

ANNEXURE 5  
FAIRNESS REPORT (AS PREPARED BY GUINNESS  
ADVISORS PRIVATE LIMITED)



August 10, 2016

  
Authorized Signatory  
COMPANY SECRETARY

To, The Board of Directors Chandni Textile Engineering Industries Limited 110, T.V. Industrial Estate, 52, S.K. Ahire Marg, worli, Mumbai -400030.	To, The Board of Directors Chandni Machines Private Limited 110, T.V. Industrial Estate, 52, S.K. Ahire Marg, worli, Mumbai -400030.
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Dear Sir(s),

**Re: Proposed Demerger of the "Engineering Division" of the Chandani Textile Engineering Limited ("CTEIL") and transfer it into Chandni Machines Private Limited ("CMPL") pursuant to scheme of arrangement of demerger**

**Sub.: Fairness Opinion on Share Entitlement Ratio in the event of the proposed demerger**

We are appointed by Chandni Textile Engineering Industries Limited and Chandni Machines Private Limited vide letter dated August 09, 2016 for giving fairness opinion on the Share Entitlement Ratio in the event of proposed demerger.

#### 1. Scope and Purpose

- SSPA & Co., Chartered Accountants, ("SSPA" or "the Valuer") having office at 1<sup>st</sup> Floor, "Arjun", Plot No. 6 A, V. P. Road, Andheri (West), Mumbai - 400 058, has been appointed by "CTEIL" and "CMPL" to recommend Share Entitlement Ratio in the event of the proposed demerger.
- Our scope of work includes review the report on recommendation of "Share Entitlement Ratio", by SSPA & Co. dated August 10, 2016, and giving our fairness opinion on the same for the proposed demerger of "Engineering Division" ("the Division") of "CTEIL" and transfer it into "CMPL" pursuant to Scheme of arrangement for demerger in terms of SEBI circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations").
- The information contained herein and our report is confidential. It is intended only for the sole use of captioned purpose including for the purpose of obtaining requisite approvals as per the LODR Regulations.

#### 2. Background

##### a. Chandni Textiles Engineering Industries Limited ("CTEIL")

CTEIL, incorporated on June 17, 1986, is engaged in the business of sourcing of machinery and manufacturing of textile products. Business activities of CTEIL are classified into following two divisions:

- Engineering Division: The division is engaged in sourcing of engineering machinery.
- Textile Division: It is engaged in manufacturing of velvet fabrics.

The Equity Shares of CTEIL are listed on BSE Limited



**GUINNESS CORPORATE ADVISORS PRIVATE LIMITED**  
(Formerly known as Guinness Merchant Bankers Private Limited)

Registered Office : 18, Deshapriya Park Road, 2<sup>nd</sup> Floor, Kolkata - 700 026. Ph.: 033 30015555, Fax: 033 30015531 (w.e.f 01.03.2013)  
E-mail : gcapl@guinnessgroup.net, CIN : U74999WB1976PTC030545



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**b. Chandni Machines Private Limited ("CMPL")**

CMPL was recently incorporated on April 12, 2016. Presently, CMPL does not carry on any business activity. CMPL is a wholly owned subsidiary company of CTEIL.

The demerger is proposed to be carried out through a scheme of arrangement under section 391 to 394 read with Sections 100 to 103 and other applicable provisions of the Companies Act, 1956 and other applicable notified provisions of the Companies Act, 2013 ("Scheme"). Under the Scheme, Engineering Division of CT EIL will be transferred to CMPL and in consideration, Equity Shares of CMPL would be issued to the Equity Shareholders of CTEIL. Further, the existing Equity Shares held by CTEIL in CMPL would be cancelled pursuant to the demerger. We are informed that demerger will be in accordance with the provisions of section 2(19AA) of the Income Tax Act, 1961. Further, we have been informed by the management of CTEIL that prior to the aforesaid demerger, CTEIL is proposing to consolidate its equity shares whereby 10 equity shares of Re. 1 each will be consolidated into 1 equity share of Rs.10 each.

**3. Sources of information**

- a. Report of recommendation of "Share Entitlement Ratio", dated August 10, 2016 by SSPA for the proposed scheme of arrangement for demerger.
- b. Annual Reports of CTEIL for the year ended March 31, 2016, March 31, 2015 and March 31, 2014
- c. Copy of MOA and AOA of CTEIL and CMPL
- d. Draft of proposed scheme of arrangement of demerger.

**4. Limitations and Exclusions**

- a. Our report is subject to the limitations detailed hereinafter. The report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.
- b. Conclusions reached by us are dependent on the information provided to us being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our work did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information used during the course of our work. We have not performed any audit, review or examination of any of the historical or prospective information used and, therefore, does not express any opinion with regard to the same. In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to the date of our certificate.
- c. This certificate is prepared with a limited purpose as stated earlier and will be confidential being for use only to whom it is issued. It must not be copied, disclosed or circulated in any correspondence or discussions with any person, except to whom it is issued and to those who are involved in this transaction for various approvals for this transaction.
- d. Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed Demerger of the Engineering Division of CTEIL into CMPL with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.



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5. Opinion

- a. We have reviewed the approach used by the Valuer for recommending Share Entitlement Ratio and also reviewed the underlining assumptions adopted to arrive at the recommending a ratio of entitlement.
- b. On the basis of the foregoing points, we are of the opinion that recommendation made by SSPA is fair & reasonable for the proposed Share Entitlement Ratio for transfer of Shares which as mentioned below:

Prior to Consolidation of share capital of CTEIL:

1 (One) Equity share of CMPL of Rs. 10 each fully paid up for every 50 (Fifty) Equity shares of CTEIL of Re. 1 each fully paid up

Post Consolidation of share capital of CTEIL:

1 (One) Equity share of CMPL of Rs.10/- each fully paid up for every 5 (Five) Equity Shares of CTEIL of Rs. 10/- each fully paid up.

The above ratio is fair considering that all the shareholders of CTEIL are and will, upon demerger, be the ultimate beneficial owners of CMPL in the same ratio (inter se) as they hold shares in CTEIL.

Yours truly,  
For Guinness Corporate Advisors Private Limited

*Nimisha Joshi*  
Nimisha Joshi  
Asst. Vice President (MBD)



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