act, 2013, under the CIN-U31900MH2022PLC375133, having its registered office at 801 Rustomjee Aspiree Anik Wadala Link Road, Sion (East) Mumbai Maharashtra. Its main object inter-alia is to carry out the Power Transmission and Power Distribution Business.

The authorized, issued, subscribed and paid-up share capital of the Resulting Company as on date of this report is as under:

Share Capital	Amount (in INR)
Authorized Capital	
50,00,000 Equity Shares of INR 2/- each	1,00,00,000
TOTAL	1,00,00,000
Issued, Subscribed and Paid-up Share Capital	
25,00,000 Equity Shares of INR 2/- each fully paid up	50,00,000
TOTAL	50,00,000

As on date the entire paid up capital of BPL is held by BEL, as it has been incorporated as a Wholly Owned subsidiary of BEL. Upon effecting the proposed Scheme, the equity share holders of BEL, would be allotted equity shares of BPL in the same ratio of their holding in BEL, subject to the company complying with enhancement of the authorized capital, if needed.

2.0 Key Features of the Scheme and transaction overview

Based on information provided by the management of the Companies forming part of the Scheme and after analyzing the draft Scheme, the key feature of the scheme are as under:

The Demerged Company has 2 (two) distinct business segments (i) Consumer Product segment ('CP') (which includes appliances, fan and consumer lighting products) and (ii) Engineering Procurement and Construction segment ('EPC') (which includes Power Transmission and Power Distribution and Illumination Projects). The Illumination Projects which is a part of EPC segment is more synergistic to the consumer project segment and risk and rewards are also aligned to that of CP segment. The nature of risk, competition, challenges, opportunities and business methods for the Power Transmission and Power Distribution Business is distinct from other businesses carried out by the Demerged Company. The Power Transmission and Power Distribution Business is required to be handled and managed in a different manner to that of other businesses of the Demerged Company.

It is envisaged by the management that each segment of business carried out by the Demerged Company has significant potential for growth and profitability and can attract different set of stake holders including investors, strategic partners, etc. Therefore, as these businesses approach their next phase of growth, the management of Demerged Company is of the view that it would be strategically apt to segregate the Power Transmission and Power Distribution Business from the other businesses and vest the same into the Resulting Company.

The proposed Scheme of arrangement would result in following benefits

- Enable both companies to move forward independently, with greater focus and specialization, building on their respective capabilities and their strong brand presence.
- Enable each of these companies to focus and enhance its respective businesses by streamlining operations and its management structure ensuring better and more efficient management control.
- Enable unlocking value of each vertical thereby paving way to create significant stakeholder value and at the same time allow investors to allocate their portfolio into separate entities, focused on the distinct entities.
- Enable independent and distinct capital allocation approach and balance sheet management based on the distinct needs of each business.
- Enable ring fencing of business and lead to better risk management

2. SCOPE OF ENGAGEMENT

The Companies have appointed DSPL to issue fairness opinion for the proposed Scheme in terms of the SEBI Master Circular and applicable SEBI Regulations. DSPL is issuing this fairness opinion (“Fairness Opinion”) in the capacity of Independent Merchant Banker based on the valuation report dated February 08, 2022 containing recommendation of fair equity share allotment ratio for the proposed Scheme [*“Valuation Report”*], issued by M/s. RBSA Valuation Advisors LLP (RBSA), a Registered Valuer Securities or Financial Assets, with Registration No: IBBI/RV-E/05/2019/110.

3. SOURCES OF INFORMATION

DSPL has relied on the following information for issuing the Fairness Opinion for the purpose of the proposed Scheme:

- i. Draft Scheme of Arrangement under Sections 230-232 and other applicable provisions of the Companies Act, 2013, with regard to the proposed the proposed Scheme.
- ii. Valuation Report dated February 08, 2022, for the proposed Scheme issued by M/s. RBSA Valuation Advisors LLP (RBSA), a Registered Valuer Securities or Financial Assets, with Registration No: IBBI/RV-E/05/2019/110, for the proposed Scheme [*“Valuation Report”*]
- iii. Copy of Memorandum and Article of Association of the BEL and BPL
- iv. Shareholding Pattern of BEL and BPL
- v. Audited Financial Statements of BEL for the year ended March 31, 2021.
- vi. Such other information, documents, data, reports, discussions and verbal & written explanations from the Demerged Company, and Resulting Company as well as advisors for proposed Scheme, information available public domain & websites as were considered relevant for the purpose of the Fairness Opinion.



4. EXCLUSIONS AND LIMITATIONS

The Fairness Opinion is subject to the scope limitations detailed hereinafter.

- 4.1 The Fairness Opinion is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein. The Fairness Opinion is divided into chapters and sub section only for the purpose of reading convenience. Any partial reading of this Fairness Opinion may lead to inferences, which may be divergence with the conclusion and opinion based on the entirety of this Fairness Opinion.
- 4.2 In the course of the present exercise, DSPL were provided with both written and verbal information, including financial data. The Fairness Opinion issued by DSPL based on the basis of information available in public domain and sources believed to be reliable and information provided by the companies forming part of the Scheme and the Valuer for the sole purpose of to facilitate the Companies to comply with the requirements of the SEBI Circulars and applicable SEBI Regulations and shall not be valid for any other purpose or as at any other date.
- 4.3 As the proposed scheme envisages issue of equity shares of BPL, (The Resulting Company) to the shareholders of BEL (The Demerged Company), in the same ratio of their equity shareholding as at the Record Date, no specific valuation is required to be done. DSPL has been given to understand by the managements of the Companies forming part of the Scheme that they have not omitted any relevant and material factors. DSPL assumes no responsibility whatsoever for any errors in the above information furnished by the companies and/or the Valuer and their impact on the present exercise. DSPL has not conducted any independent valuation or appraisal of any of the assets or liabilities of the Companies. In particular, DSPL does not express opinion on value of assets of the Companies forming part of the Scheme and/or their subsidiary, holding, affiliates, whether at current price or future price. No investigation of the Companies claim to the title of assets or property owned by the companies has been made for the purpose of this fairness opinion. With regard to the Companies claim, DSPL has relied solely on representation, whether verbal or otherwise made, by the management for purpose of this Fairness Opinion. Therefore no responsibility whatsoever is assumed for matters of legal nature. Further, DSPL has not evaluated solvency or fair value of the Companies forming part of the Scheme under any law relating bankruptcy, insolvency or similar matter.
- 4.4 DSPL work does not constitute an audit, due diligence or verification of historical financials including the working results of the Companies or their business referred to in this Fairness



Opinion. Accordingly, DSPL is unable to and does not express an opinion on the accuracy of any financial information referred to in this Fairness Opinion.

- 4.5 DSPL assumes with the consent of the Companies, that the Scheme will be in compliance with all applicable law and other requirements and will be implemented on terms described in the Draft Scheme, without further modifications of any material terms and conditions, and that in course of obtaining necessary regulatory or third party approvals for the Scheme, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the companies forming part of the Scheme and/or its relevant subsidiaries/affiliates and their respective shareholders. DSPL assumes, at the direction of the companies, that the final Scheme will not differ in any material respect from the Draft Scheme. DSPL understands from the companies' management that the Scheme will be given effect in totality and not in part.
- 4.6 The Fairness Opinion of DSPL does not express any opinion whatsoever and make recommendation at all to the companies forming part of the Scheme underlying decision to affect the proposed Scheme or as to how the holders of equity shares or secured or unsecured creditors of the companies should vote at their respective meetings held in connection with the proposed Scheme. DSPL does not express and should not be deemed to have expressed any views on any other term of the proposed Scheme. DSPL also express no opinion and accordingly accept no responsibility or as to the prices at which the equity shares of BEL/ BPL will trade following the announcement of the proposed Scheme or as to the financial performance of BPL/BEL following the consummation of the proposed Scheme.
- 4.7 The Fairness Opinion should not be construed as certifying the compliance of the proposed transfer with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.
- 4.8 The Fairness Opinion is specific to the date of this report. An exercise of this nature involves consideration of various factors. This Fairness Opinion is issued on the understanding that the companies forming part of the Scheme have drawn attention to all the matters, which they are aware of concerning the financial position of the companies, their businesses, and any other matter, which may have an impact on the Fairness Opinion for the proposed demerger, including any significant changes that have taken place or are likely to take place in the financial position of the companies or their businesses subsequent to the proposed appointed date for the proposed Scheme. DSPL has no responsibility to update this Fairness Opinion for events and circumstances occurring after the date of this Fairness Opinion. DSPL assumes no responsibility for updating or revising the Fairness Opinion based on circumstances or events occurring after the date hereof.
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- 4.9 In past, DSPL may have provided and currently or in the future provide, investment banking services to the companies forming part of the Scheme under the scheme and/or any holding or subsidiaries or affiliates and their respective shareholders, for which DSPL has received or may receive customary fees. DSPL engagement as fairness opinion provider is independent of our other business relationship, which may have the companies under the scheme and/or any holding or subsidiaries or affiliates. In addition in ordinary course of their respective business, after complying with applicable SEBI Regulations, DSPL or its affiliates may actively trade in securities of the companies under the scheme and/or any holding or subsidiaries or affiliates and their respective shareholders for their own accounts and account of their customers and accordingly may at a time hold position in such securities. DSPL engagement and opinion only to fulfill the requirement of the SEBI Circular and not for other purposes. Neither DSPL nor any of its affiliates, partners, directors, shareholders, managers, employees or agents make any representation or warranty, expressed or implied, as to the information and documents provided, based on which the Fairness Opinion has been issued.
- 4.10 This Fairness Opinion issued by DSPL without regard to specific objectivities, suitability, financial situation and need of any particular person and does not constitute any recommendation, and should not be construed as offer for to sell or the solicitation of an offer to buy, purchase or subscribe to any securities mentioned herein. This report has not been or may not be approved by any statutory or regulatory authority in India or by any Stock Exchange in India. This Fairness Opinion may not be all inclusive and may not contain all information that the recipient may consider material.
- 4.11 The Fairness Opinion and information contained therein or any part of it does not constitute or purport to constitute investment advice in publicly accessible media and should not printed, reproduced, transmitted, sold distributed or published by recipient without prior written approval of DSPL. The distribution/taking/sending/dispatching of this document in certain foreign jurisdiction may be restricted by law, and person into whose this document comes should inform themselves about, and observe, any such restriction.
- 4.12 This Fairness Opinion has been issued for the sole purpose to facilitate the Companies to comply with SEBI Master Circular and other applicable SEBI Regulations and it shall not be valid for any other purpose. Neither this Fairness Opinion nor the information contained herein, may be reproduced passed to any person or used for any purpose other than stated above, without prior written approval of DSPL.
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- 4.13 The Companies have been provided with opportunity to review the draft as part of standard practice to make factual inaccuracy/omissions are avoided in the Fairness Opinion.
- 4.14 The fee for the services is not contingent upon the result of proposed Scheme. This Fairness Opinion is subject to law of India.

5. **OPINION & CONCLUSION**

As per the Valuation Report of RBSA it is stated that the PT and PD Business of BEL is proposed to be demerged into BPL. Once the Scheme is implemented, all the shareholders of BEL would also become shareholders in BPL and their shareholding in BPL would mirror their shareholding in BEL. Hence, the valuer has indicated that no relative valuation of the two entities is required to be undertaken.

Accordingly the valuer has not carried out valuation of these entities under generally accepted valuation approaches.

In light of the forgoing and subject to the caveats as detailed hereinbefore, DSPL hereby certifies that the proposed issue of fresh equity shares by BPL to the shareholders of BEL in same ratio of their holding of equity shares in BEL as at the Record Date of the Scheme, would be fair and reasonable.

For *Dalmia Securities Private Limited*



Jeyakumar S

COO- Investment Banking

SEBI Registration Number INM000011476

Date: February 08, 2022

Place: Mumbai