



MARK
CORPORATE ADVISORS

April 29, 2022

MCAPL: MUM: 2022-23: 0021

To,
The Board of Directors
Sri Lakshmi Saraswathi Textiles (ARNI) Limited
16, Krishnama Road, Nungambakkam,
Chennai-600 034
Tamil Nadu.

Sub : Fairness Opinion Certificate on the Valuation of shares in the matter of proposed Demerger of Sri Lakshmi Saraswathi Textiles (ARNI) Limited ("SLSTL"/"Demerged Company") into SLST Industries Limited ("SLST"/"Resulting Company")

Dear Sir,

The Board of Directors of Sri Lakshmi Saraswathi Textiles (ARNI) Limited ("SLSTL"/"Demerged Company") has appointed us on April 25, 2022 and has requested us to issue Fairness Opinion Certificate in connection with the valuation exercise to be carried out by Mr. **Dinesh Kumar Deora**, Registered Valuer having IBBI Registration Number IBBI/RV/03/2019/12711 (hereinafter referred to as "**the Valuer**").

1) PURPOSE AND USE OF THIS REPORT

We understand that the Board of Directors ("**the Board**") of Sri Lakshmi Saraswathi Textiles (ARNI) Limited ("**Demerged Company/ the Company**") is considering the Transfer of B Mill into a separate Undertaking ("**Demerged Undertaking**") into **SLST Industries Limited ("*the Resulting Company*") through the Scheme of Arrangement** pursuant to section 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Scheme**").

The Scheme envisages demerger of the aforesaid Demerged Undertaking of Demerged Company into the Resulting Company as per terms and conditions more fully set forth in the Scheme to be placed before the Board for their approval.

In this connection, we have been requested by the Board of the Demerged Company to render our professional services by way of a Fairness Opinion as of date hereof, as to the fairness of the Share Entitlement Ratio provided by a Registered Valuer to the Equity Shareholders of the Demerged Company.

We understand, that consequent to demerger, there will be no impact on the economic beneficial interest of the shareholders of the Demerged Company.

2) RATIONALE OF THE SCHEME

In the Rationale of the scheme, it has been provided that, SLSTL is undertaking demerger for following benefits:

- i) The Demerged Company is presently having installed capacity of 68,448 Ring Spindles in aggregate comprising of 33,360 Ring Spindles in Mill A and 35,088 Ring Spindles in Mill B. Mill A is manufacturing all varieties of 100% combed cotton yarn of fine counts used for manufacturing of fine varieties cloths and the products which are marketed mainly in up countries where power looms are operated in large scale and Mill B is manufacturing of all varieties of combed cotton and polyester blended medium count yarn both for weaving and knitting, catering the domestic market such as Erode, Tirupur and Pallipalayam in Tamil Nadu and other markets in the State of Maharashtra. The Resulting Company is formed with intention to absorb the transfer, Mill B (Demerged Undertaking) of the Demerged Company pursuant to Scheme of arrangement



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- (Demerger). The Resulting Company would be focusing on mainly manufacturing of all varieties of combed cotton and polyester blended medium count yarn both for weaving and knitting, catering the domestic market. The Resulting Company will be concentrating on manufacturing of yarn suitable for manufacture of Suiting Cloth and Knitted Fabrics. Its products will continue to be marketed in the domestic market in Erode, Tirupur and Pallipalayam in Tamilnadu. Since the Resulting Company will be manufacturing yarns of different kind, garments, athletic wear, other products in the textile value chain and market them in different area and in order to manage both the Mills efficiently and in a focused manner and to improve the overall performance of both the Mills, the management of Demerged Company has considered it necessary to demerge, transfer and vest the Mill B of the Demerged Company, as a going concern into the Resulting Company.
- ii) The Scheme if implemented will facilitate a separate and better management focus for both the Demerged Company and the Resulting Company on their respective units and thereby provide the distinct competencies required for achieving full potential, in order to meet the betterment of their respective customers, their needs, priorities and thereby eliminating any perceived conflict of interest among customers, develop their own network of alliances and talent models that are critical to their own success.
 - iii) Further the proposed Scheme of Arrangement (Demerger) is in line with the current global industry practice to achieve size, scalability, integration, greater financial strength and flexibility thereby maximizing shareholders value and to achieve higher long-terms financial returns.
 - iv) The Scheme will contribute in furthering and fulfilling the objects of the companies concerned.
 - v) The Scheme will enable both the Demerged and Resulting Companies to carry on their respective businesses separately more conveniently and advantageously with an independent management set-up, greater focus, attention and specialization. The Scheme would also enable the promoters to achieve aligning the businesses in accordance to family interests. The Scheme will enable both the Companies to take advantage of the opportunities foreseen in their respective businesses and to assist in the exploitation and realization of the full potential in the respective businesses and implement schemes of modernization, technology upgradation, expansion, diversification etc.,
 - vi) After the implementation of the Scheme, there will be Inter-se Transfer amongst the Promoter/ Promoter Group. In compliance with SEBI (SAST) Regulation, 2011.
 - vii) The Scheme will result in business synergies, synergies in operational process and creation of efficiencies by reducing time to market and benefiting customers as well as optimization of operation and capital expenditure.
 - viii) The Reorganization of the Equity Share Capital of the Demerged Company as proposed in this scheme would be utilized to adjust the accumulated losses of the Demerged Company, so as to enable the reflection of the true and accurate financial position of the Demerged Company. The Reorganization of the Share Capital would enable and facilitate the streamlining of the financial position of the Demerged Company and also permit invitation for further debt or equity infusion. The Reorganization of the Share Capital would not prejudice any of the stakeholders and would be in the best interest of the stakeholders.
 - ix) The Scheme is in interest of shareholders, creditors and there is no likelihood that any shareholder or creditor of either Demerged Company or Resulting Company would be prejudiced as a result of the Scheme of Arrangement and the Scheme will have beneficial results for the companies, their shareholders and employees and is also in general public interest.

3) LIMITATION OF SCOPE AND REVIEW

Our report is subject to the scope limitation detail hereinafter, As such the Report is to be read in totality, and not in parts, In conjunction with the relevant document referred to therein.



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Our opinion and analysis are limited to the extent of review of documents as provided to us by the resulting Company and demerged Company including the Share Entitlement Ratio prepared by Registered Valuer and Draft of the Scheme. In addition to the documents shared, we have also obtained such information and explanations, which were considered relevant for the purpose of our analysis we have been represented that Resulting Company was incorporated specifically for acquiring the above mentioned businesses on a going concern basis. Our work does not constitute an audit, due diligence or certification of the historical financial statements in relation to the Resulting Company and/or Demerged Company. Accordingly, we are unable to and do not express an opinion on the accuracy of any financial information to in this report.

Our analysis and results are specific to the purpose of the exercise of giving fairness opinion on the Share Entitlement Ratio for the Scheme, It may not be valid for any other purpose or if provided on behalf of any other entity. In particular, we do not express any opinion as to the value of any asset of the Resulting Companies and Demerged Company, whether at the current prices or in the future.

Our analysis and results are also specific to the date of this report and based on information till date hereof. This report is issued on the understanding that the Resulting Company and/or Demerged Company have drawn our attention to all the matters, which they are aware of concerning the financial position of the Resulting Company and/or Demerged Company, their businesses and any other matter which may have an impact on our opinion on the share entitlement Ratio for the Proposed Scheme, including any significant changes that have taken place or are likely to take place in the financial position of Resulting Company and/or Demerged Company or subsequently. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

In the course of the present exercise, we were provided with both written and verbal information including financial data. The terms of our engagement were such that we were entitled to rely upon the information provided by the Resulting Company and/or Demerged Company without detailed enquiry. We have also been given to understand by the management of the respective Resulting Company and/or Demerged Company that has 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 whatsoever for any errors in the above information furnished by the Resulting Company and/or Demerged Company and their Impact on present exercise.

We express no opinion whatever and make no recommendation at all to the Resulting Company and/or Demerged Company underlying its decision to the effect of the Scheme or as how the shareholders of equity shares or secured or unsecured creditors of the Resulting Company and/or Demerged Company should vote at their respective meetings held in connection with the Scheme. We do not express and should not be deemed to have expressed any views on any other terms of the Scheme.

We also express no opinion and accordingly accept no responsibility or as to prices at which the equity shares of Resulting Company and/or Demerged Company will trade at any time, including subsequent to the date of this opinion.

Our report is not and should not be construed as our opinion or certifying the compliance of the Scheme with the provisions of the law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such Scheme.

This report is intended only for the sole use and benefit of the Board of Directors of the Demerged Company in connection with its consideration of the Scheme for the purpose of obtaining judicial and regulatory approvals and may not be relied upon by any other person and may not be used or disclosed for any other purpose without obtaining our prior written consent. We are not responsible in any way to any other person/party for any decision of such person or party based on this report. Any person/party intending to provide finance/invest in the shares/business of any of the Resulting Company and/or Demerged Company or their subsidiaries/associates shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to



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ensure that they are making an informed decision. It is hereby notified that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the Scheme as aforesaid can be done only with our prior permission in writing. We acknowledge that this report will be shared to the extent as may be required, with the relevant stock exchanges, advisors of the Demerged Company and/or Resulting Company in relation to the Scheme, as well with the statutory authorities.

4) OUR RECOMMENDATION

The effect of the Scheme is that shareholder of the Demerged Company becomes the beneficial economic owner of the shares in the Resulting Company, in the same proportion as explained in the Scheme.

Based on the above, all the current shareholders of the Demerged Company are and will, upon demerger, be the ultimate beneficial owners of the Resulting Company upon allotment of equity shares by the Resulting Company in the proposed Share Entitlement Ratio.

As stated in the Valuation Opinion by the Registered Valuer, they have recommended the following:

"In consideration for the Demerger of Demerged undertaking, SLST Industries Limited propose to issue 1 (One) fully paid up equity shares of face value of ₹9 each for every 1 (one) fully paid up equity shares of face value of ₹1 each held in Demerged Company."

As aforesaid, Equity Shares to be issued by the Resulting Company to the shareholders of the Demerged Company will be listed and/or admitted to trading on stock exchanges on which shares of SLSTL are listed.

The aforesaid Demerger shall be pursuant to the Scheme and shall be subject to receipt of approval from BSE Limited, Securities and Exchange Board of India, National Company Law Tribunal or such other competent authority as may be applicable and other approval as may be required from shareholder, creditors etc. We have issued the Fairness Opinion with the understanding that the Scheme provided to us shall not be materially altered and the parties hereto agree that the Fairness Opinion would not stand good in case the final Scheme of the Arrangement alters the transaction.

As per the Scheme, having regard to all relevant factors and on the basis of information and explanations given to us, including the Valuation Opinion, we are of the opinion on the date hereof, that the proposed Share Entitlement Ratio as recommended by the Registered Valuer is fair to the equity shareholders of the Demerged Company.

Thanking You,

For Mark Corporate Advisors Private Limited


Rajendra Kanoongo
Jt. Managing Director

Place: Mumbai