

# KEYNOTE

February 14, 2019

The Board of Directors,  
Minda Industries Limited  
Village Nawada Fatehpur,  
PO Sikanderpur Badda,  
Dist: Gurgaon, Haryana

Dear Sir/Madam,

**Reg: Fairness Opinion in connection with the proposed Composite scheme of Amalgamation of Harita Financial Services Limited ("HFSL"), Harita Limited ("HL"), Harita Venu Private Limited ("HVPL"), Harita Cheema Private Limited ("HCPL") (together referred as "Investment Companies") with Minda Industries Limited (the "Transferee Company" or "MIL") in Step 1 and Harita Seating Systems Limited ("HSSL") with Minda Industries Limited (the "Transferee Company" or "MIL") in Step 2**

Keynote Corporate Services Limited ("Keynote" or "we" or "us") is a Category I Merchant Banker registered with Securities Exchange Board of India ("SEBI"). We understand that the Management of MIL and HFSL, HL, HVPL, HCPL and HSSL are contemplating a composite scheme of Amalgamation under Sections 230 - 232 and other applicable provisions of the Companies Act, 2013 and rules made thereunder in two steps. The Investment Companies are proposing an amalgamation with MIL under a composite Scheme of Amalgamation as step 1 of the Proposed Transaction. It is further proposed that HSSL will amalgamate with MIL in the 2<sup>nd</sup> step of the composite Scheme of Amalgamation.

In connection with the aforesaid, we have been requested by the Management of MIL to issue a Fairness Opinion as of the date hereof, as to the fairness of the Share Exchange Ratio to the Equity Shareholders of the Investment Companies and HSSL. We have perused the documents/ information provided by you in respect of the said Composite Scheme of Amalgamation and the Joint Valuation Report as issued by SSPA & Co., Chartered Accountants ("SSPA") and Bansi S. Mehta and Co. ("BSM") dated February 14, 2019.

## Company Profiles : Transferor Companies

1. **Harita Limited** is engaged inter alia in the business of making investments. It does not have any substantial business operations and holds approximately 23.18% stake in the equity share capital of HSSL and 100% in HFSL.
2. **Harita Financial Services Limited** is engaged inter alia in the business of making investments. It does not have any substantial business operations and holds approximately 3.77% stake in the equity share capital of HSSL.
3. **Harita Venu Private Limited** is registered under Section 45-IA of the Reserve Bank of India Act, 1934 as a non-banking financial institution and is engaged in the business of making investments without accepting public deposits. HVPL holds approximately 26.97 % stake in the equity share capital of HL and 6.02% stake in HSSL.



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## Keynote Corporate Services Limited

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4. **Harita Cheema Private Limited** is registered under Section 45-IA of the Reserve Bank of India Act, 1934 as a non-banking financial institution and is engaged in the business of investments without accepting public deposits. HCPL holds approximately 48.03 % stake in the equity share capital of HL and 0.35% stake in HSSL.
5. **Harita Seating Systems Limited** is a public listed company incorporated under the provisions of the Companies Act, 1956 having its registered office at Jayalakshmi Estates, No.29 (Old no.8), Haddows Road, Chennai, Tamil Nadu, 600006. HSSL is engaged inter alia in the business of providing complete seating solution for driver and cabin seating for commercial vehicles, tractors and construction equipment as well as passenger seats for buses across all segments. HSSL holds 51% equity stake in Harita Fehrer Limited ("HFRL") engaged in manufacturing of PolyUrethane (PU) foam pads, two/three-wheeler seats, Microcellular Polyurethane MCU and interior modules. HFRL is a joint venture between HSSL and F. S. Fehrer Automotive GmbH, Germany. The equity shares of the HSSL are listed on The National Stock Exchange of India Limited.

The Investment Companies are registered under the Companies Act, 2013 having registered office at No.29(8) Haddows Road, Chennai 600 006..

## Company Profile : Transferee Company

**Minda Industries Limited** is a public listed company incorporated under the provisions of the Companies Act, 1956, having its registered office at B-64/1, Wazirpur Industrial Area, New Delhi – 110 052. The Transferee Company is engaged inter alia in the business of auto components and is a leading Tier 1 supplier of Proprietary Automotive Solutions to Original Equipment Manufacturers. The equity shares of the Transferee Company are listed on both BSE Limited and National Stock Exchange of India Limited.

## Rationale of the Report:

It is proposed to amalgamate the Investment Companies and HSSL with MIL by this Composite Scheme of Amalgamation, as a result of which the shareholders of the Investment Companies and HSSL shall directly hold shares in MIL and following benefits shall, inter alia, accrue to the Companies:

1. The Transferee Company desires to expand its business in automotive components and this amalgamation would improve customer connect and enhance market share across product segments in the auto sector
2. The amalgamation will help the Transferee Company in creation of platform for a new business vertical through enhanced base of product offerings and will ensure expansion of business operations through sustained availability and better procurement terms of components, pooling of resources in manufacturing, engineering, manpower and other infrastructure, thus leading to better utilisation and avoidance of duplication

## Sources of Information:

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

- Draft Scheme of Amalgamation between the Investment Companies and HSSL and MIL and their respective shareholders and creditors under Sections 230 - 232 and other applicable provisions under Companies Act, 2013





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- Joint Valuation Report by SSPA and BSM dated February 14,2019;
- Management certified consolidated and standalone financial Statements for the six month period ended September 30, 2018 and September 30, 2017 for HSSL and HFRL.
- Management certified consolidated financial Statements for six months period ended September 30, 2018 and September 30, 2017 for MIL.
- Unaudited statement of Profit & Loss for the nine month period ended December 31, 2018 and December 31, 2017 for HSSL and HFRL.
- Unaudited consolidated statement of Profit & Loss for nine months period ended December 31, 2018 and December 31, 2017 for MIL.
- Management certified financial statements of the Investment Companies as at December 31, 2018.

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

## Share Exchange Ratio:

SSPA and BSM has recommended the following share exchange ratio:

### Step 1

#### **For Amalgamation of HFSL into MIL**

As mentioned above, 100% of the share capital of HFSL is held by HL. As a part of the Proposed Amalgamation, at Step 1, since HL also is being amalgamated with MIL, shares of MIL shall not be issued as consideration to shareholders of HFSL i.e. HL.

#### **For Amalgamation of HL into MIL**

180(One Hundred Eighty) equity shares of MIL of INR 2 each fully paid up for every 121 (One hundred Twenty One) equity shares of HL of INR 10 each fully paid up, or  
58(Fifty Eight) 0.01% Non-Convertible Redeemable Preference Shares of MIL of INR 100 each fully paid up, at an issue price of INR 121.25 per share for every 14 (Fourteen) equity shares of HL of INR 10 each fully paid up

#### **For Amalgamation of HVPL into MIL**

1,996 (One Thousand Nine Hundred Ninety Six) equity shares of MIL of INR 2 each fully paid up for every 30 (Thirty) equity shares of HVPL of INR 10 each fully paid up, or  
2,409 (Two Thousand Four Hundred Nine) 0.01% Non-Convertible Redeemable Preference Shares of MIL of INR 100 each fully paid up, at an issue price of INR 121.25, for every 13 (Thirteen) equity shares of HVPL of INR 10 each fully paid up

#### **For Amalgamation of HCPL into MIL**

767 (Seven Hundred Sixty Seven) equity shares of MIL of INR 2 each fully paid up for every 14 (Fourteen) equity shares of HCPL of INR 10 each fully paid up, or





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3,357 (Three Thousand Three Hundred Fifty Seven) 0.01% Non-Convertible Redeemable Preference Shares of MIL of INR 100 each fully paid up, at an issue price of INR 121.25, for every 22 (Twenty two) equity shares of HCPL of INR 10 each fully paid up

## Step 2

### For Amalgamation of HSSL into MIL

152 (One Hundred Fifty Two) equity shares of MIL of INR 2 each fully paid up, for every 100 (One Hundred) equity shares of HSSL of INR 10 each fully paid up, or

4 (Four) 0.01% Non-Convertible Redeemable Preference Shares of MIL of INR 100 each fully paid up, at an issue price of INR 121.25 per share for every 1 (One) equity share of HSSL of INR 10 each fully paid up

The aforesaid Amalgamation shall be pursuant to the Draft Scheme of Amalgamation and shall be subject to receipt of approval from the National Company Law Tribunal or such other competent authority as may be applicable and other statutory approvals as may be required.

### Our Recommendation:

The Share Exchange Ratio as recommended by SSPA and BSM herein above in relation to the proposed Draft Composite Scheme of Amalgamation is Fair and Reasonable to the equity shareholders of the Investment Companies and HSSL and MIL Limited in our opinion.

### Exclusions and Limitations:

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by MIL and HSSL for the purpose of this opinion. Our work does not constitute an audit or certification or due diligence of the working results, financial statements, financial estimates or estimates of value to be realized for the assets of MIL and HSSL. We have solely relied upon the information provided to us by MIL, the Investment Companies and HSSL. We have not reviewed any books or records of MIL, the Investment Companies and HSSL (other than those provided or made available to us). We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of MIL and HSSL and the Investment Companies and neither express any opinion with respect thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of MIL, the Investment Companies and HSSL. We have not reviewed any internal management information statements or any non-public reports, and, instead, with your consent we have relied upon information which was publicly available or provided or otherwise made available to us by MIL, the Investment Companies and HSSL for the purpose of this opinion. We are not experts in the evaluation of litigation or other actual or threaten claims and hence have not commented on the effect of such litigation or claims on this opinion. We are not legal, tax, regulatory or actuarial advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of MIL, the Investment Companies and HSSL with respect to these matters. In addition, we have assumed that the Draft Composite Scheme of Amalgamation will be approved by the regulatory authorities and that the proposed





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Transaction will be consummated substantially in accordance with the terms set forth in the Draft Composite Scheme of Amalgamation.

We understand that the management of MIL, the Investment Companies and HSSL during our discussion with them would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Draft Composite Scheme of Amalgamation, no restrictions will be imposed that will have a material adverse effect on the benefits of the Transaction that MIL, the Investment Companies and HSSL may have contemplated. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we are not authorized to solicit, and did not solicit, interests for any party with respect to the acquisition, business combination or other extra-ordinary transaction involving MIL, the Investment Companies, HSSL or any of their assets, nor did we negotiate with any other party in this regard.

In the ordinary course of business, Keynote is engaged in securities trading, securities brokerage and investment activities, as well as providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of Keynote may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the Transaction.

The Fairness Opinion is addressed to the Board of Directors of MIL, the Investment Companies and HSSL and is for the purpose of submission to the Stock Exchanges under the SEBI Circular. Further, the Fairness Opinion may be disclosed on the websites of MIL, the Investment Companies and HSSL and the Stock Exchanges and also be made part of the explanatory statement to be circulated to the shareholders and/or creditors of the MIL, the Investment Companies and HSSL (in case of meetings of shareholders and/or creditors are conducted). The Fairness Opinion should be read in totality and not in parts. The Fairness Opinion shall not otherwise be disclosed or referred to publicly or to any other third party without Keynote's prior written consent. If this Fairness Opinion is used by any person other than whom it is addressed or for any purpose other than the purpose state hereinabove, then we will not be liable for any consequences thereof.

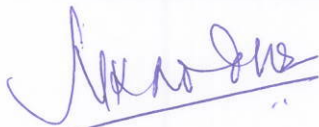
We express no opinion whatever and make no recommendation at all as to MIL's, the Investment Companies' and HSSL's underlying decision to effect to the proposed Transaction or as to how the holders of equity shares or preference shares or secured or unsecured creditors of MIL and HSSL should vote at their respective meetings, if any, held in connection with the Transaction. We do not express and should not be deemed to have expressed any views on any other terms of Transaction. We also express no opinion and accordingly accept no responsibility for or as to the prices at which the equity shares of MIL will trade following the announcement of the Transaction or as to the financial performance of MIL following the consummation of the Transaction.



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In no circumstances however, will Keynote Corporate Services Limited or its associates, directors or employees accept any responsibility or liability to any third party and in the unforeseen event of any such responsibility or liability being imposed on Keynote Corporate Services Limited or its associates, directors or employees by any third party, MIL, the Investment Companies and HSSL and their affiliates shall indemnify them.

For KEYNOTE CORPORATE SERVICES LTD



Keynote Corporate Services Limited  
SEBI Registration No. INM000003606  
(Category – I Merchant Banker)

