

# **FAIRNESS OPINION REPORT**

**On the Entitlement Ratio**

**Recommended by Maroti & Associates**

**On Demerger of the**

**Investment Division**

**of**

**Maharaja Shree Umaid Mills Limited**

**into**

**Kiran Vyapar Limited**

## **MERCHANT BANKERS' REPORT**

November 20, 2013



**Microsec Capital Limited**

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## CONTENTS

1. INTRODUCTION
2. PURPOSE OF FAIRNESS OPINION
3. LEGAL DISCLAIMER
4. SOURCES OF INFORMATION RELIED UPON BY US FOR THE FAIRNESS  
OPINION
5. BRIEF BACKGROUND OF THE COMPANIES UNDER REFERENCE
6. RATIONALE ADOPTED BY THE FINANCIAL ADVISOR FOR ASCERTAINING  
THE ENTITLEMENT RATIO
7. ENTITLEMENT RATIO
8. OPINION ON ENTITLEMENT RATIO

## 1. INTRODUCTION

Maharaja Shree Umaid Mills Limited (“MSUML”/”the Company”) is primarily engaged in the business of manufacturing of textile products (“Textile Division”). Apart from Textile Division, MSUML is also engaged in the business of investment in share & securities, mutual funds and providing finance (“Investment Division”). The equity shares of MSUML are listed on the BSE Limited and Calcutta Stock Exchange Limited.

MSUML is engaged in textile and investment businesses. The present day nature and size of textile and investment businesses are such that the divergent considerations, factors, financials, risks and rewards, applicable to the running, growth and development of such businesses, are required to be addressed with greater focus at all levels. The size and divergent nature of the said divisions are such that they are required to be evaluated and looked upon separately. The said divisions have good potential for funding, running, growth and development as independent businesses, and will help MSUML in its endeavor to unlock true value for its shareholders.

Therefore, the management of MSUML with strategic intent of restructuring and development of business demerged its Investment Division into its wholly owned subsidiary Kiran Vyapar Limited (“KVL”) with effect from appointed date i.e. 1st April 2012. The demerger has been carried out through a Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956.

KVL (formerly known as Kiran Vyapar Private Limited) was promoted with the intent, inter-alia, of carrying on and/or having interest in business of investment in share & securities, mutual funds and providing finance.

Through the Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956, sanctioned by the Hon’ble High Court at Calcutta vide its order dated August 21, 2013, and became effective w.e.f. September 24, 2013, the Investment Division of MSUML has been demerged to KVL and in consideration of demerger, KVL has allotted its shares to the shareholders of MSUML in the Entitlement Ratio. The shareholding of MSUML in KVL has been cancelled pursuant to the said Scheme of Arrangement.

“Investment Division” of MSUML means the business and interests of MSUML pertaining to investment in share & securities, mutual funds and providing finance.

The entitlement ratio for the scheme of demerger of MSUML has been decided based on the report prepared by Maroti & Associates, Chartered Accountants (the “Financial Advisor”).

For the purpose of ascertaining the fairness of the entitlement ratio, MSUML has appointed Microsec Capital Limited (“Microsec”) as an independent Merchant Banker for furnishing a fairness opinion on the entitlement ratio recommended by Financial Advisor.

## 2. PURPOSE OF FAIRNESS OPINION

As per clause 24(h) of the Listing Agreement, the companies going through any arrangement/amalgamation/merger/reconstruction/reduction of capital, etc. are required to obtain a “Fairness Opinion” from an Independent Merchant Banker relating to the valuation of assets/shares done by the Valuer.



### 3. LEGAL DISCLAIMER

The Company has requested us to issue a fairness opinion report on the share entitlement ratio Report given by Maroti & Associates on demerger of their Investment Division into Kiran Vyapar Limited ("KVL"). In preparing this Fairness Opinion Report, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information provided to us.

In furnishing the Report, we reserve the right to amend or replace the Report at any time. Our views are necessarily based on economic, market, and other conditions currently in effect, and the information made available to us, as of the date hereof. It should be understood that subsequent developments may affect our views and that we do not have any obligation to update, revise, or reaffirm the views expressed in the Report. Nothing contained within the Report is or should be relied upon as a promise or representation as to the future.

The report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

### 4. SOURCES OF INFORMATION RELIED UPON BY US FOR THE FAIRNESS OPINION

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

- Entitlement Ratio Report dated August 1, 2012 issued by Maroti & Associates;
- The Scheme of Arrangement sanctioned by the Hon'ble High Court at Calcutta vide its order dated August 21, 2013.
- Audited Annual Financial Statements of Maharaja Shree Umaid Mills Limited for the financial year 2011-12;
- 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. BRIEF BACKGROUND OF THE COMPANIES UNDER REFERENCE

**MAHARAJA SHREE UMAID MILLS LIMITED** ("MSUML"/"the Company") is a established concern carrying on and/or having interests in diverse lines of businesses i.e. manufacturing of textile products, investment in share & securities, mutual funds and providing finance. The Equity shares of MSUML are currently listed on the BSE Limited and the Calcutta Stock Exchange Limited.

**KIRAN VYAPAR LIMITED (KVL)** (formerly known as Kiran Vyapar Private Limited) was promoted with the intent, inter-alia of carrying on and/or having interest in business of investment in share & securities, mutual funds and providing finance.



**6. RATIONALE ADOPTED BY THE FINANCIAL ADVISOR FOR ASCERTAINING THE ENTITLEMENT RATIO**

The net asset value of Investment Division is arrived at by considering the assets and liabilities pertaining to such division as on April 1, 2012. According to the report of Financial Advisor, net assets value of Investment Division is Rs. 54,945.38 lacs.

All the assets and liabilities of the Investment Division of MSUML shall be transferred to KVL at the value appearing in the book of MSUML as at March 31, 2012.

The right of shareholders of MSUML will not be affected by the demerger of Investment Division from MSUML because they have been allotted shares of KVL in the same proportion of their holding in MSUML. The shareholders of MSUML have become the shareholders of KVL upon allotment of shares in the same proportion of their holding in MSUML. The existing share holding of MSUML in KVL has been cancelled pursuant to the said Scheme of Arrangement.


**7. ENTITLEMENT RATIO**

Based on the aforesaid, the Financial Advisor has arrived at the Entitlement Ratio of 1:1 i.e. the shareholders of Maharaja Shree Umaid Mills Limited will receive 1 (one) equity share of Rs. 10/- each of Kiran Vyapar Limited for every 1 (one) equity share of Rs. 10/- each held by them in Maharaja Shree Umaid Mills Limited.

**8. OPINION ON ENTITLEMENT RATIO**

Based on the information, material and data made available to us, including the Report of the Financial Advisor and the working thereto, in our opinion the Entitlement Ratio recommended by the Financial Advisor is fair and proper.

**For Microsec Capital Limited**

  
**Manav Goenka**  
**Vice President**  
**Investment Banking**

