

Den Valuation (OPC) Private Limited



India's 46th Registered Valuer Entity (IBBI/RVE/06/2021/146)
Registered Valuer (Securities or Financial Assets) under Companies (Registered Valuers and Valuation) Rules, 2017
CIN No. : U74999GJ2021OPC121047

Date: 27th September 2021

To
The Board of Directors
The Ramaraju Surical Cotton Mills Limited

PO Box No. 2,
119 P A C Ramaswamy Raja Salai,
Rajapalayam - 626 117
Tamilnadu

To
The Board of Directors
Sri Harini Textiles Limited

Sri Bhavanam 102,
P S K Nagar,
Rajapalayam - 626 108
Tamilnadu

Subject – Recommendation of the share exchange ratio for the proposed merger of Sri Harini Textiles Limited into The Ramaraju Surgical Cotton Mills Limited.

Dear Sir/Madam,

We refer to the ongoing discussions and engagement letter whereby, The Ramaraju Surgical Cotton Mills Limited ("**TRSCM**" or "**Transfree Company**") has requested Den Valuation (OPC) Private Limited ("**Den**" or "**us**" or "**we**") to recommend an exchange ratios of equity shares as on 30th June 2021 in connection with the proposed

- Merger of Sri Harini Textiles Limited (referred to as '**SHTL**' or '**transferor company**') into The Ramaraju Surgical Cotton Mills Limited ("**TRSCM**" or "**transfree company**").

The Ramaraju Surgical Cotton Mills Limited and Sri Harini Textiles Limited are together referred to as the 'companies'.

We have been hereafter referred to as 'Valuer' or 'we' or 'us' and individually referred to as 'Valuer' in this joint Report ('Valuation Report' or 'Report').

Valuation Report on Swap Ratio on merger of SHTL into TRSCM





SCOPE AND PURPOSE OF THIS REPORT

"The Management of TRSCM and SHTL are planning to merge Sri Harini Textiles Limited into The Ramaraju Surgical Cotton Mills Limited for further growth and expansion in the interest of shareholders."

We understand that the management of the companies ('Management') is contemplating a consolidation of business through a composite scheme of arrangement ('Scheme') to be implemented under the provision of section 230 to 232 of the companies Act, 2013 and other applicable provisions of the Companies Act, 2013:

- Merger of Sri Harini Textiles Limited ("SHTL") into The Ramaraju Surgical Cotton Mills Limited ("TRSCM").

Above arrangement is referred to as 'the Transaction'.

As a consideration for above transaction, equity shareholders of Sri Harini Textiles Limited ("SHTL") would be issued equity shares of The Ramaraju Surgical Cotton Mills Limited ("TRSCM").

Share Exchange Ratio for this Report refers to number of equity shares of face value of ₹10/- each of The Ramaraju Surgical Cotton Mills Limited, which would be issued to shareholders of Sri Harini Textiles Limited of face value of ₹10/- each, as consideration for the transaction.

For the aforesaid purpose, The Ramaraju Surgical Cotton Mills Limited have appointed Den Valuation (OPC) Private Limited ("Den") to submit a report on

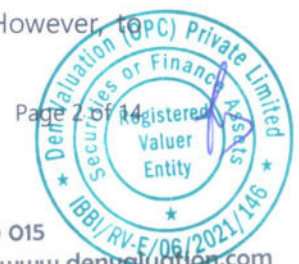
- Recommendation of Share Exchange Ratio on Merger of Sri Harini Textiles Limited into The Ramaraju Surgical Cotton Mills Limited.

The Scope of our services is:

- To recommend Shares Exchange Ratio for issue of TRSCM's equity shares to the equity shareholders of the SHTL in accordance with generally accepted professional standards.

The valuer appointed has worked independently in their analysis. The Valuer has received information and clarification from the companies. For recommending share Exchange Ratio, the valuer has independently arrived at different values per share of the companies. However,

Valuation Report on Swap Ratio on merger of SHTL into TRSCM



arrive at the consensus on the share exchange Ratio, appropriate rounding off in the values arrived at by the valuer has been done.

We have been provided with historical financial information for the companies' upto 30th June 2021. We have considered the same in our Report. Our analysis does not factor impact of any event which is unusual or not in normal course of business. We have relied on the above while arriving at the share Exchange Ratio for the transaction.

This Report is our delivered for the above engagement.

This Report is subject to the scope, assumption, exclusions, Limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with exercise, we have used the following information received from the management and/or gathered from public domain:

- Audited financial statements of the companies for the 3 years ended 31st March 2018, 31st March 2019, 31st March 2020 and 31st March 2021;
- Provisional Financial Statement for the year ended on 30th June, 2021;
- Management certified future projections of the companies for next 7 years till 31st March, 2028;
- Number of equity shares/ shareholding pattern of the companies as at 30th June 2021;
- Interviews and correspondence with the Management;
- Secondary research and market data on comparable companies and information on recent transactions, to the extent readily available; and
- Such other analysis, reviews and enquiries, as we considered relevant.

The companies have been provided with the opportunity to review the draft report (excluding the recommended share exchange ratio) as part of our standard practice to make sure that factual inaccuracies/omissions are avoided in our final report.

Valuation Report on Swap Ratio on merger of SHTL into TRSCM





SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATION, EXCLUSIONS AND DISCLAIMERS

Provisions of valuations opinions and considerations of 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 or our affiliates.

This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this Report and (iii) the financial statements of the companies as at 30th June 2021 and other information provided by the management on key events after 30th June 2021 till the date of the Report.

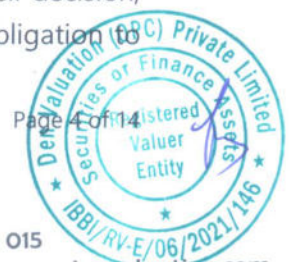
Other than as stated above, the management has represented that the business activities of the companies, including their subsidiaries and associates, as applicable, have been carried out in the normal and ordinary course between 30th June 2021 and the Report date and that no material adverse change has occurred in their respective operations and financial positions between 30th June 2021 and the Report date.

An analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events and transactions occurring after the 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 ultimate analysis will have to be tempered by the exercise of judicious discretion by the valuer and judgment taking into accounts all the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions.

The recommendations rendered in this Report only represent our recommendations based upon information furnished by the companies (or its executives/representative) and other sources and the said recommendations shall be considered to be in nature of non-binding advice, (our recommendations will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this Report.

Valuation Report on Swap Ratio on merger of SHTL into TRSCM





The determination of this exchange ratio is not precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no single share exchange ratio. While we have provided our opinion on the share exchange ratio based on the share information available to us and our recommendations of the share Exchange ratio within the scope of our engagement, others may have a different opinion. The final responsibility for the determination of the share exchange/entitlement ratio at which the proposed transaction shall take place will be with the board of directors who should take into account other factors such as their own assessment of the proposed transaction and input of other advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, Technical, Financial and operating data.

In accordance with the terms of our engagements, We have assumed and relied upon, without independent verification,(1) the accuracy of the information that was publicly available and formed a substantial basis for this report and (2) the accuracy of information made available to us by the companies, in accordance with our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information provided to us. We have not independently investigated or otherwise verified the data provided by the companies. Accordingly, we do not express an opinion on offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the companies, we have been given to understand by the management of the companies that they have not omitted any relevant and material factors about the companies. Our conclusions are based on the assumptions and information given by/on behalf of the companies and reliance on public information. The Management of the companies has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the companies and their impact on the report nothing has come to our attention to indicate that the information provided was materially mis-stated/incorrect or would afford reasonable grounds upon which to base the report.

The report assumes that the companies comply fully with relevant laws and regulation applicable in all its areas of operations unless otherwise stated, and that the companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this valuation report has given no consideration 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 recorded in the audited/unaudited balance sheet of the companies. Our conclusion

Valuation Report on Swap Ratio on merger of SHTL into TRSCM

Page 5 of 14





of value assumes that the assets and liabilities of the companies and their subsidiaries, reflected in their respective latest balance sheets remain intact as of the report date.

We are not advisors with respect to legal, tax and regulatory matters for the transaction. This report does not look into the business/ commercial reasons behind the transaction or the Likely benefits arising out of the same. Similarly, it does not address the relative merits of the transaction as compared with any other alternative business transaction, Or other alternatives, or whether or not such alternatives could be achieved or are available.

No investigation of the companies' claim to title of assets has been made for the purpose of this report and the companies' claim to such rights has been assumed to be valid. No consideration has been given to Liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

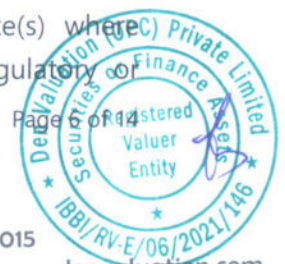
The fee for the engagement is not contingent upon the results reported.

We owe responsibility to only the boards of directors of the companies that has appointed us under the terms of our engagement letters and nobody else. We will not be Liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other advisor to the companies. 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 Companies, their Directors employees or agents. Unless specifically agreed, in no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

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 on the share Exchange Ratio. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose. This valuation report is subject to the laws of India.

Neither the valuation report not 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 proposed Scheme of amalgamation, without our prior written consent except for disclosures to be made to shareholders of the Companies, Registrar of Companies, NCLT of the State(s) where registered offices of the Companies are present and other relevant judicial, regulatory or

Valuation Report on Swap Ratio on merger of SHTL into TRSCM





government authorities as may be mandatorily required by the applicable laws, in connection with the Transaction outlined here. You may disclose the Report to your lawyers, statutory auditors, and advisors as long as you inform them, in advance, that we accept no liability to them and that no onward disclosure may be made. To the extent required by law/ regulatory authority's/ stock exchanges, we will provide workings supporting our recommended share exchange ratio. To extent required by any law or authority. We will co-operate with the Companies to address the queries /comments of regulatory, governmental or judicial authorities. In addition this report does not in any manner address the prices at which equity shares of the Companies will trade following announcement of either company should vote at any shareholders' meeting(S) to be held in connection with the transaction.

BRIEF BACKGROUND OF THE COMPANIES FORMING THE PART OF THE SCHEME OF ARRANGEMENT

The Ramaraju Surgical Cotton Mills Limited (hereinafter referred to as 'the Transferee Company' or "TRSCM") was incorporated on 20-02-1939 under the provisions of the Companies Act, 1956 under the flagship of Ramco Group. The Ramaraju Surgical Cotton Mills Limited, CIN: L17111TN1939PLC002302 is having its registered office at PO Box No. 2, 119 P A C Ramaswamy Raja Salai, Rajapalayam-626 117, Tamilnadu, India.

The Transferee Company is engaged in the business of manufacturing and selling of absorbent cotton, gauze, bandages and other wound-care products in Southern India. It is also engaged in the business of spinning and weaving, producing some of the world's finest cotton yarn and manufacturing premium fabrics for shirting, bed linens and Jacquard cloth.

Equity Shares of TRSCM are listed on Metropolitan Stock Exchange of India. Its equity shares are infrequently traded shares within the meaning of regulation 164 of SEBI ICDR Regulations.

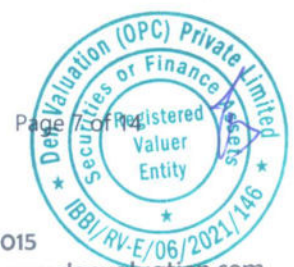
The issued and subscribed equity share capital of TRSCM as at 30th June 2021 is ₹3,94,65,600 consisting of 39,46,560 equity shares of face value of ₹10 Each. The Shareholding Pattern is as follows:

Particulars	No. of Shares	% of Holding
Promoter & Promoter Group	17,00,680	43.09 %
Public	22,45,880	56.91 %
Total	39,46,560	100.00 %

Source: Management

Face Value of ₹ 10 each

Valuation Report on Swap Ratio on merger of SHTL into TRSCM





Sri Harini Textiles Limited (hereinafter referred to as 'the Transferor Company' or 'SHTL') was incorporated on 13th October 2005. SHTL is an unlisted Public Limited Company having its registered office at Sri Bhavanam 102, P S K Nagar, Rajapalayam, Virudhunagar Dist – 626108. SHTL, is part of the textile division of the Ramco group. SHTL has a capacity of 1,440 rotors. SHTL specialises in the manufacture of open-end (OE) yarn with a count size ranging between 8 and 22 counts.

The Ramaraju Surgical Cotton Mills Limited (Transferee Company) holds 49.67% of the equity share capital of the Sri Harini Textiles Limited (Transferor Company).

The issued and subscribed equity share capital of SHTL as at 30th June 2021 is ₹3,00,00,000 consisting of 30,00,000 equity shares of face value of ₹10 each. The Shareholding pattern is as follows:

Particulars	No. of Shares	% of Holding
Promoter & Promoter Group	29,69,500	98.98 %
Public	30,500	1.02 %
Total	30,00,000	100.00 %

Source: Management

Face Value of ₹10 each

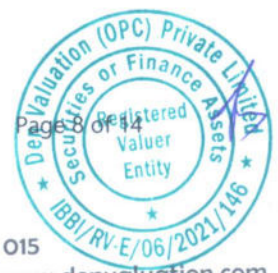
The Ramaraju Surgical Cotton Mills Limited and Sri Harini Textiles Limited are part of RAMCO Group.

APPROACH & METHODOLOGY

The following are valuation approaches and commonly used and accepted methods for determining the value of the equity shares of a company/business:

1. Market Approach
 - Market Price Method
 - Comparable Companies Quoted Multiples method
2. Income Approach
 - Discounted Cash Flows method
3. Cost Approach
 - Net Asset Value method

Valuation Report on Swap Ratio on merger of SHTL into TRSCM





It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and General business and economic conditions, many of which are beyond the control of the companies. Further, this valuation will fluctuate with lapse of time, changes in prevailing market conditions, the conditions and prospects financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.

The Application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purpose, it cannot be too strongly emphasized that a Valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

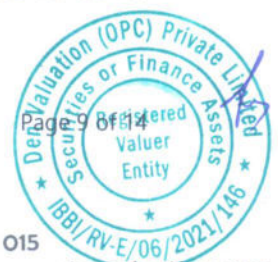
Both are Operating companies and have significant business activities while TRSCM holds significant investment in SHTL. In view of group companies-cum operating nature of both Companies, the above approaches/methods was considered relevant for valuing TRSCM and SHTL.

The following paragraphs discuss different valuation methods and their application for valuing the companies, their businesses/ investments.

Market Price (MP) Method

The Market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of comparable standard.

Valuation Report on Swap Ratio on merger of SHTL into TRSCM





In the present case, equity shares of TRSCM are listed on Metropolitan Stock exchange. Its shares are infrequently traded in the market. Hence, the Market price does not reflect the fair value. However, other company i.e. SHTL is not listed on any exchanges. Hence, we have not considered this method into consideration.

Comparable Companies' Quoted Multiple (CCM) Method

Under this method, Value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuation of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

Comparable company analysis (also called "trading multiples" or "peer group analysis" or "equity comps" or "public market multiples") is a relative valuation method in which you compare the current value of a business to other similar businesses by looking at trading multiples like P/E, EV/EBITDA, or other ratios. Multiples of EBITDA are the most common valuation method. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

There was significant fluctuations in the turnover, Profit after Tax, EBIDTA of TRSCM and SHTL over the past few years. No similar size company with having similar revenues and profit found in the market hence we have not considered this method for valuation of both companies using CCM method.

Comparable Companies' Transaction Multiple (CTM) Method

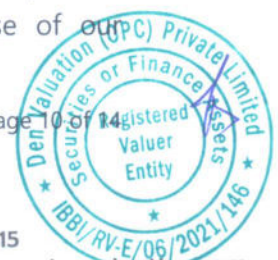
Under this method, value of the equity shares of a company / business is arrived at by using multiple derived from valuation in comparable companies, as manifest through transaction Valuations. Relevant multiples need to be chosen carefully and adjusted differences between the circumstances.

The CTM valuation method provides an observable value for the business, based on what companies are currently worth. Comps are the most widely used approach, as they are easy to calculate and always current.

For valuing business/investments of these companies, we have considered the comparable transactions, with subject company/business specific adjustment, for the purpose of

Valuation Report on Swap Ratio on merger of SHTL into TRSCM

Page 10 of 14





valuation analysis. Wherever and if deemed appropriate, industry specific benchmark have been in the analysis.

In the present case, we have not found any similar transaction occurred in the same industry during the recent time. Hence, we have not considered this method to determine its value.

Discounted Cash Flows (DCF) Method

Under the DCF method the project free cash flows to the equity shareholders are discounted at the cost of equity. The sum of the discounted value of such free cash flow is the value of the firm.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company's equity capital.

Appropriate discount rate to be applied to cash flows i.e. the cost of equity:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the equity capital providers (namely shareholders). The opportunity cost to the equity capital provider equals the rate of return the equity capital provider expects to earn on other investments of equivalent risk.

We have used DCF Method of valuation for valuing both the company.





Net Asset Value (NAV) Methodology

The cost based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base dominate earnings capability. Moreover this method may be used to provide the base value for the share.

TRSCM was formed in the year 1939. It is profit making company and having significant Investment in other group companies as well. It's valuation under this method will not reflect its fair value of equity shares. Hence, we have not considered this method for valuation of TRSCM.

SHTL is loss making company but its profit margin are improving and it is expected to deliver profit in future years. Hence, we have not considered this method of valuation for valuation of SHTL as well.

Share Exchange Ratio

The share exchange ratio has been arrived at on the basis of an equity valuation of the companies. The share exchange ratio is based on the various methodology explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the companies, having regard to information base, key underlying assumptions and limitations.

Valuer, as considered appropriate, have independently applied methodologies discussed above and arrived at their assessment of value per share of the companies. To arrive at the consensus on the share exchange ratio, suitable averaging and rounding off in the values arrived at by the valuer have been done.

Valuation Report on Swap Ratio on merger of SHTL into TRSCM



CONCLUSION

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove:

Share Exchange Ratio for Merger of Sri Harini Textiles Limited into The Ramaraju Surgical Cotton Mills Limited.

In view of application of relevant approach and methodology and arriving fair value of both Companies viz. TRSCM and SHTL, we recommend the share exchange ratio of 34 (Thirty Four) equity share of ₹10/- each fully paid up in the share capital of TRSCM to issue for every 1,000 (One Thousand) equity shares of ₹10/- each held to the shareholder of SHTL.

The Computation of fair Exchange Ratio is attached as per **Annexure I**

For, Den Valuation (OPC) Private Limited



Jigar P Shah
Managing Director



RVE: IBBI/RV-E/06/2021/146
Place: Ahmedabad
Date: 27th September 2021
UDIN: 21115916AAAAKN8330



ANNEXURE I
Computation of Fair Share Exchange Ratio
Merger of SHTL into TRSCM

Valuation Approach	SHTL (Note 1)		TRSCM (Note 2)	
	Value Per Share	Weight	Value Per Share	Weight
Cost Approach	(28.00)	0.00%	796.00	0.00%
Income Approach	49.00	100.00%	1459.00	100.00%
Market Approach	NA	0.00%	NA	0.00%
Total	49.00	100.00%	1459.00	100.00%

Note 1 – We have only used Discounted Cash Flow Method under Income Approach to determine the Fair Value of share. DCF Method truly represents the economic value as compared to the CCM Method and Cost Approach. Since the Company is loss making since last few years, no similar companies found as comparative to this company. Hence, we have not used CCM method for SHTL

Note 2 – We have used only Discounted Cash Flow Method under Income Approach as cost approach don't reflect fair value of the company, hence, we have not considered such method to arrive fair value of TRSCM and there is no similar listed companies compared to size, profit of TRSCM, hence we have also not considered market approach while arriving fair valuation of TRSCM.

RATIO:

34 (Thirty Four) equity share of TRSCM of ₹10 each fully paid up for every 1,000 (One Thousand) equity shares of SHTL of ₹10 each fully paid up.

