

# **FAIRNESS OPINION REPORT**

FOR THE PROPOSED MERGER OF

RUDRA ECOVATION LIMITED  
("Transferor Company")

WITH

SHIVA TEXTFABS LIMITED  
("Transferee Company")

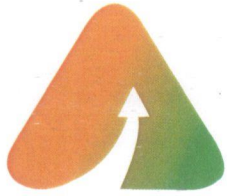
AND

THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS  
(UNDER SECTION 230 TO 232 OF THE COMPANIES ACT, 2013)

18<sup>th</sup> December, 2024

Strictly Private & Confidential





GSTIN: 07AAICS6488H1ZS  
CIN: U65923DL2001PLC113191

## 3DIMENSION CAPITAL SERVICES LIMITED

SEBI Registered (Category - I) Merchant Banker  
SEBI Registration No. INM000012528

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To

The Board of Directors

Shiva Textfabs Limited

4<sup>th</sup> Floor, Woodstock Tower,  
B-35/958, Adarsh Nagar  
Ferozepur Road, Opposite  
Waves Mall, Ludhiana,  
Punjab-141008

To

The Board of Directors

Rudra Ecovation Limited

Plot No.43-44, Industrial Area,  
Barotowala Himachal Pradesh,  
India-174103

**Sub: Fairness Opinion on Share Exchange Ratio for the Proposed Merger of Rudra Ecovation Limited (Transferor Company / REL") with Shiva Textfabs Limited ("Transferee Company"/"STL").**

Dear Sir/Madam,

We, 3Dimension Capital Services Limited (SEBI Registered Category I Merchant Banker), have been appointed by Shiva Textfabs Limited ("Transferee Company"/"STL"), to provide a Fairness Opinion on the Valuation report issued by **Mr. Subodh Kumar (Registration No. IBBI/RV/05/2019/11705)** dated **18<sup>th</sup> December, 2024** in connection with the proposed merger as subjected above pursuant to a Scheme of Arrangement 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/DIL1/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 **3Dimension Capital Services 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.

Yours Faithfully,  
For 3Dimension Capital Services Limited



[Authorized Signatory]



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## CONTEXT AND BACKGROUND

The Board of Directors of Transferor Company and the Transferee Company believe that the merger of Transferor Company with Transferee Company is expected to enable better realization of potential of business and yield beneficial results and enhanced value creation for the companies involved in Scheme, their respective Shareholders and Creditors.

Further this Scheme of Arrangement for merger of the Transferor Company with the Transferee Company would result, inter-alia, in the following additional benefits to their respective members:

- Optimum and efficient utilization of capital, resources, assets and facilities;
- Enhancement of competitive strengths including financial resources;
- Consolidation of businesses and enhancement of economic value addition and shareholder value;
- Obtaining synergy benefits;
- Better management and focus on growing the businesses.
- The merger would result in reduction of overheads, administrative, managerial and other expenditure and bring about operational rationalization, efficiency and optimum utilization of various resources.
- A larger growing company will mean enhanced financial and growth prospects for the people and organization connected therewith, and will be in public interest. The merger will conducive for better and more efficient and economical control over the business and financial conduct of the Companies.





## BRIEF ABOUT COMPANIES

1. **Shiva Texfabs Limited (herein after also referred to as 'STL' or 'Transferee'),** is incorporated under the provisions of the Companies Act, 1956, with Corporate Identity No. U18101PB1993PLC013745, having its registered office at 4<sup>th</sup> Floor, Wood Stock Tower, B-35/958, Adarsh Nagar, Ferozepur Road, Ludhiana-141 001, Punjab. Shiva Texfabs Limited, the Transferee Company is engaged in manufacturing of polyester staple fiber, synthetic yarn, knitted fabric, non-woven fabric and carpets etc., from the recycled material of pet waste, at the manufacturing units located in Machhiwara, Punjab. Shiva Texfabs Limited is a closely held un-listed public limited company.

### Share Capital as on 30<sup>th</sup> September 2024.

Sr. No.	Name	Amount in Rs.	
		Authorised share capital (Rs.)	Issued, subscribed and paid capital (Rs.)
I	STL	<b><u>Equity Share</u></b> <b>Rs. 35,50,00,000/- (3,55,00,000 shares of Rs.10/- each)</b>	<b><u>Equity Share</u></b> <b>Rs. 35,15,46,890/- (3,51,54,689 shares of Rs.10/- each)</b>  <b>Rs. 145,75,440.50/- (Calls Unpaid 47,01,755 No. of Equity Shares @ Rs. 6.90)</b>

**NOTE I:** The Investment in Shiva Texfabs Limited (Transferee Company) 23,39,181 equity shares and 47,01,755 partly paid equity shares held by the Rudra Ecovation Limited (Transferor Company) is written off as part of the cross-holding elimination process. This step is essential to ensure accurate consolidation of the company's financials, as it avoids the artificial inflation of assets and ensures that only external assets and liabilities are reflected in the combined company's books. The write off is a standard procedure in merger and acquisitions involving cross-holding between the companies involved.

2. **Rudra Ecovation Limited (herein after also referred to as 'REL' or 'Transferor Company'),** is incorporated under the provisions of the Companies Act, 1956, with Corporate Identity No. L43292HP1980PLC031020, having its registered office at Plot No. 43-44, Industrial Area, Barotiwala-174 103, Himachal Pradesh. Rudra Ecovation Limited, the Transferor Company is engaged in manufacturing of synthetic yarn and other related activities





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at its manufacturing unit located in Barotiwala in the State of Himachal Pradesh. Rudra Ecovation Limited is a public limited company listed on BSE.

**Share Capital as on 30<sup>th</sup> September 2024.**

Sr. No.	Name	Amount in Rs.	
		Authorised share capital (Rs.)	Issued, subscribed and paid capital (Rs.)
I	REL	<b><u>Equity Share</u></b> Rs. 17,50,00,000/- (17,50,00,000 shares of Rs.1/- each)	<b><u>Equity Share</u></b> Rs. 110,950,000/- (110,950,000 shares of Rs.1/- each)
		<b><u>Preference Shares</u></b> Rs.16,500,000/- (1,65,000 16.5% Cumulative Redeemable Pref Share of Rs. 100 each.	<b><u>Preference Shares</u></b> Rs.120,000,000/- (12,00,000 4% Non-Cumulative Redeemable Pref. Shares of Rs.100 each
		Rs.143,500,000/- (14,35,000 4% Non-Cumulative Redeemable Pref. Shares of Rs.100 each	

**NOTE 1:** The Investment in Rudra Ecovation Limited's (Transferor Company) 12,00,000 4% preference shares held by the Shiva Texfabs Limited (Transferee Company) is written off as part of the cross holding elimination process. This step is essential to ensure accurate consolidation of the companies financials, as it avoids the artificial inflation of assets and ensures that only external assets and liabilities are reflected in the combined company's books. The write off is a standard procedure in merger and acquisitions involving cross-holding between the companies involved.

**NOTE 2 :** As of the Valuation Date, Rudra Ecovation Limited holds 11,065,000 warrants, which are expected to be exercised in the near future, However, it is important to note that the proceeds from the exercise of these warrants have not been included in the current valuation calculation.





## SHARE EXCHANGE RATIO FOR MERGER

### SHARE EXCHANGE RATIO FOR MERGER:-

BSE Circular No. LIST/COMP/02/2017-18 dated 29 May 2017 require the valuation report for a Scheme of Arrangement to provide certain requisite information in a specified format. The disclosures as required under BSE Circular is mentioned below:

	Valuation Approach	Asset	Market		Income	Weighted Average Equity Value per share (INR)
			Enterprise to EBITDA multiple	Market Price Method		
Rudra Ecovation Limited (Transferor Company)	Weights	NIL	NIL	100%	NIL	
	Equity Value Per Share (INR)	NIL	NIL	71.88	NIL	
	Weighted Average Equity Value per share (INR)	NIL	NIL	71.88	NIL	71.88
STL (Transferee Company)	Weights	NIL	NIL	NIL	100%	
	Equity Value Per Share (INR)	NIL	NIL	NIL	337.26	
	Weighted Average Equity Value per share (INR)	NIL	NIL	NIL	337.26	337.26

#### Method of Valuation:

##### Adjusted Net Asset Value Method

The asset-based valuation method is based on value of the underlying net assets of the business, either on bookvalue basis or realizable value basis or replacement cost basis. The net asset value ignores the future return the asset can produce and is calculated using historical accounting data that does not reflect how





much the business is worth to someone who may buy or invest in the business as a going concern. 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 assets base dominate earnings capability.

The value arrived at under this approach is based on the financial statements of the company and may be defined as "Shareholders' Funds" or net assets owned by the company. The balance sheet values are adjusted for any contingent liabilities that are likely to materialize. Net Assets value method reflects the net current assets base and value to equity-to-equity shareholders in historic terms.

#### **Comparable Companies Multiples (CCM) Method**

Under this method, one attempts to measure the value of the shares/ business by applying an appropriate capitalization rate/ multiple (the EV/Revenue multiple, the EV/EBITDA multiple, etc.), for which one may also consider the market quotations of comparable public/ listed companies possessing attributes similar to the business - to the future maintainable profits of the business (based on past and / or projected working results adjusted to reflect the future earnings potential) after making adjustments to the capitalization rate/ multiple on account of dissimilarities with the comparable companies and the strengths, weaknesses and other factors peculiar to the company being valued.

Consequently, identifying comparable listed companies to the company being valued, both in business and financial terms, is highly important.

Based on our analysis and discussion with the Management, we understand that there are no listed companies that can be considered as a company comparable to the Companies having regard to the size, business profile and financial performance, we have therefore not used CCM Method to value the equity shares of respective Companies.

#### **Market Price Method [(90 Trading Days (TD))-10 Trading Days (TD)]**

The market price of an equity shares as quoted on a stock exchange is normally considered as value of the equity shares of that company where such quotation are arising from the share being regularly and freely traded in, subject to speculative support that may be inbuilt in the value of the shares. But there could be situation where the value of the shares as quoted on the stock market would not be regarded as proper index of fair value of the shares especially where the market values are fluctuating in volatile capital market. Further, in 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 numbers of shares available for trading on stock exchange over reasonable period would have to be of a comparable standard.

Equity shares of REL are listed on both BSE and are frequently traded in terms of Part IV, Pricing, Chapter VII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 ('ICDR Regulations'). Equity shares of STL are not listed on any stock exchange.

#### **Discounted Free Cash Flow (DFCF) Method**

Under this technique, either

1. the projected free cash flows from business operations available to all providers of capital are discounted at the weighted average cost of capital to such capital providers, from a market participant basis, and the sum of such discounted cash flows is the value of the business, from which value of debt and other capital is deducted, and other relevant adjustments made to arrive at the value of the equity - Free Cash Flows to Firm ("FCFF") technique.





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Or

2. the projected free cash flows from business operations available to equity shareholders (after deducting cashflows attributable to the debt and other capital providers) are discounted at the cost of equity, from a market participant basis, and the sum of such discounted free cash flows, after making other relevant adjustments, is the value of the equity - Free Cash Flows to Equity ("FCFE") technique.





## CONCLUSION & OPINION

The Management has provided us with long-term business plan of the STL. Considering the same we have considered the Discounted Cash Flow Method for arriving at the fair value of the shares of the Specified Company.

Further since REL is listed Company we have considered Market Price for valuation of shares of REL and we have further considered SEBI ICDR Regulations.

In case of a valuation for merger, the emphasis is on arriving at the "relative" values of the shares of the merging companies to facilitate determination of the "share exchange ratio". Hence, the purpose is not to arrive at absolute values of the shares of the companies.

*"Subject to the above read with the caveats as detailed later, 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 merger, the Valuation Report dated 18<sup>th</sup> December, 2024 of Mr. Subodh Kumar, 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".*

### Computation of fair share exchange ratio for proposed merger of REL into and with STL.

Valuation Approach	Shiva (Transferee)		Rudra (Transferor)	
	Value Per Share	Weight	Value Per Share	Weight
Net Assets Value	-	0%	-	0%
market Price Method	-	0%	71.88	100%
Discounted Cash Flow Method	337.26	100%	-	0%
Price Earning Capacity Value	-	0%	-	0%
Relative Value Per Share	337.26		71.88	
Share Exchange Ratio	0.213		1	

- "Shiva Texfabs Limited" (Transferee Company) shall issue and allot 0.213 Shares of Face Value of INR 10/- (Rupees Ten) each to Shareholders of "Rudra Ecovation Limited" (Transferor Company) for every 1 Share of Face Value of INR 1/- (Rupees One) each held by them in Transferor Company.

*Kindly note that as per the requirement of SEBI Master Circular dated 23<sup>rd</sup> November, 2021, any fraction arising out of allotment of equity shares above shall be consolidated and held by the Trust, nominated by the Board of Directors of the Transferee Company on behalf of shareholders of the Transferor Companies entitled to fractional entitlements with the express understanding that such trustee shall sell such shares in the market at such price as the trustee may deem fit, within a period of 90 days from the date of allotment of shares as per the Scheme and the Transferee Company shall distribute the net sale proceeds, subject to tax deductions and other expenses as applicable, to the shareholders of the respective Transferor Companies in proportion to their respective fractional entitlements.*





## CAVEATS

- 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.
- 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.

