ZADN & Associates
Chartered Accountants

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May 24, 2018

To,
The Board of Directors
Arshiya Limited
(Demerged Company)
302, Ceejay House, Level - 3
Shiv Sagar Estate, F- Block
Dr. Annie Besant Road
Worli, Mumbai – 400018, India.

To,
The Board of Directors
Arshiya Rail Infrastructure Limited
(Resulting Company)
302, Ceejay House, Level - 3
Shiv Sagar Estate, F- Block
Dr. Annie Besant Road
Worli, Mumbai – 400018, India.

Dear Sirs,

Sub: Report on share entitlement ratio for the proposed demerger of Domestic Business Undertaking ('**Demerged Undertaking**') of Arshiya Limited ('**Demerged Company**') into Arshiya Rail Infrastructure Limited ('**Resulting Company**').

We, ZADN & Associates, Chartered Accountants ('**We**' or '**ZADN**' or '**Our**' or '**Us**'), refer to the Engagement Letter dated May 8, 2018 and related discussions we had with you, wherein the management of Arshiya Limited ('**Demerged Company**' or **'Arshiya'**) and Arshiya Rail Infrastructure Limited ('**Resulting Company**' or '**ARIL**') (collectively hereinafter referred to as the '**Companies'**) requested our report on the share entitlement ratio of equity shares of the Resulting Company to be issued to the equity shareholders of the Demerged Company in connection with the proposed demerger of Domestic Business Undertaking **('Demerged Undertaking')** of Arshiya Limited on the Record Date as more elaborately defined in the proposed Scheme of Arrangement between Arshiya Limited and Arshiya Rail Infrastructure Limited, under sections 230 to 232 read with section 66 and section 52 and other applicable provisions of the Companies Act, 2013 hereinafter referred to as **'the Proposed Scheme'** or **'the Scheme'** or '**the Scheme of Arrangement**'.

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1. Background:

1.1 Arshiya Limited ('Arshiya' or the 'Demerged Company')

1.1.1 Arshiya Limited is a listed public limited company incorporated on July 3, 1981 under the Companies Act, 1956 bearing CIN - L93000MH1981PLC024747 and its registered office is situated at 302, Level 3, Ceejay House, F - Block, Shiv Sagar Estate, Dr. Annie Besant Road, Worli, Mumbai – 400 018. Equity shares of Arshiya are listed on BSE Limited ('**BSE**') and National Stock Exchange of India Limited ('**NSE**') in India.

1.1.2 Arshiya, is a flagship company of Arshiya Group having interests in the business of developing Free Trade Warehousing Zones ('**FTWZs**') and Domestic Warehousing Areas ('**DWAs**') to improve logistics infrastructure in India.

1.1.3 Board of Directors of the Company as on May 12, 2018 are as under:

Name of the Director	Begin Date
Mr. Ashishkumar Bairagra	August 7, 2006
Mr. Ajay Shankarlal Mittal	October 1, 2011
Mr. Shah Pankaj Rishabh	December 31, 2005
Ms. Archana Ajay Mittal	October 25, 2005
Mr. Mukesh Kacker	October 28, 2009
Mr. Savita Kodain	July 10, 2015
Mr. Santosh Mohanlal Maheshwari	February 8, 2017

1.1.4 The Authorized, Issued, Subscribed and Paid-up Share Capital of Arshiya as on May 12, 2018 is as under:

Particulars	Amount in INR
Authorised Share Capital:	
247,500,000 Equity Shares of Rs. 2/- each	495,000,000
11,000,000 Preference Shares of Rs. 10/- each	110,000,000
Total	**605,000,000**
Issued, Subscribed and Paid-up Share Capital:	
229,716,776 Equity Shares of Rs. 2/- each	459,433,552
5,764,619 Preference Shares of Rs. 10/- each	57,646,190
Total	**517,079,742**

We are informed that there are no subsequent changes in the capital structure and directors on board.

1.1.5 As stated in the audited financial statements of Arshiya for the year ended March 31, 2017, Arshiya is in financial stress and had exited its corporate debt restructuring during FY16 pursuant to which the lending banks have assigned their financial assets pertaining to Arshiya and its other wholly owned subsidiaries companies including ARIL to Edelweiss Asset Reconstruction Company Limited ('**EARC**').

1.1.6 Accordingly, EARC has become the secured lender and all the rights, title and interest of lending banks have vested in EARC. Arshiya has entered into Restructuring Agreement with EARC on March 31, 2017 for restructuring its bank dues wherein the debt is segregated between Restructured Rupee Loan which will carry interest of 10% p.a. and the restructured loans are payable over 7 years tenure and balance loan is to be converted by issuance of equity shares and Optionally Convertible Redeemable Preference Shares ('**OCRPS**') which may be converted into equity shares at the option of the holder at any time within 18 months from the date of issue of OCRPS.

1.1.7 As represented by the management, below table describes the number of OCRPS issued by Arshiya to EARC and their as on date conversion status:

Particulars	No of OCRPS issued	Maximum No of Equity shares to be alloted upon conversion of OCRPS	Allotment of equity shares pursuant to converiosn of OCRPS	No. of OCRPS outstanding as on date	Balance allotment of equity shares
Series I - OCRPS	6,423,329	15,485,554	1,588,038	5,764,619	13,897,516
Series II - OCRPS	1,310,000	2,382,392	2,382,392	-	-
Series III - OCRPS	870,000	4,764,785	4,764,785	-	-
Series IV - OCRPS	2,140,000	4,764,785	4,764,785	-	-
Total	**10,743,329**	**27,397,516**	**13,500,000**	**5,764,619**	**13,897,516**

As per clause 1.4.3 of the Proposed Scheme, it is clarified that the OCRPS issued by Arshiya does not relate to Domestic Business and accordingly, no additional / proportionate consideration shall be payable to its holders upon the Proposed Scheme becoming effective. However, any Corporate Action relating to the outstanding Series 1 – OCRPS shall be kept in abeyance till last date upto which the option for conversion is exercisable. Further, in case if there is change in any parameters or facts or any assumptions stated in this report, the report will undergo a change to the extent required.

In reference to above, management informed that if the said Series 1 - OCRPS is converted into equity shares on or before the Record Date, they will receive the equity shares of ARIL as per share entitlement report, otherwise, said Series 1 - OCRPS shall continue to be in the books of Arshiya not affecting the identical equity shareholding being created pursuant to Proposed Scheme. Further, we understand from the management that there are no on-going discussions with any other lender(s) for issuance of equity shares / convertible instrument and conversion of convertible instruments other than outstanding 5,764,619 Series 1 - OCRPS held by EARC.

1.2 Arshiya Rail Infrastructure Limited ('ARIL' or the 'Resulting Company')

1.2.1 ARIL is a unlisted public company incorporated on April 7, 2008 under the Companies Act, 1956 bearing CIN - U93000MH2008PLC180907 and its

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registered office is situated at 302, Level 3, Ceejay House, F- Block, Shiv Sagar Estate, Dr. Annie Besant Road, Worli, Mumbai – 400 018.

1.2.2 ARIL is currently engaged in the business of providing Private Freight Terminal (PFT) and Rail Transportation Services (Rail). ARIL is also engaged in container train business and holding Category – I license which allows ARIL to operate on Indian Rail network on pan India basis both domestic and exim traffic.

1.2.3 Board of Directors of the Company as on May 12, 2018 is as under:

Name of the Director	Begin Date
Mr. Ashishkumar Bairagra	January 16, 2010
Mr. Navnit Jugal Kishore Choudhary	January 15, 2013
Mr. Shah Pankaj Rishabh	March 27, 2015

1.2.4 The Authorized, Issued, Subscribed and Paid-up Share Capital of ARIL as on May 12, 2018 is as under:

Particulars	Amount in INR
Authorised Share Capital:	
45,000,000 Equity Shares of Re.10/- each	450,000,000
Total	**450,000,000**
Issued, Subscribed and Paid-up Share Capital:	
42,384,417 Equity Shares of Re.10/- each	423,844,170
Total	**423,844,170**

We are informed that there are no subsequent changes in the capital structure and directors on board. As per clause 9 of the Proposed Scheme, pursuant to and upon the Proposed Scheme becoming effective, it is proposed that Authorised Share Capital of ARIL, without any further application, act, instrument or deed, shall be reclassified to 22,50,00,000 Equity Shares of Rs. 2/- each.

1.2.5 As on date, ARIL is a wholly owned subsidiary of Arshiya Limited as the entire paid up equity share capital is held by Arshiya and its nominees.

1.2.6 Management of ARIL informed that currently there are no OCRPS holders in ARIL and there are no on-going discussions with any lenders for issuance of equity shares / convertible instruments.

1.2.7 The management of Arshiya Group has informed that as part of the overall group reorganization, the management has filed a Scheme of Amalgamation of Arshiya Industrial & Distribution Hub Limited ('**AIDHL**') and Arshiya Transport and Handling Limited ('**ATHL**') with Arshiya Rail Infrastructure Limited ('**ARIL**' or '**Resulting Company**') with National Company Law Tribunal at Mumbai and is awaiting their approval. The appointed date for the proposed merger is October 1, 2015 as stated in the Scheme of Amalgamation.

1.2.8 AIDHL and ATHL are 100% subsidiaries of Arshiya and hence fellow subsidiaries of ARIL.

1.2.9 Further, based on the earlier Scheme of Amalgamation as adopted by the board of the companies, for every one equity share of AIDHL and ATHL, one equity share of ARIL is to be issued. Accordingly, ARIL would issue 14,992,995 equity shares to the shareholders of AIDHL (i.e. Arshiya) and 50,000 equity shares to the shareholders of ATHL (i.e. Arshiya).

1.2.10 Further AIDHL has issued 1,20,000 Zero percent Optionally Convertible Redeemable Preference Shares to Bank of Baroda (BOB) against conversion of loan amounting to INR 1,20,000,000 which was approved by Special Resolution passed on January 17, 2018. The management has informed us that as per the terms of the issuance of OCRPS, Bank of Baroda shall be entitled to equity shares of AIDHL on conversion of the said OCRPS, if the Company fail to make the redemption before the end of sixth year. However, management has represented that the said OCRPS shall be converted into equity shares before the scheme of merger becoming effective. Also as represented to us, Arshiya (Holding Company) has taken a decision in consensus with BOB that Arshiya shall buy these OCRPS and convert the same into equity shares or AIDHL shall redeem the same before the scheme of merger becoming effective.

1.2.11 As per the Preamble paragraph of the Proposed Scheme, the Proposed Scheme is also conditional upon the aforesaid merger scheme being effective first and ARIL to continue to be wholly owned subsidiary company of Arshiya as on the Record Date.

1.2.12 Please note that if the above representation by the management of Arshiya and ARIL about purchase of OCRPS from BOB and conversion or redemption of the same before the Effective Date of the merger and the Proposed Scheme is not affected then in that scenario, our recommendation of the share entitlement ratio will need to be revisited and might undergo a change, which we are unable to comment upon and it is not part of our current engagement. Further, we understand from the management that there are no on-going discussions with any other lender(s) for issuance of equity or convertible instruments by AIDHL and ATHL.

2. Objective of this Report:

2.1 As described hereinbefore in this report, the Board of Directors of Arshiya proposes to demerge its Domestic Business Undertaking and transfer into ARIL.

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2.2 As defined in the Proposed Scheme, '**Domestic Business Undertaking**' means domestic business activities pertaining to development of Domestic Warehousing Areas ('**DWAs**') including investments held in the Resulting Company.

2.3 As informed by the management, the aforesaid proposed demerger is in line with Arshiya Group's intentions to reorganize its corporate structure and businesses which is spread across various group companies (wholly owned subsidiaries) in order to integrate / consolidate its operations by housing similar businesses into respective entities as stated below:

i. FTWZs business in Arshiya or into an independent entity wholly owned by Arshiya.
ii. DWAs, RAIL, PFT and Inland Container Depot business in ARIL.

2.4 In reference to above, management has informed that the integration / reorganization of corporate structure of the group is to be achieved by way of transfer of Domestic Business Undertaking through the Proposed Scheme with April 1, 2019 as the Appointed Date.

2.5 We understand that pursuant to the Proposed Scheme, all the equity shareholders of Arshiya as on the Record Date will be issued equity shares of ARIL as per share entitlement ratio as consideration for the proposed transfer and vesting of Domestic Business Undertaking into ARIL.

2.6 The equity shares of Arshiya are listed on BSE and NSE in India. Accordingly, upon the Proposed Scheme coming to effect, the equity shares to be allotted to all the equity shareholders of Arshiya on the Record Date by ARIL will also be listed and / or admitted to trading on BSE and NSE in India, subject to applicable compliances.

2.7 Upon the Proposed Scheme becoming effective, all the equity shares held by Arshiya or its nominee in ARIL shall stand cancelled, extinguished and annulled.

2.8 In connection with the Proposed Scheme, we have been requested to provide a report on the share entitlement ratio of equity shares of ARIL to the shareholders of Arshiya as proposed by the management.

2.9 We understand that consequent to the Proposed Scheme and issuance of equity shares to all the equity shareholders of Arshiya as contemplated in the Proposed Scheme, there will be no impact on the economic and beneficial interest of the equity shareholders of Arshiya.

2.10 We understand that this equity share entitlement ratio report will be used for the above-mentioned purpose only and to the extent mandatorily required under applicable laws of India.

2.11 For the purpose of our report, we have relied on the information, explanations and representations provided to us by the management of Arshiya and ARIL. We have not carried out any independent tests to establish the accuracy of such information, explanations and representations. In addition, we have listed the scope of work in the course of our assignment, noting any limitations on our assignment. This report is subject to the attached limiting conditions and terms for this assignment, as may be described in this report or in our engagement letter.

3. Sources of Information:

For the purpose of this share entitlement ratio exercise, we have relied on the following information provided to us by the management of the Demerged Company and Resulting Company and information available in the public domain:

3.1 Draft Scheme of Arrangement between Arshiya and ARIL proposed to be adopted at the Board meetings of both the companies;

3.2 Scheme of Amalgamation of Arshiya Industrial & Distribution Hub Limited ('**AIDHL**') and Arshiya Transport and Handling Limited ('**ATHL**') with Arshiya Rail Infrastructure Limited ('**ARIL**');

3.3 Audited financial statements of the Demerged and Resulting Company for the year ended March 31, 2017;

3.4 Current Shareholding pattern of the Demerged Companies and Resulting Company;

3.5 Desired capital structure and equity shares of ARIL proposed to be issued to the shareholders of Arshiya on demerger of the Domestic Business Undertaking into ARIL;

3.6 Representation with regards to dealing with OCRPS issued to Bank of Baroda by AIDHL as detailed in paragraph 1.2.10 of this report;

3.7 Other relevant data and information provided to us either in written or oral form or in form of soft copy and discussions with the representatives of management of Arshiya Group;

3.8 Representation letter dated May 23, 2018, and

3.9 Relevant information in public domain.

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4. Exclusions and Limitations:

4.1 This report is subject to the limitations detailed herein. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents and representations referred to herein.

4.2 Our work was not designed to verify the accuracy or reliability of the information provided to us and nothing in this report should be taken to imply that we have conducted procedures, audits or investigations in an attempt to verify or confirm any of the information supplied to us.

4.3 In addition, we do not take any obligation or responsibility for any changes in the information used by us to arrive at our conclusion as set out herein which may occur subsequent to the completion of scope of work and the date of the report.

4.4 We further assume that the managements of both all the Companies have brought to our attention any and all factors having an impact on the determination of the share entitlement ratio.

4.5 We have been given to understand by the managements of the Companies that they have not omitted any relevant and material factors. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. We assume no responsibility for any errors in the above information furnished by the Companies and their impact on the present exercise.

4.6 Whilst all reasonable care has been taken to ensure that the factual statements in the report are accurate, neither ourselves, nor any of our Partners, Officers or Employees shall, in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim all liabilities, which may arise based upon the information used in this report. We are not liable to any third party in relation to the issue of this report.

4.7 We have also relied on information available in public domain; however the accuracy and timelines of the same has not been independently verified by us.

4.8 Any person / party, intending to provide finance / invest in the shares / business of the company or for any other reason whatsoever, 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.

4.9 This exercise of commenting on the share entitlement ratio for the proposed demerger is not and must not be interpreted as our opinion or estimate of the absolute market value or independent fair value of the equity shares or any class or number of equity shares pre or post demerger.

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4.10 Our scope of work is limited to expression of our view on the proposed share entitlement ratio and its impact on the economic interest of the shareholders of the Companies. Our report is not, nor should it be construed as, our opining or certifying the compliance of the proposed demerger of the Demerged Undertaking with the provisions of any law or any legal implications or issues arising from such Proposed Scheme.

4.11 Our recommendation should be considered to be in the nature of non-binding advice.

4.12 This report has been prepared exclusively for the use of Arshiya and ARIL and solely for the purpose of recommending a share entitlement ratio for the Proposed Scheme. Hence, this report should not be provided or used for any purpose, whether in whole or in part without our prior written consent, to any other person and for any other purpose except that as is mentioned earlier in this report. However, we understand that you may share this report with your advisors supporting the proposed transaction as well as statutory authorities. Please note that we do not accept any responsibility to your advisors or any third party with regard to this report.

We would like to draw attention to important representations by the management as detailed in paragraph 1.1.7 and paragraph 1.2.10 of this report. The share entitlement ratio mentioned in this report is on the basis of those representations. While we take no responsibility for implementing the actions or non-implementing the actions by the managements in the representations, we would want to bring to the attention that non-fulfillment of the representations could have an impact on the share entitlement ratio. We are unable to comment on the quantum (whether substantial or not) of impact due to non-fulfillment of the actions committed in those representations.

5. BASIS OF DETERMINATION OF SHARE ENTITLEMENT RATIO:

Our evaluation towards the share entitlement ratio considers the following aspects:

5.1 The estimate of net assets, working capital requirements and capital base required for the Domestic Business Undertaking / ARIL as independently assessed by the management of Arshiya and ARIL;

5.2 Based on the above assessment the management has proposed the number of equity shares to be issued such that ARIL is appropriately capitalized;

5.3 As on date, ARIL is a wholly owned subsidiary ('WOS') of Arshiya and shall continue to be WOS of Arshiya till the effective date / Record Date of the Proposed Scheme.

5.4 As detailed earlier, the management is also in the process of merging AIDHL and ATHL with ARIL, all WOS's of Arshiya.

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5.5 Pursuant to clauses in the Proposed Scheme with regards to dealing with Series 1 - OCRPS as detailed in paragraph 1.1.7 of this report and representations by the management in paragraph 1.2.10 of this report would be implemented prior to the Record Date, the equity shares issued in ARIL to the shareholders of Arshiya would be in the same proportion in which they hold equity shares in Arshiya on the Record Date and such allotment would be value neutral to the equity shareholders of Arshiya.

5.6 As per Part V clause 7.8 of the Proposed Scheme, upon the scheme becoming effective, all the equity shares held by the Demerged Company or its nominee in the Resulting Company shall stand cancelled, extinguished and annulled. As such, the equity shareholding pattern of ARIL post implementation of the representations and the Proposed Scheme, would be identical to the equity shareholding pattern of Arshiya.

5.7 Accordingly as stated in clause 1.5 of the Proposed Scheme, all the equity shareholders of Arshiya as on the Record Date would be entitled to equity shares of ARIL in the same proportion in which they currently own directly in Arshiya resulting into identical shareholders to Arshiya and ARIL. Accordingly, even after the Proposed Scheme coming into effect, the economic and beneficial interest will remain within the existing shareholders of Arshiya in the same proportion as they hold in Arshiya as on the Record Date.

5.8 Thus, share entitlement ratio would not have any impact on the ultimate value of the equity shareholders of Arshiya and the proposed demerger of Domestic Business Undertaking of Arshiya into ARIL will be value-neutral to Arshiya's equity shareholders. The background and rationale for the scheme has been provided in the Proposed Scheme.

5.9 Accordingly, the determination of share entitlement ratio of the companies is at best an internal arrangement between the Demerged Company and Resulting Company and its shareholders and a detailed valuation of the Companies to determine the share entitlement ratio would not be relevant in the present case.

5.10 The share entitlement ratio and the number of equity shares to be allotted pursuant to demerger, is of no material relevance since there will be no loss of economic interest in the hands of equity shareholders of Arshiya. Accordingly, for the purpose of recommending a share entitlement ratio we are not attempting to arrive at the absolute values of equity shares of each company.

5.11 Accordingly, in our opinion based on the representations and information provided by the management, as there will be no change in the shareholding pattern of Arshiya pursuant to the Scheme, no valuation report is required as per Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 issued by SEBI, as may be amended from time to time.

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5.12 Further, we have been informed by the management of ARIL that upon the effective date, the Authorized Equity Share Capital of Arshiya would be increased by the requisite amount, if required, so that issued paid up share capital post the allotment pursuant to the Scheme is lower than the authorized capital.

5.13 Considering the above, the share entitlement ratio for demerger of Domestic Business Undertaking of Arshiya into ARIL, as suggested by the managements of both the Companies and as stated under we believe that the share entitlement ratio is fair and equitable considering that all the shareholders of Arshiya upon demerger will become the shareholders of ARIL and ultimate beneficial owners of Arshiya and ARIL will be held by the same shareholders in same proportion. Accordingly,

"1 (One) fully paid equity share of Face Value INR 2 (Rupees Two) each of ARIL is to be issued for every 2 (Two) fully paid equity shares of Face Value INR 2 (Rupees Two) each held in Arshiya."

For **ZADN & Associates**
Chartered Accountants
FRN. 112306W

ZADN & ASSOCIATES MUMBAI

Zulfiqar Shivji
Partner

M. No.100666
Place: Mumbai