

FAIRNESS OPINION

ON VALUATION REPORT

FOR THE PROPOSED DEMERGER OF

**MAHALAXMI RUBTECH LIMITED
(CIN: L25190GJ1991PLC016327)
(DEMERGED COMPANY)**

AND

**MAHALAXMI FABRIC MILLS PRIVATE LIMITED
(CIN: U17100GJ1991PTC015345)
(RESULTANT COMPANY-1)**

AND

**GLOBALE TESSILE PRIVATE LIMITED
(CIN: U17299GJ2017PTC098506)
(RESULTANT COMPANY-2)**

AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Prepared by

BEELINE

BEELINE CAPITAL ADVISORS PRIVATE LIMITED

Email Id- mb@beelinemb.com

Web: www.beelinemb.com

Report Date: February 15, 2023

SEBI Registered Category I Merchant Banker

SEBI Registration No: INM000012917



To,
Board of Directors
Mahalaxmi Rubtech Limited
47 New Cloth Market O/s Raipur Gate Ahmedabad
Gujarat 380002 India

To,
Board of Directors
Mahalaxmi Fabric Mills Private Limited
YSL Avenue, Opp. Ketav Petrol Pump, Polytechnic
Road, Ambawadi, Ahmedabad Gujarat 380015 India

To,
Board of Directors
Globale Tessile Private Limited
YSL Avenue, Opp. Ketav Petrol Pump, Polytechnic
Road, Ambawadi, Ahmedabad Gujarat 380015 India

To,
Board of Directors
Mahalaxmi Exports Private Limited
YSL Avenue, Opp. Ketav Petrol Pump, Polytechnic
Road, Ambawadi, Ahmedabad Gujarat 380015 India

Dear Sir/Madam,

Sub: Fairness Opinion on Valuation Report issued by D Shah & Associates, Registered Valuer for the demerger of the Mahalaxmi Rubtech Limited (Demerged Company) into two Resultant Companies – Mahalaxmi Fabric Mills Private Limited formerly known as Sonnet Colours Private Limited and Globale Tessile Private Limited

We, Beeline Capital Advisors Private Limited (SEBI Registered Category I Merchant Banker), have been appointed by **Mahalaxmi Rubtech Limited, Mahalaxmi Fabric Mills Private Limited and Globale Tessile Private Limited**, to provide a Fairness Opinion on the Fair Equity Share Entitlement Ratio certified by D Shah & Associates, Registered Valuer, dated February 12, 2023 in connection with the proposed demerger of Mahalaxmi Rubtech Limited (Demerged Company) into Mahalaxmi Fabric Mills Private Limited formerly known as Sonnet Colours Private Limited and Globale Tessile Private Limited (Resultant Companies), pursuant to a Scheme of Demerger under Sections 230 to 232 and other applicable clauses of the Companies Act, 2013.

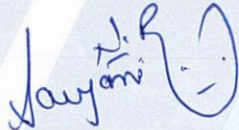
In terms of our engagement, we are enclosing our opinion along with this letter, all comments as contained herein must be read in conjunction with the caveats to this opinion, The opinion is confidential and has been made in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Hereinafter referred to as "**Listing Regulations**") read with SEBI Master Circular no SEBI/HO/CFD/DILI/CIR/P/2021/0000000665 dated November 23,2021, it should not be used, reproduced or circulated to any other person, in whole or in part, without the prior consent of Beeline Capital Advisors Private Limited, such consent will only be given after full consideration of the circumstances at the time We are however aware that the conclusion in this report may be used for the purpose of disclosure to be made to the stock exchanges, Hon'ble National company Law Tribunal ("NCLT") and notices to be dispatched to the shareholders and creditors for convening the meeting pursuant to the directions of Hon'ble NCLT and we provide consent for the same.

Please feel free to contact us in case you require any additional information or clarifications.

Thanking you,

Yours faithfully,

For, Beeline Capital Advisors Private Limited



Nevil Savjani
Head- Merchant Banking

Place: Ahmedabad



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SME IPO | Main Board IPO | Business Valuation | Mergers & Acquisition | Takeovers | Buyback | Corporate Advisory

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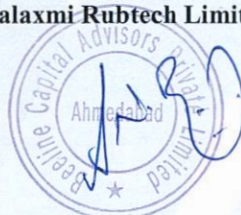
1. BRIEF ABOUT COMPANIES:

A) **Mahalaxmi Rubtech Limited (“Demerged Company” or “MRL”)** is Public limited company Incorporated under the Companies Act, 1956 on September 25, 1991, having its registered office at 47 New Cloth Market O/S Raipura Gate Ahmedabad Gujarat 380002 India. The Company Identification Number (CIN) of the company is L25190GJ1991PLC016327. Equity Shares of MRL are listed on the National Stock Exchange of India Limited and BSE Limited. Website of MRL is www.mrtglobal.com.

➤ Main Objects of Company are,

- To carry on the business of manufacturing, processing, buying, selling, exporting, importing, or otherwise dealing in all types of synthetic rubbers and formulations thereof, reclaimed rubber and all kinds of rubber and plastic products and goods including tubes and films and moulded goods of all kinds and for all purposes and in bottles, containers, tubes, warping materials foam rubber and plastic products, transmission belts and conveyors, blankets and similar industrial articles, pipes, hoses, rubber containers and rubber-lined vessels, tanks, equipments and similar equipments, electric products, rubber, shoe products and parts thereof, ethical rubber products and parts, toys, insulating materials, and all other blown, moulded, coated, formed, extruded, calendered and dipped goods and articles.
- To carry on the business of manufacturing, processing, buying, selling, exporting and importing or otherwise dealing in all kinds of polymers such as rubber, plastic and other similar materials and formulations thereof, adhesives, seals, inflatables, water proofers, sheets, films, foils, oil cloth, linoleum, tarpaulins, hospital sheetings and surgical goods.
- To carry on, either on its own account or on account of others, the business of manufacturing, exporting, importing, dealing, weaving, sizing, spinning, ginning, pressing, packing, bailing of cotton, polyester, viscose, synthetics, linen, rayon, nylon, silk, artificial silk, wool, jute, hemp, manmade fibres, mixed fibres and any other fibrous substances and the preparation, bleaching, dyeing, colouring, finishing, mercerizing, calendaring, printing, packing, folding and all kind of processing of yam, cloth, fabric and other substances whether textile, frebled, knitted, hosiery, netted or looped and manufacturing, buying, selling, exporting, importing and dealing in yam, fabrics, cloth, waste, made up articles, apparels and garments of cotton silk, artificial silk, wool, jute, hemp, viscose, synthetics, polyester, linen, rayon, nylon, man-made fibres, mixed fibres and other goods and merchandise made thereof.
- To carry on business activities for generation, distribution and dealing, by setting up power units for all types of electrical power by conventional, non-conventional methods including wind turbine, coal, gas, lignite, oil, bio-mass, waste, thernal, solar, hydel, goo-hydel, wind and tidal waves for captive consumption of the company or to Sale and Transfer to the electricity Board, or otherwise, and to construct lay-out, establish, fix, install, replace, repair, cables, wires, lines, accumulators, lamps and works to generate, accumulate, distribute and supply electricity, light and power to cities, streets, docks, markets, theatres, buildings and places both public and private either its own through the collaboration, joint venture in India and abroad.
- To carry on the business of Manufacturing, Preparatory (Warping, Sizing, Waxing, Twisting, Doubling) Weaving, Processing, Finishing, Lamination, Coating, Dipping of all kinds of Technical Textiles using with or without different kinds of yarns, fabrics, polymers such as acrylics, polyurethanes, PVC, polyester or rubbers and activities such as Manufacturing, Buying, Selling, Export, Import or otherwise dealing in all kinds of Industrial and Technical Textiles, Composites and Made-Ups thereof, for various applications such as all kinds of textile print media, signage media, art canvas, black out, dim-out, all kind of window blinds, all kind of outdoor fabrics such as Awning, Umbrella, outdoor furnishing, for Tents, Camps, Bags, all kind of Luggage's, Tarpaulins, Covers, Hoods & all kind of Shed covers of all weights and sizes, all kind of military supplies and all government supplies, and all such mentioned products, composites, made-ups, textile materials and products used primarily for their technical performance and functional properties and it includes Agrotex, Meditex, Mobitex, Packtex, Sportex, Buildtex., Clothtex, Hometex, Protex, Geotex, Oekotex, indutex and all such mentioned products.

➤ Audited Balance sheet of Mahalaxmi Rubtech Limited as at 31st March, 2022:



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Particulars	Amount (Rs. in Lakh)
Equity Share capital	1062.03
Other equities	6640.30
Non-current Liabilities	2241.42
Current Liabilities	8103.55
Equities & Liabilities	18047.30
Non-Current Assets	6920.98
Current Assets	11126.32
Total Assets	18047.30

➤ **Capital Structure of the Company**

Authorized capital	Paid-up Capital
25000000 Equity Shares of face value of Rs. 10 each amounting to Rs. 25,00,00,000.	10620275 Equity Shares of face value of Rs. 10 each amounting to Rs. 10,62,02,750.

➤ **Board of Directors**

Sr. No	Name	Designation	DIN
1.	Mr. Jeetmal Bhoorchand Parekh	Director	00512415
2.	Mr. Rahul Jeetmal Parekh	Managing Director	00500328
3.	Mr. Anand Jeetmal Parekh	Joint Managing Director	00500384
4.	Mrs. Sangita Shingi	Independent Director	06999605
5.	Mr. Balveermal Kewalmal Singhvi	Independent Director	05321014
6.	Mr. Nehal Mayurbhai Shah	Independent Director	00020062

B) Mahalaxmi Fabric Mills Private Limited formerly known as Sonnet Colours Private Limited (“Resultant Company – 1” or “MFMPPL”) is private limited company incorporated under the Companies Act, 1956 on April 04, 1991, having its registered office at YSL Avenue, Opp. Ketav Petrol Pump, Polytechnic Road, Ambawadi, Ahmedabad Gujarat 380015 India. The Company Identification Number (CIN) of the company is U17100GJ1991PTC015345.

➤ **Main Objects of Company,**

To carry on, either on its own account or on account of others, the business of manufacturing, trading, job-work, producing, processing, exporting, importing, dealing, weaving, sizing, spinning, ginning, pressing, packing, baling and preparation, bleaching, dyeing, colouring, finishing, mercerizing, calendaring, printing, packing, folding, and all kinds of processing of all types of fabrics and other textile and textile goods related to bed and table covers, bed sheets, pillow covers, curtains, textile and textile covers for household users and made up articles and apparels.

➤ **Audited Balance sheet of Mahalaxmi Fabric Mills Private Limited formerly known as Sonnet Colours Private Limited as at 31st March, 2022:**

Particulars	Amount (Rs. in Lakh)
Share capital	5.00
Reserve and Surplus	11.80
Non-current Liabilities	0.20
Current Liabilities	1.28
Equities & Liabilities	18.28
Non-Current Assets	11.26
Current Assets	7.02
Total Assets	18.28

➤ **Capital Structure of the Company**



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Authorised capital	Paid-up Capital
12000 Equity Shares of face value of Rs. 100 each amounting to Rs. 12,00,000.	5000 Equity Shares of face value of Rs. 100 each amounting to Rs. 5,00,000.
3000 9% Redeemable Preference Shares of Rs. 100 each amounting to Rs. 3,00,000.	

➤ **Board of Directors**

Sr. No	Name	Designation	DIN
1.	Mr. Jeetmal Bhoorchand Parekh	Director	00512415
2.	Mr. Rahul Jeetmal Parekh	Director	00500328
3.	Mr. Anand Jeetmal Parekh	Director	00500384

C) **Globale Tessile Private Limited (“Resultant Company - 2” or “GTPL”)** is private limited company incorporated under the Companies Act, 2013 on August 01, 2017, having its registered office at YSL Avenue, Opp. Ketav Petrol Pump, Polytechnic Road, Ambawadi, Ahmedabad Gujarat 380015 India. The Company Identification Number (CIN) of the company is U17299GJ2017PTC098506.

➤ **Main Objects of Company,**

- To carry on, either on its own account or on account of others, the business of manufacturing, trading, job work, producing, processing, exporting, importing, dealing, weaving, sizing, spinning, ginning, pressing, packing, baling of cotton, polyester, viscose, synthetics, linen, rayon, nylon, silk, artificial silk, wool, jute, hemp, manmade fibres, mixed fibres and any other fibrous substances and the preparation, bleaching, dyeing, colouring, finishing, mercerizing, calendaring, printing, packing, folding and all kind of processing of yarn, cloth fabric and other substances whether textile, frebled, knitted, hosiery, netted or looped and manufacturing, buying, selling, exporting, importing and dealing in yarn, fabric, cloth, waste, made up articles, apparels and garments of cotton, silk, artificial silk, wool, jute, -hemp, viscose, synthetic, polyester, linen, rayon, nylon, manmade fibres, mixed fibres and other goods and merchandise made thereof.
- To carry on the all types of job work relating to garments, made up articles, manufacturing like sewing machine, computerized embroidery machine, washing plants for washing of garments of all kinds.
- To carry on the business of buy, sell, import, export of all kinds of garments, made up articles. furnishing fabrics, textiles including decorative hand and machine-made readymade garments, durries, rugs, sarees, shawls, tweeds, lines, flannels, scarfs, belts, tapestry and all other articles of silk, cotton, woolen and worsted materials and all sorts of apparels, dressing materials, cotton, mixed, blended products, nylon, polyester, fibres, yarn, hosiery and mixed fabrics, natural silk fabrics, and leather garments of all kinds including all kinds of commodities.

➤ **Audited Balance sheet of Globale Tessile Private Limited as at 31st March, 2022:**

Particulars	Amount (Rs. in Lakh)
Equity Share capital	5.00
Other equities	37.74
Non-current Liabilities	373.28
Current Liabilities (Including Deferred tax Liabilities)	84.37
Equities & Liabilities	500.39
Non-Current Assets	0.00
Current Assets	500.39
Total Assets	500.39



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➤ **Capital Structure of the Company**

Authorised capital	Paid-up Capital
50000 Equity Shares of face value of Rs. 10 each amounting to Rs. 5,00,000.	50000 Equity Shares of face value of Rs. 10 each amounting to Rs. 5,00,000.

➤ **Board of Directors**

Sr. No	Name	Designation	DIN
1.	Mr. Jeetmal Bhoorchand Parekh	Director	00512415
2.	Mr. Rahul Jeetmal Parekh	Director	00500328
3.	Mr. Anand Jeetmal Parekh	Director	00500384

2. PURPOSE OF FAIRNESS OPINION:

We understand that Mahalaxmi Rubtech Limited, Mahalaxmi Fabric Mills Private Limited (“Resulting Company-1”) and Globale Tessile Private Limited (“Resulting Company-2”) propose to enter into a scheme of arrangement (the “Scheme”), which provides, among other things, for demerger (i) Traditional textile Business (ii) Trading Business of Demerged company and vesting same into the Resulting Company-1 and Resulting Company-2, respectively.

As per SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23,2021 in relation to schemes of arrangement by listed entities, the companies going through any arrangement/amalgamation/ reconstruction etc. are required to obtain a "Fairness Opinion" from an Independent Merchant Banker relating to the valuation of assets/ shares done by the Valuer.

Our Fairness Opinion is limited to the share entitlement ratio proposed for the demerger of the Mahalaxmi Rubtech Limited (Demerged Company) into two Resultant Companies – Mahalaxmi Fabric Mills Private Limited formerly known as Sonnet Colours Private Limited and Globale Tessile Private Limited as per the mentioned Scheme.

3. SCHEME:

The restructuring of the business is proposed to be done on inter alia, the following premises:

- The assets and liabilities of the Traditional Textiles Business of Mahalaxmi Rubtech Limited will be demerged by vesting the same into Mahalaxmi Fabric Mills Private Limited formerly known as Sonnet Colours Private Limited – Resultant company -1, along with existing investment in Mahalaxmi Exports Private Limited, Wind Power Project and its respective employees on a going concern basis with net worth of Rs.87.32 Crores, as on 31st March, 2022, inclusive of the fair value of the immovable property of the Traditional Textile business as determined by a registered property valuer, on a mirror image basis;
- The assets and liabilities of its trading Division will be demerged in to its’ Wholly owned Subsidiary, Globale Tessile Private Limited along with its’ employees on a going concern basis with net worth of Rs 12.03 Crores, as on 31st March, 2022, on mirror image basis;
- All the employees of the respective divisions of business proposed to be demerged shall be transferred on the existing terms and conditions of the employment with accrued liability of provident fund gratuity etc.
- Each of the two resulting companies shall credit Rs.10,62,02,750/- to the share capital account towards Equity Share capital proposed to be allotted to the shareholders of the demerged company and the remaining amount of excess of assets over liabilities towards Securities Premium Account.



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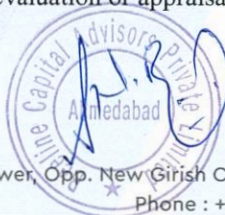
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- The existing net assets of Mahalaxmi Fabric Mills Private Limited would be credited as unsecured loans of the existing shareholders of the said Company whereas the existing share capital of Rs.5 Lakhs of Globale Tessile Private Limited being wholly owned subsidiary of Mahalaxmi Rubtech Limited shall stand cancelled.
- The Equity Share capital of Rs.300 Lakhs of the Mahalaxmi Exports Private Limited, the WOS of Mahalaxmi Rubtech Limited shall stand transferred to Mahalaxmi Fabric Mills Private Limited.
- The Both Resulting Companies which are private limited companies at the time of the proposed demerger shall be converted to public limited companies as a part of the Proposed Scheme and subject to the compliances to be done proposed to be listed on the Stock Exchanges.
- The net worth of Mahalaxmi Fabric Mills Private Limited as on the effective date of the scheme of arrangement, shall be credited to the unsecured loan of the shareholders of Mahalaxmi Fabric Mills Private Limited as on the effective date of the demerger.

4. LIMITATIONS/DISCLAIMERS:

- We wish to emphasize that, we have relied on explanations and information provided by the respective management and other publicly available information. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided.
- In addition, we have assumed that the final version of the Scheme will not be materially different from the draft of the Scheme shared with us and the Demerger will be consummated in accordance with the terms set forth in the Scheme without any waiver, amendment or delay of any terms or conditions.
- We have not made an appraisal or independent valuation of any of the assets or liabilities of the companies and have not conducted an audit or due diligence or reviewed / validated the financial data except what is provided to us by the Restructured Companies.
- The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this scheme, which might be relevant in the context of the transaction and which a wider scope might uncover.
- We have no present or planned future interest in the Restructured company/ies and the fee payable for this opinion is not contingent upon the opinion reported herein.
- Our Fairness Opinion should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.
- The Opinion contained herein is not intended to represent at any time other than the date that is specifically stated in this Fairness Opinion Report. This opinion is issued on the understanding that the Management of the Restructured Companies under the Scheme have drawn our attention to all matters of which they are aware, which may have an impact on our opinion up to the date of signature. We have no responsibility to update this report for events and circumstances occurring after the date of this Fairness opinion.
- We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed Demerger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed Demerger. We are not legal, tax, regulatory or actuarial advisors and have relied upon, without independent verification or due diligence, the assessment of the Demerged Company and its legal, tax, regulatory and actuarial advisors with respect to legal, tax, regulatory and actuarial matters. We have not undertaken an independent analysis of any potential or actual litigation, possible unasserted claims or regulatory action to which the Demerged Company or the Resulting Company may be subject or by which they may be affected. We express no opinion with respect to the fairness of the amount or nature of the compensation to any of the Demerged Company and Resulting Companies officers, directors or employees or as to the economic rationale of the Demerger. We are expressing no opinion herein as to the price at which any securities of either the Demerged Company or the Resulting Company will trade at anytime. We have not undertaken any independent evaluation or appraisal of the assets or liabilities of the Demerged Company or the



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Resulting Company, nor have we been furnished with any such evaluations/ valuations or appraisals other than the Share Entitlement Ratio Report, upon which we have relied without independent verification. We have not assumed any obligation to conduct any physical inspection of the assets, properties or facilities of the Demerged Company or the Resulting Company. Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date of this opinion. Events occurring after the date hereof may affect this opinion and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this opinion. Our opinion does not factor overall economic environment risk and other risks, and we have not assumed the risk of any material adverse change having an impact on the businesses of the Demerged Company or the Resulting Company in arriving at this opinion.

5. SOURCES OF INFORMATION RELIED UPON BY US FOR THE FAIRNESS OPINION:

We have prepared the Fairness Opinion Report on the basis of the following information provided to us:

- Draft scheme of Arrangement;
- Valuation Report dated February 12, 2023 issued by D Shah & Associates, Registered Valuer on the share entitlement ratio;
- Audited Financial Statement of Mahalaxmi Rubtech Limited, Mahalaxmi Fabric Mills Private Limited formerly known as Sonnet Colours Private Limited and Globale Tessile Private Limited for the financial year ended March 31, 2022;
- Other data collected by us from publicly available sources.

We have also obtained necessary explanations and information, which we believed were relevant to the present exercise, from the executives and representatives of the companies.

6. VALUATION APPROACHES AND METHODS:

Valuation approach typically applied in valuation of financial instruments are:

Income Approach: The discounted cash flow (DCF) analysis is the primary methodology used for Valuation where dependable financial projections are available, two inputs to the DCF model are cash-flows and the discounting factor. Cash can flows and take any form. Since the Company is a going concern income approach is one of the relevant approach required to be adopted for the determination of the fair value of equity shares however, considering the mirror image shareholding of the existing company and the demerged company as well as resultant companies, being wholly owned subsidiaries, adopting income approach for valuation is not suitable.

Market Approach: The Comparable data in case of similar size of company is not available, as well as the company being in a peculiar situation about its debt servicing, poses a challenge to carry out any meaningful analysis based on comparable transaction method or comparable data of other listed companies in the same sector considering the mirror image shareholding of the existing company and the demerged company as well as resultant companies, being wholly owned subsidiaries, adopting income approach for valuation is not suitable.

Cost/ Asset Approach: The asset 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 methodology is likely to be appropriate for business which derives value mainly from the underlying value of its assets rather than its earnings. This method may also be appropriate for a business that is not making an adequate return on assets and for which a greater value can be realized by liquidating the business and selling its assets. Determining Real Value of Assets and Liabilities appearing in Books of Accounts and Market value / Replacement value of Assets would reflect true value of the Asset base of the Company.

The Valuer has adopted the Net Asset Value Method for the valuation of Mahalaxmi Rubtech Limited, Mahalaxmi Fabric Mills Private Limited formerly known as Sonnet Colours Private Limited and Globale Tessile Private Limited.



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7. SHARE ENTITLEMENT RATIO RECOMMENDED

All the shareholders of Mahalaxmi Rubtech Limited would become shareholders of Mahalaxmi Fabric Mills Limited* and Globale Tessile Limited* on mirror image basis, therefore no change is going to take place in the management and control of the entities involved in the scheme.

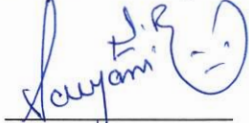
FAIR EQUITY SHARE ENTITLEMENT RATIO shall be One Equity Share of Rs.10/- each fully paid of Mahalaxmi Fabric Mills Limited* and One Equity Share of Rs.10/- each fully paid of Globale Tessile Limited* for every One Equity share of Rs. 10/- each fully paid of Mahalaxmi Rubtech Limited held on the record date.

**Currently both the entities are private limited companies however upon implementation of Scheme of Arrangement both the entities will be converted to public limited companies subject to compliance with applicable rules and regulations.*

8. CONCLUSION:

We as a Merchant Banker hereby certify that pursuant to SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, we have reviewed the proposed Scheme of Arrangement for Demerger, the Valuation Report dated February 12, 2023 of D Shah & Associates Registered Valuer with respect to the share exchange ratio aspects and consider it to be fair and reasonable from the point of view of equity shareholders of the Companies.

For, Beeline Capital Advisors Private Limited



Nevil Savjani
Head- Merchant Banking



Place: Ahmedabad

Beeline Capital Advisors Pvt. Ltd.

SEBI REG. CAT-I MERCHANT BANKER

(Formerly known as Beeline Merchant Banking Pvt. Ltd)

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SEBI REG. No. INM000012917 | CIN : U67190GJ2020PTC114322