



Letter Ref no. : DSPL/DML/02/2018

September 19, 2018

STRICTLY PRIVATE & CONFIDENTIAL

FAIRNESS OPINION

The Board of Directors
Delta Magnets Limited
B-87, MIDC, Ambad,
Nashik - 422 010, Maharashtra

The Board of Directors
Arrow Textiles Limited
Plot No.101 - 103 ,
19th Street , MIDC, Satpur ,
Nashik - 422 007, Maharashtra

The Board of Directors
MMG India Private Limited
B-87, MIDC, Ambad,
Nashik - 422 010, Maharashtra

Dear Sir(s),

Subject: Fairness Opinion for the proposed Scheme of Amalgamation of Arrow Textiles Limited (referred as "Transferor 1 Company"/ "ATL") and MMG India Private Limited (referred as "Transferor 2 Company"/ "MMG" ATL and MMG Collectively referred as Transferor Companies) with Delta Magnets Limited (referred as "Transferee Company"/ "DML") and their respective shareholders.

"Transferor Companies". and Transferee Company are hereinafter referred as the "Companies".

Please refer to the engagement letter no. DSPL/DML/01/2018 of September 14, 2018 appointing Dalmia Securities Private Limited ["DSPL"], a SEBI Registered Category (I) Merchant Banker, to provide a fairness opinion in terms of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ["SEBI Circular"] and other applicable SEBI Regulations for the proposed scheme of amalgamation of Transferor Companies with Transferee Company and their respective shareholders pursuant to sections 230-232 and other applicable provisions of the Companies Act, 2013 (hereinafter termed as "Scheme").



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For Delta Magnets Limited

Company Secretary

1. BACKGROUND

1.1 Arrow Textiles Limited

Arrow Textiles Limited is a listed public limited company incorporated on January 30th, 2008, under the provisions of the Companies Act, 1956 with corporate Identity number of L51494MH2008PLC178384. Its registered office is situated at Plot No.101 - 103, 19th Street, MIDC, Satpur, Nashik - 422 007, Maharashtra, India and the corporate office is situated at Bayside Mall, 1st Floor Opp. Sobo Central Mall Tardeo Road, Haji Ali Mumbai 400 034. ATL has been in the business of manufacturing textile woven labels, fabric printed labels and elastic woven tapes. The equity shares of ATL are listed on the BSE Limited and National Stock Exchange of India Limited. The issued, subscribed and paid up share capital of ATL is Rs.1904.39 lac representing 1,90,43,939 equity shares of face value Rs. 10 each.

The shareholding pattern of ATL, as on June 30, 2018, is as under:

Category	Number of Shares Held	Shareholding (%)
Promoters and Promoter Group	1,30,69,902	68.63
Public	59,74,037	31.37
Total	1,90,43,939	100.00

1.2 MMG India Private Limited

MMG is a private limited company incorporated under the provisions of the Companies Act, 1956 on June 5, 1996 under the name and style of MMGNEOSID (INDIA) PRIVATE LIMITED. Subsequently, the name of the company changed to MMG India Private Limited *vide* fresh certificate of incorporation dated April 2, 2003 issued by the Registrar of Companies Maharashtra, Mumbai. The corporate identity number of the company is U27209MH1996PTC222840. The registered office of MMG is situated at B-87, MIDC, Ambad, Nasik - 422 010, Maharashtra, while its corporate office of MMG is situated at Bayside Mall, 2nd Floor, Tardeo Road, Haji Ali, Mumbai - 400 034. MMG is into business of manufacturing of soft ferrites. The issued, subscribed and paid up share capital of the MMG is Rs. 1386.59 lac representing 1,38,65,870 equity shares of face



value of Rs. 10 each. The entire equity share capital of MMG is held by DML and its nominee as on the date of this report.

1.3. Delta Magnets Limited

Delta Magnets Limited is a listed public limited company originally incorporated on September 23, 1982 under the provisions of the Companies Act, 1956 under the name and style of "G.P. Electronic Private Limited". Subsequently, the company was converted into public limited and the name of the company was changed to G.P. Electronic Limited on July 16, 1983. Later, the name of the company was further changed to its present name "Delta Magnets Limited" vide fresh certificate of incorporation dated October 21, 2008 issued by the Registrar of Companies Maharashtra, Mumbai. The corporate identity number of DML is L32109MH1982PLC028280. The registered office of DML is situated at B-87, MIDC, Ambad, Nasik - 422 010, Maharashtra while its corporate office is situated at Bayside Mall, 2nd Floor, Tardeo Road, Haji Ali, Mumbai – 400 034.

DML is primarily engaged in the business of manufacturing of hard ferrites. DML has two wholly-owned subsidiaries and one step-down wholly-owned subsidiary:

- i. MMG India Private Limited – Manufacturing of Soft Ferrites
- ii. Magdev Limited – Trading of Ferrites
- iii. Pilamec Limited (Step-down Subsidiary) – Trading of Ferrites

The equity shares of DML are listed on BSE Limited and The National Stock Exchange of India Limited. The issued, subscribed and paid up share capital of ATL is Rs. 647.10lac representing 64,71,014 equity shares of face value Rs. 10 each. The shareholding pattern of DML, as on June 30, 2018, is as under:

Category	Number of Shares Held	Shareholding (%)
Promoters and Promoter Group	46,68,691	72.15
Public	18,02,323	27.85
Total	64,71,014	100.00

2.0 Key Features of the Scheme and transaction overview:

Pursuant to the Scheme, ATL and MMG is proposed to merge with DML under Sections 230-232 and other applicable provisions of the Companies Act, 2013.



ATL, MMG and DML are a part of Delta Group promoted by ShriJaydevMody and family. As represented by the management of the ATL, MMG and DML, the overall objective of the proposed amalgamation of ATL and MMG with DML is to achieve benefits as laid down in the Scheme more specifically indicated as under:

Based on information provided by the management of the Companies forming part of the amalgamation and after analyzing the draft Scheme, the key feature of the scheme are as under:

- (i) consolidate the business of Transferor 1 Company and Transferor 2 Company and Transferee Company under a single entity i.e. Transferee Company. The proposed restructuring would:
 - a) provide an opportunity to leverage combined assets and enable optimum utilization of existing resources by pooling of resources to facilitate future expansion of business of Transferee Company;
 - b) reduce managerial overlaps involved in operating multiple entities and increase operational and management efficiency, integrate business functions and eliminate duplication and rationalization of administrative expenses;
 - c) synchronization of efforts to achieve uniform corporate policy, greater integration and greater financial strength and flexibility for amalgamated entity; and
 - d) Improving organizational capability and leadership arising from pooling of human capital that has diverse skills, talent and vast experience to compete successfully in an increasingly competitive industry.
- (ii) Upon the Scheme becoming effective the entire business and whole of the undertakings of the Transferor Companies shall be vested in and/or be deemed to have been vested in amalgamated with the Transferee Company, as a going concern and, as a consideration of the amalgamation, the Transferee Company will issue and allot "23 (Twenty Three)_ fully paid up Equity Shares of Rs. 10 each of Transferee Company shall be issued and allotted for every 100 (One hundred) Equity Shares of Rs. 10 each, fully paid up held in the Transferor 1 Company. The Transferor 2 Company is a wholly-owned subsidiary of Transferee Company and hence, entire equity share capital of Transferor 2 Company held by Transferee Company and its nominees shall stand cancelled pursuant to the amalgamation and no shares shall be issued by DML as consideration for such cancellation.

3. SCOPE OF ENGAGEMENT

The Companies have appointed DSPL to issue fairness opinion for the proposed Scheme in terms of the SEBI Circular and applicable SEBI Regulations. DSPL is issuing this fairness opinion ("Fairness Opinion") in capacity of Independent Merchant Banker based on the valuation report dated September 19, 2018 containing recommendation of fair equity share exchange/ swap ratio for the proposed Scheme ["Valuation Report"], issued by M/s Bharat Kotak & Company Chartered Accountants ["Valuer"] with firm registration number 135832 W and the proprietor Mr. Bharat K. Kotak, with Membership No: 015045

4. SOURCES OF INFORMATION

DSPL has relied on the following information for issuing the Fairness Opinion for the purpose of the proposed Scheme:

- i. Draft Scheme of Arrangement under Sections 230-232 and other applicable provisions of the Companies Act, 2013, with regard to the proposed the proposed Scheme.
- ii. Valuation Report recommending fair equity share exchange/ swap ratio for the proposed Scheme issued by Valuer.
- iii. Copy of Memorandum and Article of Association of the Transferee Company and Transferor Companies.
- iv. Shareholding Pattern of MMG as on the date and Shareholding pattern of ATL and DML as on 30th June 2018;
- v. Audited Financial Statements of ATL MMG and DML for the year ended March 31, 2018.
- vi. Management certified projected financial statements comprising of Balance Sheet, Statement of Profit and Loss and Cash Flow Statement of ATL and DML and its subsidiaries (both wholly owned and step down) for the Financial years 2018-19 to 2022-23, as provided to us by the Management to the valuer;
- vii. Such other information, documents, data, reports, discussions and verbal & written explanations from Transferors Companies and Transferee Company as well as advisors for proposed merger/ amalgamation, information available public domain & websites as were considered relevant for the purpose of the Fairness Opinion.

5. EXCLUSIONS AND LIMITATIONS

The Fairness Opinion is subject to the scope limitations detailed hereinafter.

- 5.1 The Fairness Opinion is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein. The Fairness Opinion is divided into chapters and sub section only for the purpose of reading convenience. Any partial reading of this Fairness Opinion may lead to inferences, which may be divergent with the conclusion and opinion based on the entirety of this Fairness Opinion.
- 5.2 In the course of the present exercise, DSPL were provided with both written and verbal information, including financial data. The Fairness Opinion issued by DSPL based on the basis of information available in public domain and sources believed to be reliable and information provided by the companies forming part of the Scheme and the Valuer for the sole purpose of to facilitate the Companies to comply with the requirements of the SEBI Circulars and applicable SEBI Regulations and shall not be valid for any other purpose or as at any other date.
- 5.3 DSPL has relied upon the historical financials, projection and the information and representations furnished without carrying out any audit or other tests to verify its accuracy with limited independent appraisal. Also, DSPL has been given to understand by the managements of the Companies forming part of the Scheme that they have not omitted any relevant and material factors. Accordingly, DSPL does not express any opinion or offer any form of assurance regarding its accuracy and completeness. DSPL assumes no responsibility whatsoever for any errors in the above information furnished by the companies and/or the Valuer and their impact on the present exercise. DSPL has not conducted any independent valuation or appraisal of any of the assets or liabilities of the Companies. In particular, DSPL does not express opinion on value of assets of the Companies forming part of the Scheme and/or their subsidiary, holding, affiliates, whether at current price or future price. No investigation of the Companies claim to the title of assets or property owned by the companies has been made for the purpose of this fairness opinion. With regard to the Companies claim, DSPL has relied solely on representation, whether verbal or otherwise made, by the management for purpose of this Fairness Opinion. Therefore no responsibility whatsoever is assumed for matters of legal nature. Further, DSPL has not evaluated solvency or fair value of the Companies

- 5.8 The Fairness Opinion is specific to the date of this report. An exercise of this nature involves consideration of various factors. This Fairness Opinion is issued on the understanding that the companies forming part of the Scheme have drawn attention to all the matters, which they are aware of concerning the financial position of the companies, their businesses, and any other matter, which may have an impact on the Fairness Opinion for the proposed merger, including any significant changes that have taken place or are likely to take place in the financial position of the companies or their businesses subsequent to the proposed appointed date for the proposed Scheme. DSPL has no responsibility to update this Fairness Opinion for events and circumstances occurring after the date of this Fairness Opinion. DSPL assumes no responsibility for updating or revising the Fairness Opinion based on circumstances or events occurring after the date hereof.
- 5.9 In past, DSPL may have provided and currently or in the future provide, investment banking services to the companies forming part of the Scheme under the scheme and/or any holding or subsidiaries or affiliates and their respective shareholders, for which DSPL has received or may receive customary fees. DSPL engagement as fairness opinion provider is independent of our other business relationship, which may have the companies under the scheme and/or any holding or subsidiaries or affiliates. In addition in ordinary course of their respective business, after complying with applicable SEBI Regulations, DSPL or its affiliates may actively trade in securities of the companies under the scheme and/or any holding or subsidiaries or affiliates and their respective shareholders for their own accounts and account of their customers and accordingly may at an time hold position in such securities. DSPL engagement and opinion only to fulfill the requirement of the SEBI Circular and not for other purposes. Neither DSPL nor any of its affiliates, partners, directors, shareholders, managers, employees or agents make any representation or warranty, expressed or implied, as to the information and documents provided, based on which the Fairness Opinion has been issued.
- 5.10 This Fairness Opinion issued by DSPL without regard to specific objectivities, suitability, financial situation and need of any particular person and does not constitute any recommendation, and should not be construed as offer for to sell or the solicitation of an

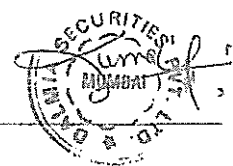


offer to buy, purchase or subscribe to any securities mentioned herein. This report has not been or may not be approved by any statutory or regulatory authority in India or by any Stock Exchange in India. This Fairness Opinion may not be all inclusive and may not contain all information that the recipient may consider material.

- 5.11 The Fairness Opinion and information contained therein or any part of it does not constitute or purport to constitute investment advice in publicly accessible media and should not be printed, reproduced, transmitted, sold distributed or published by recipient without prior written approval of DSPL. The distribution/taking/sending/dispatching of this document in certain foreign jurisdiction may be restricted by law, and person into whose this document comes should inform themselves about, and observe, any such restriction.
- 5.12 This Fairness Opinion has been issued for the sole purpose to facilitate the Companies to comply with SEBI Circular and other applicable SEBI Regulations and it shall not be valid for any other purpose. Neither this Fairness Opinion, nor the information contained herein, may be reproduced passed to any person or used for any purpose other than stated above, without prior written approval of DSPL.
- 5.13 The Companies has been provided with opportunity to review the draft as part of standard practice to make factual inaccuracy/omissions are avoided in the Fairness Opinion.
- 5.14 The fee for the services is not contingent upon the result of proposed Scheme. This Fairness Opinion is subject to law of India.

6. OPINION & CONCLUSION

As per the Valuation Report, the share exchange / swap ratio has been arrived at based on relative equity valuation of ATL and DML using the market approach and income approach based on methodologies explained in the Valuation Report and various qualitative factors relevant to Companies and the business dynamics and growth potential of the business of each Company having regard to the information received,

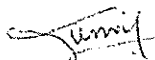



key underlying assumptions and limitations.

In light of the forgoing and subject to the caveats as detailed hereinbefore, DSPL hereby certifies the share exchange / swap ratio as given below, recommended by the Valuer, for the proposed amalgamation of ATL and MMG with DML would be fair and reasonable:

For equity shareholders of ATL	"23 Equity Share of Rs. 10/- each, fully paid up of DML to be issued for every 100 (One Hundred) Equity shares of Rs.10/- each held by the equity shareholders of ATL"
For equity shareholders of DML	The entire equity share capital of MMG is held by DML and its nominees, which shall stand cancelled pursuant to the amalgamation and no shares shall be issued as consideration for the amalgamation of MMG with DML.

For Dalmia Securities Private Limited

Jeyakumar S

COO- Investment Banking

SEBI Registration Number INM000011476

Date:19.09.2018

Place:Mumbai

