Date: 21 August 2023

To,
The Board of Directors
Lohia Corp Limited
D-3/A,
Panki Industrial Estate,
Kanpur, Uttar Pradesh – 208022

To,
The Board of Directors
Kanpur Packaging Machines Limited
D-3/A,
Panki Industrial Estate Udyog Nagar,
Kanpur, Uttar Pradesh - 208002.

Subject: Recommendation of fair share entitlement ratio for the proposed demerger of 'Technical Textile Machinery Business' from Lohia Corp Limited into Kanpur Packaging Machines Limited

Dear Sirs/ Madam,

We refer to the engagement letter dated 07 August 2023 and discussions undertaken with the Management of Lohia Corp Limited (hereinafter referred to as 'LCL' or 'Demerged Company') and Kanpur Packaging Machines Limited (hereinafter referred to as 'KPML' or 'Resulting Company') whereby the Management of LCL and KPML has requested Niranjan Kumar, Registered Valuer-Securities or Financial Assets ('NK', 'we' or 'us') to recommend the fair share entitlement ratio for the proposed demerger of the 'Technical Textile Machinery Business' (hereinafter referred to as 'Demerged Business' or 'TTM Business') of LCL into KPML.

Hereinafter the above mentioned proposed transaction shall be referred to as the 'proposed demerger'; the Management including the Board of Directors of LCL and KPML, shall together be referred to as 'the Management'; and the Demerged Company and Resulting Company shall together be referred to as 'Transacting Companies'.

Please find enclosed the report (comprising 10 pages) detailing our recommendation of fair share entitlement ratio for the proposed demerger and the assumptions used in our analysis.

This report sets out our scope of work, background, source of information, procedures performed by us and our recommendation of the share entitlement ratio for the proposed demerger.

BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT

Lohia Corp Limited ('LCL' or 'Demerged Company') was incorporated on 05 October 1981 and is primarily engaged in the business of manufacturing of technical textile machinery required by HDPE/PP woven fabric industry. In addition to this, LCL is also engaged in other business activities such as investment in shares and securities, deployment of surplus funds into identified investment avenues and immovable properties.

Kanpur Packaging Machines Limited ('KPML' or 'Resulting Company') was recently incorporated on 05 June 2023 with an objective to engage in the business of manufacturing and producing textile machines and equipment's. KPML is a wholly owned subsidiary of Lohia Corp Limited and currently does not undertake any business operations.

We understand that the Management of the Transacting Companies are contemplating a scheme of arrangement wherein they intend to demerge 'TTM Business' of LCL into KPML in accordance with the provisions of Sections 230 to 232 including Section 66 of the Companies Act, 2013 or any statutory modifications, re-enactment or amendments thereof for the time being in force ("the Act") read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 as amended from time to time ("the Rules") and all other applicable provisions, if any, of the Act and any other applicable law for the time being in force and in a manner provided in the Draft Scheme of Arrangement ('the Scheme').

As part of the Scheme, the entire existing issued and paid-up share capital of the Resulting Company ('Pre Demerger Equity Share Capital') which is held by LCL shall be cancelled by way of capital reduction.

We understand that as a consideration for the proposed demerger, the Resulting Company shall issue equity shares to all the equity shareholders of the Demerged Company in the share entitlement ratio as determined by the Board of Directors on the basis of share entitlement ratio report prepared by a Registered Valuer as required under the applicable provisions of Companies Act, 2013.

It is in this regard that the Management has appointed Niranjan Kumar, Registered Valuer – Securities or Financials Assets ('NK') to submit a report recommending share entitlement ratio for the proposed demerger.

We understand that the appointed date for the proposed demerger shall be 01 April 2024, or the effective date, whichever is earlier or such other date as the National Company Law Tribunal ('NCLT') may direct for the purposes of this Scheme. We have determined the share entitlement ratio for the proposed demerger as at the report date ('Valuation Date').

We would like to emphasize that certain terms of the proposed demerger are stated in our report, however the detailed terms of the proposed demerger shall be more fully described and explained in the Scheme document to be submitted with relevant authorities in relation to the proposed demerger. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the underlying Scheme.

The scope of our services is to determine the share entitlement ratio as at the Valuation date after considering the facts of the case and report on the same in accordance with generally accepted professional standards including ICAI Valuation Standards, 2018 notified by the Institute of Chartered Accountants of India (ICAI).

The Management has informed us that:

a) There would not be any capital variation in the Transacting Companies and no change in the shareholding pattern of Resulting Company, till the proposed demerger becomes effective without the approval of the shareholders and other relevant authorities.

b) Till the proposed demerger becomes effective, the Transacting Companies would not declare any dividend which is materially different from those declared in the past few years.

c) There would be no significant variation between the draft scheme of arrangement and the final scheme approved and submitted with the relevant authorities.

This report is our deliverable for the said engagement and is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality and in conjunction with the relevant documents referred to therein.

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SOURCES OF INFORMATION

In connection with preparation of this report, we have used and relied on the following sources of information:

A. Company specific information:

Information provided by the Management which includes:

- Audited financial statement of LCL as on 31 March 2023;
- Unaudited provisional business segment wise balance sheet of LCL as at 31 March 2023 ('FY23');
- Unaudited provisional balance sheet of KPML as at 20 August 2023;
- Shareholding pattern of KPML and LCL as at report date;
- Draft Scheme of Arrangement pursuant to which the proposed demerger is to be undertaken;
- Discussion with the Management to understand the rationale and basis for arriving at the recommended share entitlement ratio for the proposed demerger;
- Discussions and correspondence with the Management in connection with business operations, past trends, proposed future business plans and prospects of the Transacting Companies;
- Such other information and documents as provided by the Management for the purpose of this engagement.

Besides the above listing, there may be other information provided by the Management which may not have been perused by us in detail, if not considered relevant for our defined scope.

We have also considered/ obtained such other analysis, review, explanations and information considered reasonably necessary for our exercise, from the Management.

PROCEDURES ADOPTED

Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including, but not necessarily limited to the following:

- Reviewed the unaudited provisional business segment wise balance sheet of LCL as at 31 March 2023 ('FY23') and audited financial statements as on 31 March 2023;
- Reviewed the unaudited provisional balance sheet of KPML as at 20th August, 2023;
- Reviewed the shareholding pattern of KPML and LCL as at report date;
- Confirmation from the Management regarding no change is being proposed in the shareholding pattern of KPML between the report date and scheme implementation date;
- Reviewed the copy of Draft Scheme of Arrangement;
- Discussions with the Management to obtain requisite explanation and clarification of data provided; and
- Determined the fair share entitlement ratio in discussions with the Management, for issue of equity shares of KPML to the shareholders of LCL as consideration for the proposed demerger.

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COMPANY AND FINANCIAL OVERVIEW

Lohia Corp Limited ('LCL' or 'Demerged Company') is primarily engaged in the business of manufacturing of technical textile machinery required by HDPE/PP woven fabric industry and holds investment in subsidiaries operating in the same business (hereinafter referred to as 'Technical Textile Machinery Business' or 'TTM Business' or 'Demerged Business')

In addition to this, LCL is also engaged in other business activities such as investment in shares and securities, deployment of surplus funds into identified investment avenues and immovable properties (hereinafter referred to as 'Remaining Business').

Shareholding pattern

The equity shareholding pattern of LCL as at the report date is set out below:

Name of shareholder	Number of shares (Face Value of INR 1 each)	Percentage %
Raj Kumar Lohia	5,86,02,705	55.5%
Amit Kumar Lohia	1,06,17,375	10.0%
Gaurav Lohia	1,01,85,000	9.6%
Ritu Lohia	38,42,500	3.6%
Anurag Lohia	37,41,710	3.5%
Shradha Lohia	31,16,000	2.9%
Jamuna Devi Lohia	30,00,000	2.8%
Anuja Lohia	29,55,500	2.8%
Jitendra Kumar Lohia	29,25,000	2.8%
Ajay Lohia	27,00,000	2.6%
Alok Kumar Lohia	26,19,210	2.5%
Neela Lohia	10,25,000	1.0%
Gopal Chandra Lohia	3,20,000	0.3%
Total	**10,56,50,000**	**100.0%**

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Financial overview

The snapshot of the unaudited provisional business segment wise balance sheet of LCL as at 31 March 2023 ('FY23') is set out below:

Balance sheet as at 31 March 2023

INR in Million

Particulars	TTM Business	Remaining Business	Total
Equity and liabilities			
Shareholder's funds			
Share capital	-	105.7	105.7
Reserves and surplus	2,441.2	3,031.1	5,472.2
Non current liabilities			
Long term borrowings	1,924.3	-	1,924.3
Deferred tax liabilities	42.3	25.9	68.2
Other non-current liabilities	115.9	-	115.9
Current liabilities			
Short term borrowings	1,205.5	-	1,205.5
Trade payables	1,121.3	-	1,121.3
Short term provisions	106.4	-	106.4
Other current liabilities	2,527.9	-	2,527.9
Total equity and liabilities	**9,484.8**	**3,162.6**	**12,647.4**
Assets			
Non-current assets			
Net fixed assets	4,006.2	307.3	4,313.5
Assets classified as held for sale	-	99.0	99.0
Investment property	-	99.2	99.2
Intangible assets	22.4	-	22.4
Non current investments	228.6	1,348.6	1,577.2
Other non-current assets	243.9	101.3	345.1
Current assets			
Inventories	3,397.0	-	3,397.0
Current investments	-	1,172.4	1,172.4
Trade receivables	804.1	-	804.1
Cash and cash equivalents	181.9	-	181.9
Other current assets	600.8	34.9	635.7
Total assets	**9,484.8**	**3,162.6**	**12,647.4**

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Kanpur Packaging Machines Limited ('KPML' or 'Resulting Company')

KPML was recently incorporated with an objective to engage in the business of manufacturing and producing textile machines and equipment. KPML is wholly owned subsidiary of Lohia Corp Limited and currently does not undertake any business operations.

Shareholding pattern

The equity shareholding pattern of KPML as at the report date is set out below:

Equity shareholding pattern of KPML

Name of shareholder	Number of shares (Face Value of INR 1 each)	Percentage %
Lohia Corp Limited *	1,00,000	100.0%
Total	**1,00,000**	**100.0%**

** including shares beneficially held in the name of Lohia Corp Limited*

Further, we understand that as a part of the same Scheme, the outstanding issued and paid-up share capital of KPML (Pre-Demerger Share Capital) held by LCL would be cancelled by way of capital reduction.

Financial overview

The snapshot of the unaudited provisional balance sheet of KPML as at 20 August 2023 is set out below:

INR in Million

Particulars	Amount
Equity and liabilities	
Shareholder's funds	
Share capital	0.1
Reserves and surplus	(0.0)
Total equity and liabilities	**0.1**
Assets	
Non-current assets	
Other non-current assets	0.0
Current assets	
Cash and cash equivalents	0.0
Total assets	**0.1**

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SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us.

This report, its contents and the results herein are specific and subject to:

- the purpose of the valuation agreed as per the terms of this engagement;
- the date of this report;
- shareholding pattern of KPML as at the report date and no change in the same prior to the implementation of the proposed demerger;
- proposed capital reduction of all the outstanding issued and paid up share capital of KPML held by LCL;
- proposed share entitlement ratio as discussed with the Management;
- draft scheme of arrangement and
- data detailed in the section- Sources of Information

A value analysis of this nature is based on information made available to us as of the date of this report, events occurring after that date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Management till the date of this report and other sources, and the said recommendation(s) shall be considered to be in the nature of non-binding advice (our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

In the course of our analysis, we were provided with both written and verbal information, by the Management as detailed in the section- Sources of Information.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification of,

- the accuracy of information made available to us by the Management, which formed a substantial basis for this report; and
- the accuracy of information that was publicly available;

We have not carried out a due diligence or audit or review of the Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided.

We are not legal or regulatory advisors with respect to legal and regulatory matters for the proposed demerger. We do not express any form of assurance that the financial information or other information as prepared and provided by the Management is accurate. 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 factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.

Our conclusions are based on these assumptions and information given by/ on behalf of the Management. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our recommendation. Accordingly, we assume no responsibility for any errors in the information furnished by the Management and their impact on the report. Also, we assume no responsibility for technical information (if any) furnished by the Management. However, nothing has come to our attention to indicate that the information provided was materially misstated/ incorrect or would not afford reasonable grounds upon which to base the report. We do not imply and it should not be

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construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

We would like to emphasize that as per the proposed Scheme of Arrangement, upon effectiveness of the Scheme, TTM Business of LCL ('Demerged Company') will be demerged into its wholly owned subsidiary i.e. KPML ('Resulting Company') and upon cancellation of the entire existing issued and paid-up share capital ('Pre Demerger Equity Share Capital') as part of the scheme of KPML by way of capital reduction, fresh issue of shares would be made to the existing shareholders of LCL on a proportionate basis such that their existing holding in LCL is replicated in KPML. Accordingly, we believe that any share entitlement ratio can be considered appropriate and fair for the proposed demerger as the inter-se proportionate equity shareholding of any shareholder pre-demerger and post-demerger would remain same and not vary, we have therefore not carried out any independent valuation of KPML and TTM Business of LCL as at the report date for the purpose of our analysis.

The report assumes that the Company complies fully with relevant laws and regulations applicable in all its areas of operations and that the Company will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this report has given no consideration on to matters of a legal nature, including issues of legal title and compliance with local laws and litigation and other contingent liabilities that are not represented to us by the Management.

This report does not look into the business/ commercial reasons behind the proposed demerger nor the likely benefits arising out of the same. Similarly, the report does not address the relative merits of the proposed demerger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. We must emphasize that we have not carried out any independent valuation of the Demerged Company, the Resulting Company or the Demerged Business as a part of this engagement. This report is restricted to recommendation of share entitlement ratio for the proposed demerger only.

Certain terms of the proposed demerger are stated in our report, however the detailed terms of the proposed demerger shall be more fully described and explained in the Scheme document to be submitted with relevant authorities in relation to the proposed demerger. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the Scheme document.

The fee for the Engagement is not contingent upon the results reported.

We owe responsibility only to the Board of Directors of LCL and KPML, who have appointed us, and nobody else.

We do not accept any liability to any third party in relation to the issue of this report. It is understood that this analysis does not represent a fairness opinion. In no circumstance shall the liability of NK exceed the amount as agreed in our Engagement Letter.

This share entitlement ratio report is subject to the laws of India.

Neither the report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the purpose of recommending the share entitlement ratio for the proposed demerger and relevant filings with the statutory authorities with respect to the proposed demerger, without our prior written consent.

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REGISTERED VALUER
SECURITIES OR FINANCIAL ASSETS

RATIONALE FOR SHARE ENTITLEMENT RATIO

As mentioned earlier, as a part of the Scheme, the TTM Business of LCL is proposed to be demerged into its wholly owned subsidiary i.e. KPML. LCL has identified all the assets and liabilities of the TTM Business which are to be taken over by and transferred to KPML. Also, as a part of the Scheme, the entire existing issued and paid-up share capital of KPML ('Pre Demerger Equity Share Capital') which is held by LCL would be cancelled by way of capital reduction.

We understand that, upon the scheme being effective, all the shareholders of LCL would also become the shareholders of KPML and with the existing issued and paid-up share capital of KPML ('Pre Demerger Equity Share Capital') getting cancelled by way of a capital reduction which would be part of the same scheme, their shareholding in KPML would mirror their existing shareholding in LCL prior to the demerger.

Taking into account the above facts and circumstance, any share entitlement ratio can be considered appropriate and fair for the proposed demerger, as the proportionate equity shareholding of any shareholder pre-demerger and post-demerger would remain same and not vary and we have therefore not carried out any independent valuation of KPML and TTM Business of LCL as at the report date.

The effect of demerger is that each shareholder of LCL becomes the owner of shares in two companies instead of one. No shareholder is, under the scheme, required to dispose off any part of his shareholding either to any of the other shareholders or in the market or otherwise. The scheme does not envisage the dilution of the holding of any one or more shareholders as a result of the operation of the scheme. Post demerger, the percentage holding of a shareholder in LCL and in KPML would remain same and not vary.

Upon the cancellation of Pre Demerger Equity Share Capital of KPML and after issuance of equity shares basis the share entitlement ratio, the equity shareholders of LCL and KPML would be same.

Therefore, in our view, the proposed share entitlement ratio of

"1 (One) equity share of KPML having face value of INR 1/- each fully paid up shall be issued for every 1 (One) equity share of INR 1/- each fully paid up held in LCL"

is fair and equitable, considering that all shareholders of LCL, will, upon the proposed demerger, have their inter-se economic interest, voting rights, obligations in KPML post-demerger in the same proportion as their existing economic interests, voting rights and obligations in LCL pre-demerger.

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CONCLUSION

In the light of the above and on a consideration of all the relevant factors and circumstances, and subject to the scope limitations listed in our report, we recommend the following share entitlement ratio:

*"**1 (One)** equity share of KPML having face value of INR 1/- each fully paid up shall be issued for every **1 (One)** equity share of INR 1/- each fully paid up held in LCL"*

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Respectfully submitted,

Niranjan Kumar
Registered Valuer- Securities and Financial Assets
IBBI Registration Number: IBBI/RV/06/2018/10137
ICAIRVO/06/RV-P00021/2018-19
UDIN: 23121635BGUWVW5610

Date: 21 August 2023
Place: Pune