

KUNVARJI

SINCE 1940

Driven By Knowledge

To
The Board of Directors
Surat Textile Mills Limited,
 Tulsi Krupa Arcade, 6th Floor,
 Nr. Aai Mata Chowk,
 Puna-Kumbharia Road, Dumbhal,
 Surat - 395010.

Dear Sir,

Sub: Certificate on adequacy and accuracy of disclosure of information pertaining to the Vareli Trading Company Limited in the Abridged Prospectus in compliance with SEBI Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 for the purpose of Scheme of Arrangement between Vareli Trading Company Limited ("VTCL"), and Surat Textile Mills Limited ("STML") and their respective shareholders and creditors under section 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Scheme").

We, M/s. Kunvarji Finstock Private Limited ("**KFPL**", "**Kunvarji**", "**We**" or "**us**"), a Category I Merchant Banker registered with SEBI, having registration no. MB/INM000012564 have been appointed by Board of Directors (**the "Board"**) of Surat Textile Mills Limited (STML) for the purpose of certifying the adequacy and accuracy of disclosure of information provided in its Abridged Prospectus in connection with the Scheme of Arrangement between Vareli Trading Company Limited ("VTCL"), and Surat Textile Mills Limited ("STML").

1. Scope and Purpose of the Certificate:

SEBI vide Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ("**SEBI Circular**") inter alia prescribed that the listed entity (in the present case "**Surat Textile Mills Limited (STML)**") shall include the applicable information pertaining to the unlisted entity involved in the scheme (in the present certificate, "**VTCL**") in the format specified for abridged prospectus as provided in Part E of Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**ICDR Regulations**"), in the explanatory statement or notice or proposal accompanying resolution to be passed, sent to the shareholders while seeking approval of the scheme. SEBI Circular further prescribes that the accuracy and adequacy of such disclosures shall be certified by a SEBI Registered Merchant Banker after following the due diligence process.

This certificate is being issued in compliance of above mentioned requirement under the SEBI Circular.



1



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Kunvarji Finstock Pvt. Ltd.

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CIN - U65910GJ1986PTC008979

002926/2019

This certificate is restricted to meet the above mentioned purpose only and may not be used for any other purpose whatsoever or to meet the requirement of any other laws, rules, regulations and statutes.

2. Certification:

We state and confirm as follows:

- 1) We have examined various documents and other materials made available to us by the management of STML and VTCL in connection with finalization of Abridged Prospectus dated 26th August 2021 pertaining to VTCL, which will be circulated to the members of all the companies i.e. VTCL and STML at the time of seeking their consent to the Scheme of Arrangement between VTCL and STML as a part of explanatory statement to the notice.
- 2) On the basis of such examination and the discussion with the management of VTCL and STML, we confirm that:
 - A. The information contained in the Abridged Prospectus is in conformity with the relevant documents, materials and other papers related to VTCL.
 - B. The Abridged Prospectus contains applicable information pertaining to VTCL as required in terms of SEBI Circular, which, in our view is fair, adequate and accurate to enable the members to make an informed decision on the Scheme of Arrangement.

3. Disclaimer:

Our scope of work did not include the following:-

- An audit of the financial statements of VTCL.
- Carrying out a market survey / financial feasibility for the Business of VTCL.
- Financial and Legal due diligence of VTCL.

It may be noted that in carrying out our work we have relied on the integrity of the information provided to us for the purpose, and other than reviewing the consistency of such information, we have not sought to carry out an independent verification, thereof we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by the management of VTCL and STML.

We do not assume any obligation to update, revise or reaffirm this certificate because of events or transactions occurring subsequent to the date of this certificate.



We understand that the management of VTCL and STML, during our discussions with them would have drawn our attention to all such information and matters, which may have impact on our Certificate.

The fee for our services is not contingent upon the result of the Scheme of Arrangement.

The management of VTCL, STML or their related parties are prohibited from using this opinion other than for its sole limited purpose and not to make a copy of this certificate available to any party other than those required by statute for carrying out the limited purpose of this certificate.

Our certificate is not, nor should it be constructed as our opinion or certification of the compliance of the Scheme of Arrangement with the provision of any law including Companies Act, taxation laws, capital market laws and related laws.

We express no opinion whatsoever and make no recommendations at all (and accordingly take no responsibility) as to whether shareholders/investors should buy, sell or hold any stake in the Company or any of its related parties (holding companies/subsidiaries/associates etc.)

In no event, KFPL, its Directors and employees will be liable to any party for any indirect, incidental, consequential, special or exemplary damages (even if such party has been advised of the possibility of such damages) arising from any provision of this opinion.

Yours faithfully,

For, Kunvarji Finstock Private Limited



Mr. Atul Chokshi
Director (DIN: 00929553)



Date: 26th August 2021

Place: Ahmedabad

**APPLICABLE INFORMATION IN THE FORMAT SPECIFIED FOR ABRIDGED PROSPECTUS
(AS PROVIDED IN PART E OF SCHEDULE VI OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE
REQUIREMENT) REGULATIONS, 2018)**

This Document contains information pertaining to unlisted entity involved in the proposed Scheme of Arrangement between Surat Textile Mills Limited ("STML" or "Transferee Company"), Vareli Trading Company Limited ("VTCL or Transferor Company") and their respective shareholders and creditors pursuant to Sections 230-232 of the Companies Act, 2013 and rules framed thereunder ("Scheme"). STML is hereinafter referred to as the "Resulting Companies". This Abridged Prospectus has been prepared in terms of the requirements specified in SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ("SEBI Circular"). Copies of the documents as mentioned under the title "Any Other Important Information of VTCL" on page 5 shall be available for inspection at STML's Registered Office situated at Tulsi Krupa Arcade, 6th Floor, Near Aai Mata Chowk, Puna-Kumbharia Road, Surat – 395010, Gujarat, India during working hours on all working days from the date of this Abridged Prospectus till the completion of arrangement.

**THIS ABRIDGED PROSPECTUS CONTAINS 5 PAGES
PLEASE MAKE SURE YOU HAVE RECEIVED ALL THE PAGES**

<p>Vareli Trading Company Limited Registered Office: Dr Amichand Shah Wadi ,Rampura Tunki, Surat – 395003, Gujarat, India Telephone: +91 9099001250; Email: rampura31@gmail.com CIN: U65910GJ1987PLC009405 Contact Person: Alok Shah, Director</p>
<p>PROMOTERS OF VARELI TRADING COMPANY LIMITED</p>
<p>The promoters of Vareli Trading Company Limited are Praful Amichand Shah, Alok Praful Shah and Suhail Praful Shah</p>
<p>SCHEME DETAILS, LISTING AND PROCEDURE</p>
<p>The Scheme of Arrangement provides for Amalgamation of Vareli Trading Company Limited (VTCL) With Surat Textile Mills Limited (STML) through a Scheme of the Arrangement (the Scheme) under provisions of Sections 230 to 232 of the Companies Act, 2013 and rules framed thereunder. As a consideration for the amalgamation, 521 Equity shares of STML of face value Rs.1/- each credited as fully paid share for every 1 share held in VTCL of the face value Rs 10/- each fully paid. Such equity shares (issued by STML to the relevant equity shareholders of VTCL) will be listed and admitted for trading on the Stock Exchanges.</p> <p align="center">PROCEDURE</p> <p>The procedure with respect to public issue/offer would not be applicable as the Scheme does not involve issue of any equity shares to public at large. The issue of equity shares by STML is only to the shareholders of the transferor Company, in accordance with the Scheme. Hence, the procedure with respect to GID (General Information Document) is Not Applicable.</p>
<p>STATUTORY AUDITORS OF VTCL</p>
<p>Sunil K. Kansara & Associates, Chartered Accountants, Firm Registration NO.124120W 34-A, Shree Laxminagar Co-op. Housing Society Ltd. Gandevi Road, Navsari 396 445, Gujarat. Contact Person : Sunil K. Kansara Tel : 97120 22322 email : skkansara@gmail.com</p>
<p>ELIGIBILITY FOR THE ISSUE</p>
<p>Whether the company is compulsorily required to allot at least 75% of the net public offer to public, to qualified institutional buyers – Not Applicable</p>
<p>INDICATIVE TIMELINE</p>
<p>The Abridged Prospectus is issued pursuant to the Scheme and is not an offer to public at large. The time frame cannot be established with absolute certainty, as the Scheme is subject to approvals from regulatory authorities, including the National Company Law Tribunal, Ahmedabad Bench at Ahmedabad ("NCLT").</p>



GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in the equity of the Issuing Company unless they can afford to take the risk of losing their entire investment. Shareholders are advised to read the risk factors carefully before taking an investment decision in relation to the Scheme. For taking an investment decision, shareholders must rely on their own examination of the Company and the Scheme including the risks involved. The equity shares being offered in the Scheme have not been recommended or approved by the Securities and Exchange Board of India ("SEBI") nor does SEBI guarantee the accuracy or adequacy of the Abridged Prospectus. The Scheme does not envisage any issue to the public at large. Shareholders are advised to refer the title "Internal Risk Factors" on Page No. 5 of the Abridged Prospectus before making an investment in this Scheme.

PRICE INFORMATION OF VTCL

Not Applicable, since this abridged prospectus is prepared in relation to the Scheme.

PROMOTERS OF VTCL

The promoters of Vareli Trading Company Limited are Praful A. Shah, Alok P. Shah, Suhail P. Shah

Sr.	Name	Qualification	Experience including current / past position held in other firms
1.	Mr. Praful A. Shah	Mechanical Engineering from Stanford University, USA	He is a well-known industrialist having experience of over four decades in the field of man-made textiles. Other directorships : 1. Rosekamal Textiles Ltd. 2. Bijlee Textiles Ltd. 3. Prabhat Silk Mills Ltd. 4. Palomar Textiles Ltd. 5. Armorax Business Centre Pvt. Ltd. 6. Introscope Properties Pvt. Ltd. 7. Sorrento Textiles Pvt. Ltd. 8. Andromeda Textiles & Trading P. Ltd. 9. Globale Textile Market Holdings P. Ltd.
2.	Mr. Alok P. Shah	Electrical Engineer from Stanford University, USA	He is an Electrical Engineer from Stanford University, USA and also holds degree of MBA, Finance, General Management & Economics from University of Chicago, USA. He has wide exposure and knowledge in project appraisal, corporate finance and management. Other directorships : 1. Rosekamal Textiles Ltd. 2. Bijlee Textiles Ltd. 3. Prabhat Silk Mills Ltd. 4. Palomar Textiles Ltd. 5. Armorax Business Centre Pvt. Ltd. 6. Introscope Properties Pvt. Ltd. 7. Sorrento Textiles Pvt. Ltd. 8. Globale Textile Market Holdings P. Ltd.
3.	Mr. Suhail P. Shah	Ph.D. (Theoretical Physical Chemistry) from University of Chicago	He holds Ph.D. (Theoretical Physical Chemistry) from University of Chicago, M.S. in Physical Chemistry A.B., Chemistry and Physics from Harvard University. To his credits are various research accomplishments, computational skills and research operations of more than 15 years. Other directorships : 1. Rosekamal Textiles Ltd. 2. Bijlee Textiles Ltd. 3. Prabhat Silk Mills Ltd. 4. Palomar Textiles Ltd. 5. Armorax Business Centre Pvt. Ltd. 6. Introscope Properties Pvt. Ltd. 7. Sorrento Textiles Pvt. Ltd. 8. Globale Textile Market Holdings P. Ltd.



BUSINESS MODEL / BUSINESS OVERVIEW AND STRATEGY

VTCL was incorporated with Registrar of Companies in the state of Gujarat under the Companies Act, 1956 on 10th February 1987 in the name & style of "Vareli Finance Limited". The Company received Certificate of Commencement of Business on 10th February 1987.

The name was changed to Vareli Trading Company Limited and the fresh Certificate of Incorporation on change of Name was received on 6th September 1999 from Registrar of Companies, Gujarat.

The Company is registered with the main object to carry on the business of textiles and textiles related products and currently doing business of trading in fabrics.

The Company is having registered office at Dr. Amichand Shah's Wadi, Rampura Tunki, Surat - 395 003, Gujarat. The Company is operating its business activities from the said locations. The Company does not have any other locations and does not have any manufacturing facility.

BOARD OF DIRECTORS OF VTCL**Board of Directors of VTCL:**

Sr. No.	Name	Designation	Experience including current / past position held in other firms
1.	Mr. Praful A. Shah	Director	<p>He is a well known industrialist having experience of over four decades in the field of man made textiles. He holds master of science degree in Mechanical Engineering from Stanford University, USA</p> <p>Other directorships :</p> <ol style="list-style-type: none"> 1. Rosekamal Textiles Ltd. 2. Bijlee Textiles Ltd. 3. Prabhat Silk Mills Ltd. 4. Palomar Textiles Ltd. 5. Armorax Business Centre Pvt. Ltd. 6. Introscope Properties Pvt. Ltd. 7. Sorrento Textiles Pvt. Ltd. 8. Andromeda Textiles & Trading P. Ltd. 9. Globale Textile Market Holdings P. Ltd.
2.	Mr. Alok P. Shah	Director	<p>He is an Electrical Engineer from Stanford University, USA and also holds degree of MBA, Finance, General Management & Economics from University of Chicago, USA. He has wide exposure and knowledge in project appraisal, corporate finance and management.</p> <p>Other directorships :</p> <ol style="list-style-type: none"> 1. Rosekamal Textiles Ltd. 2. Bijlee Textiles Ltd. 3. Prabhat Silk Mills Ltd. 4. Palomar Textiles Ltd. 5. Armorax Business Centre Pvt. Ltd. 6. Introscope Properties Pvt. Ltd. 7. Sorrento Textiles Pvt. Ltd. 8. Globale Textile Market Holdings P. Ltd.



3.	Mr. Suhail P. Shah	Director	<p>He holds Ph.D. (Theoretical Physical Chemistry) from University of Chicago, M.S. in Physical Chemistry A.B., Chemistry and Physics from Harvard University. To his credits are various research accomplishments, computational skills and research operations of more than 15 years.</p> <p>Other directorships :</p> <ol style="list-style-type: none"> 1. Rosekamal Textiles Ltd. 2. Bijlee Textiles Ltd. 3. Prabhat Silk Mills Ltd. 4. Palomar Textiles Ltd. 5. Armorax Business Centre Pvt. Ltd. 6. Introscope Properties Pvt. Ltd. 7. Sorrento Textiles Pvt. Ltd. 8. Globale Textile Market Holdings P. Ltd.
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OBJECTS/RATIONALE OF THE SCHEME

The Scheme of amalgamation of Vareli Trading Company Limited ("Transferor Company"/ "VTCL") with Surat Textile Mills Limited ("Transferee Company"/"STML") will result in following benefits:

Under this scheme of arrangement, all the Assets & Liabilities of VTCL will be taken over by STML. The scheme is envisaged to provide following benefits:

1. The amalgamation will help in elimination of the investment layer in the shareholding pattern of the Transferee Company,
2. It will be helpful to achieve the benefits of the synergy of large-scale operations.
3. This amalgamation will improve the financial strength of the combined entity

The Scheme is in the interest of the shareholders, creditors and all other stakeholders of both companies and is not prejudicial to the interests of the concerned shareholders, creditors of the parties or the public at large.

SHAREHOLDING PATTERN OF VTCL (PRE AND POST ARRANGEMENT)

Shareholding Pattern of VTCL:

Sr. No.	Particular	Shareholding	
		Number of Equity Shares Held	% of Holding
1	Praful A. Shah	81,897	55.00%
2	Praful A. Shah (HUF)	1	0.00%
3	Shilpa P. Shah	22,336	15.00%
4	Alok P. Shah	22,334	15.00%
5	Suhail P. Shah	22,336	15.00%
6	Deepika A. Shah	1	0.00%
7	Alok P. Shah (HUF)	1	0.00%
Total		1,48,906	100.00%

Note: Upon the scheme becoming effective, VTCL (the Transferor Company) would merge in to STML (the Transferee Company) and the issued capital of the Transferor Company would get cancelled

FINANCIALS OF VSPL (RS. IN LACS)

Standalone (Figures in INR)	As of and for the period ended 31.07.2021 (Provisional unaudited)	FY 2020-21 (Audited)	FY 2019-20 (Audited)	FY 2018-19 (Audited)	FY 2017-18 (Audited)	FY 2016-17 (Audited)
Total Income	Nil	Nil	8.67	0.53	1.09	4.24
Profit/(Loss) before Tax and Extraordinary Items	(0.30)	(0.63)	8.31	(26.24)	(0.09)	0.53
Profit/(Loss) after Tax and Extraordinary Items	(0.30)	(0.63)	6.96	(26.24)	(0.09)	0.53
Equity Share Capital	14.89	14.89	14.89	14.89	11.00	11.00
Reserves and Surplus	761.40	761.70	762.33	755.37	10.50	10.61
Net Worth	776.29	776.59	777.22	770.26	21.50	21.61

Basic Earnings per share	(0.20)	(0.42)	4.67	(17.63)	(0.09)	0.39
Diluted Earnings per Share	(0.20)	(0.42)	4.67	(17.63)	(0.09)	0.01
Return on Net Worth	(0.04)	(0.08)	0.90	(3.41)	(0.42)	2.45
Net Asset Value per share	521.35	521.55	521.97	517.30	19.55	19.65

Notes:

- 1 Reserves and Surplus values considered are Other Equity
- 2 Net Worth = Equity Paid-up capital + Other Equity + Unsecured Perpetual Securities
- 3 Return on Net Worth = Profit after tax / Net worth
- 4 Net Asset value per share = Net worth / Number of equity shares outstanding at the end of the year

INTERNAL RISK FACTORS

Implementation of the Scheme completely depends upon the approval of the regulatory authorities. Any modification / revision by the competent authorities may delay the completion of the process.

SUMMARY OF OUTSTANDING LITIGATIONS CLAIMS AND REGULATORY ACTION

Total number of outstanding litigations against and by VTCL and amount involved are as under –

Type of Cases	Number of cases	Amount involved (Rs Lakhs)
Civil and Economic Matters	NIL	NIL
Criminal Matters	NIL	NIL
Labor Claims, Winding up petitions or closure	NIL	NIL
Overseas Litigation matters	NIL	NIL
SEBI or other regulatory matters	NIL	NIL
Security Matters	NIL	NIL
Statutory Obligations	NIL	NIL
Total	NIL	NIL

ANY OTHER IMPORTANT INFORMATION OF VTCL

- **Authority for the issue** – The Scheme was approved by the Board of Directors of VTCL on December 04, 2019. The Scheme is subject to approvals from the SEBI, Shareholders, Stock Exchanges, National Company Law Tribunal, Regional Director & Registrar of Companies.
- **Expert Opinion obtained, if any** – Valuation Report and Fairness Opinion
- **Material Contracts and Documents for Inspection:**
 1. Memorandum & Articles of Association
 2. Financial Statements & latest Shareholding Pattern
 3. Scheme of Arrangement
 4. Valuation Report and Fairness Opinion pursuant for the Scheme

DECLARATION

We hereby declare that all relevant provisions of the Companies Act, 1956 & Companies Act, 2013 and the guidelines/regulations issued by the Government of India or the guidelines/regulations issued by SEBI, established under Section 3 of the Securities and Exchange Board of India Act, 1992 as the case may be, have been complied with and no statement made in this abridged prospectus is contrary to the provisions of the Companies Act, 2013, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines or regulations issued there under, as the case may be. We further certify that all statements in this Abridged Prospectus are true & correct.

FOR VARELI TRADING COMPANY LIMITED


ALOK P. SHAH
DIRECTOR



Place: Surat
Date: 8/26/2021