

**Danfoss Systems Limited**

(Formerly known as
Eaton Fluid Power Limited)
145, Off Mumbai Pune Road,
Pimpri, Pune – 411018,
Maharashtra, India

Phone No: 020 6633 0083

Email ID: danfoss.pimpri@danfoss.com

CIN: U29120PN1965PLC015850

GST: 27AAACV8426E1ZB

NOTICE OF THE MEETING**To the Members of Danfoss Systems Limited****(Formerly known as Eaton Fluid Power Limited)**

Notice is hereby given that the Extra ordinary General Meeting of Danfoss Systems Limited (Formerly known as Eaton Fluid Power Limited) (CIN: U29120PN1965PLC015850) will be held on Thursday, February 29, 2024, at 12.30 PM IST through Video Conferencing ('VC') / Other Audio-Visual Means ('OAVM') to transact the following business:

This notice of meeting is given pursuant to Section 101 of the Companies Act, 2013 (including any statutory modification (s) or re-enactment(s) thereof for the time being in force) and the rules made thereunder and in accordance with the Articles of Association of the Company.

Special Business:**TO APPROVE THE REDUCTION OF EQUITY SHARE CAPITAL OF THE COMPANY**

To consider and, if thought fit, to pass, with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 66 and other applicable provisions, if any, of the Companies Act, 2013, rules made there under, article clause 35 of articles of association of the company and subject to confirmation of National Company Law Tribunal, Mumbai Bench, ("Tribunal") and such other approvals as may be required, the consent of the shareholders be and is hereby accorded to reduce the paid-up equity share capital of the Company by an amount of INR 16,67,780/- (Rupees Sixteen Lacs Sixty Seven Thousand Seven Hundred and Eighty only) represented by 1,66,778 (One Lac Sixty six Thousand seven Hundred and seventy eight) equity shares of face value of INR 10/- each, at a fair value of INR 872.99 (Rupees Eight Hundred Seventy Two and paise Ninety nine only) per share amounting to Rs. 14,55,95,526.22/- (Rupees Fourteen Crores Fifty-Five Lacs Ninety Five Thousand Five Hundred Twenty six and paise Twenty two only), and by returning it to the non-promoter shareholders, and consequently said 1,66,778 equity shares held by said shareholder shall stand cancelled and extinguished.

Registered Office:

Danfoss Systems Limited, (Formerly known as Eaton Fluid Power Limited),
145, Off Mumbai Pune Road, Pimpri, Pune – 411018, Maharashtra, India

"RESOLVED FURTHER THAT Ravichandran Purushothaman authorised representative the Company, be and are hereby severally authorised to take all necessary steps, if so and to the extent applicable and required, for:

- (a) Signing and filing of Application to Hon'ble Tribunal or such other competent authority;
- (b) Signing and filing of petition for confirmation of the Scheme by the Tribunal or such other competent authority for their approval for the scheme of the reduction of share capital;
- (c) To file affidavits, petitions, pleadings, applications or any other proceedings incidental or deemed necessary or useful in connection with the above proceedings and to engage counsels, advocates, solicitors, and/or other professionals and to sign and execute vakalatnama wherever necessary, and sign and issue public advertisements and notices;
- (d) Obtaining approval/consent from authorities and parties and entities including the shareholders, creditors, lenders as may be considered necessary to the said Scheme;
- (e) To settle any question or difficulty that may arise with regard to the implementation of the above Scheme, and to give effect to this resolution;
- (f) To produce all documents, matters or any other evidence in connection with the matters aforesaid and any other proceedings incidental thereto and arising there from;
- (g) To take all procedural steps for having the scheme sanctioned by the Tribunal including filing necessary applications, affidavits, petitions and signing, verifying and affirming all applications, affidavits and petitions as may be necessary;
- (h) To accept services of notices or other processes which may from time to time be issued in connection with the matter aforesaid and also to serve any such notices or other processes to the parties or persons concerned;
- (i) To make any alterations/ changes to the scheme as may be expedient or necessary which does not materially change the substance of the scheme; particularly for satisfying the requirements or conditions imposed by the Central Government or the Hon'ble Tribunal or any other authority;
- (j) To sign, execute, certify all applications, petitions, documents, forms, affidavits, undertakings, resolutions and any other papers or documents relating to the scheme and to file, submit, furnish all or any of such documents as are mentioned hereinbefore with respective authorities including but not limited to the Tribunal, Central Government, Regional Director and generally to do and execute all acts, matters, things, deeds and documents as may be necessary and expedient for the purpose of giving effect to the scheme or delegate such authority to another person by a valid Power of Attorney; and

(k) To do all acts and things as may be considered necessary and expedient in relation thereto."

NOTES:

1. In view of the outbreak of the COVID-19 pandemic, the Ministry of Corporate Affairs ("MCA") has, vide its General Circular No. 14/2020 dated 8th April, 2020, General Circular No.17/2020 dated 13th April, 2020, General Circular No. 20/2020 dated 5th May, 2020, General Circular No.02/2021 dated 13th January, 2021 and General Circular 2/2022 dated 5th May 2022 (collectively referred to as "MCA Circulars"), permitted the holding of the Extra Ordinary General Meeting ("EOGM") through Video Conferencing ("VC") or Other Audio Visual Means ("OAVM"), without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 ("the Act"), and MCA Circulars, EOGM of the Company is being held through VC / OAVM.
2. The Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 ("the Act"), setting out the material facts relating to special businesses to be transacted at the Extra Ordinary General Meeting ("EOGM"), as set out in this Notice is annexed hereto.
3. The attendance of the Members attending the EOGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013. Members can attend and participate in the EOGM through VC/OAVM only.
4. Members are requested to note that the Company's equity shares are under compulsory demat trading for all investors, subject to the provisions of the Companies (Prospectus and Allotment of Securities) Third Amendment Rules, 2018 dated 10.09.2018. Members are, therefore, requested to dematerialize their shareholding to avoid inconvenience.
5. Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, ECS mandates, email addresses, nominations, power of attorney, change of address/name etc. to their Depository Participant (DP) only and not to the Company or its Registrar and Transfer Agent. Any such changes effected by the DPs will automatically reflect in the Company's subsequent records.
6. Members of the Company holding shares either in physical form or in electronic form as on the cut-off date of 22nd February, 2024 may cast their vote by remote e-Voting. The remote e-Voting period commences on Monday, 26th February, 2024 at 9.00 a.m. (IST) and ends on Wednesday, 28th February, 2024 at 5.00 p.m. (IST).

The remote e-Voting module shall be disabled by Link Intime India Private Limited for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently. The voting rights of the Members (for voting through remote e-Voting before/ during the EOGM) shall be in proportion to their share of the paid-up equity share capital of the Company as on the cut-off date of Friday, 22nd February, 2024.

7. CS Devendra V Deshpande, Practicing Company Secretary (FCS:6099, CP:6515) has been appointed as the Scrutinizer to scrutinize the remote e-voting process as well as the e-voting process at the EGM in a fair and transparent manner.
8. The Scrutinizer shall make, not later than 48 hours of the conclusion of the EOGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a Director authorized by him in writing, who shall countersign the same. The Chairman or the authorized Director shall declare the result of the voting forthwith.
9. The results declared along with the Scrutinizer's Report shall be uploaded on the Company's website given below after the same is declared by the Chairman/authorized person
<https://www.danfoss.com/en/about-danfoss/company/financial-information/>
10. In case of joint holders, the Members whose name appear first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the EGM.
11. Pursuant to the provisions of the Companies Act, 2013, a Member entitled to attend and vote at the Extra Ordinary General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this EOGM is being held pursuant to the MCA Circulars through VC/OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the Extra Ordinary General Meeting and hence the Proxy Form, Map for address and Attendance Slip are not annexed to the Notice.
12. Institutional/Corporate Shareholders (i.e. other than individuals/HUF, NRI, etc) are required to send a scanned copy (PDF/JPEG Format) of its Board Resolution or governing body Resolution/Authorisation etc., authorising its representative to attend the Annual General Meeting through VC/OAVM on its behalf and to vote through remote e-voting. The said Resolution/Authorization shall be sent to the Scrutinizer by email through their registered email address to devendracs@gmail.com with copies marked to the Company at ganapathy@danfoss.com and to its RTA at instameet@linkintime.co.in

13. The Notice of the Extra Ordinary General Meeting along with explanatory statement is being sent only by electronic mode to those Members whose email addresses are registered with the Company/Depositories in accordance with the aforesaid MCA Circulars. Members may note that the Notice of Extra Ordinary General Meeting will also be available on the Company's website <https://www.danfoss.com/en/about-danfoss/company>. Members can attend and participate in the Extra Ordinary General Meeting through VC/OAVM facility only.

14. Information and other instructions relating to remote e-voting are as under:

Remote e-Voting Instructions for shareholders:

As per the SEBI circular dated December 9, 2020, individual shareholders holding securities in demat mode can register directly with the depository or will have the option of accessing various ESP portals directly from their demat accounts.

Login method for Individual shareholders holding securities in demat mode is given below:

1. Individual Shareholders holding securities in demat mode with NSDL
 1. Existing IDeAS user can visit the e-Services website of NSDL viz... <https://eservices.nsdl.com> either on a personal computer or on a mobile. On the e-Services home page click on the "Beneficial Owner" icon under "Login"" which is available under 'IDeAS' section, this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider name i.e. LINKINTIME and you will be re-directed to "InstaVote" website for casting your vote during the remote e-Voting period.
 2. If you are not registered for IDeAS e-Services, option to register is available at <https://eservices.nsdl.com> Select "Register Online for IDeAS Portal" or click at <https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp>
 3. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a personal computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen-digit demat account number hold with

NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider name i.e. LINKINTIME and you will be redirected to "InstaVote" website for casting your vote during the remote e-Voting period.

2. Individual Shareholders holding securities in demat mode with CDSL

1. Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. The option will be made available to reach e-Voting page without any further authentication. The users to login Easi / Easiest are requested to visit CDSL website www.cdslindia.com and click on login icon & New System Myeasi Tab and then use your existing my easi username & password.
2. After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the evoting is in progress as per the information provided by the company. On clicking the evoting option, the user will be able to see e-Voting page of the e-Voting service provider i.e. LINKINTIME for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there are also links provided to access the system of all e-Voting Service Providers, so that the user can visit the e-Voting service providers' website directly.
3. If the user is not registered for Easi/Easiest, the option to register is available at CDSL website www.cdslindia.com and click on login & New System Myeasi Tab and then click on registration option.
4. Alternatively, the user can directly access the e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, the user will be able to see the e-Voting option where the evoting is in progress and also able to directly access the system of all e-Voting Service Providers.

3. Individual Shareholders (holding securities in demat mode) login through their depository participants

You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. After Successful login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on the



company name or e-Voting service provider name i.e. LinkIntime and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period.

Login method for Individual shareholders holding securities in physical form/ Non-Individual Shareholders holding securities in demat mode is given below:

Individual Shareholders of the company, holding shares in physical form / Non-Individual Shareholders holding securities in demat mode as on the cut-off date for e-voting may register for e-Voting facility of Link Intime as under:

1. Open the internet browser and launch the URL: <https://instavote.linkintime.co.in>
2. Click on **"Sign Up"** under **'SHARE HOLDER'** tab and register with your following details: -

A. User ID:

Shareholders holding shares in physical form shall provide Event No + Folio Number registered with the Company. Shareholders holding shares in NSDL demat account shall provide 8 Character DP ID followed by 8 Digit Client ID; Shareholders holding shares in CDSL demat account shall provide 16 Digit Beneficiary ID.

B. PAN: Enter your 10-digit Permanent Account Number (PAN) (Shareholders who have not updated their PAN with the Depository Participant (DP)/ Company shall use the sequence number provided to you, if applicable.

C. DOB/DOI: Enter the Date of Birth (DOB) / Date of Incorporation (DOI) (As recorded with your DP / Company - in DD/MM/YYYY format)

D. Bank Account Number: Enter your Bank Account Number (last four digits), as recorded with your DP/Company.

Shareholders holding shares in **physical form but have not recorded 'C' and 'D', shall provide their Folio number in 'D' above*

Shareholders holding shares in **NSDL form, shall provide 'D' above*

► Set the password of your choice (The password should contain minimum 8 characters, at least one special Character (@!#\$%&*), at least one numeral, at least one alphabet and at least one capital letter).

► Click "confirm" (Your password is now generated).

3. Click on 'Login' under '**SHARE HOLDER**' tab.
4. Enter your User ID, Password and Image Verification (CAPTCHA) Code and click on '**Submit**'.

Cast your vote electronically:

1. After successful login, you will be able to see the notification for e-voting. Select '**View**' icon.
2. E-voting page will appear.
3. Refer the Resolution description and cast your vote by selecting your desired option '**Favour / Against**' (If you wish to view the entire Resolution details, click on the '**View Resolution**' file link).
4. After selecting the desired option i.e. Favour / Against, click on '**Submit**'. A confirmation box will be displayed. If you wish to confirm your vote, click on '**Yes**', else to change your vote, click on '**No**' and accordingly modify your vote.

Guidelines for Institutional shareholders:

Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on the e-voting system of LIPL at <https://instavote.linkintime.co.in> and register themselves as '**Custodian / Mutual Fund / Corporate Body**'. They are also required to upload a scanned certified true copy of the board resolution /authority letter/power of attorney etc. together with attested specimen signature of the duly authorised representative(s) in PDF format in the '**Custodian / Mutual Fund / Corporate Body**' login for the Scrutinizer to verify the same.

Helpdesk for Individual Shareholders holding securities in physical mode/ Institutional shareholders:

Shareholders facing any technical issue in login may contact Link Intime INSTAVOTE helpdesk by sending a request at enotices@linkintime.co.in or contact on: - Tel: 022 – 4918 6000.

Helpdesk for Individual Shareholders holding securities in demat mode:

Individual Shareholders holding securities in demat mode may contact the respective helpdesk for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at : 022 - 4886 7000 and 022 - 2499 7000
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 22 55 33

Individual Shareholders holding securities in Physical mode has forgotten the password:

If an Individual Shareholders holding securities in Physical mode has forgotten the USER ID [Login ID] or Password or both then the shareholder can use the "Forgot Password" option available on the e-Voting website of Link Intime: <https://instavote.linkintime.co.in>

- o Click on '**Login**' under '**SHARE HOLDER**' tab and further Click '**forgot password?**'
- o Enter User ID, select Mode and Enter Image Verification code (CAPTCHA). Click on "SUBMIT".

In case shareholders is having valid email address, Password will be sent to his / her registered e-mail address. Shareholders can set the password of his/her choice by providing the information about the particulars of the Security Question and Answer, PAN, DOB/DOI, Bank Account Number (last four digits) etc. as mentioned above. The password should contain minimum 8 characters, at least one special character (@!#\$%&), at least one numeral, at least one alphabet and at least one capital letter.*

User ID for Shareholders holding shares in Physical Form (i.e. Share Certificate): Your User ID is Event No + Folio Number registered with the Company

Individual Shareholders holding securities in demat mode with NSDL/ CDSL has forgotten the password:

Shareholders who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned depository/ depository participants website.

- It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- For shareholders/ members holding shares in physical form, the details can be used only for voting on the resolutions contained in this Notice.
- During the voting period, shareholders/ members can login any number of time till they have voted on the resolution(s) for a particular "Event".

15. Process and manner for attending the Annual General Meeting through InstaMeet:

1. Open the internet browser and launch the URL: <https://instameet.linkintime.co.in> & Click on "**Login**".

► Select the "**Company**" and '**Event Date**' and register with your following details: -

A. Demat Account No. or Folio No: Enter your 16 digit Demat Account No. or Folio No

- Shareholders/ members holding shares in **CDSL demat account shall provide 16 Digit Beneficiary ID**
- Shareholders/ members holding shares in **NSDL demat account shall provide 8 Character DP ID followed by 8 Digit Client ID**
- Shareholders/ members holding shares in **physical form shall provide** Folio Number registered with the Company

B. PAN: Enter your 10-digit Permanent Account Number (PAN) (Members who have not updated their PAN with the Depository Participant (DP)/ Company shall use the sequence number provided to you, if applicable.

C. Mobile No.: Enter your mobile number.

D. Email ID: Enter your email id, as recorded with your DP/Company.

► Click "Go to Meeting" (You are now registered for InstaMeet and your attendance is marked for the meeting).

Instructions for Shareholders/ Members to Speak during the Annual General Meeting through InstaMeet:

1. Shareholders who would like to speak during the meeting must register their request by 26th February 2024 (5.00 PM with IST) with the company on the ganapathy@danfoss.com
2. Shareholders will get confirmation on first cum first basis depending upon the provision made by the client.
3. Shareholders will receive "speaking serial number" once they mark attendance for the meeting.
4. Other shareholder may ask questions to the panellist, via active chat-board during the meeting.
5. Please remember speaking serial number and start your conversation with panellist by switching on video mode and audio of your device.

Shareholders are requested to speak only when moderator of the meeting/ management will announce the name and serial number for speaking.

Instructions for Shareholders/ Members to Vote during the Annual General Meeting through InstaMeet:

Once the electronic voting is activated by the scrutinizer during the meeting, shareholders/ members who have not exercised their vote through the remote e-voting can cast the vote as under:

1. On the Shareholders VC page, click on the link for e-Voting "Cast your vote"
2. Enter your 16 digit Demat Account No. / Folio No. and OTP (received on the registered mobile number/ registered email Id) received during registration for InstaMEET and click on 'Submit'.
3. After successful login, you will see "Resolution Description" and against the same the option "Favour/ Against" for voting.
4. Cast your vote by selecting appropriate option i.e. "Favour/Against" as desired. Enter the number of shares (which represents no. of votes) as on the cut-off date under 'Favour/Against'.
5. After selecting the appropriate option i.e. Favour/Against as desired and you have decided to vote, click on "Save". A confirmation box will be displayed. If you wish to



confirm your vote, click on "Confirm", else to change your vote, click on "Back" and accordingly modify your vote.

6. Once you confirm your vote on the resolution, you will not be allowed to modify or change your vote subsequently.

Note:

Shareholders/ Members, who will be present in the Annual General Meeting through InstaMeet facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting facility during the meeting. Shareholders/ Members who have voted through Remote e-Voting prior to the Annual General Meeting will be eligible to attend/ participate in the Annual General Meeting through InstaMeet. However, they will not be eligible to vote again during the meeting.

Shareholders/ Members are encouraged to join the Meeting through Tablets/ Laptops connected through broadband for better experience.

Shareholders/ Members are required to use Internet with a good speed (preferably 2 MBPS download stream) to avoid any disturbance during the meeting.

Please note that Shareholders/ Members connecting from Mobile Devices or Tablets or through Laptops connecting via Mobile Hotspot may experience Audio/Visual loss due to fluctuation in their network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.

In case shareholders/ members have any queries regarding login/ e-voting, they may send an email to instameet@linkintime.co.in or contact on: - Tel: 022-49186175.

Danfoss Systems Limited

(Previously Eaton Fluid Power Limited)

RAVICHANDRAN PURUSHOTHAMAN

DIN: 06584433

EXPLANATORY STATEMENT

[In terms of section 102 of the Companies Act, 2013]

The proposal is to reduce the equity paid-up share capital of the Company. The proposed reduction of equity share capital would be from selective group of equity shareholder who are basically non-promoter shareholder. Capital reduction from such selective group involves repayment of excess capital which is not held by promoters. The reduction of share capital of the Company is being proposed from promoter shareholders, as it will be beneficial in the interest of non-promoter shareholders who have no liquidity as the Company is not listed on any stock exchange. Apart from non-promoter shareholders, only M/s Danfoss Fluid Power Private Limited holds 97.61% share of the Company.

The salient features of the scheme of reduction of equity share capital would be as follows:

- The Scheme proposes reduction of the paid up equity share capital of Danfoss Systems Limited (previously Eaton Fluid Power Limited) pursuant to Section 66 of the Companies Act, 2013 read with The National Company Law Tribunal (Procedure for reduction of share capital of Company) Rules, 2016 and all other applicable provisions of the Companies Act, 2013 and any other law for the time being in force.
- The reduction of the paid up equity share capital of the Company shall be achieved by cancelling and extinguishing an aggregate of 166,778 fully paid equity shares of face value Rs. 10/- each held by non-promoter shareholders.
- In consideration of reduction of equity share capital, non-promoter shareholders would be at fair value determined by the valuer in accordance with the provisions of applicable law and internationally accepted principles.

In relation to above, a joint report from valuers M/s. SSPA & Co, Chartered Accountant IBBI Registered Valuer No. IBBI/RV-E/06/2018/10072 and T V Balasubramanian, IBBI Registered Valuer No. IBBI/RV/06/2018/10073 has been obtained which has determined INR 872.99 per share as the fair value of the shares of the Company. The Company has also obtained the fairness opinion from RBSA Capital Advisors LLP.

Thus, considering the said fair value, in consideration of cancellation and extinguishment of the aforesaid 1,66,778 equity shares held by non-promoter shareholders they are proposed to be paid aggregate consideration of INR 14,55,95,526.22 (Rupees Fourteen Crores Fifty Five Lacs Ninety Five Thousand Five Hundred Twenty six and paise Twenty two only).

A copy of the scheme of reduction of equity share capital as approved by the Board and report obtained from the valuer is enclosed with this.



The selective reduction in equity share capital held by a particular group involving non-promoter shareholders would give opportunity to such shareholders to liquidate their shareholding which otherwise illiquid since the Company is not listed on any stock exchange.

Such reduction will not cause any prejudice to the creditors of the Company. The reduction of the equity share capital does not involve the diminution of any liability in respect of unpaid share capital. The creditors of the Company are also in no way affected by the proposed reduction of equity share capital as there is no reduction in the amount payable to any of the creditors, no compromise or arrangement is contemplated with the creditors and there is no reduction in the security, which the creditors may have in the Company. Further, the proposed reduction of equity share capital would not in any way adversely affect the ordinary operations of the Company or the ability of the Company to honour its commitments or to pay its debts in the ordinary course of its business.

Therefore, the Directors are of the opinion to that the reduction of share capital as explained above can be achieved by reducing the share capital of the Company subject to confirmation from the National Company Law Tribunal, Mumbai Bench ("Tribunal").

The Company's articles contain enabling provision for capital reduction and once the shareholders approve proposal by way of special resolution an application may be made to the Tribunal. Once the Tribunal sanctions proposal of capital reduction the capital will be returned to the shareholders by making payment to their account.

The Board at its meeting held on 04th January 2024 has proposed scheme of reduction of paid-up equity share capital as aforesaid.

Section 66 of the Companies Act, 2013, require the Company to seek share holders approval by way of special resolution to reduce its share capital in any manner followed by confirmation of the Tribunal. Hence, the Board recommend the resolution for your kind approval.

None of the directors of your Company is, in any way, concerned or interested in the said resolution.

Danfoss Systems Limited
(Previously Eaton Fluid Power Limited)

RAVICHANDRAN PURUSHOTHAMAN
DIN : 06584433

SCHEME OF REDUCTION OF CAPITAL
OF
DANFOSS SYSTEMS LIMITED (FORMERLY KNOWN AS EATON FLUID
POWER LIMITED)

UNDER SECTION 66 OF THE COMPANIES ACT, 2013

A. PREAMBLE OF THE SCHEME

This Scheme of Reduction of Capital is made pursuant to Section 66 of the Companies Act, 2013 read with the National Company Law Tribunal {Procedure for Reduction of Share Capital of Company} Rules, 2016 and other applicable provisions for reduction of equity capital of Danfoss Systems Limited (formerly known as Eaton Fluid Power Limited)

B. DESCRIPTION OF THE COMPANY

The Company Danfoss Systems Limited (formerly known as Eaton Fluid Power Limited) under the Companies Act, 1956 on 18th November 1965 having currently having its registered office at 145, Mumbai Pune Road, Pimpri, Pune-411018 Maharashtra bearing CIN U29120PN1965PLC015850.

The Company was originally incorporated under Companies Act, 1956 in the name of " Vickers Sperry of India Limited" on 18th November 1965. The name of the Company was changed from "Vickers Sperry of India Limited" to "Vickers System International Limited" with effect from 28th January 1985. Subsequently on 19th February 2008 the name of the Company was changed from "Vickers System International Limited" to "Eaton Fluid Power Limited". Subsequently on 27th December 2022 the name of the Company was changed from "Eaton Fluid Power Limited" to "Danfoss Systems Limited".

Main Objects of the Company:

1. To carry on the business of manufacturers and assemblers of various hydraulic mechanisms and controls including pumps, valves, fitting and allied equipment
2. To carry on business as manufacturers and builders of hydraulic compression engines and motors parts and tools therefore and in particular and without prejudice to the generality of the forgoing to carry on business as manufacturers and builders of internal combustion engine and air and hydraulic compression engines and motors consisting power units for industrial, agriculture, domestic or other purposes, including without prejudice to the generality of the foregoing engines used in mining and quarrying , water works, pumping station, irrigation and drainage works, sewage works power stations and installations and

in all kinds of vehicles such as motor cars, tractors, motor boats, ships, railways, as also in pumps and pumping machinery, cranes, haulage machinery, power generators, oil pressing, ginning and milling machines and all other kinds of machinery and equipment.

3. To carry on business as internal combustion and air and hydraulic compression engineers, mining engineers, civil engineers, mechanical engineers, electrical and sanitary engineers, consulting engineers and advisors, research engineers and planning engineers and to tackle all kinds of engineering problems and to act as technical advisors on engineering problems arising in the manufacture or use of engines of any nature, advising on specifications and preparing engineering data and, in connection therewith, to establish, maintain and run machine shops, workshops, foundries and also suitable establishment for experimental work.

C. PURPOSE, RATIONALE AND BENEFIT OF THE SCHEME

The proposed reduction of equity share capital is from selective group of equity shareholder who are basically non-promoter shareholder. Capital reduction from such selective group involves repayment of excess capital which is not held by promoters. The reduction of share capital of the Company is being proposed from non promoter shareholders, as it will be beneficial in the interest of non-promoter shareholders who have no liquidity as the Company is not listed on any stock exchange. Apart from non-promoter shareholders, only M/s Danfoss Fluid Power Private Limited holds 97.61% share of the Company.

Non-promoter shareholders will be paid in accordance with the fair value determined on the basis of the valuation reports given by the valuer.

Therefore, selective reduction in equity share capital held by a particular group involving non-promoter shareholders would give opportunity to such shareholders to liquidate their shareholding which otherwise illiquid since the Company is not listed on any stock exchange.

Consequently, such reduction will not cause any prejudice to the creditors of the Company. The reduction of the equity share capital does not involve the diminution of any liability in respect of unpaid share capital. The creditors of the Company are also in no way affected by the proposed reduction of equity share capital as there is no reduction in the amount payable to any of the creditors, no compromise or arrangement is contemplated with the creditors and there is no reduction in the security, which the creditors may have in the Company. Further, the proposed reduction of equity share capital would not in any way adversely affect the ordinary operations of the Company or the ability of the Company to honour its commitments or to pay its debts in the ordinary course of its business.

D. SALIENT FEATURES OF THE SCHEME

The Scheme proposes reduction of the paid up equity share capital of Danfoss Systems Limited (formerly known as Eaton Fluid Power Limited) pursuant to Section 66 of the Companies Act,

2013 read with The National Company Law Tribunal (Procedure for reduction of share capital of Company) Rules, 2016 and all other applicable provisions of the Companies Act, 2013 and any other Law for the time being in force.

The reduction of the paid up equity share capital of the Company shall be achieved by cancelling and extinguishing an aggregate of 166,778 fully paid equity shares of face value Rs. 10/- each held by non-promoter shareholders (as defined below) at fair value determined by the valuer in accordance with the provisions of applicable law and internationally accepted principles.

This Scheme is divided into the following Parts:

- **Part I** - Definitions used in the Scheme and Share Capital;
- **Part II** -Reduction of equity share capital of the Company; and
- **Part III** -General Terms and Conditions.

PART - I “Definitions”

1. DEFINITIONS

In this Scheme, unless repugnant to the meaning or context thereof, the following expressions shall have the following meanings:

- (a) "**Act**" means the Companies Act, 2013, including the rules and regulations made thereunder and will include any statutory amendments, modifications and/or re-enactments thereof for the time being in force;
- (b) "**Applicable Law(s)**" mean any statute, law, regulation, ordinance, rule, judgment, rule of law, order, decree, ruling, bye-law, approval of any governmental authority, directive, guideline, policy, clearance, requirement or other governmental restriction or any similar form of decision of or determination by, or any interpretation or administration having the force of law of any of the foregoing by any governmental authority having jurisdiction over the matter in question, whether in effect as of the date of this Scheme or at any time thereafter;
- (c) "**Board**" or "**Board of Directors**" means the board of directors of the Company including any duly constituted committee(s) thereof;
- (d) "**NCLT**" or the "**Tribunal**" means the National Company Law Tribunal, Mumbai Bench;

- (e) **"Company"** means, Danfoss Systems Limited (formerly known as Eaton Fluid Power Limited)
- (f) **"Effective Date"** means the date on which the certified copy of the order passed by the NCLT sanctioning the Reduction of Capital under Section 66 of the Companies Act, 2013 and other applicable provisions of the Act, if any, is filed with the Registrar of Companies, Pune, Maharashtra;
- (g) **"Fair value"** means value of equity shares determined by the valuer pursuant to their valuation report;
- (h) **"Equity Shares"** means fully paid-up equity shares of Rs. 10/- each issued by the Company;
- (i) **"Non-promoter shareholders"** means shareholders other than promoter shareholders holding 166,778 fully paid-up equity shares in the Company;
- (j) **"Scheme"** means this Scheme of reduction of capital between the Company and selective shareholders in its present form or with such alterations/modifications as may be approved or imposed or directed by the National Company Law Tribunal;
- (k) **"Valuer"** means valuer appointed by the Board in accordance with the applicable law to determine the fair value of the equity shares proposed to be reduced.

All terms and words not defined in the Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Companies Act, 2013, and other applicable laws, rules, regulations, bye laws, as the case may be or any statutory modifications or re-enactment thereof from time to time.

2. Share Capital of the Company

2.1 The share capital of the Company as on **4th January 2024** i.e. *date of approval of the Scheme by the Board*) is as under:

Particulars	Amount (In INR)
<u>Authorised Capital</u>	
70,00,000 Equity Shares of INR 10 each	7,00,00,000
850,000 8% preference shares of INR 100 each	8,50,00,000
Total	15,50,00,000
<u>Issued and Subscribed Share Capital</u>	
69,64,267 Equity Shares of INR 10 each	6,96,42,670
Total	6,96,42,670

Fully Paid-up Share Capital	
69,64,267 Equity Shares of INR 10 each	6,96,42,670
Total	6,96,42,670

PART II

REDUCTION OF CAPITAL

3. REDUCTION OF CAPITAL OF THE COMPANY

- 3.1 Upon the Scheme becoming effective, the paid-up equity share capital of the Company as on the Effective Date shall stand reduced from Rs. 6,96,42,670 divided into 69,64,267 equity shares of Rs. 10/- each to Rs. 6,79,74,890 divided into 67,97,489 equity shares of Rs. 10/- each.
- 3.2 The aforesaid Reduction of the paid-up equity share capital of the Company shall be achieved by cancelling and extinguishing an aggregate of 1,66,778 fully paid equity shares of face value Rs. 10/- each held by non-promoter shareholders. In consideration of cancellation and extinguishment of the aforesaid 1,66,778 equity shares held by non-promoter shareholders they shall be paid consideration of INR 872.99 (Rupees Eight Hundred Seventy-Two and paise Ninety nine only) per share amounting to Rs. 14,55,95,526.22/- (Rupees Fourteen Crores Fifty-Five Lacs Ninety Five Thousand Five Hundred Twenty six and paise Twenty two only) which is fair value arrived on the basis of valuation reports given by the valuer.
- 3.3 Upon the Effective Date, the Share Capital of the Company before and after reduction in terms of this Scheme shall read as under:

Particulars	Before Reduction		After Reduction	
	No. of Equity Shares	Amount (In INR)	No. of Equity Shares	Amount (In INR)
Authorised Equity share capital	70,00,000	7,00,00,000	70,00,000	7,00,00,000
Authorised Preference share capital	8,50,000	8,50,00,000	8,50,000	8,50,00,000
Paid-up share capital (Equity)	69,64,267	6,96,42,670	67,97,489	6,79,74,890
Paid-up share capital (Preference)	-	-	-	-

- 3.4 Reduction and the consequent cancellation of the Equity Share Capital of the Company as herein above, shall be effected as per the provisions of Section 66 of the Act and other applicable provisions of the Act and rules and regulations made there under upon the Scheme becoming effective.
- 3.5 The reduction does not involve either a diminution of liability in respect of unpaid share capital.
- 3.6 No prejudice will be caused to shareholders and/or creditors of the Company by the aforesaid reduction.
- 3.7 The fair value to be payable to the non-promoter shareholders consequent to the reduction is determined by the valuer appointed in accordance with the applicable law.
- 3.8 The extinguishment and cancellation of the paid-up share capital under this Scheme will facilitate the exit to non-promoter shareholders by giving them an opportunity to liquidate their shareholding.
- 3.9 The Scheme does not in any manner alter, vary or affect the payment of any dues or outstanding amounts including all or any of the statutory dues payable or outstanding.
- 3.10 The Scheme does not envisage transfer or vesting of any of the properties and/or liabilities of the Company to any person or entity.
- 3.11 The Scheme also does not involve any conveyance or transfer of any property of the Company and does not involve any issue of shares. Consequently, the order of NCLT, Mumbai Bench approving the Scheme will not attract any stamp duty, under the Stamp Act, in this regard.
- 3.12 Notwithstanding the reduction of capital of the Company in pursuance of this Scheme, the Company shall not be required to add the words "And Reduced" to its name as the last words thereof.
- 3.13 It is clarified that until the Effective Date, the non-promoter shareholders would be eligible to enjoy all the benefits in the capacity of shareholder of the Company including but not limited to receiving the dividend and bonus shares, participate in right issue and buy-back, voting in the shareholders' meeting and participate in any other corporate action taken by the Company during the pendency of this Scheme.

4. COMPLIANCE

- 4.1 The consent of the members of the Company to this Scheme shall be taken through a Special Resolution under the provisions of Section 66 of the Companies Act, 2013.

- 4.2 The Scheme, if sanctioned, shall be fully in compliance with the provisions of the Act and rules and made thereunder.

5. ACCOUNTING TREATMENT

Upon the Scheme becoming effective, the Company shall account for the reduction of share capital in its books of accounts in accordance Indian Accounting Standards (“Ind AS”) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and presentation requirements of division II of schedule III to the Companies Act, 2013, issued by the Ministry of Corporate Affairs, and other accounting principles generally accepted in India, in its books of accounts such that:

- a. The aforesaid reduction of the equity share capital of the Company shall be effected by cancelling and extinguishing 1,66,778 equity shares of INR 10/- each fully paid-up and returning to the shareholder an amount of INR 872.99 per equity share, so cancelled.
- b. The Company shall adjust the amount paid to shareholders in this manner against the Share Capital to the extent of face value of shares so extinguished / cancelled.
- c. The difference between the face value of the equity shares so cancelled and the amount paid to the shareholders on reduction of the share capital of the Company shall be adjusted against retained earnings.

- 5.2 The Company will pass appropriate adjustment entries in a prudent and commercially acceptable manner as per the generally accepted accounting principles in India.

For accounting purpose, the reduction of share capital of Company will be given effect from the date when all substantial conditions for the reduction of share capital are completed.

Without prejudice to the foregoing, the Company will comply with all the accounting policies and accounting standards, as applicable in relation to the accounting treatment for the reduction of capital in terms of this Scheme.

6. MINUTE

The Form of minute, approved by the Tribunal to be delivered to the Registrar of Companies for registration under Section 66(5) of the Companies Act, 2013, is as follows:

“The paid up share capital of Danfoss Systems Limited is henceforth Rs. 6,79,74,890 (Rupees Six Crores Seventy-Nine Lakh Seventy-Four Thousand Eight-Hundred and Ninety only) divided into 67,97,489 (Sixty-Seven Lakh Ninety-Seven Thousand Four-Hundred Eighty Nine) equity shares of face value of Rs.10/- (Rupees Ten only) each reduced from Rs. 6,96,42,670 (Rupees Six Crores Ninety-Six Lakh Forty-Two Thousand Six-Hundred and Seventy only)

divided into 69,64,267 (Sixty-Nine Lakh Sixty-Four Thousand Two-Hundred Sixty Seven) equity shares of face value of Rs.10/- (Rupees Ten only) each. At the date of registration of this minute 67,97,489 (Sixty-Seven Lakh Ninety-Seven Thousand Four-Hundred Eighty Nine) equity shares of face value of Rs.10/- (Rupees Ten only) each have been issued and are deemed to be fully paid up.”

7. IMPACT OF THE SCHEME ON EMPLOYEES/WORKERS

The Scheme of Reduction of Capital would not affect the employees and workers of the Company in any manner and their service shall be continuous and they would continue to enjoy the same benefits as they used to before the Reduction of Capital.

8. IMPACT OF THE SCHEME ON CREDITORS

- 8.1 The creditors of the Company are in no way affected by the proposed reduction of the equity share capital as there will be no reduction in the amounts payable to any of them. The reduction of capital would not in any way have any adverse effect on the Company's ability to honour its commitments or meet its liabilities in the ordinary course of business. The Scheme does not in any manner alter, vary or affect the rights of the creditors.
- 8.2 The Scheme would not affect the ability or liquidity of the Company to meet its obligations/commitments in the normal course of business. Further, this Scheme would also not in any way adversely affect the ordinary operations of the Company during the course or after the approval of the Scheme.
- 8.3 The creditors of the Company are in no way affected by the proposed reduction of the share capital as there will be no reduction in the amounts payable to any of them. Further, the proposed reduction would not in any way adversely affect the ordinary operations of the Company or its ability to honour its commitments or pay the debts in the ordinary course of business. The Scheme does not in any manner alter, vary or affect the rights of the creditors. The proposed reduction of equity share capital from selective group of equity shareholder involves repayment of excess capital which is not required for carrying on the main objects of the Company. Consequently, such reduction will not cause any prejudice to the Creditors of the Company. The reduction of the equity share capital does not involve the diminution of any liability in respect of unpaid share capital. The Creditors of the Company are also in no way affected by the proposed reduction of equity share capital as there is no reduction in the amount payable to any of the creditors, no compromise or arrangement is contemplated with the creditors and there is no reduction in the security, which the creditors may have in the Company. Further, the proposed reduction of equity share capital would not in any way adversely affect the ordinary operations of the Company or the ability of the Company to honour its commitments or to pay its debts in the ordinary course of its business.

9 LEGAL PROCEEDINGS

The Scheme would not affect any legal or other proceedings by or against the Company, pending or arising, but the proceedings may be continued, prosecuted and enforced by or against the Company in the same manner and to the same extent as it would be or might have been continued, prosecuted and enforced by or against the Company prior to the Scheme.

PART III- GENERAL TERMS AND CONDITIONS

10 APPLICATION TO THE NATIONAL COMPANY LAW TRIBUNAL

The Company hereto shall, with all reasonable dispatch, make an application under Section 66 of the Companies Act, 2013 read with National Company Law Tribunal (Procedure for reduction of share capital of Company) Rules, 2016 to the National Company Law Tribunal, Mumbai Bench for sanctioning the Scheme.

11 MODIFICATIONS/AMENDMENTS TO THE SCHEME

11.1 The Company by its Board of Directors or such other person or persons, as the Board of Directors of the Company may authorize, may make and *I* or consent to any modifications /amendments to this Scheme or to any conditions or limitations that the National Company Law Tribunal or any other competent authority under law may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by them or the Board, including the withdrawal of this Scheme.

11.2 The Board of Directors of the Company shall take all such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions, including interpretation of the Scheme, whether by reason of any directive or orders of any other authorities or otherwise howsoever arising out of or under or by virtue of the Scheme and *I* or any matter concerned or connected therewith. The power of the Board to modify/ amend the Scheme shall be subject to the approval of the National Company Law Tribunal.

12 CONDITIONS PRECEDENT

This Scheme is and shall be conditional upon and subject to:

- (a) The Scheme being approved by the requisite majority of the members through a special resolution as required under the Act.
- (b) The sanction of this Scheme by the National Company Law Tribunal, Mumbai Bench.
- (c) All other sanctions and approvals as may be required by law in respect of this Scheme being obtained.

13 EFFECT OF NON-RECEIPT OF APPROVALS

In the event of any of the said sanctions and/or approvals in Clause 12 not being obtained (unless otherwise released by the Board of Directors) and / or the Scheme not being sanctioned by the National Company Law Tribunal or any other competent authority, this Scheme shall become null and void and the Company shall bear and pay the costs, charges and expenses for/or in connection with the Scheme, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and / or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law.

14 STATUTORY COMPLIANCES

Pursuant to the Scheme of Reduction of Capital, the Company shall file the requisite forms with the Registrar of Companies, and other statutory authorities (as may be applicable).

15 SEVERABILITY

If any part of this Scheme hereof is invalid, ruled illegal by any appropriate authority of competent jurisdiction, or unenforceable under present or future laws, then subject to the decision of the Board of the Company, such part shall be severable from the remainder of the Scheme, and the Scheme shall not be affected thereby, unless the deletion of such part shall cause this Scheme to become materially adverse, in which case the Board shall attempt to bring a suitable modification in the Scheme. The Board of Directors of Company shall be entitled to revoke, cancel and declare the Scheme of no effect, if the Board of Directors is of view that the coming into effect of the Scheme could have adverse implications on Company.

16 COSTS, CHARGES AND EXPENSES

All costs, charges, taxes including duties {including the stamp duty, if any, applicable in relation to this Scheme), levies and all other expenses, if any, of the Company arising out of or incurred in carrying out and implementing this Scheme and matters incidental thereto shall be borne and paid by the Company.

SSPA & CO.

Chartered Accountants

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STRICTLY PRIVATE & CONFIDENTIAL

20 December 2023

To,

The Board of Directors,
Danfoss Systems Limited
145, Mumbai Pune Road,
Pimpri, Pune – 411 018.

Dear Sir(s) / Madam(s),

Sub: Report on valuation of equity shares of Danfoss Systems Limited for the proposed reduction of equity share capital of Danfoss Systems Limited

We refer to our engagement letters dated 11 May 2023 of SSPA & Co., Chartered Accountants (hereinafter referred to as 'SSPA') and dated 11 May 2023 of Mr. T V Balasubramanian (hereinafter referred to as 'TVB'), whereby SSPA & TVB have been appointed by Danfoss Systems Limited (hereinafter referred to as 'DSL' or the 'Company' or the 'Client') to carry out fair valuation of equity shares of the Company and to issue a joint report containing recommendation of fair value per equity share of DSL for the proposed reduction of equity share capital of DSL. SSPA & TVB have been hereinafter collectively referred to as 'Valuers' or 'we' or 'us' or 'our' and individually referred to as 'Valuer' in this joint valuation report.

1. SCOPE AND PURPOSE OF THIS REPORT

- 1.1 We have been informed by the management of DSL (hereinafter referred to as 'the Management') that DSL is considering a proposal of reduction of equity share capital of DSL from selective group of equity shareholders being non-promoter shareholders, pursuant to section 66 of the Companies Act, 2013 ('Co. Act') read with The National Company Law Tribunal (Procedure for reduction of share capital of Company) Rules, 2016 and all other applicable provisions of the Co. Act (hereinafter referred to as the 'Proposed Transaction').



In this connection, the Management wants to ascertain the fair value of equity shares of the Company.

- 1.2 For this purpose, we have been requested by the Management to issue a joint valuation report containing recommendation of fair value per equity share of DSL (hereinafter referred to as 'Report').
- 1.3 For the purpose of this valuation, 19 December 2023 has been considered as the 'Valuation Date'.
- 1.4 The Valuers have been appointed severally and not jointly and have worked independently in their analysis. The Valuers have received information and clarifications from the Management of the Company.
Upon conclusion of our work and prior to issue of the Report, we have discussed the approach, methodologies and our findings. Further, to arrive at the consensus on the fair value per equity share of DSL for the Proposed Transaction, appropriate minor adjustments and rounding off has been done in the values arrived at by the Valuers.
- 1.5 For the purpose of this valuation, the bases of value is 'Fair Value' and the valuation is based on 'Going Concern' premise.
- 1.6 The Report sets out our recommendation of fair value per equity share of DSL and discusses the methodologies and approaches considered for arriving at the fair value.

2. BACKGROUND OF COMPANY – DANFOSS SYSTEMS LIMITED

Danfoss Systems Limited (*erstwhile known as Eaton Fluid Power Limited*) is an unlisted public company engaged in manufacturing of gear pumps, compressors, hydraulic and pneumatic power engines and valves and parts thereof.

Presently, ~97.61% of equity shares of DSL are held by promoters viz. Danfoss Fluid Power Private Limited and the balance ~2.39% of equity shares are held by non-promoter shareholders.

As per the provisional unaudited financial statements of the Company for six months period ended 30 September 2023 ('6ME Sep23'), the issued, subscribed and paid-up share capital of the Company as on 30 September 2023 is INR 69.64 million and the revenue from operations of the Company for 6ME Sep23 is INR 2,940.01 million.



3. BACKGROUND OF VALUERS

3.1 REGISTERED VALUER – SSPA & CO., CHARTERED ACCOUNTANTS

SSPA is a partnership firm, located at 1st Floor, "Arjun", Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing various corporate consultancy services.

SSPA is a firm of practising Chartered Accountants registered with The Institute of Chartered Accountants of India ('ICAI'). SSPA is also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/06/2020/126.

3.2 REGISTERED VALUER – MR. T V BALASUBRAMANIAN

T V Balasubramanian is registered with IBBI, as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV/06/2018/10073.

4. SOURCES OF INFORMATION

For the purpose of this valuation exercise, we have relied upon the following information as provided to us by the Management and information available in public domain:

- Audited financial statements of the Company for financial year ('FY') 2021-22 and FY 2022-23.
- Provisional unaudited financial statements of the Company for 6ME Sep23, as certified by the Management.
- Financial Projections of the Company comprising of profitability statement, statement of working capital requirement and capital expenditure requirement for six months period ending 31 March 2024 ('6ME Mar24') and from FY 2024-25 to FY 2027-28.
- Copy of valuation report issued by Cushman and Wakefield India Private Limited dated 20 November 2023 in connection with valuation of the industrial property (comprising of land and industrial building) held by DSL at Kharalwadi, Pimpri, Pune as on 01 November 2023.
- Discussions with the Management on various issues relevant to valuation including prospects and outlook of the business, expected growth and other relevant information relating to future expected profitability.



- Such other information and explanations as we have required, and which have been provided by the Management including management representation.

5. SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

- 5.1 Our report is subject to the scope and 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 and in the context of the purpose for which it is made. Further, our valuation is in accordance with the ICAI Valuation Standards 2018 issued by The Institute of Chartered Accountants of India.
- 5.2 Valuation is not a precise science and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While we have provided an assessment of value by applying certain formulae which are based on the information available, others may place a different value.
- 5.3 The report assumes that the Company complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Company will be managed in a competent and responsible manner. Further, as 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 balance sheet provided to us.
- 5.4 The draft of the present report was circulated to the Management for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.
- 5.5 Valuation analysis and results are specific to the purpose of valuation and the Valuation Date mentioned in the report and is as per agreed terms of our engagement.
- 5.6 For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Management and / or auditors / consultants of the Company, is that of the Management. Also, with respect to explanations and information sought from the Management, we have been given to understand by the Management that they have not omitted any relevant and material information about the Company. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect my valuation analysis/conclusions.



A handwritten signature in blue ink, likely of the valuer, T V Balasubramanian.

- 5.7 Our work does not constitute an audit, due diligence or certification of these information referred to in this report including information sourced from public domain. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report and consequential impact on the present exercise. However, we have evaluated the information provided to us by the Management through broad inquiry, analysis and review. However, nothing has come to our attention to indicate that the information provided / obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.
- 5.8 Our valuation is based on the estimates of future financial performance as projected by the Management, which represents their view of reasonable expectation at the point of time when they were prepared, after giving due considerations to commercial and financial aspects of the Company and the industry in which the Company operates and taking into account the current economic scenario. But such information and estimates are not offered as assurances that the particular level of income or profit will be achieved, or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary from those contained in the statement and the variation may be material. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.
- 5.9 We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and / or reproduced in its proper form and context.
- 5.10 A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Company and any other matter, which may have an impact on our opinion, on the value of the shares of the Company including any significant changes that have taken place or are likely to take place in the financial position of the Company. Events and transaction



after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.

- 5.11 We are independent of DSL and have no current or expected interest in DSL or its assets. The fee paid for our services in no way influenced the results of our analysis.
- 5.12 Our report is not, nor should it be construed as our opining or certifying the compliance with the provisions of any law including companies, competition, taxation and capital market related laws or as regards any legal implications or issues arising in India or abroad from the Proposed Transaction.
- 5.13 Any person / party intending to provide finance / divest / invest in the shares / convertible instruments / business of DSL 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.
- 5.14 The decision to carry out the Proposed Transaction (including consideration thereof) lies entirely with the parties concerned and our work and our finding shall not constitute a recommendation as to whether or not the parties should carry out the Proposed Transaction.
- 5.15 Our Report is meant for the purpose mentioned in Para 1 only and should not be used for any purpose other than the purpose mentioned therein. It is exclusively for the use of DSL and may be submitted to regulatory/statutory authority for obtaining requisite approvals. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall Valuers assume any responsibility to any third party to whom the report is disclosed or otherwise made available.
- 5.16 Valuers nor their partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. We owe responsibility only to the Client that has appointed us under the terms of the engagement letter. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Company, their directors, employees or agents.



6. PROCEDURES ADOPTED AND VALUATION METHODS FOLLOWED

In connection with this engagement, we have adopted the following procedures to carry out the valuation:

- Obtained financial and qualitative information from the Management.
- Used data available in public domain related to the Company and its peers.
- Discussions with the Management to understand the business and fundamental factors that affect the Company's earning-generating capability including historical financial performance and future outlook.
- Reviewed publicly available market data.
- Analysis of comparable companies/comparable transactions using information available in public domain and/or proprietary database subscribed by us.
- Selection of well accepted valuation methodology/(ies) as considered appropriate by us.
- Arriving at the recommendation.

7. VALUATION APPROACHES AND METHODOLOGY

There are various approaches/methods adopted for valuation of equity shares of the company. Certain approaches/methods are based on asset value of the company while certain other approaches are based on the earnings potential of the company. Each approach/method proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance, to a given situation. Thus, the approach/method to be adopted for a particular valuation exercise must be judiciously chosen.

7.1 MARKET APPROACH

The Market Approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

Under the Market Approach, the valuation is based on the following:

- (a) market price of the shares of a company in case such shares are listed ('Market Price Method'); and / or
- (b) prices paid in transaction(s) of subject asset to be valued or transaction multiples derived from prices paid in transaction(s) of comparable companies (Comparable



Transaction Multiple Method'); and / or

- (c) market multiples derived from prices of comparable listed companies ('Comparable Companies' Multiple Method').

In the present case, equity shares of the Company are not listed on any stock exchanges and hence the Market Price Method cannot be considered. Further, Comparable Transaction Multiple Method has not been used due to lack of availability of sufficient and reliable information on comparable transactions in the public domain. Further, the transaction multiples may include acquirer specific considerations, synergy benefits, control premium and minority adjustments.

We have thought fit to consider Comparable Companies Multiple ('CCM') Method under the Market Approach for arriving at the value of equity shares of the Company.

Comparable Companies' Multiple ('CCM') Method

Under CCM Method, the value of the company is determined by using multiples derived from valuations of listed comparable companies. This valuation is based on the principle that 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 material differences, if any. Various multiples viz. Enterprise Value ('EV') to Revenue Multiple, EV to Earnings before Interest, Tax, Depreciation and Amortization ('EBITDA') (EV/EBITDA) Multiple, etc. can be used depending upon the nature of the business of the company being valued.

In the present case, EV/EBITDA multiples of comparable listed companies have been considered to arrive at the value of equity shares of the Company.

7.2 INCOME APPROACH

Under the Income Approach, the equity shares of the company are valued using Discounted Cash Flow ('DCF') method. The DCF Method values the business by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are discounted by Weighted Average Cost of Capital ('WACC'). The WACC represents the returns expected by the investors of both debt and equity, weighted for their relative funding in the entity. The present value of the free cash flows during the explicit period and the perpetuity value indicates the value of the business.



7.3 COST APPROACH

The Cost Approach reflects the amount that would be required currently to replace the service capacity of an asset; often referred to as current replacement cost.

In the present case, the Company is intended to be continued on a 'going concern' basis and there is no intention to dispose-off the assets of the Company, Therefore, Cost Approach is not adopted for the present valuation exercise.

- 7.4 Considering the above, for the present valuation exercise, we have thought fit to use a combination of CCM Method under Market Approach and DCF Method under Income Approach for arriving at the fair value of equity shares of the Company as on the Valuation Date.

8. VALUATION OF EQUITY SHARES OF DSL AS PER CCM METHOD UNDER MARKET APPROACH

- 8.1 The value per equity share of the Company under CCM Method has been arrived at as follows:

- For arriving at maintainable EBITDA, estimated operating EBITDA of the Company for FY 2023-24 has been considered, after making appropriate adjustments for non-operating / non-recurring incomes and expenses (if any).
- Maintainable EBITDA as arrived above is capitalized by applying an appropriate EV/EBITDA Multiple to arrive at the enterprise value of the Company. In our opinion, such EV/EBITDA multiple is reasonable after considering EV/EBITDA multiples of comparable companies, the Company's growth prospects, business risk and the industry in which the Company operates.
- Appropriate adjustments have been made for cash and cash equivalents and value of surplus land, after considering tax impact wherever applicable.
- Outstanding debt as on 30 September 2023, as per provisional unaudited financial statements of the Company for 6ME Sep23, has been reduced from the enterprise value to arrive at the equity value.
- The equity value as arrived above is divided by outstanding number of equity shares of the Company as on the Valuation Date, to arrive at the value per equity share of the Company.



8.2 On the basis of the foregoing, the value per equity share (face value INR 10 per share) of DSL as per CCM Method under Market Approach works out to **INR 868.69** as on the Valuation Date. The workings for the same are attached herewith as **Annexure I** to this Report.

9. VALUATION OF EQUITY SHARES OF DSL AS PER DCF METHOD UNDER INCOME APPROACH

9.1 The value per equity share of the Company under DCF Method has been arrived at as follows:

- Valuation under DCF Method is based on the projections of the Company for 6ME Mar24 and from FY 2024-25 to FY 2027-28 ('explicit period'), as provided to us by the Management.
- For the explicit period, free cash flows from the business have been arrived at as follows:
 - Operating profits before tax ('PBT') as per the projections have been considered after considering adjustment for non-operating items of income and/or expense (if any).
 - Depreciation and amortisation on fixed assets and interest on loans have been added to the operating PBT to arrive at the EBITDA.
 - Fund requirements for capital expenditure and incremental working capital have been reduced from the cash earnings of the respective years.
 - Estimated tax liability has been reduced to arrive at the free cash flows from the business.
- The post-tax cash flows of each year are then discounted at the WACC.
WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the company. In other words, WACC is the weighted average of the company's cost of equity and debt. WACC is arrived at considering the following parameters:
 - The Cost of Equity is worked out using the following formulae:
$$\text{Risk free rate of return} + (\text{Beta} \times \text{Equity Risk Premium})$$



The risk-free rate of return is considered, based on yield on long term government securities. Beta is considered based on sensitivity of comparable listed companies' stock price vis-à-vis Index. Equity Risk Premium is considered, based on the expected market return of the investor over and above the risk-free rate.

- Based on the effective cost of debt of the Company, net of tax cost of debt has been considered.
- Based on the discussions with the Management and considering the future funding requirements of the Company, an appropriate debt - equity ratio has been considered.
- Based on the above, WACC works out to 12.34%.
- After the explicit period, the business will continue to generate cash. In DCF Method, therefore, perpetuity value is also considered to arrive at the enterprise value. For arriving at the perpetuity value, we have considered a growth rate of 5%.
- Cash flows for perpetuity have been arrived at after considering the corporate taxes, estimated capital expenditure and incremental working capital requirements.
- The discounted perpetuity value is added to the discounted cash flows for the explicit period to arrive at the enterprise value.
- Appropriate adjustments have been made for cash and cash equivalents and value of surplus land, after considering tax impact wherever applicable.
- Outstanding debt as on 30 September 2023, as per provisional unaudited financial statements of the Company for 6ME Sep23, has been reduced from the enterprise value to arrive at the equity value.
- The equity value as arrived above is divided by the outstanding number of equity shares of the Company as on the Valuation Date, to arrive at the value per equity share of the Company.

9.2 On the basis of the foregoing, the value per equity share (face value INR 10 per share) of DSL as per DCF Method under Income Approach works out to **INR 877.29** as on the Valuation Date. The workings for the same are attached herewith as **Annexure II** to this Report.



10. RECOMMENDATION OF FAIR VALUE OF EQUITY SHARES OF DSL

- 10.1 Though different values have been arrived at under each of the above methods, for the purposes of recommending a fair value, it is necessary to arrive at a single value of the business. For this purpose, it is necessary to give appropriate weightages to the values arrived at under each method. We have considered it appropriate to give equal weightage to the values arrived at under CCM Method under Market Approach and DCF Method under Income Approach to arrive at fair value of the equity shares of the Company.
- 10.2 In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this Report, in our opinion, the fair value per equity share (face value INR 10 per share) of the Company works out to **INR 872.99** as on the Valuation Date. The workings for the same are attached herewith as **Annexure III** to this Report.

Thanking you,
Yours faithfully

For SSPA & CO.

Chartered Accountants

ICAI Firm Registration number: 128851W

IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126



Bhakti Shah
Partner

ICAI Membership No. 108523

IBBI Registered Valuer No.:

IBBI/RV/06/2018/10072

UDIN: 23108523BGYFLK2493

Place: Mumbai

Date: 20 December 2023



T V Balasubramanian

ICAI Membership No: 027251

IBBI Registered Valuer No.:

IBBI/RV/06/2018/10073

UDIN: 23027251BGWNVK7064

Place: Chennai

Date: 20 December 2023

Annexure I

DANFOSS SYSTEMS LIMITED
COMPARABLE COMPANIES MULTIPLE METHOD

(INR million)	
Particulars	Amount
Maintainable EBITDA	384.94
EV / EBITDA Multiple	16.80
Enterprise value	6,467.05
Add/(Less): Adjustments	
Loan funds	(665.21)
Cash and cash equivalents	13.58
Value of Surplus Land (net of tax)	234.40
Equity value	6,049.82
Number of equity shares	69,64,267
Value per equity share (face value INR 10 each) (INR)	868.69



DANFOSS SYSTEMS LIMITED
DISCOUNTED CASH FLOW METHOD

(INR million)

Particulars		6ME Mar24	2024-25	2025-26	2026-27	2027-28
Operating Profit before Tax		98.36	333.92	480.99	641.96	827.50
Add:						
Interest		32.79	60.79	45.74	35.83	23.30
Depreciation		40.58	113.97	126.34	139.56	158.08
Operating EBITDA		171.73	508.68	653.08	817.35	1,008.88
Less:						
Capital expenditure		63.52	175.34	167.90	179.21	191.54
Incremental working capital		(25.97)	85.13	95.40	(1.58)	55.49
Tax		23.78	94.98	129.87	169.73	216.22
Total outflows		61.34	355.46	393.17	347.36	463.24
Net inflows/(outflows)		110.39	153.22	259.91	469.99	545.64
Discounting factor	12.34%	0.98	0.91	0.81	0.72	0.64
Net present value of inflows/(outflows)		108.60	139.90	211.25	340.05	351.42

Calculation for Perpetuity		(INR million)
EBITDA (FY 2027-28)		1,008.88
Growth rate		5%
EBITDA for perpetuity		1,059.33
Less:		
Taxes	25.17%	(266.61)
Capital expenditure	(158.08)	
Add: Tax benefit on depreciation on capex	21.81	(136.27)
Incremental Working Capital requirement		(52.96)
Net cash flows for perpetuity		603.49
Capitalised value for perpetuity		8,222.97
Add: Tax benefit on depreciation on written down value at the end of explicit period		123.70
Total capitalised value		8,346.67
Discount factor		0.64
Present Value of Perpetuity		5,375.71

Calculation of equity value		(INR million)
Net present value of explicit period		1,151.22
Present value of perpetuity		5,375.71
Enterprise value		6,526.93
Add/(Less): Adjustments		
Loan funds		(665.21)
Cash and cash equivalents		13.58
Value of Surplus Land (net of tax)		234.40
Equity value		6,109.70
Number of equity shares		69,64,267
Value per equity share (face value INR 10 each) (INR)		877.29



Annexure III

DANFOSS SYSTEMS LIMITED
CALCULATION OF FAIR VALUE

Method of Valuation	Value per share (INR)	Weight	Product (INR)
Comparable Companies Multiple Method	868.69	1	868.69
Discounted Cash Flow Method	877.29	1	877.29
		2	1,745.99
Fair Value Per Share (face value INR 10 each) (INR)			872.99



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Report Ref No: RCA2324AMDREP01001

Date: 02/01/2024

The Board of Directors,
Danfoss Systems Limited
145, Mumbai Pune Road,
Pimpri, Pune – 411 018

Subject: Fairness Opinion on valuation of equity shares of Danfoss Systems Limited recommended by the Valuers in connection with the Proposed Transaction

Dear Sirs,

We refer to our engagement letter dated April 24, 2023, wherein Danfoss Systems Limited ("DSL", the "Company"/ "Client") has appointed RBSA Capital Advisors LLP ("RBSA" or "We") to provide fairness opinion on the valuation of equity shares of DSL recommended by SSPA & Co. ("SSPA"), Registered Valuer and Mr. T. V. Balasubramanian ("TVB"), Registered Valuer, in connection with the Proposed Transaction (as defined below). SSPA and TVB are together referred to as the "Valuers".

1.0 Preamble and Background

- 1.1 DSL (formerly known as Eaton Fluid Power Limited) is primarily engaged in manufacturing of gear pumps, compressors, hydraulic and pneumatic power engines and valves and parts thereof. The Company has its manufacturing facility located in Pune. As of date, Danfoss Fluid Power Private Limited holds ~97.6% equity shares in DSL and the balance equity shares are held by non-promoter shareholders. Equity shares of the Company are not listed on any stock exchanges.
- 1.2 We understand from the management of DSL (the "Management") that they are considering a proposal for reduction of equity share capital of the Company from select group of equity shareholders (being non-promoter shareholders), pursuant to section 66 of the Companies Act, 2013 ("Co. Act") and other applicable provisions of the Co. Act as amended, and rules framed thereunder (hereinafter referred to as the "Proposed Transaction").
- 1.3 In this regard, the Management has appointed the Valuers for recommending fair value of equity shares of DSL as at the valuation date for the Proposed Transaction. Further, the Management has approached RBSA Capital Advisors LLP ("RBSA"), a Category I Merchant Banker registered with the Securities and Exchange Board of India, to provide a fairness opinion on the valuation of equity shares recommended by the Valuers for the Proposed Transaction. For the purpose of this valuation, December 19, 2023 has been considered as the "Valuation Date".



2.0 Sources of Information

For arriving at the fairness opinion set forth below, we have relied on the following sources of information provided by the Management and/ or available in public domain:

- Audited financial statements of the DSL for the year ending March 31, 2021 to March 31, 2023;
- Management certified provisional financial statements of the DSL for the 6 months period ended September 30, 2023;
- Projected financial statements of the Company for the period April 1, 2024 to March 31, 2028, which the Management believes to be their best estimate of the expected operating performance going forward ("Management Projections");
- Discussions with the Management to *inter-alia* understand historical performance of the Company, key value drivers, prospects and outlook of the business, competitive scenario, etc.;
- Information obtained from public domain and subscribed databases in respect of comparable companies;
- Discussions with the Valuers;
- Joint Report dated December 20, 2023 by the Valuers for recommending fair value per equity share of DSL as of the Valuation Date ("Valuers Report");
- Valuation report of Cushman and Wakefield India Private Limited on the value of industrial property located at Kharalwadi, Pimpri Chinchwad, Pune dated November 20, 2023 ("Property Valuation Report").
- Such other information and explanations that we considered necessary for the purpose of valuation which was provided by the Management.

3.0 Procedures Adopted

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

- Discussion with the Management to *inter-alia*:
 - Understand the business and fundamental factors that affect the business of the Company;
 - Understand historical financial performance, current state of affairs and expected future financial performance of the Company;
- Analysis of information shared by the Management including the following:
 - financial statements of the Company;
 - Management Projections
- Analysis of the information available in public domain/ subscribed databases in respect of the comparable companies/ comparable transactions, as considered relevant by us;
- Considered Valuers Report;
- Considered Property Valuation Report;
- Selection of valuation approach and valuation methodology/(ies), in accordance with ICAI VS, as considered appropriate and relevant by us;
- Analysis of other publicly available information, as considered relevant by us.



4.0 Scope, Limitations, Disclaimers, Assumptions, Qualifications and Exclusions

- 4.1 Valuation of DSL has been carried out in accordance with the Valuation Standards issued by the Institute of Chartered Accountants of India ("ICAI VS"). The basis of value for the analyses is fair value, which is defined as "*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*". Valuation is carried out on a 'going concern value' premise.
- 4.2 This Fairness Opinion, its contents and the results herein are specific to (i) the purpose of fairness opinion agreed as per the terms of our engagement; (ii) the Valuation Date; (iii) the Valuers' Report for recommendation of equity share value, and (iv) are based on the data detailed in the section - Sources of Information. We have been informed that the business activities of the DSL have been carried out in the normal and ordinary course between September 30, 2023, till date and no material changes have occurred in the operations and financial position.
- 4.3 While our work has involved an analysis of financial and other information provided by / on behalf of the Company, our engagement does not include an audit in accordance with generally accepted auditing standards of the Company' existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information.
- 4.4 RBSA has relied upon the representations that the information provided is accurate and complete in all material respects. With respect to explanations and information sought from the Company, we have been given to understand by the Management that they have not omitted any relevant and material factors about the Company and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusion is based on the information given by the Company. If there were any omissions, inaccuracies or misrepresentations of the information provided by the Management, it may have a material effect on our findings.
- 4.5 This Fairness Opinion is based on business, economic, market and other conditions as they existed as of the Valuation Date. Subsequent events or circumstances that could affect the conclusions set forth in our Fairness Opinion include, without limitation, adverse changes in industry performance or market conditions and changes to the business, financial condition, and results of operations of the Company. The user to which this fairness opinion report is addressed should read the basis upon which the Report has been done and be aware of the potential for later variations in value due to factors that are unforeseen at of the Valuation Date. Due to possible changes in market forces and circumstances, this opinion can only be regarded as relevant as at the Valuation Date. RBSA is under no obligation to update, revise or reaffirm the Fairness Opinion.
- 4.6 We have relied on data from external sources to conclude the fairness opinion. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.



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- 4.7 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 person to DSL. 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 DSL, their directors, employees, or agents. In no circumstances, shall the liability of RBSA, its partners, directors or employees relating to the services provided in connection with the engagement set out in this Report exceed the amount paid to RBSA in respect of the fees charged by it for these services.
- 4.8 Providing fairness opinion 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. In the ultimate analysis, our opinion will have to be tempered by the exercise of judicious discretion and judgment taking into account all the relevant factors. There is, therefore, no indisputable single value. The final responsibility for the determination of the terms of the Proposed Transaction shall be with the Board of Directors of the Company who should take into account other factors such as their own assessment of the Proposed Transaction and input of other advisors.
- 4.9 It is understood that this Fairness Opinion is for the benefit and use of the Board of Directors of DSL in connection with and for purposes of its evaluation of the Proposed Transaction and is not rendered to or for the benefit of, and shall not confer rights or remedies upon, any person other than the Board of Directors of DSL. RBSA accepts no responsibility or liability to any third party, in connection with this Report. This opinion may not be disclosed, referred to, or communicated (in whole or in parts) to any third party, nor shall any public reference be made, for any purpose whatsoever except as required to be disclosed to relevant judicial, regulatory or government authorities, as required under applicable laws. It is clarified that reference to this Report in any document and/ or filing pursuant to the Regulations, in connection with the Proposed Transaction, shall not be deemed to be an acceptance by RBSA of any responsibility or liability to any person / party other than DSL.
- 4.10 This Fairness Opinion is subject to laws of India and is governed by concept of materiality.
- 4.11 The Fairness Opinion should not be construed to be an investment advice in any manner whatsoever. Furthermore, no opinion, counsel or interpretation is intended in matters that require legal, accounting, tax, or other appropriate professional advice. It is assumed that such opinions, counsel, or interpretations have been or will be obtained from the appropriate professional sources.
- 4.12 The fee for our services is not contingent upon the results of the Proposed Transaction.
- 4.13 Our Fairness Opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with Proposed Transaction or any matter related thereto.



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5.0 Valuers' Recommendation

In arriving at the relative value of equity shares of DSL, the Valuers have considered and applied equal weights to the following methods:

- Income Approach - Discounted Cashflow Method and
- Market Approach - Comparable Companies Multiple Method

As per the Valuers Report, the Valuers have jointly recommended the fair value per equity share of DSL at INR 872.99 as at the Valuation Date for the Proposed Transaction.

6.0 Our Comment on the value of DSL

In the circumstance, having regard to the relevant factors and on the basis of information and explanations provided to us, in our opinion, the fair value per equity share of DSL as at the Valuation Date, as recommended by the Valuers, which forms the basis for the Proposed Transaction, is fair to the shareholders of DSL from a financial point of view.

Yours Truly,

RBSA Capital Advisors LLP
SEBI Registered Category I Merchant Banker
Registration Code: INM000011724

R. Shah

Ravishu Vinod Shah
Partner
Date: 02/01/2024

