

To,

Date: 11<sup>th</sup> June, 2024

BSE Limited  
P J Towers, Dalal Street  
MUMBAI - 400 001.

**Sub: Reasons justifying the EBITDA/PAT margin considered in the valuation report.**

This is to certify that HEG Limited hereby confirms that the EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) margin provided to PwC Business Consulting Services LLP (Membership No.: IBBI/RV-E/02/2022/158) (herein after referred to as "PwC") has been, to the best of our estimation, reflective of the future operating performance of the Company, considering all known factors.

We affirm that the EBITDA margin considered in the valuation report issued by PwC has been diligently assessed and represents a fair and accurate depiction of HEG Limited's financial standing and performance prospects.

All the effort has been made to ensure the integrity and reliability for inputs used in the valuation report.

For HEG Limited



Gulshan Kumar Sakhuja  
Chief Financial Officer  
Membership No. 504626



## HEG LIMITED

### Corporate Office :

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Corporate Identification No.: L23109MP1972PLC008290



**Private & Confidential**

12 June 2024

HEG Limited  
Bhilwara Towers, A-12,  
Sector-1, Noida  
Uttar Pradesh-201301,  
India

Dear Sirs,

We refer to our engagement letter dated 22 May 2024 whereby HEG Limited ("HEG" or "Demerged Company" or "Transferee Company") and Bhilwara Energy Limited ("BEL" or "Transferor Company") (together referred to as the "Clients" or the "Companies") had appointed us to provide Share Exchange Ratio ("SER") report for the Proposed Transactions (as defined hereinafter).

We understand that pursuant to a composite scheme of Arrangement ("Scheme") filed by the Companies, the following transactions are proposed (together referred to as "Proposed Transactions") under the provisions of Sections 230 to 232 of the Companies Act, 2013, other applicable laws and rules issued thereunder, as may be applicable:

- **Step I:** Demerger of the Graphite Business ("Demerged Undertaking") ("Transaction 1") from the Demerged Company into New Co Limited ("Resulting Company") on a going concern basis and issue of equity shares by the Resulting Company to the shareholders of the Demerged Company, in consideration thereof. Post demerger, the shares of the Resulting Company will be listed on the Indian Stock Exchanges. Further, we understand from the management of Clients ("Management") that the Scheme complies with the definition of demerger as per section 2(19AA) and other provisions of the Income Tax Act.
- **Step II:** Amalgamation of BEL with HEG Limited (post the demerger of Graphite Business as indicated in Step I above) ("Transaction 2").

Accordingly, we have completed our procedures and submitted the SER report providing our opinion on the share entitlement ratio for Transaction 1 and recommendation of the fair share exchange ratio for Transaction 2 on 22 May 2024.

We are a firm of registered valuers and are bound to keep the data provided by our client confidential. Having said this, however, since we have received a specific request from you based on the requirement of the Stock Exchanges, we are pleased to attach our summary workings for the share entitlement ratio and fair share exchange ratio and details based on the requirements of the checklist for Schemes filed under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, (LODR Regulations) for submission to Stock Exchanges/ Regional Director, Ministry of Corporate Affairs ('MCA') and regulatory authorities as per the terms of our engagement letter.

Yours faithfully,

**For PwC Business Consulting Services LLP**  
IBBI Registered Valuer No.: IBBI/RV-E/02/2022/158

Neeraj Garg  
Partner  
IBBI Membership No.: IBBI/RV/02/2021/14036

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LLPIN : AAO-9288 Registered with limited liability.

Registered Office : 11-A, Sucheta Bhawan, 1<sup>st</sup> Floor, Vishnu Digambar Marg, New Delhi, 110 002.

**I. List of comparable companies considered for comparable companies' multiple method, if the same method is used in valuation.**

Comparable companies' multiple method is not used in valuation for arriving at the recommended Share Exchange Ratio. As would be observed from the valuation table at the end of our SER report, 0% weightage has been assigned to the market approach including the comparable companies' multiple method.

**II. If the Income Approach method used in the Valuation, Revenue, PAT and EBIDTA (in value and percentage terms) details of entities involved in the scheme for all the number of years considered for valuation. Reasons justifying the EBIDTA/PAT margin considered in the valuation report.**

• **Bhilwara Energy Limited**

Particulars (INR Crores)	Actual	Projected		
	FY24	FY25	FY26	FY27
Number of Months	12	12	12	12
Revenue	9	14	14	14
EBITDA	(13)	4	4	4
EBITDA Margin (%)	-145.8%	29.7%	29.7%	29.7%

• **Bhilwara Infotechnology Limited**

Particulars (INR Crores)	Actual	Projected				
	FY24	FY25	FY26	FY27	FY28	FY29
Number of Months	12	12	12	12	12	12
Revenue	28	30	32	35	38	41
EBITDA	(2)	(1)	0	1	2	4
EBITDA Margin (%)	-6.5%	-2.1%	0.7%	3.5%	6.2%	8.8%

• **TACC Limited**

Particulars (INR Crores)	Actual	Projected				
	FY24	FY25	FY26	FY27	FY28	FY29
Number of Months	12	12	12	12	12	12
Revenue	-	-	551	1,502	1,780	1,978
EBITDA	(2)	(3)	134	421	499	555
EBITDA Margin (%)	nmf	nmf	24.4%	28.0%	28.0%	28.0%



• **Malana Power Company Limited**

Particulars (INR Crores)	Actual FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Number of Months	12	12	12	12	12	12	12	12	12	12
Revenue	125	160	158	158	159	158	159	159	159	159
EBITDA	72	116	115	115	115	115	115	115	115	115
EBITDA Margin (%)	57.7%	72.6%	72.4%	72.4%	72.5%	72.4%	72.4%	72.4%	72.5%	72.4%

Particulars (INR Crores)	FY34	FY35	FY36	FY37	FY38	FY39	FY40	FY41	FY42
Number of Months	12	12	12	12	12	12	12	12	3
Revenue	159	159	159	159	159	159	159	159	42
EBITDA	115	115	116	115	115	115	116	115	31
EBITDA Margin (%)	72.5%	72.5%	72.5%	72.5%	72.5%	72.5%	72.6%	72.5%	72.9%

• **AD Hydro Private Limited**

Particulars (INR Crores)	Actual FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Number of Months	12	12	12	12	12	12	12	12	12	12
Revenue	320	372	372	372	372	371	371	370	371	369
EBITDA	261	322	322	321	322	321	320	320	320	319
EBITDA Margin (%)	81.5%	86.5%	86.5%	86.5%	86.5%	86.4%	86.4%	86.4%	86.4%	86.4%

Particulars (INR Crores)	FY34	FY35	FY36	FY37	FY38	FY39	FY40	FY41	FY42
Number of Months	12	12	12	12	12	12	12	12	12
Revenue	369	368	369	368	367	368	369	368	368
EBITDA	319	318	319	317	317	317	318	317	317
EBITDA Margin (%)	86.4%	86.3%	86.4%	86.3%	86.3%	86.3%	86.3%	86.3%	86.3%

Particulars (INR Crores)	FY43	FY44	FY45	FY46	FY47	FY48	FY49	FY50	FY51
Number of Months	12	12	12	12	12	12	12	12	6
Revenue	368	369	368	360	360	361	361	361	179
EBITDA	318	319	318	310	310	311	310	311	156
EBITDA Margin (%)	86.3%	86.4%	86.3%	86.0%	86.0%	86.1%	86.0%	86.1%	87.1%

• **Indo Canadian Consultancy Services Limited**

Particulars (INR Crores)	Actual FY24	FY25	FY26	FY27	FY28	FY29
Number of Months	12	12	12	12	12	12
Revenue	6	7	9	10	11	12
EBITDA	1	3	4	5	6	6
EBITDA Margin (%)	23.3%	40.0%	45.7%	50.9%	51.5%	52.1%



• **Replus Engitech Private Limited**

Particulars (INR Crores)	Actual	Projected			
	FY24	FY25	FY26	FY27	FY28
Number of Months	12	12	12	12	12
Revenue	20	178	373	483	596
EBITDA	(4)	23	55	72	91
EBITDA Margin (%)	-19.9%	13.0%	14.8%	15.0%	15.3%

Our DCF analysis considers the financial forecasts as provided by the companies. Our analysis considered historical performance, management explanations/ discussions on profitability and business expansion in future and high-level industry benchmarking basis information readily available in the public domain.

**III. Confirmation that the valuation done in the scheme is in accordance with applicable valuation standards.**

PwC BCS is registered with IOVRVF which has prescribed the use of International Valuation Standards (IVS). These IVS have been used in our analysis. Page no 3 of the Report carries a reference to this effect.



#### IV. Summary Workings

##### Fair Share Exchange Ratio for the Proposed Merger of Bhilwara Energy Limited with HEG Limited (excluding Graphite Business):

Valuation Approach	HEG Limited (excluding Graphite Business) (A)		Bhilwara Energy Limited (B)	
	Value per Equity Share (INR)	Weight	Value per Equity Share (INR)	Weight
Income Approach - DCF Method	562.8	100.0%	128.7	100.0%
Market Approach	NA	0.0%	NA	0.0%
Asset Approach - NAV	297.5	0.0%	30.6	0.0%
<b>Concluded Value per Share</b>	<b>562.8</b>	<b>100.0%</b>	<b>128.7</b>	<b>100.0%</b>
<b>Fair Share Exchange Ratio (A:B)*</b>	<b>8.0</b>		<b>35.0</b>	

*\*Rounded*

For Fair Share Exchange Ratio - Refer Appendix A.1 for underlying workings for HEG Limited (excluding Graphite Business) and Appendix A.2 for underlying working for Bhilwara Energy Limited



**Appendix A.1**  
**HEG Limited (excluding Graphite Business)**

**Income Approach - Discounted Cashflow Method**

<b>Particulars</b>	<b>INR crores</b>
<b><u>Non Current Assets</u></b>	
(1) Investment Property	59
<b><u>Investments in Subsidiaries, Joint Ventures and Associates</u></b>	
(2) Value of 49% equity stake in Bhilwara Energy Limited	1,046
(3) Value of 38.6% equity stake in Bhilwara Infotechnology Limited	25
(4) Value of 100% equity stake in TACC Limited	292
(5) Other Investments	224
<b>Total Non Current Assets</b>	<b>1,647</b>
<b><u>Current Assets</u></b>	
(6) Investments	324
Cash and Bank Balance	202
<b>Total Current Assets</b>	<b>526</b>
<b>Total Assets</b>	<b>2,172</b>
<b>Total Liabilities</b>	<b>-</b>
<b>Net Asset Value (i)</b>	<b>2,172</b>
Number of equity shares as on 18 May 2024 (ii)	38,595,506
<b>Equity value per share as on 18 May 2024 (INR) (i / ii)</b>	<b>562.8</b>

**Notes:**

- 1) Fair value of investment property based on valuation report provided by the Management.
- 2) Refer Appendix A.2 for underlying workings for Bhilwara Energy Limited.
- 3) Refer Appendix A.1.(a) for underlying workings for Bhilwara Infotechnology Limited.
- 4) Refer Appendix A.1.(b) for underlying workings for TACC Limited.
- 5) Other investments include investment in mutual funds (quoted), fixed maturity plan scheme (quoted), bond funds (quoted) and infrastructure trust (quoted).
- 6) Investments include equity instruments (quoted) and mutual funds (quoted).



**Appendix A.2**  
**Bhilwara Energy Limited**

**Income Approach - Discounted Cashflow Method**

<b>Particulars</b>	<b>INR crores</b>
Fair Value of wind power operations in the standalone company	36
<b>Adjustments for:</b>	
Add: Surplus assets	94
<u>Add: Investments</u>	
(1) Value of 51% equity stake in Malana Power Company Limited	1,884
(2) Value of 75.5% equity stake in Indo Canadian Consultancy Services Limited	22
(3) Value of 74% equity stake in Replus Engitech Private Limited	47
<u>Add: Advances</u>	
BG Wind Power Limited	36
Replus Engitech Private Limited	15
Indo Canadian Consultancy Services Limited	1
<b>Equity value as on 18 May 2024 (i)</b>	<b>2,134</b>
Number of equity shares as on 18 May 2024 (ii)	165,759,311
<b>Equity value per share as on 18 May 2024 (INR) (i / ii)</b>	<b>128.7</b>
<b>Value of 49% equity stake in Bhilwara Energy Limited held by HEG Limited (49% of i)</b>	<b>1,046</b>

**Notes:**

- 1) Refer Appendix A.2.(a) for underlying workings for Malana Power Company Limited.
- 2) Refer Appendix A.2.(c) for underlying workings for Indo Canadian Consultancy Services Limited.
- 3) Refer Appendix A.2.(d) for underlying workings for Replus Engitech Private Limited.





**Appendix A.1.(a)**  
**Bhilwara Infotechnology Limited**

**Income Approach - Discounted Cashflow Method**

<b>Particulars</b>	<b>INR crores</b>
Present value of horizon period cash flows	1
Terminal value	13
<b>Enterprise value as on 18 May 2024</b>	<b>14</b>
<b>Adjustments for:</b>	
Add: Surplus assets	51
<b>Equity value as on 18 May 2024</b>	<b>65</b>

**Appendix A.1.(b)**  
**TACC Limited**

**Income Approach - Discounted Cashflow Method**

<b>Particulars</b>	<b>INR crores</b>
Present value of horizon period cash flows	(1,346)
Terminal value	1,446
Add: Residual Tax Benefit	27
<b>Enterprise value as on 18 May 2024</b>	<b>127</b>
<b>Adjustments for:</b>	
Add: Surplus assets	27
Add: Present value of Capital Subsidy	138
<b>Equity value as on 18 May 2024</b>	<b>292</b>



**Appendix A.2.(a)**  
**Malana Power Company Limited**

**Income Approach - Discounted Cashflow Method**

<b>Particulars</b>	<b>INR crores</b>
Fair Value of hydro power operations in the standalone company	699
<b>Adjustments for:</b>	
Add: Surplus assets	58
(1) Add: Value of 100% equity stake in AD Hydro	2,937
<b>Equity value as on 18 May 2024</b>	<b>3,694</b>

**Notes:**

- 1) Refer Appendix A.2.(b) for underlying workings for AD Hydro Private Limited.

**Appendix A.2.(b)**  
**AD Hydro Private Limited**

**Income Approach - Discounted Cashflow Method**

<b>Particulars</b>	<b>INR crores</b>
Fair Value of hydro power operations	2,632
<b>Adjustments for:</b>	
Add: Surplus assets	306
<b>Equity value as on 18 May 2024</b>	<b>2,937</b>

**Appendix A.2.(c)**  
**Indo Canadian Consultancy Services Limited**

**Income Approach - Discounted Cashflow Method**

<b>Particulars</b>	<b>INR crores</b>
Present value of horizon period cash flows	12
Terminal value	16
<b>Enterprise value as on 18 May 2024</b>	<b>27</b>
<b>Adjustments for:</b>	
Add: Surplus assets	3
Less: Debt and debt like items	2
<b>Equity value as on 18 May 2024</b>	<b>29</b>



**Appendix A.2.(d)**  
**Replus Engitech Private Limited**

**Income Approach - Discounted Cashflow Method**

<b>Particulars</b>	<b>INR crores</b>
Present value of horizon period cash flows	1
Terminal value	102
Add: Residual Tax Benefit	1
<b>Enterprise value as on 18 May 2024</b>	<b>104</b>
<b>Adjustments for:</b>	
Add: Surplus assets	9
Less: Debt and debt like items	49
<b>Equity value as on 18 May 2024</b>	<b>64</b>



**V. Determination of the Floor Price of HEG Limited (excluding Graphite Business) as mentioned in the SER report (Page no 13 of the Report carries a reference to this effect)**

**a. Valuation of Graphite Business**

Method	Graphite Business of HEG	
	Value per share (INR)	Weight
Income Approach (DCF Method) (i)	2,033.8	50.0%
Market Approach (CCM method) (ii)	1,928.1	50.0%
Net Asset Value Method	776.5	NA
<b>Value per share</b>	<b>1,981.0</b>	<b>100.0%</b>

**(i) Income Approach - Discounted Cashflow Method**

Particulars	INR crores
Present value of horizon period cash flows	2,625
Terminal value	5,306
<b>Enterprise value as on 18 May 2024</b>	<b>7,931</b>
<b>Adjustments for:</b>	
Add: Surplus assets	462
Less: Debt and debt like items	639
Add: Present value of Capital Subsidy	96
<b>Equity value as on 18 May 2024</b>	<b>7,850</b>
Number of equity shares as on 18 May 2024	38,595,506
<b>Equity value per share as on 18 May 2024 (INR)</b>	<b>2,033.8</b>

Particulars (INR Crores)	Actual	Projected				
	FY24	FY25	FY26	FY27	FY28	FY29
Number of Months	12	12	12	12	12	12
Revenue	2,395	2,494	3,742	4,404	4,637	4,882
EBITDA	384	633	1,279	1,583	1,638	1,692
EBITDA Margin (%)	16.0%	25.4%	34.2%	36.0%	35.3%	34.7%



**(ii) Market Approach - Comparable Companies Method**

Particulars	INR crores
Comparable companies' applied multiple (rounded)	3.10x
Revenue for FY24	2,395
<b>Enterprise value as on 18 May 2024</b>	<b>7,424</b>
Add: Surplus assets	462
Less: Debt and debt like items	639
Add: Capital Work in Progress	194
<b>Equity value as on 18 May 2024</b>	<b>7,441</b>
Number of equity shares as on 18 May 2024	38,595,506
<b>Equity value per share as on 18 May 2024 (INR)</b>	<b>1,928.1</b>

Comparable companies considered for the valuation of Graphite Business using comparable companies' multiple methods are as follows:

- i. Graphite India Limited
- ii. HEG Limited

Peer Company	EV/Revenue	Weights
Graphite India Ltd	2.99x	50.0%
HEG Limited	3.04x	50.0%
<b>Weighted average multiple of peer companies</b>	<b>3.02x</b>	

**b. Proportion of Transferee Company i.e. HEG (excluding Graphite Business) to the overall value of HEG Limited**

Particulars	Value per share (INR)	Percentage share (%)
HEG (excluding Graphite Business) (Refer to Appendix A.1)	562.8	22.1%
Graphite Business (Refer to Table V (a))	1981.0	77.9%
<b>HEG Limited</b>	<b>2543.8</b>	<b>100.0%</b>

**c. Adjusted floor price of HEG (excluding graphite Business)**

Particulars	Value per share (INR)
Value of HEG Limited (higher of 10 trading days and 90 trading days VWAP)	2,449.4
Percentage value contributed by HEG (excluding Graphite Business) (Refer to Table V (b))	22.1%
<b>Adjusted Floor Value of HEG (excluding Graphite Business)</b>	<b>541.9</b>