Submitted to

MOHIT INDUSTRIES LIMITED

FAIRNESS OPINION REPORT

On

Share Entitlement Ratio Report for the proposed demerger of AAC Blocks Division of Mohit Industries Ltd. into new resulting company, Bigbloc Construction Limited, from GBN& Co., Chartered Accountants (GBN)

BY

M/s SPA Capital Advisors Limited

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June 17, 2015

SPA
THE FINANCIAL ADVISORS
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The Board of Directors
Mohit Industries Limited
A-601B, International Trade Centre,
Majura Gate, Surat - 395002, Gujarat

RE: Share Entitlement Ratio Report for the proposed demerger of AAC Blocks Division of Mohit Industries Ltd. into new resulting company, Bigbloc Construction Limited (BCL), from GBN& Co., Chartered Accountants (GBN)

PURPOSE

We have been engaged to give fairness opinion on Share Entitlement Ratio Report for demerger of **AAC Blocks Division of Mohit Industries Ltd. into** BCL as going concern from GBN& Co., Chartered Accountants (GBN). This report should be read in conjunction with Share Entitlement Ratio Report dated June 17, 2015 issued by GBN.

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New Delhi

BACKGROUND

MOHIT INDUSTRIES LIMITED (MIL)

We understand that, Mohit Industries Limited (MIL) is one of the top notch manufacturers of fabrics & texturised yarn in the nation. Established in 1991, Mohit Industries has over the years, managed to carve out a niche in the highly competitive industry with satisfied clients world over.

MIL is primarily into textile industry and has recently diversified into the construction materials industry in adherence to its long term vision and goals.

TRANSACTION

The Management of MIL has decided on business re-organisation of the Company by way of demerger which is proposed as follows:-

Demerger of the AAC Block unit of MIL as a going concern with all its assets (fixed and movable) and liabilities pertaining to AAC Block to and in BCL (Transferee company).

The transaction is proposed under a composite scheme of arrangement under section 391-394 and other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013, as may be applicable (the "**Scheme**").

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The Board of Directors of MOHIT INDUSTRIES LIMITED believes that the SCHEME OF ARRANGEMENT and DEMEGER would benefit the shareholders, employees and other shareholders of MOHIT INDUSTRIES LIMITED in following manner:

- To achieve better growth of both verticals independently.
- To ensure proper focus on individual division/unit
- To achieve better valuation for both divisions in the hands of shareholders

As per the Scheme, BCL will issue its equity shares to the respective shareholders of MIL as a consideration for the demerger of AAC Bocks as per share entitlement ratio. Upon coming into effect of the Scheme, and in consideration of the demerger and transfer and vesting thereof with the Resulting Company, the Resulting Company shall, without any further act or deed and without any further payment, issue and allot the Equity Shares on a proportionate basis to the respective shareholders of the MIL is as follows:

"One equity share of INR Ten each as fully paid up in BCL for every one equity share of INR Ten held in MIL.

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Statement of Limiting Conditions: The Final Report has been prepared for the internal and exclusive use of The Board of Directors of MIL in support of the decisions to be taken by it, the Resulting Company and the Transferee Companies. Therefore, the Final Report may not be disclosed, in whole or in part, to any third party or used for any purpose whatsoever other than those indicated in the Engagement and in the Final Report itself, provided that the Final Report may be transmitted to the experts appointed in compliance with the law and its content may be disclosed publicly where required by regulations of the Indian authorities. Any other use, in whole or in part, of the Final Report will have to be previously agreed and authorised in writing by SPA Capital Advisors Limited (SPA). In preparing the Final Report, SPA has relied upon and assumed, without independent verification, the truthfulness, accuracy and completeness of the information and the financial data provided by MIL. SPA has therefore relied upon all specific information as received and declines any responsibility should the results presented be affected by the lack of completeness or truthfulness of such information. Publicly available information deemed relevant for the purpose of the analyses contained in the Final Report has also been used. Therefore the Final Report is based on: (i) our interpretation of the information which MIL, as well as their representatives and advisers, have supplied to us to date; (ii) our understanding of the terms upon which MIL intends to consummate the Transaction (iii) the assumption that the Transaction will be consummated in accordance with the expected terms and within the expected time periods. In the execution of the Engagement, SPA has elaborated its own analysis based on the methodologies illustrated below, reaching the conclusions contained in the final paragraph of this Final Report.

The conclusions described in the Final Report have been prepared with the sole purpose of determining fairness of valuation of Demerged Undertakings and Business Undertakings of MIL, for the purpose of proposed demerger and slump sales therefore; the values contained in this Final Report have no relevance for purposes other than that stated. The Final Report and the Opinion concern exclusively for the purpose of proposed demerger and the slump sales and do not constitute an opinion by SPA as to the absolute value of the shares of MIL.

The conclusions contained in this Final Report are based on the whole of the valuations contained herein and therefore no part of the Final Report may be used apart from the document in its entirety.

The Final Report and the Opinion are necessarily based on economic, market and other conditions as on the date of valuation, and the written and oral information made available to us until June 15, 2015. It is understood that subsequent developments may affect the conclusions of the Final Report and of the Opinion and that, in addition, SPA has no obligation to update, revise, or reaffirm the Opinion.

In addition, SPA is expressing no opinion as to the price at which any securities of MIL will trade on the stock market at any time. Other factors after the date hereof may affect the value of the businesses of MIL either before or after completion of the event. No opinion is expressed by SPA whether any alternative transaction might have been more beneficial to MIL. It also remains understood that SPA or certain SPA affiliates may currently have and may in the future have commercial banking, investment banking, trust and other relationships and/or engagements with, Counterparties which may have interests with respect to MIL, or companies directly or indirectly, controlled by, affiliated with MIL or in which MIL holds securities. Finally, it remains understood that SPA or certain SPA affiliates may have fiduciary or other relationships and engagements whereby SPA or certain SPA affiliates may exercise voting power over securities of various persons, which securities may from time to time include securities of MIL, or companies directly or indirectly controlled by, affiliated with MIL, or in which MIL holds securities, or other parties with an interest in the Transaction.

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COMMON APPROACHES TO VALUATION

Income Approach

The *Income Approach* measures the value of an asset by calculating the present value of its future economic benefits. When used to determine *Business value*, the *Income Approach* develops an indication of value by discounting forecasted cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds plus the expected rate of inflation and the risks associated with the particular investment. The discount rate applied to these expected cash flows is generally based upon rates of return available from alternative investments of similar type and quality. Another discounting method calculates the company's *Weighted Average Cost of Capital ("WACC")* from its cost of debt and cost of equity. Forecasts typically cover three to five years, but the reliability of forecasts for valuation purposes in early stage enterprises depends upon many factors, such as the company's vulnerability to advances in technology, actions by competitors, changes in end-user requirements, & the availability of financing. Selecting the forecast period required our judgment.

The *Income Approach* works best when development stage companies have progressed to Stage five. Typically, companies in prior stages have limited operating histories and cash flow forecasts. Using the *Income Approach* when a company has not achieved profitability or positive cash flow, and therefore has negative flows/losses during some or all of the forecast years, results in an *equity Value* that consists mostly (if not entirely) of the *Terminal Value ("TV"* is the estimate of the *Company's* future value at the end of the forecast period).

Market Approach

The *Market Approach* measures the value of an asset through an analysis of recent sales of comparable property compared to the property being valued. When applied to the valuation of an equity interest, consideration is given to the financial condition and operating performance of the subject company compared to either publicly traded companies with similar lines of business or recent corporate acquisitions (*"Guideline Companies"*). Typically, the companies selected for comparison are subject to economic, political, competitive, and technological factors that correspond with those confronting the *Company*.

The *Market Approach* is conceptually preferable to the other two approaches both because it uses direct comparisons to similar enterprises and because the analysis is based upon actual market transactions. However, comparables that fit perfectly rarely exist. Privately held companies are compared to publicly traded ones that are typically further along in their stage of development, have superior access to capital, and have common stock that is readily marketable. Often historical results of public companies are being compared to projected results for the private company being valued. In order to reflect these differences, data from the *Guideline Companies* must be appropriately adjusted.

Asset Approach

The *Asset Approach* measures the value of an asset by the cost to reconstruct or replace it with another of like utility. When applied to the valuation of equity interests in businesses, value is based on the net aggregate *fair market value* of the entity's underlying assets.

This approach basically entails a restatement of the balance sheet of the enterprise in which the f*air market value* of its assets and liabilities are substituted for their book

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values. This approach is frequently used to value holding companies or capital-intensive firms. It is typically not an appropriate valuation approach for growing operating companies which provide goods or services and which have significant intangible value. The same may be considered in conjunction with other approaches with lower weight age.

Sources of Information: The valuation was performed as per following information:

- Statement of Divisional Assets and Liabilities of demerged company
- Business profile of MIL.
- Draft Scheme of Arrangement

SUMMARY OF SHARE ENTITLEMENT RATIO PERFORMED BY GBN

GBN has, inter alia, mentioned in their report:

"Based on the aforementioned and that upon demerger, the set of shareholders and holding proportion being proposed for BCL is identical to that of MIL, the beneficial economic interest of MIL shareholders in BCL will remain same at the time of demerger.

We believe that the above share entitlement ratio is fair and reasonable considering that all the shareholders of MIL are and will, upon demerger, be the ultimate beneficial owners of the Resulting Company and in the same ratio (inter se) as they hold shares in MIL, as on the record date to be decided by Management of MIL."

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CONCLUSION

CONCLUSION ON SHARE ENTITLEMENT RATIO BY GBN

The entitlement ratio as recommended by GBN is "One equity share of INR Ten each as fully paid up in BCL for every one equity share of INR Ten held in MIL;

It is noted that the Share Entitlement ratio was arrived at assuming that the Resulting Company and the Transferor Company will continue in operation in unhindered manner for the future as at present on a pre demerger standalone basis (going concern).

The assumptions considered in the determination of the Share Entitlement ratio are appropriate and reasonable for the subject companies.

Subject to the assumptions presented herein, in our opinion the Share Entitlement Ratio derived by GBN is fair considering circumstances and purpose of valuation.

for ***SPA Capital Advisors Limited***
(SEBI Reg. No. INM 000010825)

NitiN Somani
Company Secretary

SPA Capital Advisors Limited New Delhi

Sourabh Garg
Vice President