

FAIRNESS OPINION REPORT

SCHEME

OF

REDUCTION OF CAPITAL

BETWEEN

MAHAN INDUSTRIES LIMITED

AND

ITS SHAREHOLDERS

**UNDER SECTION 66 READ WITH SECTION 52 AND OTHER APPLICABLE PROVISIONS OF
THE COMPANIES ACT, 2013**

STRICTLY PRIVATE AND CONFIDENTIAL

Prepared and submitted by

GYR Capital Advisors Private Limited

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1. LETTER TO THE MANAGEMENT

Date: October 28, 2021

To

The Board of Directors

Mahan Industries Limited

D.K House, 3rd Floor, Nr. Mitha-Khali Under Bridge,

Navarangpura Ahmedabad-380006

Subject: Fairness Opinion Report in relation to the proposed Scheme of Reduction of Share Capital between Mahan Industries Limited (“The Company”) and the Shareholders.

The Company is proposing a scheme of reduction of the share capital under Section 66 read with section 52 and any other applicable provisions of the Companies Act, 2013 as amended and rules framed thereunder (hereinafter referred to as ‘the Scheme’).

Accordingly, the Company has appointed GYR Capital Advisors Private Limited, Category I Merchant Banker, Registered with SEBI bearing Registration Number INM000012810 vide an engagement letter dated October 25, 2021 to issue a Fairness Opinion Report, in terms of SEBI Circular CFDJDIL3/CIR/2017/21 dated March 10, 2017, as amended (hereinafter referred to as ‘the SEBI Circular’).

In connection with the same, we attach our Fairness Opinion Report, in terms of the SEBI Circular

For **GYR Capital Advisors Private Limited**



Mohit Baid

Director

2. Background of the Company

The Company was incorporated on the 2nd day of January, 1995 as public Limited company under the provisions of the Companies Act, 1956 under the name “Mahan Fin Stock Limited”, in the year 1997 the Company applied for name change from Mahan Fin Stock Limited to Mahan Industries Limited. The Company is registered with Registrar of Companies, Gujarat and Company’s Corporate Identification Number is L91110GJ1995PLC024053. The Registered office of the Company is situated at D.K House, 3rd Floor, Nr. Mitha-Khali Under Bridge, Navarangpura Ahmedabad-380006.

The equity shares of the Company are listed on BSE Limited.

The capital structure of the Company as per the audited financial statements as on March 31, 2021 and unaudited financial statements as on September 30, 2021, are as under:

(Figures in INR)

Particulars	March 31, 2021	September 30, 2021
<i>Authorised Capital</i>		
3,73,00,000 Equity Shares of Rs. 10 each	37,30,00,000	37,30,00,000
<i>Issued, Subscribed and Paid up Capital</i>		
3,60,00,000 Equity Shares of Rs. 10 each fully paid up	36,00,00,000	36,00,00,000

3. SCOPE AND PURPOSE

- 3.1 The Board of Directors of the Company proposes the Scheme, as mentioned above, under Section 66 read with Section 52 of the Companies Act, 2013 as amended and rules framed thereunder.
- 3.2 In this regard, the management of the Company has engaged GYR to provide a fairness opinion on the valuation of shares or assets and of the scheme.
- 3.3 Our Fairness Opinion Report is prepared solely for the purpose outlined hereinabove. The distribution of this Fairness Opinion Report shall hence be restricted to the Company, the shareholders, SEBI, Stock Exchanges and such other regulatory bodies required to give effect to the Scheme, including but not limited to the Registrar of Companies and the National Company Law Tribunal. This Fairness Opinion Report shall not be relied upon by any other person for any other purpose whatsoever and the Company hereby agrees to this fact.
- 3.4 This Fairness Opinion Report is subject to the sources, assumptions, exclusions, limitations and disclaimers detailed hereinafter as such, the Fairness Opinion Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

4. SOURCES OF INFORMATION

For the purpose of the preparation of this Fairness Report, we have relied on the following information, as made available to us, by the management of the Company.

- a. Draft Scheme under Section 66 and other applicable provisions of the Companies Act, 2013 as amended and rules framed thereunder, as may be submitted to the Stock Exchanges;
- b. Non-applicability of Valuation Report by Roopen R. Shah & Co., Chartered Accountants, Statutory Auditors dated October 28, 2021.

- c. Latest Memorandum of Association and Articles of Association of the Company;
- d. Shareholding pattern of the Company as on September 31, 2021;
- e. Audited financial statements of the Company for the year ended March 31, 2021;
- f. Limited review financial statements of the Company for the 6 months ended September 30, 2021;
- g. Such other information and explanations as required and which have been provided by the management of the Company, which were considered relevant for the purpose of the Fairness Opinion Report

5. SALIENT FEATURES OF THE SCHEME

1. The accumulated losses of the Company as on 31st March, 2021 which amounted to Rs. 32,71,63,365 has wiped off the entire net worth of the Company. The Company has been consistently running into losses and has substantial carried forward losses in its Financial Statements making it difficult for the Company to either raise new resources for expansion or for any modernization. The Company is therefore unable to raise any finance either from the capital markets or financial institutions whether in the form of equity or debt, to undertake business activities on a larger scale. The proposed Scheme would enable the Company to show the actual financial position in its balance sheet to depict the representing assets value which in turn enable it to approach for financial assistance in order to develop its business and thereby decrease accumulated losses to enhance the stakeholder's value.
2. Upon effectiveness of the Scheme 3,24,00,000 (Three Crore Twenty Four Lacs) equity shares will be reduced and the share capital of the company will be 36,00,000 (Thirty Six Lakh And Ninety Five) equity shares of face value INR 10 (Indian Rupees Ten) equity shares held by promoter and Public Share holder, without payment of any consideration with the adjustment of loss of 32,40,00,000 (Rupees Thirty Two Crore Forty Lacs).
3. On the Effective date and after securing necessary approvals and permissions the Company shall reduce its fully paid up equity share capital from Rs. 36,00,00,000 (Thirty Six Crore) divided in to 3,60,00,000 (Three Crore Sixty lacs) Equity Shares of Rs. 10/- each to Rs. 3,60,00,000 (Three crore Sixty lacs) divided in to 36,00,000 (Thirty Six lacs) Equity share of Rs. 10/- each. The accumulated losses of Rs. 32,71,63,365 (Rupees Thirty Two crore Seventy one lac sixty three thousand three hundred sixty five) will be set off to the extent of the share capital cancelled i.e. 90 % of Rs. 36,00,00,000 (Thirty Six Crore) which will amount to Rs. 32,40,00,000 (Thirty Two Crore Forty Lacs) with effect from the appointed date.
4. Notwithstanding the reduction of the capital of the Company in pursuance of this Scheme, the Company shall not be required to add the words "And Reduced" to its name as the last words thereof.
5. The Company is seeking to reconstruct/restructure its capital by way of writing off its accumulated capital loss against the reduction of its-paid up capital which is not represented by available assets.

6. EXCLUSIONS AND LIMITATIONS

- 6.1 This Fairness Opinion Report has been prepared for the purposes stated herein and should not be relied upon for any other purpose. This Fairness Opinion Report is restricted for the purpose indicated in the Engagement Letter but does not preclude the management of the Company to provide a copy of this Fairness Opinion Report to third-party advisors whose review would be consistent with the intended use. We do not take any responsibility for any unauthorized use of this Fairness Opinion Report.

6.2 Our opinion and analysis are limited to the extent of review of documents and the Scheme, as provided by the Company and we have relied upon them without any independent verification.

6.3 We do not express any opinion as to the price at which shares of the Company may trade at any time, including subsequent to the date of this opinion. In rendering our opinion, we have assumed, that the Scheme will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions and that in the course of obtaining the necessary approvals for the Scheme, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the Company and its subsidiaries and respective shareholders.

7. VALUATION REPORT

7.1 As per para 4(a) of Annexure 1 to the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, the company is required to submit a valuation report from an independent Chartered Accountant in respect of the Scheme. However, as per point 4(2) of the above circular the Valuation Report is not required in cases where there is no change in the shareholding pattern of the Listed Company.

7.2 The Company has also obtained a Certificate from Roopen R. Shah & Co., Chartered Accountants, Statutory Auditors for non-applicability of the Valuation Report as mentioned in the SEBI Circular.

8. CONCLUSION

On the basis of our examination of the Scheme and other information and data provided to us by the Company and subject to the scope and limitation as mentioned hereinabove, to the best of our knowledge and belief, we are of the opinion that the proposed Scheme of Reduction of Capital and Accumulated Losses and certificate obtained from Roopen R. Shah & Co., Chartered Accountants, Statutory Auditors, for non-applicability of the Valuation Report as mentioned in the SEBI Circular is fair.

For **GYR Capital Advisors Private Limited**



Mohit Baid

Director

Date: 28.10.2021

Place: Gujarat