

Consolidated Share Swap Ratio
Of
Equity Shares
For the proposed merger
Between

M/s. RUDRA ECOVATION LIMITED and
M/s.SHIVA TEXTFABS LIMITED

Prepared by:
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Date: 17th December, 2024

Subodh Kumar

Registered Valuer (Securities or Financial assets)

Reg No: IBBI/RV/05/2019/11705

Date: 17th December, 2024

The Board of Directors

- 1. RUDRA ECOVATION LIMITED**
(Hereinafter Referred to as “Transferor Company”)

And

- 2. SHIVA TEXTFABS LIMITED**
(Hereinafter Referred to as “Transferee Company”)

Dear Sir,

Subject: -Report on recommendation of Share Swap ratio for the Proposed Merger of M/s. RUDRA ECOVATION LIMITED and M/S. SHIVA TEXTFABS LIMITED.

I, Subodh Kumar, Registered Valuer under the Companies Act, 2013 and having its IBBI Regn. No. IBBI/RV/05/2019/11705 (hereinafter referred to as (“Registered Valuer”) has been mandate by the Board of Directors of aforementioned companies for valuation of Equity Shares to carry out the calculation of Share Swap ratio for the Proposed Merger of **M/s. RUDRA ECOVATION LIMITED and M/s. SHIVA TEXTFABS LIMITED** (hereinafter collectively called as “Companies”) under the provisions of Sections 230 To 232 & Section 52, Section 66 of the Companies Act, 2013 read with Companies (Compromises, Arrangements & Amalgamations) Rules, 2016.

The scope of services is to summarizing the valuation analysis and share swap ratio calculation as on **30th September, 2024** considering various data as stated in Source of Information in accordance with Valuation Standards for the limited purpose of compliance under the Companies Act, 2013 and may not be used for any other purpose.

Based on the Discussion with the management, we have considered the valuation cut- off date as closure of business hours of **30th September, 2024**.

Scope of the Report:

Our scope of services under this letter is restricted to the services specified in scope of work as above and does not cover any other services including, illustratively, the following:

- Legal advice, opinion and representation in any form;
- Accounting and taxation matters, opinion and representation in any form;



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• Any other certification services. Reliance would be placed on the information that may be provided by the Company. We have not independently verified the accuracy of data provided to us for review. The valuation in the present case involves valuation of Equity Share of the Company is not envisaged pursuant to the Scheme. Therefore, this valuation is performed on a limited scope basis.

Purpose of the Report:

1. We have been informed that the Board of Directors of the Companies are considering a proposal for the merger of **M/s. RUDRA ECOVATION LIMITED** and **M/s. SHIVA TEXTFABS LIMITED** under a Scheme of Amalgamation pursuant to the provisions of Sections 230 to 232 of the Companies Act, 2013 ("Proposed Merger"). Subject to necessary approvals, **M/s. RUDRA ECOVATION LIMITED will be merged** into **M/s. SHIVA TEXTFABS LIMITED** with effect from an **Appointed Date**. In consideration of the Proposed Merger, equity shares of **M/s. SHIVA TEXTFABS LIMITED** are proposed to be issued to the equity shareholders of **M/s. RUDRA ECOVATION LIMITED**.
2. Pursuant to the Proposed Merger, the entire business undertaking including all the assets, liabilities, employees etc. of **M/s. RUDRA ECOVATION LIMITED** would be transferred and vested with and into **M/s. SHIVA TEXTFABS LIMITED**.
3. For this purpose, we have carried out a valuation of **M/s. RUDRA ECOVATION LIMITED (REL)**, and **M/s. SHIVA TEXTFABS LIMITED (STL)**, with a view to recommend ratio of equity shares of STL to be issued to the equity shareholders of REL for the consideration of the Board of Directors of the Companies.
4. The information contained herein, and our report is absolutely confidential. It is intended for the sole use and information of the Companies, and only in connection with the Proposed Merger.
5. Any person/ party intending to provide finance/ invest in the shares/ businesses of any of the Companies shall do so after seeking professional advice from their advisors and after carrying out their own due diligence procedures to 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 Proposed Merger as aforesaid, can be done only with our prior permission in writing.



BACKGROUND INFORMATION:

M/S. RUDRA ECOVATION LIMITED (REL)

M/s RUDRA ECOVATION LIMITED, a company incorporated under the provisions of the Companies Act, 1956 (now 2013) having registered office Plot No. 43-44, Industrial Area, Barotowala, Himachal Pradesh, India, 174103. The CIN of the REL is L43292HP1980PLC031020.

Share Capital

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

M/S. SHIVA TEXTFABS LIMITED (STL)

M/s SHIVA TEXTFABS LIMITED, a company incorporated under the provisions of the Indian Companies Act, Act, 1956 (2013) having registered office at 4th Floor, Woodstock Tower, B-35/958, Adarsh Nagar Ferozepur Road, Opposite Waves Mall, Ludhiana, Punjab, India, 141008. The CIN of the STL is U18101PB1993PLC013745.

Share Capital

Sr. No.	Name	Amount in Rs.	
		Authorised share capital (Rs.)	Issued, subscribed and paid capital (Rs.)
1	STL	<u>Equity Share</u> Rs. 35,50,00,000/- (3,55,00,000 shares of Rs.10/- each)	<u>Equity Share</u> Rs. 35,15,46,890/- (3,51,54,689 shares of Rs.10/- each) Rs.1,45,75,440.50/-(Calls Unpaid 47,01,755 No. of Equity Shares @ Rs. 6.90)

NOTE 1: The Investment in Shiva Textfabs Limited (Transferee Company) 23,39,181 fully paid 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.



SOURCES OF INFORMATION:

For the purposes of the valuation exercise, we have relied upon the following sources of information:

- (a) Discussion and indications on Draft Scheme of arrangement of REL, STL and their respective shareholders;
- (b) Unaudited annual accounts of REL and STL for the financial year ended 30th September, 2024;
- (c) Brief overview of REL, STL and their past and current operations;
- (d) Other information provided as well as discussions held with the management and other personnel of the Companies; and
- (e) Published and secondary sources of data whether or not made available by the Companies.

PROCEDURE ADOPTED AND VALUATION METHOD(S) FOLLOWED FOR THE ASSIGNMENT:

I. APPROACH CONSIDERED IN OUR VALUE ANALYSIS:

General Principle for Valuation

There is no single definition of the term 'Value' that is suitable for all purposes or at all times. The value of a particular asset may vary according to different valuation methodologies that are adopted to ascertain the value for a specific purpose. Valuation of securities is an inexact science. It may sometimes involve a set of judgments and assumptions that may be subject to certain uncertainties.

Selection of Valuation Methodology

The objective of the valuation process is to make a best reasonable judgment of the value of the shares of the Company. There are a number of valuation methodologies to value companies / businesses using historical and forecast financials of the company. Commonly used valuation methodologies are as follows:

✚ Net Asset Value (NAV) Method

In Net Asset Value (NAV) Method, the assets and liabilities are considered at realizable value or book value, including intangible assets and contingent liabilities, if any, which are not stated in the balance sheet. From the value of the assets, the potential liabilities which would have to be paid would be deducted and resultant figure is the NAV of the company.



This valuation approach is mainly used in case where the asset base dominates the earnings capability or in a case where the valuing entity is a holding company deriving significant value from its assets and investments.

NAV Method is most applicable for the business where the value lies in the underlying assets or in cases where the ongoing operations of the business and the potential future cash flows of the business cannot be reasonably estimated or where the operations / business of an entity is discontinued.

✚ Discounted Cash Flow (DCF) Method

The Income Method focuses on the profit/earnings potential of the business being valued. The Income Method of valuation includes Discounted Cash Flow (“DCF”) Method which has been discussed hereinafter. Under DCF Method, the free cash flows attributable to the firm for a predetermined number of future years and perpetuity are considered and discounted to their present value. The free cash flows attributable to the firm are the cash flows from operating activities as reduced by the estimated/ planned capital expenditure and working capital requirement in each of the future years.

The cash flow projections, the estimations of capital expenditure and working capital requirement are based on the management’s view of the future business prospects of the company and the anticipated economic conditions in relation to the industry in which the company operates. This method is particularly useful for unlisted and going concern companies or those without clear market comparable, as it focuses on the company’s internal financial performance and future prospects, rather than external market conditions. In the Present case scenario, the DCF method is used to value the transferee company.

✚ 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 transferor company are listed on 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 transferee company are not listed on any stock exchange.

Comparable Company Multiples (CCM) Method

Under the Comparable Companies Multiple Method, the value is determined on the basis of multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation method is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. The base(s) to which a multiple is commonly applied include sales, EBITDA, cash flows and book value.

Given this and the non-comparability with listed companies, this method has not been used to calculate the fair value of equity shares of the Companies.

II. Basis for arriving at Swap Ratio:

Based on the discussions in the preceding paragraphs w.r.t valuation methodologies as well as regulatory requirements, we have determined appropriate value of the equity shares of REL and STL based on Market Price Method and Discounted Cash Flow Method.

III. VALUATION OF EQUITY SHARES

The valuation summary of REL and STL as per Market Price method and Discounted Cash Flow method is as under:

Refer Annexure -I for details.

M/s. RUDRA ECOVATION LIMITED (REL)

The value per equity share of REL of par value of Rs. 1 each using Market Price method is determined at Rs. 71.88 per Equity Share.



Refer Annexure -II for details.

M/s. SHIVA TEXTFABS LIMITED (STL)

The valuation has been done on the basis of the Provisional Financial Statement of STL for the financial year ended September 30, 2024 and the management certified financial projections from 1st October 2024 to 31st March 2027.

The value per equity share of STL of par value of Rs. 10 each using Discounted Cash Flow method is determined at Rs. 337.26 per Equity Share.

Refer Annexure -III for details

SWAP RATIO

To the best of our knowledge and on the basis of valuation of shares of REL and STL, on the basis of information and explanations provided to us, we are of the opinion that:

- **"Shiva Textfabs 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.**

DISCLAIMER/LIMITATIONS ON THE RECOMMENDATION OF SWAP RATIO

- Our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts.
- Our work did not constitute an audit, a due diligence, an independent validation of the financial statements for any of the businesses and accordingly, we do not express any opinion on the same.
- Valuation analysis and results are also specific to the date of this report. A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. This report is issued on the understanding that the Companies have drawn our attention to the relevant material information, which they are aware of concerning the financial position and any other matter, which may have an impact on our recommendation.



- In the course of the valuation, we were provided with both written and verbal information. The terms of our engagement were such that we were entitled to rely upon the information provided by the Companies without detailed inquiry. Our conclusions are based on these assumptions, forecasts and other information given by/on behalf of the Companies. The management of the Companies have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the above information furnished by the Companies and their impact on the present exercise.
- The determination of valuation, by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Given the same set of facts and using the same assumptions, expert opinion may differ due to a number of separate judgments and decisions, which have to be made. There can therefore be no standard formulae to establish an undisputable share swap ratio. The final responsibility for the determination of share swap ratio/fair equity value at which the Proposed Merger shall take place, will be with the Board of Directors of all the Companies.
- This report is prepared for the Clients and must be used only for the specific engagement and regulatory reporting purposes and must not be copied, disclosed or circulated or referred to in correspondence or discussion with any person. The report is confidential to the Clients and it is given on the express undertaking that it is not communicated, in whole or in part, to any third party without our prior written consent. Neither this report nor its contents may be used for any other purpose without our prior written consent.
- Whilst all reasonable care has been taken to ensure that the facts stated in the report are accurate and the opinions given are fair and reasonable, neither ourselves, nor any of our partners, officers or employees shall in any way be responsible for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of completeness, authenticity or accuracy of such statements. We expressly disclaim any and all liabilities which may arise based upon the information used in this report. We are not liable to any third party in relation to the issue of this report. In no event we shall be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or willful default on the part of the Companies, their management, directors, employees or agents.



- Our report is not, nor should it be construed as our opining or certifying the compliance of the Proposed Merger with the provisions of any law including company law and taxation law or as regards any legal implications or issues arising from such Proposed Merger.
- We have no obligation to update this report because of events or transactions occurring subsequent to the date of this report.
- This report is based on the information provided to us by the management. This report has been prepared solely for the aforesaid purpose and should not be used for any other purpose.



SUBODH KUMAR
(Registered Valuer)
IBBI Regn- IBBI/RV/05/2019/11705

Annexure I

Shiva Textfabs Limited

Valuation Date

30-Sep-24

(INR Million)

Computation of Free Cash Flow to Firm	31-Mar-25	31-Mar-26	31-Mar-27
Profit After Tax	922.65	2,403.00	2,185.00
Growth Y-O-Y			-9.07%
Depreciation	99.2	259	259
Interest*(1-Tax Rate)	20.54	29.6	31.08
Change in Working Capital	(127.04)	(790.00)	(676.00)
Capex	(627.59)	(252.00)	(259.00)
Free Cash flow to Firm	287.76	1,649.60	1,540.08
Year Fraction	0.5	1	1
Cash Flow Period	0.25	1.00	2.00
Present Value Factor	0.96	0.86	0.73
PV of Free Cash Flow	276.78	1,411.92	1,128.25

Computation of Terminal Value

WACC	16.83%
Terminal Growth Rate	4%
Terminal Value	12,923.82
PV of Terminal Value	9,467.92

Computation of share price

PV of Sum of FCFF	2,816.96
PV of Terminal Value	9,467.92
Enterprise Value	12,284.88
Debt	-803.91
Cash	6.48
Investments	59.84
Other Non Current Assets	77.92
Unpaid Calls Receivables (47,01,755 Shares @6.90 per share)	32.44
Equity Value	11,657.64
DLOM	2,176.00
Adjusted Equity Value	9,481.64
Total Shares (FV= Rs.10 Per Share)	2,81,13,753.00
Share Price	337.26



Computation of Cost of Equity

Risk Free Rate	<i>R_f</i>	<i>Investing.com</i>	6.75%
Beta	β	Assumed	1
Equity Risk Premium			9.24%
CSRP*			44.80%
Cost of Equity			20.13%

Sensex as on			
01-Apr-79	Base Year		100
30-Sep-24	Valuation Date		85,208.00
Market Return			15.99%

Cost of Debt	
Risk Free Rate	6.75%
Default Credit Spread	2.39%
Country Specific Risk Premium	2.31%
Cost of Debt	11.45%
Tax Rate	26%
Cost of Debt (Post Tax)	8.47300%

Total Capital	
Equity	2041.787
Debt	803.91
Total Capital Structure	2,845.70

Computation of WACC			
Equity %	72% Ke		20.13%
Debt %	28% Kd		8.47300%
WACC			16.83%



Computation of DLOM	
Strike Price	1
Spot Price	1
Time to Maturity	5
Dividend Yield	0%
Risk Free Rate	6.75%
Volatility	42.34%
d1	0.82985456
d2	-0.116869976
N(d1)	0.796689491
N(d2)	0.453481545
N(-d1)	0.203310509
N(-d2)	0.546518455
Put	0.186658813
DLOM	19%



Annexure II

Market Value Method
as on 30-September-2024

No. of Trading Days	Total Volume Traded	Total Turnover Traded	Volume Weighted Average Price (INR)
90	3,51,48,523.00	2,30,87,20,574.00	65.68
10	13,13,809.00	9,44,40,740.00	71.88
Concluded Value (Higher 90 or 10 Days)			71.88



Annexure III

Calculation of Swap Ratio

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	

CONCLUSION: Based on the swap ratio derived, the swap shares will be 0.213 equity share of Face Value Per Share @10 per share of Shiva Texfabs Limited for every 1 equity share of Face value @ Rs. 1 Per Share of Rudra Ecovation Limited.

