

Mefcom Capital Markets Ltd.

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Date August 22, 2022

To,
The Board of Directors
Kovilpatti Lakshmi Roller Flour Mills Limited
75/8, Benares Cape Road, Gangaikondan,
Tirunelveli Tamilnadu 627352.

To,
The Board of Directors
Raya Foods Private Limited
8th Floor, Time Square, 62/4, A.T.T. Colony,
Balasundaram Road, Coimbatore,
TamilNadu India- 641018

Dear Sir/Madam,

Ref: Fairness Opinion Report on Valuation of Shares of Kovilpatti Lakshmi Roller Flour Mills Limited (KLRF) and Raya Foods Private Limited (RFPL) with regard to the proposed merger of the two companies.

1. BACKGROUND INFORMATION

This has reference to the request made by the Management of Kovilpatti Lakshmi Roller Flour Mills Limited (KLRF) and Raya Foods Private Limited (RFPL), seeking a Fairness Opinion on the share swap ratio recommended by CA Vardhman Doogar (hereinafter referred to as "the Independent Valuer" or "Registered Valuer" or Valuer") for the proposed merger of the two companies under Section 230 to 232 of the Companies Act of 2013.

Mefcom Capital Markets Limited, a SEBI Registered Merchant Banker ("MCML"), has been entrusted to give the Fairness Opinion in terms of Section 230 to 232 of the Companies Act 2013 on the valuation of the equity shares of the Companies by the management of KLRF and RFPL for determining the share exchange ratio.

2. PURPOSE OF VALUATION

- 2.1 We have been informed that the Board of Directors of the companies' viz. KLRF and RFPL are going to consider and approve a proposal to amalgamate RFPL in consideration of issue and allotment of shares in KLRF pursuant to scheme of amalgamation between RFPL and KLRF and their respective shareholders.
- 2.2 In this regard, CA Vardhman Doogar (Registered Valuer) was appointed to carry out an independent valuation with a view to recommend a share swap ratio for the event of amalgamation between RFPL and KLRF.
- 2.3 The information contained in our report is confidential and is intended to be used solely for the purpose of obtaining requisite approvals as per the Regulation 37 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3. SOURCES OF INFORMATION:

For the purposes of fairness opinion, we have relied upon the following sources of information:

- a) Valuation Report dated August 22, 2022 issued by CA Vardhman Doogar (Registered Valuer);
- b) Valuation Workings of CA Vardhman Doogar (Registered Valuer);
- c) Draft Scheme of Amalgamation



- d) Audited Financial Statement of KLRF and RFPL for the financial year ending on March 31, 2022.
- e) Management certified Financial Statement of KLRF and RFPL for the period of 3 months ending on June 30, 2022.
- f) Management certified projected Financial Statements of KLRF and RFPL for the period beginning from July 01, 2022, till March 31, 2027.
- g) Other such information and explanations as were required and which have been provided by the Registered Valuer and management.

4. TRANSACTION OVERVIEW AND RATIONAL

KLRF is engaged in the business of flour milling and selling of flour produced from wheat and all other food products and is also engaged in the business of manufacture of ferrous castings while the RFPL is engaged in the business of engaged in the business of flour milling and selling of flour produced from wheat and all other food products.

All the entities are engaged in complementary, similar and ancillary businesses pertaining to manufacturing, dealing and trading of multi-products.

Hence, with a view to consolidating complementary and similar businesses under a single entity and to achieve simplified corporate structure by way of group reorganisation, the management has envisaged to undertake the amalgamation of the Transferor Company with the Transferee Company under this Scheme.

The amalgamation of the Transferor Company with the Transferee Company would inter alia have the following benefits:

- Enable consolidation of flour mills business of both the companies into one entity which will facilitate economies of scale, focused growth, business synergies and better supervision of the business of the group.
- Enable the Company to expand the footprint of the flour mills division by catering to the markets across India resulting in regional diversification.
- Pooling of resources (including manpower, management, administration, financial and marketing resources) of both companies resulting in, synergies of operations and optimisation of logistics, resulting in more productive utilisation of said resources, savings in cost and operational efficiencies.
- Enable optimisation of the capital allocation and availability of funds which can be deployed more efficiently to pursue growth opportunities.
- Strengthen the financial position resulting in increased leverage capacity of the merged entity.
- Create long term value to the shareholders by unlocking value since the business and profits will accrue to a single entity.
- Result in reduction in the multiplicity of legal and regulatory compliances.

In view of the aforesaid, the Board of Directors of the Transferor Company as well as the Transferee Company have considered and proposed the amalgamation of the entire undertakings and businesses of the Transferor Company with the Transferee Company in order to benefit the stakeholders of both Transferor Company and Transferee Company. Accordingly, the Board of Directors of all the companies have formulated this Scheme of Amalgamation for the transfer and vesting of the entire undertakings and businesses of the Transferor Company to the Transferee Company pursuant to the provisions of Section 230 to Section 232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013.



5. SHARE CAPITAL

The Share Capital of the Transferor Company as on the latest Balance Sheet date i.e. June 30, 2022, is as under:

PARTICULARS	AMOUNT
Authorized Share Capital :	
25,00,000 Equity Shares of Rs. 10/- each	2,50,00,000
Total	2,50,00,000
Issued, Subscribed and Paid Up Share Capital:	
25,00,000 Equity Shares of Rs. 10/- each	2,50,00,000
Total	2,50,00,000

The Share Capital of the Transferee Company as on the latest Balance Sheet date i.e. June 30, 2022, is as under:

PARTICULARS	AMOUNT
Authorized Share Capital:	
1,20,00,000 Equity Shares of Rs.10/- each	12,00,00,000
30,00,000 10% cumulative Redeemable Preference shares of Rs.10/- each	3,00,00,000
Total	15,00,00,000
Issued Share Capital 56,40,430 Equity Shares of Rs.10/- each	5,64,04,300
Subscribed and Paid Up Share Capital 55,41,476 Equity Shares of Rs.10/- each	5,54,14,760
Total	5,54,14,760

6. EXCLUSIONS AND LIMITATIONS

- 6.1 For the purpose of our fairness opinion, we have essentially relied on the information provided to us by the Management of KLRF and RFPL and Valuation report dated August 22, 2022 provided by the Valuer and other than reviewing the consistency of such information, we have not sought to carry out an independent verification, thereof.
- 6.2 The scope of work has been limited and does not enable us to accept responsibility for the following:
- Accuracy and completeness of the information provided by the Independent Valuer.
 - Accuracy of any financial or analytical information used by the Independent Valuer during the course of work.
 - Any changes in the information used for any reason, which may occur subsequent to the date of our certificate.
- 6.3 This Fairness Opinion is prepared for the limited purpose and scope as identified and stated earlier and to comply with SEBI (LODR). The information mentioned herein is confidential and must not be copied, disclosed or circulated in any correspondence or discussions with any person, except to persons to whom it is issued and to those persons who are involved in this transaction or for the purposes of obtaining approvals for the proposed amalgamation.



- 6.4 Our Opinion is not, nor should it be construed as our opining or certifying that the proposed amalgamation of KLRF and RFPL is in compliance with the provisions of any law or regulation.
- 6.5 Valuation is not a precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of judgment. There can therefore be no standard formulae to establish an indisputable value, although certain formulae are helpful in assessing reasonableness.

7. APPROACHES TO VALUATION

For the purpose of ascertaining the reasonableness of these valuations, various quantitative factors have been considered based on the financial details of the respective Companies.

In calculation of per share value for KLRF the following methods have been adopted:-

- a) the "Market Price method"; and
- b) the "Discounted Cash Flow Method"

For calculation of per share value for RFPL the "Discounted Cash Flow Method" is adopted.

8. CONCLUSION:

As per our understanding and on the basis of valuation done by the independent Valuer, we hereby opinion that the share swap ratio for the proposed Amalgamation of the two companies i.e KLRF and RFPL is fair and reasonable, as recommended by CA Vardhman Doogar (Registered Valuer), which is as under:

- To the equity shareholders of Raya Foods Private Limited ('RFPL') 14 (Fourteen) equity shares of Kovilpatti Lakshmi Roller Flour Mills Limited of INR 10 each fully paid up shall be issued for every 10 (ten) equity shares held in RFPL of INR 10 each fully paid up.

9. LIMITATION OF LIABILITY

In no event shall we 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 under consideration, their Directors, employees or agents.

Our Opinion is not and does not purport to be an appraisal or otherwise reflective of the prices at which any business or securities actually could be ideally bought or sold by any party and are not indicative of actual values or actual future results that might be achieved, which value may be higher or lower than those indicative.

In no circumstances shall the liability of MCML, its Directors or employees, relating to services provided in connection with the engagement set out in this report (or valuation or addition thereto) exceed the amount paid to us in respect of the fees charged for these services.

We will receive a fee for our services in connection with the delivery of this Opinion from KLRF. In addition management of both the companies has agreed to indemnify us for certain potential liabilities arising out of our engagement.



Disclaimer Clause

We, hereby, declare that we have no direct or indirect interest in the Companies/ assets valued.

Your's Faithfully

For Mefcom Capital Markets Limited




Authorized Signatory