

Dear Sir

We write to provide further clarity on following w.r.t Postal Ballot Notice of our Company Titagarh Rail Systems Limited [TRSL/Company] dated 20th May 2025 -

1. Excessive time commitment:

Ms. Nayantara Pal Choudhuri, Independent Director

She has attended all the meetings of the Board and Committees wherein she is a member and actively participated in the proceedings and discharged her role as an Independent Director satisfactorily. As regards the director concerned being on the Board of total 6 listed companies, you would appreciate that considering all the important factors including but not limited to the size, nature, size of business, growth trajectory, market capitalization of the companies concerned, nature of industry, order book position, skills, domain knowledge and experience of the director concerned etc. the other 5 companies even though listed, may not warrant the same kind of time commitment in all of the companies. Further, one or more of the said listed companies may be exempt from most of the complex regulations of the SEBI (LODR) under Regulation 15. Moreover, with the meetings by video conferencing and major strides in automation of a large number of collaborating methods and techniques saving material amount of time coupled with the practical evaluation of each director's performance showing valuable contribution of the director concerned to the objective judgement in the decision making of the Board leading to an overall effective board justifies their reappointment.

Finally, the fact that the Company's overall performance has been recording impressive growth with increase in all the material performance indicators reflecting impressive addition to shareholder value creation successively as well as progressively higher corporate social responsibility (CSR) commitment during the last five financial years, as will be clear from the table given below will clearly prove that there is no cause for concern, if any with regard to their reappointment :

Year	EBIDTA	PAT	PBT	EPS	Revenue	CSR
	Rs in Crs.	Rs. In Lakhs	Rs. In Lakhs	In Rs	Rs. In Lakhs	Rs. In Lakhs
2020-2021	105.5	5,027.56	6,448.67	4.21	102,578.50	5.14
2021-2022	155.63	7,940.62	10,747.76	6.65	147,479.43	7.67
2022-2023	293.35	10,336.64	15,877.21	8.64	278,052.90	45.37
2023-2024	491.73	29,690.68	39,704.68	23.3	385,330.04	129.62
2024-2025	508.39	30,343.00	41,156.00	5.8	386,582.00	377

2. Unfair remuneration practice:

Mr. Krishan Kumar Jalan, Independent Director

The Company has not paid excessive remuneration to Mr. Prithish Chowdhary. The remuneration of each of the wholetime directors is commensurate with the role and responsibilities of the director concerned and determined by the Nomination & Remuneration Committee in accordance with the Remuneration Policy of the Company. Among all the relevant aspects on the subject, the NRC also takes into consideration the entrepreneurial skills that are vital for seizing opportunities for inter alia business development and growth in the existing as well as expansion into related areas of business. The Company's NRC is fully conscious of its role in assisting the Board by fixing remuneration of executive directors with the ultimate aim of consistent growth in the businesses of the Company. The NRC's composition speaks for its capability with each member possessing the skills and competence not only in the industry and related domain but also its chairman, who has vast experience in such matters. It is reiterated that a member of the NRC/Committee concerned and the Board, if interested in any item of business recuses himself from the meeting to maintain the high standards of governance. Mr. Prithish Chowdhary has recently been given additional responsibilities for development and growth of Shipbuilding & Maritime Systems and Safety & Signalling Systems verticals of the Company which completely justifies the remuneration fixed by the Board on the recommendation of the NRC.

It is further reiterated with due emphasis that unfair remuneration practice alleged by you in your above referred report is entirely unfair.

In light of the above, there is no ground for the concern expressed.

3. Excessive time commitment:

Mr. Sushil Kumar Roongta, Independent Director

He is a stalwart with vast experience in business, industry and possesses skills, experience and astuteness that are invaluable. He has attended most of the meetings of the Board and Committees wherein he is a member and brings with him objective, independent and critical inputs to the decision making of the Committees and the Board. Over the years he has gained deep insights into business in the backdrop of which his participation in the proceedings of the Committee(s) and Board is invaluable. As regards the director concerned being on the Board of 7 listed companies, you would appreciate that considering all the important factors including but not limited to the size, nature, size of business, growth trajectory, market capitalization of the companies concerned, nature of industry, order book position, skills, domain knowledge and experience of the director concerned etc. the other companies even though listed, should not be compared in terms of time commitment of the director concerned because it is the quality of their contribution that counts and not only the time especially taking into account the kind of experience the director has which makes it possible for him to bring incisive clarity to the matters being decided without taking too much time. Moreover, with the meetings by video conferencing and major strides in automation of a large number of collaborating methods and techniques saving material amount of time coupled with the practical evaluation of each director's performance showing valuable contribution of the director concerned to the objective judgement in the decision making of the Board leading to an overall effective board justifies their reappointment.

Finally, the fact that the Company's overall performance has been recording impressive growth with increase in all the material performance indicators reflecting impressive addition to shareholder value creation successively as well as progressively higher corporate social responsibility (CSR) commitment during the last five financial years, as will be clear from the table given hereinabove will clearly prove that there is no cause for concern, if any with regard to their reappointment.

In view of the above clarifications, there is no ground for any concern with regard to the reappointment of Mr. S K Roongta.

4. Governance concern

Mr. Umesh Chowdhary, Vice Chairman & Managing Director

There is no governance concern on reappointment of the abovenamed executive director as will be clear from the following:

The remuneration proposed to be paid to him is in conformity with the provisions of the Companies Act, 2013.

There is no variable pay or incentive or commission involved in his remuneration. To clarify, the remuneration proposed to be paid to him is 3.5% of the net profits of the Company computed in terms of the provisions of Section 198 of the Companies Act, 2013. However, he will draw a fixed amount of Rs. 20 lacs per month plus valuation of the standard perquisites as per the applicable provisions of the Income Tax Act/law whereas the balance remuneration payable to him is computed at the end of financial year when the audited financial statements are available. It is emphasized that he has been waiving on the average 50% or more of such balance remuneration voluntarily as a token of his confidence in the bright future of the Company and his commitment to driving its growth consistently.

It is clearly explained in the Notice of postal ballot that the total remuneration paid to him will be in accordance with the applicable laws and with such approvals as are applicable which addresses the Regulation 17(6)(e) of the SEBI LODR i.e. the Company will pay him remuneration only to the extent permitted by the provisions of law including the Companies Act, 2013 and SEBI LODR. Thus, your observation is confirmed that the Company will seek approvals as may be required in respect of the above.

As already explained above, there is no variable pay involved and therefore your concern in this regard stands addressed. Further, as per discussion held with Mr. Umesh Chowdhary, a cap of Rs. 10 crore as total remuneration within the limit of 3.5% of the net profits is acceptable to him. It is reiterated that the total remuneration paid to him shall be with necessary approvals applicable.

Moreover, he has in keeping with his commitment to and in full confidence in the bright future of the Company has waived about 50% of his remuneration for the financial year ended 31st March 2025.

In view of the above clarification, there cannot be any governance concern in regard to his reappointment.

5. Amendment to ESOP Scheme of the Company

Time period within which the economic benefits may be transferred to intended employees

The Scheme provides that the ESOPs granted to the eligible employees will be vested in five tranches as per the table below:

Dates of Vesting	Vesting Options
1st Anniversary from the date of Grant	10% of the Options granted
2nd Anniversary from the date of Grant	15% of the Options granted
3rd Anniversary from the date of Grant	20% of the Options granted
4th Anniversary from the date of Grant	25% of the Options granted
5th Anniversary from the date of Grant	30% of the Options granted

The employee concerned can exercise each of the vested Options within six months of the date of vesting. The only role of Nomination & Remuneration Committee is to review the achievement of targets of performance set for the employee concerned as mentioned in the Scheme.

Thus there is no uncertainty with regard to the time within which the economic benefits of ESOPs granted will be transferred to the eligible employee.

The explanatory note does mention that re pricing is an enabling power to the NRC/Board as given by the SEBI Regulations in this regard. It is clarified that the repricing will be done only with the necessary approvals prescribed and with ample justification for the same i.e. only if such repricing becomes unavoidable due to the circumstances beyond the control of anyone and of course with the intention of the benefit to the employees concerned.

As already stated in the explanatory statement of the postal ballot notice, 500,000 stock options have been granted at a discount of 10% on the market price under the TWL ESOS 2023 scheme. The vesting of the remaining 1,000,000 stock options is time-based and performance based. As per the postal ballot notice, the company will disclose in its subsequent annual reports detailed terms and conditions relating to such vesting. The exercise price will be determined by the NRC subject to a maximum discount of 15% on the market price on the day preceding the date of the grant – which is within the thresholds of respective voting guidelines

As such there is no ground for any concern over transparency and/or governance.

6. Approve grant of stock options to the employees of group company(ies) including subsidiary Company(ies) in India or outside India:

Sir, we seek your favourable recommendation on the special resolution proposed for shareholder approval regarding the extension of the Titagarh Rail Systems Limited – Employees Stock Option Scheme 2023 (TRSL ESOS 2023) to eligible employees of the Company's subsidiaries, whether in India or abroad.

This proposal has been formulated, considering the strategic necessity of attracting, retaining, and incentivising key talent across the Titagarh Group. An unified equity-linked incentive structure plays a critical role in aligning the interests of employees across geographies with those of shareholders, and in fostering a culture of ownership, performance, and long-term commitment, resulting in benefit of all concerned.

The Board has carefully evaluated the proposal in accordance with the applicable legal framework, including the provisions of the Companies Act, 2013, and the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, and is of the view that the proposal is consistent with governance practices and serves the long-term interests of the Company and its stakeholders.

We would like to clarify the following specific aspects of the proposal:

- The Company shall extend the grant of options only to employees of companies in which Titagarh Rail Systems Limited holds, directly or indirectly, not less than 50% of the share capital.
- Presently, the only Indian subsidiary meeting this threshold is *Titagarh Firema Engineering Services Private Limited (TFESPL)*, which is engaged in design and research functions for passenger rolling stock and is of strategic importance to the Company's business.
- The implementation of the scheme will remain subject to the adherence to standards of governance, transparency, and oversight as applicable to the parent entity.

Further Sir , As per Companies Act section 2(6) An Associate Company is defined as follows :-

"associate company", in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

¹²Explanation. —For the purposes of this clause,—

- (a) the expression "significant influence" means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement.

Our Humble Submission: WE wish to inform you that The Company shall extend the grant of options only to employees of companies in which Titagarh Rail Systems Limited holds, directly or indirectly, not less than 50% of the share capital.

We trust the above provides necessary clarity and assurance. We respectfully request your favourable consideration and support for the resolution, which we believe is aligned with best practices in employee incentivisation and corporate governance.

Please feel free to reach out for any further information or clarification.