



# Corporate Capital Ventures

(SEBI Registered Category I Merchant Bankers)

To

The Board of Directors  
**SHREE MANUFACTURING CO. LTD**  
 CIN: L36999MH1976PLC286340  
 Suite# 712,  
 Prasad Chambers Opera House  
 Mumbai MH 400004

**Subject: Fairness Opinion on the Swap Ratio (Share Exchange Ratio) provided by S A G S & Associates, Chartered Accountants for the purpose of conversion of Preference shares into Equity Shares through proposed Scheme of Arrangement between Shree Manufacturing Company Limited And Shareholders Of Shree Manufacturing Company Limited**


Dear Sirs,

Please find attached the Fairness Opinion Report on the swap ratio (Share Exchange ratio) provided by S A G S & Associates, Chartered Accountants for the purpose of conversion of Preference shares into Equity Shares through proposed Scheme of Arrangement between Shree Manufacturing Company Limited (**hereinafter referred to as "SMCL" or "Company"**) And Shareholders Of Shree Manufacturing Company Limited.

The Opinion has been prepared exclusively for the management of Company. It should not be used, reproduced or circulated to any other person, in whole or in part without the consent of Corporate CapitalVentures Private Limited. We are however aware that conclusion in this report may be used for the purpose of certain statutory disclosures and we hereby provide consent for filing of same purpose.

Thanks and regards

For **Corporate CapitalVentures Private Limited**

  
**Kulbhushan Parashar**  
 Director

Place: New Delhi  
 Date: September 26, 2018

**Corporate CapitalVentures Pvt. Ltd.**

CIN: U74140DL2009PTC194657

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Corporate Capital Ventures Pvt. Ltd.  
(SEBI Registered Category I Merchant Bankers)

# **FAIRNESS OPINION REPORT**

**On**

**Share Exchange Ratio for Scheme of Arrangement**

**Between**

**Shree Manufacturing Company Limited**

**And its**

**Shareholders**

## **MERCHANT BANKERS' REPORT**

September 26, 2018



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**1. PRECEDENT**

We have been appointed by Shree Manufacturing Company Limited ("SMCL" or "Company") to provide an Independent Fairness Opinion on the swap ratio (Share Exchange Ratio) provided by S A G S & Associates, Chartered Accountants, ("Valuer") having their office at 62 Selimpur Lane Dhakuria, Kolkata 700031, for the purpose of conversion of preference shares into equity shares through proposed scheme of arrangement between Shree Manufacturing Company Limited and Shareholders of Shree Manufacturing Company Limited.

**2. BACKGROUND**

Shree Manufacturing Company Limited (hereinafter referred as "SMCL"/"the Company") having CIN L36999MH1976PLC286340 was incorporated under the Companies Act, 1956, on November 11<sup>th</sup>, 1976. The Company is a manufacturing company in the textile sector and the shares of SMCL is listed at BSE Limited ("BSE") and Calcutta Stock Exchange Limited (CSE)

The total issued subscribed & paid up capital of the Company as on 31st March, 2018 is Rs. 8,37,02,770/- comprising of 55,00,277 Equity Shares of Rs. 10/- each amounting to Rs. 5,50,02,770/- and 2,87,000, 12% Cumulative Redeemable Preference Shares of Rs. 100/- each amounting to Rs. 2,87,00,000/-. The Cumulative Redeemable Preference Shares are being entirely holds by the Promoter and equity shareholding pattern are as follows:

| Sl. No | Category                  | No. of Shares | % Holding |
|--------|---------------------------|---------------|-----------|
| a.     | Promoter & Promoter Group | 34,12,597     | 62.04%    |
| b.     | Public                    | 20,87,680     | 37.96%    |
|        | Total                     | 55,00,277     | 100.00%   |

The Management of SMCL represented that SMCL does not have any outstanding warrants/options, as at the date hereof.

Subsequent to March 31, 2018 there is no change in the issued, subscribed and paid-up capital of SMCL.

The Board of Directors of the Company proposed to undertake to issue fresh Equity Shares at premium against the face value of the existing preference share in view of substantial accumulated losses and inability to repay the preference shareholder.

The proposed scheme will, inter- alia results in the following benefits:

- (i) The net worth of the company will not be affected by the proposed conversion of Preference Share to Equity Shares under this scheme.
- (ii) The Equity Shareholders will be benefited as the Company will be able to conserve the resources which would otherwise have been utilized in payment of dividend and redemption of Preference Shares.



- (iii) For Equity Shareholders, there will be no prior claims on account of Preference Shares at the time of distribution of Profits or repayment of capital.

As part of the proposed Scheme all the existing Preference Shares as on the Appointed Date Shall be converted into Equity shares at a price of Rs. 10.25/- per share (at premium). (Face Value Rs.10/- per share and Premium Rs. 0.25/- per share)

The Share Exchange Ratio/Swap Ratio for the Scheme of Arrangement has been decided based on the report prepared by S A G S & Associates, Chartered Accountants (the "Valuer").

For the purpose of ascertaining the fairness of the Share Exchange Ratio for the Scheme of Arrangement, the Company has appointed Corporate Capital Ventures Private Limited ("CCV") as an Independent Merchant Banker to furnish a fairness opinion on the Share Exchange Ratio for Scheme of Arrangement recommended by Valuer.

### 3. PURPOSE OF FAIRNESS OPINION

As per SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017, the companies going for certain arrangement/amalgamation/merger/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.

### 4. 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:

- Report on Swap Ratio (Shares Exchange Ratio) issued by S A G S & Associates, Chartered Accountants;
- Draft Scheme of Arrangement;
- Audited Annual Financial statements of SMCL;
- Other data collated 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.

### 5. RATIONALE ADOPTED BY THE VALUER FOR ASCERTAINING THE SHARE EXCHANGE RATIO FOR SCHEME OF ARRANGEMENT

Pursuant to SEBI circular No. CFD/DIL3/CIR/2017/21 dated 10th March, 2017, the issuance of shares under Schemes only to a select group of shareholders shall follow the



pricing of provisions of chapter VII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. The pricing is to be determined as per SEBI (ICDR) Regulations, 2009.

Further, shares of SMCL are infrequently traded on BSE Limited. Pursuant to Regulation 76A of SEBI (ICDR) Regulations, 2009 as amended, the Issuer has to consider valuation parameters including book value, comparable trading multiples and such other parameters as for valuation of shares of such companies.

Accordingly, the Swap Ratio/Share Exchange Ratio has been arrived at by the Valuer considering the Net Asset Value and Market Value method of SMCL based on the financials as on March 31, 2018. Swap Ratio/Share Exchange Ratio is defined as the number of equity shares of SMCL to which a preference shareholder of SMCL would be entitled in proportion to their existing Preference Shareholding in SMCL.

#### 6. SHARE EXCHANGE RATIO FOR SCHEME OF ARRANGEMENT

Based on the aforesaid, the Valuer has arrived at the Share Exchange Ratio of 1 (One) new Equity Share of Rs. 10/- each in the SMCL credited as fully paid up for every 1.025 (One point Zero Two Five) Preference Shares of Rs. 100/- each fully paid-up held in the capital of SMCL i.e. SMCL shall, in consideration of the Scheme of Arrangement, issue and allot 1 (One) Equity Share of Rs. 10/- each to the Preference shareholders of the SMCL holding 1.025 (One point Zero Two Five) Preference Shares of Rs. 100/- each fully paid-up in SMCL.

#### 7. OPINION ON SHARE EXCHANGE RATIO

Based on the information, material and data made available to us, including the Report of the Valuer and the working thereto, in our opinion the Share Exchange Ratio/Swap Ratio for the proposed Scheme of Arrangement between the Company and its shareholders, as recommended by the Valuer is fair and reasonable.

#### 8. DISCLAIMER:

1. **Our scope of work did not include the following:-**
  - a. An audit of the financial statements of the Company discussed in this opinion.
  - b. Carrying out a market survey / financial feasibility for the Business of any of the Company discussed in this opinion.
  - c. Financial and Legal due diligence of any of the Company discussed in this opinion.
2. It may be noted that in carrying out our work, we have relied on the integrity of the information provided to us for the purpose, and other than reviewing the consistency of such information, we have not sought to carry out an independent verification, thereof.
3. We assume no responsibility and make no representations with respect to the accuracy or sufficiency or completeness of any information provided by the management of the Company /Valuer. We have not conducted any independent appraisal of any assets or






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liabilities of the Companies. We have not reviewed any other documents other than those stated above.

4. Our work did not constitute a validation of the financial statement of the Companies and accordingly we do not express any opinion on the same. If there were any omission, inaccuracies, or misrepresentations of the information provided by the management, it may have material effect on our findings.
5. The opinion must not be made available or copied in whole or in part to any other person without our express written permission save and except for the limited purpose of this opinion.
6. We understand that the management of the Company/ Valuer during our discussions with them would have drawn our attention to all such information and matters, which may have impact on our opinion. In this opinion we have included all such information and matters as was received by us from management of the Company/Valuer.
7. The management of the Company or their related parties is prohibited from using this opinion other than for its sole limited purpose and not to make a copy of this opinion available to any party other than those required by statute for carrying out the limited purpose of this opinion. This opinion is not meant for meeting any other regulatory or disclosure requirements, save and except as specified as above, under any Indian or Foreign Law, Statute, Act, Guidelines or similar instructions. We would not be responsible for any litigation or other actual or threatened claims.
8. In rendering the opinion, CCV has not provided legal, regulatory, tax, accounting, actuarial or investment advice and accordingly we do not assume any responsibility in respect thereof. Further we have assumed that the Scheme will be implemented on the terms and conditions as set out in the draft scheme without any material change to or waiver of its terms and conditions.
9. We hereby declare that we do not have any direct or indirect interest in the Company/assets valued.
10. The report is issued on the understanding that it is solely for the use of the person to whom it is addressed and for the purpose described above. We will not accept any liability or responsibility to any other person other than those to whom it is addressed.
11. In no event, will CCV, its Directors and employees be liable to any party for any indirect, incidental, consequential, special or exemplary damages (even if such party has been advised of the possibility of such damages) arising from any provision of this opinion.

**For Corporate CapitalVentures Private Limited**

  
**Kulbhushan Parashar**  
Director

**Date: September 26, 2018**  
**Place: New Delhi**

