

DA

D & A FINANCIAL SERVICES (P) LIMITED

Merchant Banking & Corporate Advisory Services

Date: 23rd November 2016

To

The Board of Directors

SUPER SPINNING MILLS LIMITED

CIN: L17111TZ1962PLC001200

'Elgi Towers', P.B NO: 7113,

Green Fields, Puliakulam Road,

Coimbatore - 641045

Tamil Nadu, India

Dear Sir/s,

Sub: Fairness Opinion on the draft Scheme of Amalgamation proposing the amalgamation of Sara Elgi Arteriors Limited and Elgi Building Products Limited, the subsidiaries (being the Transferor Companies) with Super Spinning Mills Limited, the holding company (being the Transferee Company)

We, M/s. D & A Financial Services Private Limited, a SEBI Registered Merchant Banker having SEBI Registration No.INM000011484 have been engaged by M/s. Super Spinning Mills Limited (CIN: L17111TZ1962PLC001200) to provide a "Fairness Opinion" in terms of Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. CIR/CFD/CMD/16/2015 dated 30th November 2015 on the proposed Scheme of Amalgamation of Sara Elgi Arteriors Limited and Elgi Building Products Limited (hereinafter collectively referred to as "Transferor Companies"), the subsidiaries with Super Spinning Mills Limited (hereinafter referred to as the "Transferee Company"), the holding company pursuant to draft scheme of amalgamation under Sections 391 to 394 of the Companies Act, 1956 and the relevant rules and regulations made thereunder. However, upon the relevant Sections of the Companies Act, 2013 pertaining to schemes of arrangement, compromise or reconstruction of companies being notified by the Ministry of Corporate Affairs ("MCA"), the Scheme of Amalgamation shall be deemed to have been formulated and presented under Sections 230 to 240 of the Companies Act, 2013.



Company Profile:**SUPER SPINNING MILLS LIMITED:**

SUPER SPINNING MILLS LIMITED – CIN: L17111TZ1962PLC001200 (hereinafter referred to as "Transferee Company"), was incorporated on 6th day of June, 1962 under the Companies Act, 1956, in the State of Andhra Pradesh and obtained the certificate of commencement of business on 23rd July, 1962. Subsequently, the registered office of the company was shifted from the State of Andhra Pradesh to its present address situated in the State of Tamil Nadu at 'Elgi Towers', P.B No: 7113, Green Fields, Puliakulam Road, Coimbatore – 641045, Tamil Nadu, India.

The equity shares of the Transferee Company are listed on the National Stock Exchange of India Limited ("**NSE**") and BSE Limited ("**BSE**").

The Transferee Company is engaged in the business of manufacturing and dealing in cotton yarn, cotton fiber including blended cotton and other fabrics. The Transferee Company is the holding company of the Transferor Company (1) & the ultimate holding company of Transferor Company (2).

The entire issued, subscribed and paid-up share capital of Super Spinning Mills as on 30th September, 2016 is Rs.5,50,00,000/- (Rupees Five Crore and Fifty Lakhs only) divided into 5,50,00,000 (Five Crore and Fifty Lakhs) Equity Shares of Re.1/- (Rupee One only) each. The shareholding pattern of Super Spinning Mills Limited as on 30th September 2016 is as follows

S. No.	Category of Shareholder	No. of Shares held	Percentage of Shares held
1.	Promoter & Promoter Group	2,33,53,564	42.46
2.	Public	3,16,46,436	57.54
	Total	5,50,00,000	100.00

SARA ELGI ARTERIORS LIMITED:

SARA ELGI ARTERIORS LIMITED – CIN: U28111TZ2003PLC010797 (hereinafter referred to as "Transferor Company 1") was incorporated on the 16th day of October, 2003 under the Companies Act, 1956, in the State of Tamil Nadu. The registered office of the Transferor Company (1) is situated at Elgi Towers, 737D, Puliakulam Road, Coimbatore – 641045, Tamil Nadu, India.



The Transferor Company (1) is engaged in the business of manufacturing and dealing in doors, windows and their frames, shutters and rolling shutters; fire escapes, gates and similar articles of iron or steel used on buildings.

The equity shares of the company are not listed on any Stock Exchange either in India or abroad.

The entire issued, subscribed and paid-up share capital of the Transferor Company (1) is held by "Super Spinning Mills Limited", the Transferee Company, in its own name and jointly with its nominees in the manner as specified below

S. No.	Name of Shareholder	Number of Shares held	Percentage of Shares held
Equity Shares of Rs.10/- each			
1.	Super Spinning Mills Limited (Including Beneficial Interest of shares held by its nominees)	25,00,000	100.00
	Total	25,00,000	-

Hence, the Transferor Company (1) is a wholly-owned subsidiary of the Transferee Company.

ELGI BUILDING PRODUCTS LIMITED:

ELGI BUILDING PRODUCTS LIMITED - CIN: U45201TZ1996PLC007037 (hereinafter referred to as "Transferor Company 2") was incorporated on the 15th day of March, 1996 under the Companies Act, 1956, in the State of Tamil Nadu under the name and style of ELGI WIESSNER AIR TECHNIC LIMITED. Subsequently, the name was changed as ELGI BUILDING PRODUCTS LIMITED on 15th June 1999. The registered office of the Transferor Company (2) is situated at Elgi Tower, 737-D, Pappanaickenpalayam Road, Puliakulam, Coimbatore - 641045, Tamil Nadu, India.

The Transferor Company (2) is engaged in the business of manufacturing of all kinds of air conditioning equipment and waste removal equipment and manufacturing of doors, windows and window frames and all other building materials which are used in buildings.



The equity shares of the company are not listed on any Stock Exchange either in India or abroad.

The issued, subscribed and paid-up share capital of the Transferor Company (2) is held by "Sara Elgi Arteriors Limited" and "Super Spinning Mills Limited" in the manner as mentioned below

S. No.	Name of Shareholder	Number of Shares held	Percentage of Shares held
Equity Shares of Rs.10/- each			
1.	Sara Elgi Arteriors Limited (Including Beneficial Interest of shares held by its nominees)	41,96,408	58.32
2.	Super Spinning Mills Limited	29,99,592	41.68
10% 8 years Non-cumulative Redeemable Preference Shares of Rs.10/- each			
1.	Super Spinning Mills Limited	70,00,000	100.00
10% 8 years Cumulative Redeemable Preference Shares of Rs.10/- each			
2.	Super Spinning Mills Limited	5,00,000	100.00
	Total	1,46,96,000	-

As such, the Transferor Company (2) is a step-down subsidiary of the Transferee Company.

Sources of the Information

For arriving at the fairness opinion set forth below, we have relied upon the following sources of information:

1. Proposed Draft Scheme of Amalgamation
2. Certificate dated 23rd November, 2016 issued by Mr.A.Palaniappan, Chartered Accountant, Coimbatore
3. Publicly available financial information relating to the Companies.

In addition to the above, we have also obtained such other information and explanations, which were considered relevant for the purpose of our Analysis.



Scope and Purpose of the Opinion

Pursuant to the requirements of Regulation 37 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. CIR/CFD/CMD/16/2015 dated 30th November, 2015 a fairness opinion has to be obtained from an independent merchant banker on the valuation of assets/shares done by the valuer for the listed as well as unlisted companies.

The purpose of the opinion is to safeguard the interest of the shareholders and that of the companies involved in the proposed Scheme and this opinion shall be made available to the shareholders of the relevant Companies and to any other relevant authority.

Disclaimer

This report is intended solely for the limited purpose mentioned earlier and should not be regarded as a recommendation to the investors to invest in Companies or deal in any form in the securities of the Company and should also not be considered as a final equity value of the Company.

Our report does not, in any way, guarantee that the equity shares of Companies will continue to remain at the price on which the valuation of the shares takes place.

D & A Financial Services Private Limited has issued this fairness opinion with the understanding that draft scheme of amalgamation shall not be materially altered and the parties hereto agree that fairness opinion would not stand good in case the final scheme of amalgamation alters the transactions.

This letter is for the benefit of and confidential use by the Company. This report is not meant for meeting any other regulatory or disclosure requirements, save and except as specified above, under any Indian or foreign law, statute, act guideline or similar instruction. The Management or related parties of Companies are prohibited from using this report other than for its sole limited purpose and not to make a copy of this report available to any party other than those required by statute for carrying out the limited purpose of this report.



In no circumstances whatsoever, will D & A Financial Services Private Limited, its Directors and employees accept any responsibility of liability towards any third party for consequences arising out of the use of this report.

Key facts and the Rationale of the Scheme:

We are given to understand that the management of Super Spinning Mills Limited is proposing an internal restructuring by merging Sara Elgi Arteriors Limited and Elgi Building Products Limited, the subsidiaries with Super Spinning Mills Limited, the holding company under a Scheme of Amalgamation pursuant to Sections 391 to 394 of the Companies Act, 1956 with effect from 1st April 2016 or any other date as may be stipulated by the Court.

We further understand that since the draft Scheme of Amalgamation proposes the amalgamation of Sara Elgi Arteriors Limited, a wholly-owned subsidiary of Super Spinning Mills Limited and Elgi Building Products Limited, a step-down subsidiary of Super Spinning Mills Limited (jointly owned by Super Spinning Mills Limited and Sara Elgi Arteriors Limited) with Super Spinning Mills Limited, the holding company there would not be any allotment of shares under the said Scheme of Amalgamation.

We further understand from the proposed Scheme that the merger is expected to yield the following benefits:

- (i) Enable consolidation of the business of the three companies into one entity which will facilitate in focused growth, operational efficiencies, business synergies and better supervision of the business of the group.
- (ii) Pooling of resources (including manpower, management and administration and marketing resources) of the aforesaid companies resulting in, synergies of operations and optimisation of logistics, resulting in more productive utilisation of said resources, savings in cost and operational efficiencies.
- (iii) Strengthening financial position and increased leverage capacity of the merged entity



- (iv) Concentrated management focus, improved organisational capacity, integration rationalisation and streamlining of the management structure of the merged entity, seamless implementation of policy changes at a higher level from a management perspective and shall also help enhance the efficiency and control of the entities.
- (v) Facilitating internal transfer of resources and optimum utilisation of assets
- (vi) Avoiding duplication of administrative functions, reduction in multiplicity of legal and regulatory compliances
- (vii) Enable the creation of a platform for a new business segment and to act as a gateway for growth and expansion of business operations.

The proposed amalgamation shall be pursuant to the Draft Scheme of Amalgamation and shall be subject to receipt of approval from the Jurisdictional High Court of Madras, the relevant Stock Exchanges and other statutory approvals as may be required. The detailed terms and conditions of the Amalgamation are more fully set forth in the Draft Scheme of Amalgamation.

Fairness Opinion

Based on the information provided to us by the management of the entities forming part of the proposed Scheme of Amalgamation, we understand that the entire issued, subscribed and paid-up share capital of Sara Elgi Arteriors Limited (Transferor Company 1) is held by Super Spinning Mills Limited (the Transferee Company) and entire issued, subscribed and paid-up share capital of Elgi Building Products Limited (Transferor Company 2) is held by Sara Elgi Arteriors Limited (Transferor Company 1) and Super Spinning Mills Limited (Transferee Company).

We further understand that , upon the Scheme becoming effective, the equity shares of Sara Elgi Arteriors Limited (Transferor Company - 1) held by Super Spinning Mills Limited (Transferee Company) and the equity and preference shares of Elgi Building Products Limited (Transferor Company - 2) held by Sara Elgi Arteriors Limited (Transferor Company - 1) and Super Spinning Mills Limited (Transferee Company) shall stand cancelled, with no issuance of shares or payment of other consideration by Super Spinning Mills Limited.



Further, we understand and report that since the proposed Scheme of Amalgamation does not, in any way, alter or change the shareholding pattern of Super Spinning Mills Limited, the Holding Listed Company (being the Transferee Company), it is treated as 'no change in shareholding pattern' in accordance with the SEBI Circular No. CIR/CFD/CMD/16/2015 dated 30th November, 2015 and accordingly, the Valuation Report from an Independent Chartered Accountant is not applicable in respect of the proposed Scheme.

In consideration of the foregoing observations and understandings and subject to the exclusions and limitations detailed above, we hereby state and report that the proposed Scheme of Amalgamation, proposing the amalgamation of M/s.Sara Elgi Arteriors Limited (CIN: U28111TZ2003PLC010797) and M/s.Elgi Building Products Limited (CIN: U45201TZ1996PLC007037), the subsidiaries (being Transferor Companies) with M/s.Super Spinning Mills Limited (CIN: L17111TZ1962PLC001200), the holding Company (being the Transferee Company), in our opinion, is fair and reasonable.

Thanking you

For **D & A Financial Services Private Limited**

M K Doogar

Director

SEBI Registration No. INM000011484



Date: 23rd November 2016

Place: New Delhi