Annexure 3

Bharat Kotak & Company

Chartered Accountants

STRICTLY PRIVATE & CONFIDENTIAL

19th September 2018

To,

The Board of Directors,
Arrow Textiles Limited
Plot No. 101-103,
MIDC, 19th Street,
Satpur, Nashik, Maharashtra – 422 007;

The Board of Directors,
MMG India Private Limited
B-87, MIDC,
Ambad, Nashik, Maharashtra – 422 010; and

The Board of Directors,
Delta Magnets Limited
B-87, MIDC,
Ambad, Nashik, Maharashtra – 422 010.

Re: Recommendation of Fair Equity Share Exchange/ Swap Ratio for the proposed amalgamation of Arrow Textiles Limited and MMG India Private Limited into Delta Magnets Limited

Dear Sirs,

We refer to our engagement letter dated 3rd September 2018, whereby Bharat Kotak & Company, Chartered Accountants (hereinafter referred to as "the Valuer" or "We") have been requested by the management of Arrow Textiles Limited [CIN:L51494MH2008PLC178384] (hereinafter referred to as "ATL" or "the Transferor Company 1"); MMG India Private Limited [CIN:U27209MH1996PTC222840] (hereinafter referred to as "MMG" or "the Transferor Company 2") and Delta Magnets

Phone No: +91 22 28999897
Cell No: +91 98210 14580
+91 90043 57775
e-mail: bharat.kotak@rediffmail.com; harsh.ruparelia@yahoo.com

305B, Merigold,
Ram Mandir Road,
Opp. Saraswati Vidya Mandir,
Vazira, Borivali (West),
Mumbai – 400 091

BHARAT KOTAK & CO. MUMBAI 400 091

CERTIFIED TRUE COPY

For Arrow Textiles Limited

Company Secretary

Limited [CIN:L32109MH1982PLC028280] (hereinafter referred to as "DML" or "the Transferee Company") to issue a report containing recommendation of fair equity share exchange / swap ratio for the proposed amalgamation of ATL and MMG with DML. ATL and DML are collectively referred to as "Companies". We understand that MMG is a wholly-owned subsidiary of DML and hence, entire equity share capital of MMG held by DML and its nominees shall stand cancelled pursuant to the amalgamation and no shares shall be issued by DML as consideration for such cancellation.

In the following paragraphs, we have summarized our understanding of the key facts; key information relied upon, valuation approach and limitations to our scope of work. Our report is structured as under:

1. Purpose of Valuation
2. Background
3. Sources of Information
4. Valuation Approach
5. Recommendation
6. Exclusions and Scope Limitations

1. PURPOSE OF VALUATION

1.1 We understand that the Management of ATL, MMG and DML is contemplating a Scheme of Amalgamation between the above Companies and their respective shareholders in accordance with Section 2(1B) of the Income-tax Act, 1961 under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and rules & regulations framed thereunder, wherein it is proposed to amalgamate ATL and MMG with DML with effect from the Appointed Date viz. October 1, 2018.

1.2 In this regard, we have been appointed by the ATL, MMG and DML to carry out the relative valuation of equity shares of ATL and DML for recommending fair equity share exchange / swap ratio for the proposed amalgamation under the Scheme. For the purpose of amalgamation of MMG with DML, we understand that the entire equity share capital of MMG held by DML and its nominees shall stand cancelled pursuant to amalgamation and no shares shall be issued by DML as consideration for such cancellation.

1.3 The valuations to arrive at the fair equity share exchange / swap ratio for the proposed amalgamation of ATL with DML have been carried out as on September 18, 2018 ('Valuation Date').

BHARAT KOTAK & CO. MUMBAI 400 091

1.4 This report sets out our recommendation of the equity share exchange / swap ratio for the proposed amalgamation and discusses the approaches considered in the computation thereof.

2. BACKGROUND

2.1 ARROW TEXTILES LIMITED

2.1.1 Arrow Textiles Limited is a public listed company incorporated on 30th January 2008 under the Companies Act, 1956 having its registered office at Plot No. 101-103, MIDC, 19th Street, Satpur, Nashik, Maharashtra – 422 007.

2.1.2 The Authorised, Issued, Subscribed and Paid-up Share Capital of ATL as per the audited financial statements as on March 31, 2018 is as under:

Particulars	Amount in Rs.
Authorised Share Capital 2,10,00,000 Equity Shares of Rs. 10/- each	21,00,00,000
Total	**21,00,00,000**
Issued, Subscribed and Paid-up Share Capital 1,90,43,939 Equity Shares of Rs.10/- each, fully paid-up	19,04,39,390
Total	**19,04,39,390**

Subsequent to 31st March 2018 and as on date of this report, there is no change in the authorized, issued, subscribed and paid up capital of ATL.

2.1.3 The equity shares of ATL are listed on the National Stock Exchange of India Limited and BSE Limited.

2.1.4 ATL is primarily engaged in the business of manufacturing of textile woven labels, fabric printed labels and elastic /woven tapes.

2.2 MMG INDIA PRIVATE LIMITED

2.2.1 MMG India Private Limited is a private limited company incorporated on 5th June 1996 under the Companies Act, 1956 having its registered office at B-87, MIDC, Ambad, Nashik, Maharashtra – 422010.

2.2.2 The Authorised, Issued, Subscribed and Paid-up Share Capital of MMG as per the audited financial statements as on March 31, 2018 is as under:

(This space intentionally left blank)

BHARAT KOTAK & CO. MUMBAI 400 091

Particulars	Amount in Rs.
Authorised Share Capital 1,50,00,000 Equity Shares of Rs. 10/- each	15,00,00,000
Total	**15,00,00,000**
Issued, Subscribed and Paid-up Share Capital 1,38,65,870 Equity Shares of Rs.10/- each, fully paid-up	13,86,58,700
Total	**13,86,58,700**

Subsequent to 31st March 2018 and as on date of this report, there is no change in the authorized, issued, subscribed and paid up capital of MMG.

2.2.3 The entire equity share capital of MMG is held by DML and its nominee as on the date of this report.

2.2.4 MMG is primarily engaged in the business of manufacturing of soft ferrites.

2.3 DELTA MAGNETS LIMITED

2.3.1 Delta Magnets Limited is a public listed company incorporated on 23rd September 1982 under the Companies Act, 1956 having its registered office at B-87, MIDC, Ambad, Nashik, Maharashtra – 422010.

2.3.2 The Authorised, Issued, Subscribed and Paid-up Share Capital of DMLas per the financial statements as on March 31, 2018 is as under:

Particulars	Amount in Rs.
Authorised Share Capital 1,00,00,000 Equity Shares of Rs. 10/- each	10,00,00,000
Total	**10,00,00,000**
Issued, Subscribed and Paid-up Share Capital 64,71,014 Equity Shares of Rs.10/- each, fully paid-up	6,47,10,140
Total	**6,47,10,140**

Subsequent to 31st March 2018 and as on date of this report, there is no change in the authorized, issued, subscribed and paid up capital of DML.

2.3.3 The equity shares of DML are listed on the National Stock Exchange of India Limited and BSE Limited.

BHARAT KOTAK & CO. MUMBAI 400 091

2.3.4 DML is primarily engaged in the business of manufacturing of hard ferrites. DML has two wholly-owned subsidiaries and one step-down wholly-owned subsidiary:

(i) MMG India Private Limited – Manufacturing of Soft Ferrites

(ii) Magdev Limited – Trading of Ferrites

(iii) Pilamec Limited (Step-down Subsidiary) – Trading of Ferrites

2.4 ATL, MMG and DML are a part of Delta Group promoted by Shri Jaydev Mody and Family. As represented by the Management of the ATL, MMG and DML, we understand that the overall objective of the proposed amalgamation of ATL and MMG with DML is to achieve benefits as laid down in Rationale to the Scheme in Part B of the draft Scheme.

3. SOURCES OF INFORMATION

3.1. For the purpose of the valuation exercise, we have relied upon the following sources of information provided by the management of the ATL, MMG and DML:

(a) Annual Report of ATL and DML for the year ended March 31, 2018;

(b) Audited Financial Statements of MMG for the year ended March 31, 2018;

(c) Management certified projected financial statements comprising of Balance Sheet, Statement of Profit and Loss and Cash Flow Statement of ATL and DML for the Financial years 2018-19 to 2022-23, as provided to us by the Management;

(d) In case of DML, we have considered Management certified consolidated projected financial statements consisting of projected financial statements of its wholly-owned subsidiary and step-down wholly-owned subsidiary;

(e) Market prices and trading history of ATL and DML;

(f) Draft Scheme of Amalgamation as certified by the Management of ATL, MMG and DML;

(g) Shareholding Pattern of MMG as on the date. The entire equity share capital of MMG is held by DML and its nominees, which shall stand cancelled pursuant to the amalgamation;

(h) Shareholding pattern of ATL and DML as on 30th June 2018;

(i) Memorandum and Articles of Association of ATL, MMG and DML;

(j) Other relevant details regarding ATL, MMG and DML such as its history, past and present activities, future plans and prospects, income-tax position and other relevant information; and

(k) Such other information and explanations as we required and which have been provided by the Management and their respective advisors.

BHARAT KOTAK & CO. MUMBAI 400 091

4. VALUATION APPROACH

4.1. "Value is a word of many meanings". The term "value" can have different connotations depending upon the purpose which it is intended to be used. "Value" of the share of a company in the context of amalgamation may not be the same for the purpose of other transactions viz. Sale of Shares, Divestments, etc. The value of a share cannot be considered in isolation, it would depend on the precise purpose for which it is intended to be used. The method used for the valuation of shares must necessarily be determined by the purpose for which such valuation exercise is carried out.

4.2. The Valuation of equity shares of any Company would need to be based on a fair value concept. The purpose of fair value is to enable valuer to exercise his discretion and judgement in light of all circumstances, in order to arrive at a value, which is fair to all parties.

4.3. For the purpose of valuation, generally the following approaches are adopted:

(a) the 'underlying asset' approach;

(b) the 'Income' approach; and

(c) the 'market' approach.

4.4. 'Underlying Asset' Approach

(a) In case of the 'underlying asset' approach, the value per share is determined by arriving at the net assets (Assets *Less* Liabilities) of the Company.

(b) In view of the fact that the amalgamation of the Companies is envisaged as a going concern and actual realization of operating assets is not contemplated, the 'underlying asset' approach may not be appropriate for the current valuation exercise as the value of the assets and liabilities may not provide a true reflection of the potential of the business operations of the Company.

4.5. 'Income' Approach

Under the "Income" approach, the equity shares of the company can be valued using Discounted Cash Flow (DCF) Method.

DCF Method

(i) Under the DCF method, the projected free cash flows from business operations after considering fund requirements for projected capital expenditure, incremental working capital and debt servicing viz. Debt Repayment and Finance Costs are discounted at the Cost of Equity (CoE). The sum of the discounted value of such free cash flows to equity and discounted value of perpetuity is the value of the business belonging to the equity shareholders of the Companies.

BHARAT KOTAK & CO. MUMBAI 400 091

(ii) Using the DCF method involves determing the following:

- *Estimating the future free cash flows to equity:*
  Future Free cash flows are the cash flows expected to be generated by the entity that are available to the providers of entity's equity shareholders. The free cash flows are determined by adjusting the Earnings before interest, tax and depreciation, interest on long-term loans and repayment of loans, capital expenditure and working capital requirements to the extent funded by the cash from operations.
- *Time Frame of such cash flows:*
  The time frame for free cash flows is determined by separating the value of the business in the explicit projection period and the post explicit projection period.
- *Appropriate Discount rate (Cost of Equity):*
  Under DCF Method, the time value of money is recognized by applying a discount rate to the future free cash flows to arrive at their present value as on the date of valuation. Cost of Equity is considered as the most appropriate discount rate in the DCF Method for FCFE Model, since it reflects both the business and the financial risk of the company. Considering that FCF to Equity model has been used in the current valuation exercise, we have arrived at the Cost of Equity to be used for discounting the Free Cash Flows of the Company.
- *Terminal or perpetuity value:*
  The Perpetuity value of an ongoing business is determined as present value of the estimated future free cash flows by capitalizing the free cash flows of the last year of the explicit projection period into perpetuity using an appropriate rate of return.
- The equity value so arrived at under 'income' approach is divided by the outstanding number of equity shares as on the date of valuation to arrive at the value per share of the Company.

Considering the nature of business of the Company and based on review of projected financial statements made available to us by the Company, we are of the view that 'income' approach would be appropriate for the current valuation exercise.

4.6. <u>'Market' Approach</u>

(a) Since ATL and DML are listed on BSE and NSE, we have considered market price method for equity shares of ATL and DML.

BHARAT KOTAK & CO. MUMBAI 400 091

(b) The Market Prices of Stock Exchange provide a barometer of faith, confidence and perception of shareholder of the value of an equity share of the Company. The volume of the transactions that takes place in the market affects prices of equity shares traded on the stock exchange.

(c) Trading Volumes of equity shares of ATL and DML during the period ended 18th September 2018 ("Cut-off date") was higher on NSE as compared to BSE. Under the market price method, we have considered average of weekly high and low of the volume weighted average price ('VWAP') of ATL and DML during the twenty-six weeks or two weeks preceding 19th September 2018, whichever is higher is considered.

4.7. For the purpose of the current valuation exercise, since the assets may not provide true reflection of the earning capacity of the Company, valuation of equity shares of the Company has been carried out placing reliance on 'Income' approach – Discounted Cash Flow Method and 'Market' Approach – Market Price Method. In view of the fact that equity shares of ATL and DML are both listed on NSE and BSE and considerations to the fact stated hereinabove, we have considered it appropriate to provide equal weight to the price arrived as per 'Market' approach and 'Income' approach in our recommendation of Share Exchange / Swap Ratio for the Proposed Amalgamation.

4.8. With respect to proposed amalgamation of MMG with DML, the entire equity share capital of MMG is held by DML and its nominees, which shall stand cancelled pursuant to the amalgamation and hence, in our opinion, relative valuation with respect to the said amalgamation is not required to be carried out.

4.9. Except as specifically stated to the contrary, this valuation report has given no consideration to matters of legal nature, including issues of legal title and compliance with local laws and litigation and other contingent liabilities that are not recorded / provided for in the audited statement of profit and loss / balance sheet of ATL, MMG and DML.

4.10. It is universally recognized that the valuation is not an exact science and that estimating values necessarily involves selecting a method of approach that is suitable for the purpose. The application of any particular method of valuation depends upon various factors including nature of its business, overall objective of the transaction and the purpose of valuation.

5. RECOMMENDATION

5.1. It is recognized that valuation of any company or assets as a matter of subject is inherently subjective and subject to various factors, which are difficult to

BHARAT KOTAK & CO. MUMBAI 400 091

predict and beyond our control. Valuation exercise involves various assumptions with respect to the specific industry, general business and economic conditions, which are beyond control of the Companies. The assumptions and analysis of market conditions, comparables, prospects of the Industry as a whole and the Company, which influence the valuation of companies are subject to change over a period of time and even differ between the valuers at the given point of time.

5.2. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

'If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible.'

5.3. The fair basis of amalgamation of ATL with DML would have to be determined after taking into consideration all the factors and methodology mentioned hereinabove. It is however important to note that in doing so, we are not attempting to arrive at the absolute value per share of ATL and DML. Our exercise is to work out relative value of ATL and DML to facilitate the determination of a share exchange / swap ratio solely for the purpose of proposed amalgmation.

5.4. The Share Exchange / Swap Ratio has been arrived at based on relative equity valuation of ATL and DML using the Market Approach and Income Approach based on Methodologies explained herein earlier and various qualitative factors relevant to each Company and the business dynamics

BHARAT KOTAK & CO. MUMBAI 400 091

and growth potential of the business of each Company having regard to the information received, key underlying assumptions and limitations.

5.5. It may herein be noted that the Stock Exchanges have issued a circular to the listed companies (e.g; BSE Circular LIST/COMP/02/2017-18 dated May 29, 2017) ("the Circular"), on advice by SEBI, laying down the format in which the valuation report shall display the workings, the relative value per share and Fair Share Exchange Ratio. The disclosure in the format suggested by the Stock Exchanges after suitably averaging and rounding off in values is as under:

Particulars	Arrow Textiles Limited			Delta Magnets Limited		
Method	Value per Share (Rs.)	Weight	Product	Value per Share (Rs.)	Weight	Product
Underlying Asset Approach	N.A. (See Para 4.4)					
Discounted Cash Flow Method (Income Approach)	11.50	1	11.50	81.11	1	81.11
Market Price Method (Market Approach)	31.98	1	31.98	105.65	1	105.65
Total		2	43.48		2	186.75
Fair Value per Share			21.74			93.38
Fair Share Exchange Ratio (Rounded off)						0.23

5.6. In the light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report (including scope limitation and exclusions given below), in our opinion, we recommend the share exchange / swap ratio as given below for the proposed amalgamation of ATL and MMG with DML would be fair and reasonable:

For equity shareholders of ATL	***"23 (Twenty-Three) Equity Shares of Rs. 10/- each, fully paid up of DML to be issued for every 100 (One Hundred) Equity shares of Rs.10/- each held by the equity shareholders of ATL"***
For equity shareholders of DML	***The entire equity share capital of MMG is held by DML and its nominees, which shall stand cancelled pursuant to the amalgamation and no shares shall be issued as consideration for the amalgamation of MMG with DML.***

6. EXCLUSIONS AND SCOPE LIMITATIONS

6.1. Our report is subject to the scope limitations detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

BHARAT KOTAK & CO. MUMBAI 400 091

6.2. No investigation of the Company's claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. Therefore, no responsibility is assumed for matters of a legal nature.

6.3. Our recommendation is based on the estimates of future financial performance as projected by the Management of the Companies, which represents their view of reasonable expectation at the point of time when they were prepared, after giving due considerations to the commercial and financial aspects of the Companies and the industry in which the Companies operate. But such information and estimates are not offered as assurances that the particular level of income or profit will be achieved or events will occur as predicted. Actual results achieved during the period covered by the projected financial statements may vary from those contained in the statement and the variation may be material. The fact that we have considered the projections in this valuation exercise should not be construed or taken as we being associated with or a party to such projections.

6.4. Our work does not constitute certification of the historical financial statements including the working results of the Company referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as per agreed terms of our engagement. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

6.5. A valuation of this nature involves consideration of various factors based on prevailing stock market, financial, economic and other conditions including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the Company have drawn our attention to all material information, which they are aware of concerning the financial position of the the Company and any other matter, which may have an impact on our opinion, on the fair value of the equity share of the Company, including any significant changes that have taken place or are likely to take place in the financial position, subsequent to the report date. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

6.6. This Valuation Report does not look into the business / commercial reasons behind the proposed transaction or address any potential synergies to the Company and other parties connected thereto.

BHARAT KOTAK & CO. MUMBAI 400 091

6.7. In the course of the valuation, we were provided with both written and verbal information. We have evaluated the information provided to us by the Company through broad inquiry, analysis and review. We assume no responsibility for any errors in the above information furnished by the Company and consequential impact on the present exercise. We do not express any opinion or offer any assurance regarding accuracy or completeness of any information made available to us.

6.8. Our report is not, nor should it be construed as our opining or certifying any compliance with the provisions of any law, whether in India or any other country including companies, taxation and capital market related laws or as regards any legal implications or issues arising from any transaction proposed to be contemplated based on this Report.

6.9. The information contained herein and our report is confidential. Any person/party intending to provide finance/invest in the shares/businesses of the Company, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, can be done only with our prior permission in writing.

6.10. This report has been prepared solely for the Board of Directors of ATL, MMG and DML for the purpose of recommending a fair share exchange / swap ratio for the proposed amalgamation of ATL and MMG with DML.

6.11. The decision to carry out the transaction (including consideration thereof) lies entirely with the Management / Board of Directors of ATL, MMG and DML and our work and our finding shall not constitute recommendation as to whether or not the Management / the Board of Directors of ATL, MMG and DML should carry out the transaction.

6.12. This report has been prepared solely for the purpose of assisting ATL, MMG and DML, in determining the fair share exchange / swap ratio for the proposed amalgamation in accordance to our engagement letter. Further, the fees for this engagement is not contingent upon the results arrived under this valuation exercise.

6.13. By its very nature, valuation work cannot be regarded as an exact science, the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgement. Given the same set of facts and using the same assumptions, opinion on the valuation exercise may differ due to application of the facts and assumptions, formulaes used and numerous other factors. There is, therefore, no indisputable single value or standard

BHARAT KOTAK & CO. MUMBAI 400 001

methodology for arriving at the value per equity share. Although our conclusions are in our opinion reasonable, it is quite possible that others may not agree.

6.14. BKCo, nor its proprietor, managers, employees or agents or any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation. We are not liable to any third party in relation to issue of this report. In no event, we shall be liable for any loss, damage, cost or expense arising in any way from any acts carried out by the ATL, MMG and DML or any person connected thereto.

If you require any clarifications on the above, we would be happy to clarify the same. We are thankful to your team for kind co-operation and support during this assignment.

Thanking you,
Yours faithfully,
For **Bharat Kotak & Company**
Chartered Accountants
Firm Registration No. 135832W

BHARAT KOTAK & CO. MUMBAI 400 091

Bharat K. Kotak
Proprietor
Membership No. 015045
Date: 19th September 2018
Place: Mumbai