



Strictly Private and Confidential

Date: 09 August 2019

To,

The Board of Directors,
Vardhman Textiles Limited
Vardhman Premises, Chandigarh Road,
Ludhiana, 141010

The Board of Directors,
Vardhman Acrylics Limited
Vardhman Premises, Chandigarh Road,
Ludhiana, 141010

Dear Sirs/Madams,

Subject: Fairness Opinion Report on the share entitlement ratio for the proposed amalgamation of Vardhman Acrylics Limited with and into Vardhman Textiles Limited

We, SBI Capital Markets Limited (hereinafter referred to as “**SBICAP**”), understand that pursuant to a composite scheme of arrangement under sections 230 to 232 and other applicable sections of the Companies Act, 2013 (the “**Proposed Scheme**”), VMT Spinning Company Limited, VTL Investments Limited, Vardhman Nisshinbo Garments Company Limited and Vardhman Acrylics Limited (“**VAL**”) are proposed to be amalgamated with and into Vardhman Textiles Limited (“**VTL**”). We further understand that VAL and VTL have undertaken a valuation exercise for the amalgamation of VAL with and into VTL (the “**Merger**”) and obtained a valuation report dated 09 August 2019 (the “**Valuation Report**”) from BSR & Associates LLP (hereinafter referred to as “**BSR**” or the “**Valuer**”) recommending the share entitlement ratio for the issuance of equity shares of VTL to the shareholders of VAL in consideration for the Merger. VTL and VAL together are referred to as the “**Merging Entities**”.

In this regard, SBICAP has been requested by VAL and VTL to give a “**Fairness Opinion Report**” on the share entitlement ratio for the Merger set out in the Valuation Report, in accordance with provisions of section I A 2(d) and Section I A 8(b) of Annexure I of SEBI Circular No. CFD/DIL3 2017/21 dated March 10, 2017 and CFD/DIL3/CIR/2018/2 January 3, 2018.

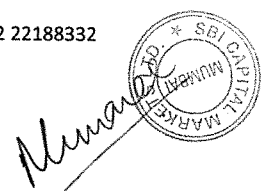
SBICAP has not undertaken the valuation of the Merging Entities. The valuation exercise for the Proposed Scheme of Merger has been done by BSR. We have examined the Valuation Report dated 09 August 2019 submitted by BSR to the Merging Entities. We have not independently checked or verified the assumptions made by BSR. We have reviewed the historical financial and business information of the Merging Entities and certain comparable companies and their valuation multiples, and other relevant information from publicly available sources, and have taken into account such

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other matters as we deemed necessary including our assessment of general economic, market and monetary conditions.

For arriving at the opinion we have:

- Reviewed the draft of the composite scheme of arrangement
- Perused the Valuation Report issued by the Valuer
- Received and reviewed certain explanations and additional information provided by the representatives of the Merging Entities

In addition to the above, we have had discussions with the officials of VAL and VTL on the past and current business operations of the businesses concerned.

Further, we have had discussions with BSR on such matters which we believe are necessary or appropriate for the purpose of issuing the Fairness Opinion Report.

We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed to be good and marketable and we would urge the Merging Entities to carry out an independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment.

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information supplied or otherwise made available to us either in oral or written form, discussed with or reviewed by or for us, or publicly available. We have been informed that all information relevant for the purpose of issuing the Fairness Opinion Report has been disclosed to us and we are not aware of any material information that has been omitted or that remains undisclosed. This being so, no representation or warranty, express or implied, is or will be made, and no responsibility or liability is or will be accepted by SBICAP and its affiliates, its directors, employees, agents or representatives, or in relation to, the accuracy or adequacy of information, contained in the Fairness Opinion Report or any other written or oral information made available to any party or their advisors. We do not accept any liability to any third party in relation to the issuance of this Fairness Opinion Report.

We have not conducted any evaluation of the solvency or fair value of the Merging Entities, under any laws relating to bankruptcy, insolvency or similar matters. In addition we have not assumed any obligation to conduct any physical inspection of the properties or facilities of the Merging Entities. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or publicly available; we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent

verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the Merging Entities.

Our Fairness Opinion Report does not factor overall economic environment risk and other risks and is purely based on the information and representations provided to us. We have not assumed the risk of any material adverse change having an impact on the business of VTL and VAL.

We express no view as to, and our Fairness Opinion Report does not address, the underlying business decision of any company to effect the Proposed Scheme of Merger or the merits of the Proposed Scheme of Merger nor does it constitute any kind of recommendation to any shareholder or creditor of VTL and VAL as regards to the Proposed Scheme of Merger or any matter related thereto. In addition, this Fairness Opinion Report does not address the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of the Merging Entities. We are not expressing any suggestion or opinion herein as to the price at which the shares of VTL will trade following the announcement of consummation of the Proposed Scheme of Merger.

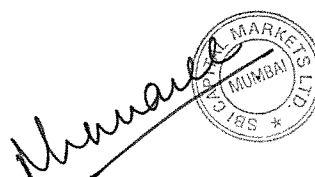
Our Fairness Opinion Report is not and does not purport to be an appraisal or otherwise reflective of the prices at which any business or securities actually could be ideally bought or sold by any party and is not indicative of actual value or actual future results that might be achieved, which value may be higher or lower than those indicated, and any investment decision shall not be based solely on this Fairness Opinion Report and the buyer shall carry out their own due diligence.

Our Fairness Opinion Report is not necessarily based on economic, market and other conditions as in effect on the date of issuing this Fairness Opinion Report, and the information made available to us as of, the date hereof. It should be understood that in case of any subsequent developments we do not have any obligation to update, revise, or reaffirm this Fairness Opinion Report.

To the extent that the conclusions are based on projections, SBICAP expresses no opinion on the achievability of those forecasts.

In the ordinary course of business, we and our affiliates may actively trade or hold securities of the company that may be the subject matter of this transaction for our own account or for the account of our customers and accordingly, may at any time hold long or short position in such securities.

This Fairness Opinion Report is provided solely for the benefit of the Board of Directors of VTL and VAL and shall not confer rights or remedies upon, any shareholder of the Merging Entities or any


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other person other than the members of the Board of Directors of the Merging Entities or be used for any other purpose.

This Fairness Opinion Report is only a free and fair opinion and does not constitute a commitment by SBICAP to underwrite, subscribe for or place any securities or to extend or arrange credit or to provide any other services.

Disputes, if any, regarding this Fairness Opinion Report will be governed by and construed in accordance with the laws of India and the Courts in Mumbai, India shall have exclusive jurisdiction in this regard.

As per the valuation report dated 09 August 2019 issued by the Valuer, in the event of amalgamation of VAL with and into VTL, for every 24.1 (twenty four and one tenth) equity shares of VAL of the face value of INR 10 (Indian Rupees Ten) each fully paid up held by the shareholders of VAL, 1 (one) equity share of VTL of INR 10 (Indian Rupees Ten) each fully paid up will be issued.

On the basis of and subject to the foregoing, to the best of our knowledge and belief, it is our view that, as of the date hereof, the proposed equity share entitlement ratio for the purpose of proposed merger of VAL with and into VTL is fair, from a financial point of view.

Thanking you,

Yours faithfully,

For SBI Capital Markets Limited



Apeksha A Munwane

SBI CAPITAL MARKETS LIMITED
MUMBAI

Name: Apeksha A Munwane
Designation: Vice President

Disclaimer

This fairness opinion certificate ("Certificate" or "This certificate" or "this certificate") contains proprietary and confidential information regarding Vardhman Textiles Limited ("VTL") and Vardhman Acrylics Limited ("VAL"), VTL and VAL together referred to as the "Merging Entities". This certificate is issued for the exclusive use and benefit of the Merging Entities as per the Engagement letter dated 25 July 2019. This certificate has been issued by SBI Capital Markets Limited ("SBICAP"), on the basis of the information available in the public domain and sources believed to be reliable and the information provided by the Merging Entities, including the valuation report provided by BSR & Associates LLP ("BSR") and for the sole purpose to facilitate the Merging Entities to comply with section I A 2(d) and Section I A 8(b) of Annexure I of SEBI Circular No. CFD/DIL3 2017/21 dated March 10, 2017 and CFD/DIL3/CIR/2018/2 January 3, 2018 and it shall not be valid for any other purpose or as at any other date. This Certificate is issued by SBICAP in the capacity of an Independent merchant banker, on the valuation report dated 09 August 2019 issued by BSR (the "Valuer").

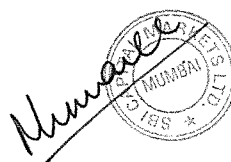
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SBICAP has not carried out any due – diligence independently in verifying the accuracy or veracity of data provided by the Merging Entities and/or Valuer and SBICAP assumes no liability for the accuracy, authenticity, completeness or fairness of the data provided by the Merging Entities and/or Valuer. SBICAP has also assumed that the business continues normally without any disruptions.

Neither SBICAP nor State Bank of India or any of its associates, nor any of their respective Directors, officers, employees, agents or advisors or affiliate of any such person or such persons make any expressed or implied representation or warranty and no responsibility or liability is accepted by any of them and is expressly disclaimed with respect to the accuracy, completeness, authenticity or reasonableness of the facts, opinions, estimates, forecasts, projections or other information set forth in this certificate, or the underlying assumptions on which they are based and nothing contained herein is or shall be relied upon as a promise or representation regarding the historic or current position or performance of the Merging Entities or any future events or performance of the Merging Entities.



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The opinion of SBICAP ["Opinion"] under this Certificate is not intended to and does not constitute a recommendation to any shareholders as to how such shareholder should vote or act in connection with the scheme or any matter related therein. The opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation/merger/de-merger/arrangement scheme with the provisions of any law including company law, taxation and capital market related laws or as regards any legal implications or issues arising thereon. SBICAP assumes no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof. SBICAP does not express any opinion as to the price at which shares of the resultant entity may trade at any time, including subsequent to the date of this opinion. In rendering the Opinion, SBICAP has 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 regulatory or third party approvals for the scheme, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the entities under the scheme and / or its holding or subsidiaries or affiliates and their respective shareholders.

In the past, SBICAP may have provided, and may currently or in the future provide, investment banking services to the entities under the scheme and / or its holding or subsidiaries or affiliates and their respective shareholders, for which services SBICAP has received or may receive customary fees. In addition, in the ordinary course of their respective businesses, affiliates of SBICAP may actively trade securities of the entities under the scheme and / or its holding or subsidiaries or affiliates and their respective shareholders for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a position in such securities. SBICAP engagement and the opinion expressed herein are for the benefit of the Board of Directors of the entities under the scheme only to fulfil the requirements of Clause 24(h) of the Listing Agreement and for no other purposes. Neither SBICAP, nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the information and documents provided to us, based on which the opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.

This certificate is furnished on a strictly confidential basis and is for the sole use of the person to whom it is addressed and for the sole purpose to facilitate the Company to comply with section I A 2(d) and Section I A 8(b) of Annexure I of SEBI Circular No. CFD/DIL3 2017/ 21 dated March 10, 2017 and CFD/DIL3/CIR/2018/2 January 3, 2018. Neither this certificate, nor the information contained herein, may be reproduced or passed to any person or used for any purpose other than stated above, without the prior written approval from SBICAP. By accepting a copy of this certificate, the recipient accepts the terms of this Notice, which forms an integral part of this certificate.

Merging Entities agree and understand that SBICAP is not a Registered Valuer pursuant to section 247 of the Companies Act, 2013 and Rules made thereunder. The report issued by SBICAP, under this document, cannot be used by the recipient for the purposes that specifically require valuation from a Registered Valuer under the Companies Act, 2013 or any other law that requires valuation from such Registered Valuer.



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