

FAIRNESS OPINION REPORT

AMALGAMTION OF SRI HARINI TEXTILES LIMITED

WITH

THE RAMARAJU SURGICAL COTTON MILLS LIMITED

VIVRO



Vivro Financial Services Private Limited

This Fairness Opinion Report is being submitted by Vivro Financial Services Private Limited for the purpose as mentioned herein, and shall not be used for any other purpose whatsoever

September 27, 2021

Private and Confidential

To,

The Board of Directors

Sri Harini Textiles Limited

Sri Bhavanam 102,

P S K Nagar Rajapalayam,

Virudhunagar

Tamilnadu - 626108

To,

The Board of Directors

The Ramaraju Surgical Cotton Mills Limited

PAC Ramasamy Raja Salai,

Rajapalayam,

Tamilnadu - 626117

Subject: Fairness Opinion Report on the recommendation of Share Exchange Ratio issued by Den Valuation (OPC) Private Limited dated September 27, 2021, for the proposed amalgamation of Sri Harini Textiles Limited into The Ramaraju Surgical Cotton Mills Limited

Sri Harini Textiles Limited (CIN U17111TN2005PLC057807) ('SHTL' or 'Transferor Company'), incorporated on October 13, 2005, under the Companies Act, 1956 is engaged in the manufacturing of open-end yarn. The Ramaraju Surgical Cotton Mills Limited (CIN L17111TN1939PLC002302) ('TRSCML' or 'Transferee Company'), incorporated on February 20, 1939, under the Companies Act, 1956 is engaged in production of surgical dressing including absorbent cotton, gauze, bandages, and other wound-care products in Southern India. The equity shares of TRSCML are listed on the Metropolitan Stock Exchange of India ('MSE'). SHTL and TRSCML are together be referred to as 'the Companies'.

The management of the Companies propose to enter into a Scheme of Amalgamation ('the Scheme') where SHTL shall be amalgamated into TRSCML under Section 230 to Section 232 of the Companies Act, 2013 as well as in terms of and other applicable provisions of law ('the Scheme').

Accordingly, as required under SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020, as amended ('SEBI Circular') issued under regulations 11, 37 and 94 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ('SEBI LODR Regulations'), TRSCML has appointed Vivro Financial Services Private Limited, Category I Merchant Banker registered with SEBI having its Registration Number INM000010122 ('Vivro', 'Merchant Banker', 'we', 'us', 'our'), vide an Engagement Letter dated August 19, 2021 to issue a Fairness Opinion Report on the valuation report recommending share exchange ratio dated September 27, 2021 issued by a Registered Valuer, being Den Valuation (OPC) Private Limited ('the Valuation Report'), registered with the Insolvency and Bankruptcy Board of India (IBBI Registration Number: IBBI/RV-E/06/2021/146J) ('the Registered Valuer', 'the Valuer').





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In connection with the same, we hereby attach our Fairness Opinion Report in terms of the SEBI Circular.

For, Vivro Financial Services Private Limited


Jayesh Vithlani
Sr. Vice President



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1. BACKGROUND

SRI HARINI TEXTILES LIMITED

- 1.1 SHTL is a public limited company incorporated on October 13, 2005, under the Companies Act, 1956, having CIN U17111TN2005PLC057807 and its registered office at Sri Bhavanam 102, P S K Nagar Rajapalayam, Virudhunagar, Tamilnadu - 626108. SHTL is engaged in the manufacturing of open-end yarn having a capacity of 1440 Rotors at Thirumalagiri Village, Krishna District, Andhra Pradesh. The shareholding pattern of SHTL (Face value: Rs. 10) as on June 30, 2021, is as follows:

Name	Equity Shares	%Shareholding
Promoter & Promoter Group	29,69,500	98.98%
Public	30,500	1.02%
Total	30,00,000	100.00%

THE RAMARAJU SURGICAL COTTON MILLS LIMITED

- 1.2 TRSCML is a public limited company incorporated on February 20, 1939 bearing CIN L17111TN1939PLC002302, and its registered office is situated at PAC Ramasamy, Raja Salai, Rajapalayam, Tamilnadu – 626117. TRSCML is engaged in production of surgical dressing including absorbent cotton, gauze, bandages and other wound-care products in Southern India. TRSCML is also diversified into spinning and weaving, producing cotton yarn and manufacturing premium fabrics for shirting, bed linens and Jacquard cloth. The equity shares of the TRSCML are listed on the MSE, The shareholding pattern of TRSCML (Face value: Rs. 10) as on June 30, 2021, is as follows:

Category	Equity Shares	%Shareholding
Promoter & Promoter Group	17,00,680	43.09%
Public	22,45,880	56.91%
Total	39,46,560	100.00%

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2. SCOPE AND PURPOSE OF THIS FAIRNESS OPINION REPORT

- 2.1 The Board of Directors of TRSCML and SHTL are planning to enter into a Scheme of Amalgamation in accordance with Section 230 to 232 and other applicable provisions of the Companies Act, 2013 as amended and rules framed thereunder and in compliance with the provisions of the Income Tax Act, 1961. This Scheme provides for Amalgamation of SHTL with and into TRSCML with effect from the Appointed Date. The Appointed Date is April 1, 2021.
- 2.2 For the aforesaid purpose of amalgamation of SHTL with and into TRSCML, TRSCML has appointed Den Valuation (OPC) Private Limited, Registered Valuer, to submit a Valuation Report recommending the equity share exchange ratio, to be placed before the Board of Directors of TRSCML and SHTL.
- 2.3 The scope of our services is to issue a Fairness Opinion Report on the Valuation Report issued by the Registered Valuer recommending the equity share exchange ratio, for the amalgamation as proposed in Part II of the Scheme, in accordance with generally acceptable professional standards.
- 2.4 The scope of our services includes forming an opinion on the fairness on the recommendation of the Registered Valuer and does not involve opining on the fairness or economic rationale of the Scheme per se.
- 2.5 This Fairness Opinion Report is our deliverable on this engagement and may be used for the purpose of complying with the requirements of the regulations 11, 37 and 94 of the SEBI LODR Regulations and the SEBI Circular and for submission to regulatory and statutory authorities in connection with the Scheme.
- 2.6 Our Fairness Opinion Report is prepared solely for the purpose outlined hereinabove. The distribution of this Fairness Opinion Report shall hence be restricted to the Companies, Shareholders, SEBI, Stock Exchange and such other regulatory bodies required to give effect to the Scheme, including but not limited to Registrar of Companies and National Company Law Tribunal. This Fairness Opinion Report shall not be relied upon by any other person for any other purpose whatsoever and the Companies agree to this fact.
- 2.7 This Fairness Opinion Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the Fairness Opinion Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.



3. SOURCES OF INFORMATION

We have relied on the following information made available to us by the management of the Companies for the purpose of this Fairness Opinion Report:

- 3.1 Draft Scheme of Amalgamation between TRSCML and SHTL, under Sections 230 to 232 and other applicable provisions of the Companies Act 2013 as may be submitted to the Stock Exchange;
- 3.2 Valuation Report of Den Valuation (OPC) Private Limited, Registered Valuer, dated September 27, 2021;
- 3.3 Audited Financial Statements of TRSCML & SHTL for the year ended on March 31, 2021, March 31, 2020, March 31, 2019, and March 31, 2018;
- 3.4 Management certified provisional financial statement of TRSCML & SHTL for the 3-month period ended on June 30, 2021.
- 3.5 Projected profitability and balance sheet of TRSCML & SHTL for the period from July 1, 2021, to March 31, 2028;
- 3.6 Written representations received from companies dated September 27, 2021;
- 3.7 Such other information and explanations as required and which have been provided by the management of the Companies, which were considered relevant for the purpose of Fairness Opinion Report.
- 3.8 The Companies have been provided with the opportunity to review the draft Fairness Opinion Report as part of our standard practice to make sure that factual inaccuracy / omissions are avoided.

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4. RATIONALE OF THE SCHEME

As stated in the Draft Scheme of Amalgamation made available to us, the rationale of the Scheme is as under:

"The directors of the Transferor Company and the Transferee Company have decided to amalgamate the Transferor Company with the Transferee Company in order to ensure better management of the Company as a single unit with focused management capabilities. The directors of the Transferor Company and the Transferee Company are of the opinion that the Transferor Company and the Transferee Company are part of the same group and are having common promoters and accordingly, the amalgamation of the Transferor Company into the Transferee Company pursuant to the Scheme would result in streamlining the group corporate structure. The amalgamation will further enable to reduce the number of entities within the group that require to be administered and also help realize operational synergies which would also result in simplification of structure and operations and would benefit both the Transferor Company and the Transferee Company in the following manner:

- (i) Reduction in operative and administrative cost;*
- (ii) Economies of scale, improved capital allocation, optimum utilization of resources and operational efficiency etc.;*
- (iii) Elimination of inter-company holdings and layering of investments and business operations;*
- (iv) Simplification of management structure;*
- (v) Stronger asset base and infrastructure for future growth."*

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5. SALIENT FEATURES OF THE SCHEME

- 5.1 With effect from the Appointed Date the whole of the Undertakings of the Transferor Company comprising their entire business, all assets and liabilities of whatsoever nature and wheresoever situated, including the immovable properties, if any, shall, under the provisions of Section 230 to 232 and all other applicable provisions, if any, of the Act, without any further act or deed be transferred to and vested in and/ or be deemed to be transferred to and vested in the Transferee Company as a going concern so as to become, as from the Appointed Date, the Undertakings of the Transferee Company and to vest in the Transferee Company all the rights, title, interest or obligations of the Transferor Company therein.
- 5.2 Upon the amalgamation of SHTL into and with TRSCML pursuant to the Scheme becoming effective on the Effective Date, TRSCML will issue its equity shares to the shareholders of SHTL on the record date, in accordance with the equity share exchange ratio approved by the Board of Directors of each of SHTL and TRSCML, and pursuant to Sections 230 to 232 and other relevant provisions of the Act in the manner provided for in this Scheme and in compliance with the provisions of the Income Tax Act, 1961.
- 5.3 TRSCML being a shareholder of SHTL, the Transferee Company shall not be issued any equity shares under the Scheme in consideration. The equity shares of SHTL held by TRSCML shall be cancelled and extinguished upon the scheme coming into effect.
- 5.4 All inter company balances between the Companies shall stand cancelled upon the Scheme coming into effect and applicable from the Appointed Date.
- 5.5 Upon the Scheme coming into effect, the Transferor Company shall, without any further act, instrument, or deed, stand dissolved without following the process of winding up.

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6. VALUER'S RECOMMENDATION

- 6.1 As informed to us by the management of the Companies, the scope of services of the Registered Valuer for the proposed composite Scheme of arrangement is to carry out a valuation of equity shares of TRSCML and SHTL and determine a share exchange ratio for the proposed Scheme.
- 6.2 The share exchange ratio has been arrived at on the basis of relative valuation of the equity shares of TRSCML and SHTL based on methodology, as explained in the Valuation Report, dated September 27, 2021, issued by Den Valuation (OPC) Private Limited and various qualitative factors relevant to TRSCML and SHTL respectively, and the business dynamics as well as growth potential of the businesses, and also having regard to information base, management representations and perceptions, key underlying assumptions and limitations.
- 6.3 Accordingly, on the basis of all the relevant factors and circumstances as discussed and outlined in the Valuation Report, dated September 27, 2021, issued by Den Valuation (OPC) Private Limited, it has been recommended that the equity share exchange ratio for the amalgamation of SHTL with and into TRSCML, under the proposed Scheme shall be as follows:

"34 equity shares of face value INR 10 each fully paid up of TRSCML for every 1,000 equity shares of face value of INR 10 each fully paid of SHTL for the amalgamation of SHTL into TRSCML".

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7. LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS & DISCLAIMERS

- 7.1 This Fairness Opinion Report has been prepared for the purposes stated herein and should not be relied upon for any other purpose. This Fairness Opinion Report is restricted for the purpose indicated in the Engagement Letter but does not preclude the management of the Companies to provide a copy of this Fairness Opinion Report to third-party advisors whose review would be consistent with the intended use. We do not take any responsibility for any unauthorized use of this Fairness Opinion Report.
- 7.2 We owe responsibility only under the terms of the Engagement Letter. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the management or their directors, employees or agents of the Companies.
- 7.3 In the course of our analysis, we were provided with both written and verbal information, which we have evaluated through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. We have also relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis.
- 7.4 This Fairness Opinion Report is specific to the terms of the Engagement Letter, the date of this Fairness Opinion Report and is necessarily based on the prevailing financial and economic conditions as well as the written and oral information, as made available by the management of the Companies as on date of this Fairness Opinion Report. Events occurring after this date may affect this Fairness Opinion Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Fairness Opinion Report.
- 7.5 This Fairness Opinion Report is subject to the scope, the sources of the information and limitations detailed herein. As such the Fairness Opinion Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.
- 7.6 We have not carried out a revaluation of any assets of the Companies, nor physically verified any assets of the Companies, neither are we required to in terms of the Engagement Letter.
- 7.7 We are independent of the Companies and hold no specific interest in the Companies or any of the assets of the Companies, nor do we have any conflict of interest with the Companies.



- 7.8 The fee for this Fairness Opinion Report is not contingent upon the recommendation given.
- 7.9 We are aware that based on the opinion of the value expressed in this Fairness Opinion Report, we may be required to give testimony or attend judicial proceedings with regard to the valuation, although it is out of scope of the assignment. In such an event, the party seeking the evidence in the proceedings shall bear the full cost and the fees of the judicial proceedings, and the tendering of evidence before such authority, if any, will be as per the applicable laws.

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8. CONCLUSION

Pursuant to and subject to the foregoing, we believe that the share exchange ratio recommended by Den Valuation (OPC) Private Limited, Registered Valuer, for the amalgamation of SHTL with and into TRSCML, for the proposed Scheme, is fair.

For, Vivro Financial Services Private Limited


Jayesh Vithani

Sr. Vice President

