

**NITISH CHATURVEDI**  
REGISTERED VALUER

**Corporate Address: Unit No.8, 2<sup>nd</sup> Floor,  
Senior Estate,7/C, Parsi Panchayat Road  
Andheri (East), Mumbai-400069  
Mob:9997354674  
Email: chaturvedinitish@gmail.com**

23<sup>rd</sup> June, 2023

To,

The Board of Directors

Titagarh Rail Systems Limited (Formerly known as Titagarh Wagons Limited)

Add: 756, Anandapur E M Bypass, Kolkata - 700107,

West Bengal, India

Dear Sir/Madam,

**Subject:** Addendum to the Valuation Report of Equity Shares of the Company

This is with reference to the valuation report issued by me on 17th June 2023 to Titagarh Rail Systems Limited ("**the Company**") for valuation of Equity Shares of the Company.

In this regard, I have been informed by the Company that National Stock Exchange of India Limited ("**NSE**") has sought the Company, inter-alia, to provide the revised valuation report as per all 3 methods of valuation - income approach, market approach & asset approach. In this regard I, Nitish Chaturvedi, Registered Valuer for Securities or Financial Assets (referred to "Nitish Chaturvedi" or "I" or "me") confirm that I have considered the market approach & asset approach in my report issued on 17th June 2023 while arriving the fair value of Equity Shares of the Company. Further, pursuant to this addendum, I have considered the Income Approach (Discounted Cash Flow (DCF) Method) to arrive the fair value of Equity Shares of the Company and my valuation report issued on 17th June 2023 stands amended, as per the details given below:

**Paragraph a. (Discounted Cash Flows Method) of paragraph under Section (Valuation Methodology & Approach Adopted) of Valuation Report on 17th June 2023 stands substituted and read as under:**

**Discounted Cash Flow Method ("DCF" Method)**

The income approaches determine fair market value by dividing the benefit stream generated by the subject or target company by a discount or capitalization rate. The discount or capitalization rate converts the stream of benefits into present value. There are several different income approaches, including Capitalization of Earnings or cash flows, Discounted Future Cash Flows ("DFCF"), and the Excess Earnings Method (which is a hybrid of asset and income approach of benefit stream to which it is applied). The result of a value calculation under the income approach is generally the fair market value of a controlling, marketable interest in the subject company, since the entire benefit stream of the subject company is most often valued, and the capitalization and discount rates are derived from statistics concerning public companies.



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- Valuation of equity shares of the Company is based on the projected financial information as provided to me by the Management.
- As per DFCF Method, value is defined as the present value of future cash flows that are expected to be generated by the business during an explicit forecast period and in perpetuity. The method incorporates all factors relevant to an asset (e.g. current and future market conditions, company and industry specific risk factors, etc.)
- Management has provided with cash flow projections till FY 28 which as per management is a representative time frame of a business cycle of the Company.
- To estimate the fair value of the business, projected cash flows generated from the business are analysed for certain future years (explicit forecast period). The estimates of cash flows during the explicit forecast period are based on the income and expenses associated with the business operations.
- EBIT is adjusted for taxes, capex and working capital investment to arrive at the, free cash flows to the firm (FCFs) during the explicit forecast period.
- I have discounted the post-tax, free cash flows to the firm with an appropriate risk-adjusted discount rate to arrive at the present value (PV) of FCFs.
- For Calculation of Cost of Equity, I have used risk free rate as Yield of 10 Yr. Indian Govt. Securities as on date of valuation.
- Market Return is estimated by using CAGR of BSE 500 Index as on valuation date since its inception (Source: BSE 500 Data).
- Beta of the company is considered based on the unlevered beta of the comparable companies and then relevered based on the existing capital structure of the company.
- Post tax cost of Debt is considered as 6.75% as confirmed by the management of the company.
- WACC is considered based on the existing capital structure and the respective cost of debt and equity of the company.
- The terminal growth rate is the rate at which the cash flows of the company are expected to increase beyond the explicit forecast period and intermediate period, till infinity. A terminal growth rate of 5.00% has been considered.
- I have adjusted PV of Free cash flow with certain items like borrowings, Investments and cash and cash equivalents to arrive at the equity value of the Company.

As per computation based on DCF Method, per share value derived is **Rs. 352.67/- (Annexure A)**

**Valuation Summary & Conclusion of Valuation Report dated 17<sup>th</sup> June, 2023, stands substituted and read as under:**

Based on the assumptions and limiting conditions as described in this report, as well as the facts and circumstances as of the valuation date, the fair value of equity shares of Titagarh Rail Systems Limited is worked out as under:



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Particulars	Value per share (INR)	% Weight	Weighted Value (INR)
Book Value Method	80.53	20.00%	16.11
Comparable Companies' Multiple Method	513.12	25.00%	128.28
Market Price Method	347.68	30.00%	104.30
Discounted Cash Flow Method	352.67	25.00%	88.17
<b>Weighted Value per share (INR)</b>		<b>100.00%</b>	<b>336.86</b>

**Conclusion of Valuation report dated 17<sup>th</sup> June, 2023 stands substituted and read as under:**

*In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove referred to earlier in this Report for the proposed transaction, in our opinion, we recommend the fair value of equity shares of TRSL at **INR 336.86per equity share.***

This addendum should be read in conjunction with my valuation report issued on 17<sup>th</sup> June, 2023. All other contents of the valuation report issued on 17th June, 2023 save and except as modified or supplemented by this addendum, shall remain unchanged.

Yours faithfully,



**Nitish Chaturvedi**  
Registered Valuer  
IBBI Reg. No.: IBBI/RV/03/2020/12916  
Place: Mumbai  
Date: 23rd June 2023



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**Annexure A**

**DCF Valuation of Titagarh Rail Systems Limited as on 31.03.2023**

(INR Cr)

Particulars	2024P	2025P	2026P	2027P	2028P	Terminal Value
EBIT	338.45	493.74	625.51	789.04	890.76	
Less: Tax	73.05	109.83	134.66	173.52	196.38	
NOPAT	265.40	383.91	490.85	615.52	694.38	
Add: Depreciation	35.85	52.04	56.31	61.31	81.28	
Add/Less: Changes in Non Cash Working Capital	115.75	(136.06)	(408.61)	(382.94)	(289.57)	
Less: Capex	(188.87)	(185.00)	(50.00)	(50.00)	(50.00)	
<b>Free Cash Flow to the Firm</b>	<b>228.13</b>	<b>114.88</b>	<b>88.55</b>	<b>243.89</b>	<b>436.09</b>	<b>6,293.97</b>
Discounting Factor	0.891	0.793	0.707	0.629	0.561	0.561
Discounted Cash Flow	203.19	91.14	62.56	153.48	244.43	3,527.82
<b>Sum of Discounted Cash Flows</b>	<b>4,282.63</b>					
Add: Cash & Cash Equivalents	139.10					
Add: Investments	44.53					
Less: Debt	249.32					
<b>Equity Value</b>	<b>4,216.93</b>					
No. of Shares	11,95,71,089					
<b>Value per Share (INR)</b>	<b>352.67</b>					

Calculation of Cost of Equity	
Risk Free Rate	7.32%
Market Return	13.88%
Beta (Relevered)	0.97
<b>Cost of Equity</b>	<b>13.71%</b>

Calculation of Post Tax Cost of Debt	
Cost of Debt	9.00%
Less: Tax Rate @25%	2.25%
<b>Post tax Cost of Debt</b>	<b>6.75%</b>

<b>Growth rate</b>	<b>5%</b>
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**CALCULATION OF WACC**

Particulars	Weights	Cost	Weighted Cost
Equity	79%	13.71%	10.89%
Debt	21%	6.75%	1.39%
<b>Weighted Average Cost of Capital</b>			<b>12.28%</b>

