



**FAIRNESS OPINION REPORT ON VALUATION FOR THE
PROPOSED SCHEME OF MERGER BY ABSORPTION**

OF

STARLITE LIGHTING LIMITED

WITH

BAJAJ ELECTRICALS LIMITED

AND

THEIR RESPECTIVE SHAREHOLDERS

By



Navigant

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25th May, 2021

SEBI Registered Category I Merchant Banker

SEBI Registration No. INM000012243



Notice to Reader

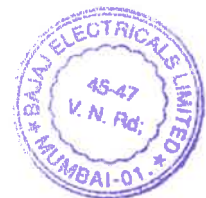
Navigant Corporate Advisors Limited (“Navigant” / “NCAL” or “Authors of the Report”) is a SEBI registered ‘Category I’ Merchant banker in India and was engaged by Board of Directors of Bajaj Electricals Limited (“BEL” or “Transferee Company”) to prepare an Independent Fairness Opinion Report (“Report”) with respect to providing an independent opinion and assessment as to fairness of Valuation Report and Swap ratio determined by Rashmi Shah, Chartered Accountant & Registered Valuer (SFA) (“Valuer”) an Independent Valuer for the purpose of intended proposed Merger of Starlite Lighting Limited (“SLL” or “Transferor Company”) into BEL pursuant to a Scheme of Arrangement under section 230 to 232 and other applicable clauses of the companies Act, 2013 (“Scheme”).

BEL and SLL are collectively referred as “Companies”.

The Fairness Opinion Report (“Report”) has been prepared on the basis of the review of information provided to Navigant and specifically the Report on Swap ratio (hereinafter referred as Valuation Report) prepared by Valuer as an independent valuer. The report does not give any valuation or suggest any swap ratio; however, this report is limited to provide its fairness opinion on the Valuation Report.

The information contained in this Report is selective and is subject to updations, expansions, revisions and amendment. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent.

This Report is based on data and explanations provided by the management and certain other data culled out from various websites believed to be reliable. Navigant has not independently verified any of the information contained herein. Neither the Company nor Navigant, nor affiliated bodies corporate, nor the directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information contained in the Report. All such parties and entities expressly disclaim any and all liability for or based on or relating to any such information contained in, or errors in or omissions from, this Report or based on or relating to the Recipients’ use of this Report.



Date: 25th May, 2021

To,
The Board of Directors
Bajaj Electricals Limited
45/47, Veer Nariman Road, Mumbai – 400001,
Maharashtra

Dear Members of the board,

Engagement Background

We Understand that the Board of Directors of Starlite Lighting Limited (“SLL” or the “Transferor Company”) and Bajaj Electricals Limited (“BEL” or the “Transferee Company”) are considering a Scheme of Arrangement between SLL and BEL and their respective Shareholders (“the Scheme”) for Merger under the provisions of Sections 230 to 232 read with Section 52 and 66 and other relevant provisions of the Companies Act, 2013, as may be applicable, and also read with Section 2(1B) and other relevant provisions of the Income-tax Act, 1961, as may be applicable, for Merger of SLL and vesting of the same in BEL on a going concern basis.

We understand that the Valuation as well as the swap ratio thereof is based on the Valuation Certificate dated 24th May, 2021 issued by Rashmi Shah, Chartered Accountant & Registered Valuer (SFA) (IBBI Registration No. IBBI/RV/06/2018/10240) (“Valuer”).

We, Navigant Corporate Advisors Limited, a SEBI registered Category-I Merchant Banker, have been engaged by BEL to give a fairness opinion (“Opinion”) on Valuation Certificate dated 24th May, 2021 issued by Rashmi Shah, Chartered Accountant & Registered Valuer (SFA) (IBBI Registration No. IBBI/RV/06/2018/10240).

Background of the Companies

Starlite Lighting Limited (hereinafter referred to as “SLL” or the “Transferor Company”) is a public limited company having corporate identity number U31300MH1995PLC090213, incorporated under the Companies Act, 1956 on 4th day of July, 1995 under the name and style of ‘Starlite Caps Private Limited’, and deemed to exist within the purview of the Companies Act, 2013. Thereafter, the Transferor Company changed its name to ‘Starlite Lighting Private Limited’ and consequent to such change, the fresh certificate of change of name was issued by Registrar of Companies on 18th day of November, 1998. Thereafter, the Transferor Company was converted from being private limited company to public limited company and consequent to such conversion, the name of the Transferor Company was changed from ‘Starlite Lighting Private Limited’ to ‘Starlite Lighting Limited’ and fresh certificate of change of name was issued by Registrar of Companies on 18th day of November, 1998. The registered office of the Transferor Company is situated at Gat No. 423-426, Mumbai-Agra Highway, Post Wadivarhe - 422403, Taluka-Igatpuri, District - Nashik, Maharashtra. The Transferor Company is engaged in the business of manufacture of different consumer electrical products including: (i) lighting



products including compact fluorescent lamps (CFLs) and light emitting diode (LED) of various shapes, sizes, lumens etc. (which collectively form part of "Lighting Products Division"); and (ii) consumer electrical appliances like water heaters (storage and instant), mixers, food processors, juicers, hand blenders, room heaters (oil filled radiators), fans etc. ("Appliances Division") (Lighting Products Division and Appliances Division shall be collectively referred to as "Business").

Bajaj Electricals Limited (hereinafter referred to as "**BEL**" or the "**Transferee Company**") is a public limited company, having corporate identity number L31500MH1938PLC009887, incorporated under the Indian Companies Act, 1913 on 14th day of July 1938 under the name and style of 'Radio Lamp Works Limited', and deemed to exist within the purview of the Companies Act, 2013. The name of the Transferee Company was changed from 'Radio Lamp Works Limited' to 'Bajaj Electricals Limited' and consequent to such change, the fresh certificate of change of name was issued by the Registrar of Companies, Maharashtra on 9th day of October, 1960. The registered office of the Transferee Company is situated at 45/47, Veer Nariman Road, Mumbai – 400001, Maharashtra. The Transferee Company is engaged in the business of diversified range of products and services including sales, distribution and marketing of electrical appliances, manufacture of fans and high masts, poles and towers and products relating to industrial, commercial, and domestic lighting, undertaking turnkey, commercial and rural lighting projects, design, manufacture, erection and commissioning of high masts, poles and towers. The equity shares of the Transferee Company are listed on BSE Limited and National Stock Exchange of India Limited.

Transaction Overview and Rational

It is proposed to Merge by absorption of Starlite Lighting Limited into Bajaj Electricals Limited. This arrangement would inter alia have the following benefits:

1. SLL is a manufacturer of different consumer electrical products such as lighting products including compact fluorescent lamps (CFLs) and light emitting diode (LED); also manufacturer of consumer electrical appliances like water heaters, mixers including new models, food processors, juicers, hand blenders, room heaters (oil filled radiators), fans etc.
2. SLL has manufacturing plant located at Wadivarhe, Igatpuri, Nashik, which is a major emerging industrial city in the State of Maharashtra, with good geographical location and has a great connectivity of roads. The plant is located at prime location which is easily accessible.
3. BEL is part of the globally renowned Bajaj Group of Companies, one of the largest Indian conglomerates with business interests across several sectors. BEL business is spread across – consumer products (appliances, fans, lighting etc.), and EPC (illumination, transmission towers and power distribution), in India and outside India.
4. SLL and BEL are engaged in the similar line of business i.e. manufacturing and distribution of consumer products, lighting and allied products which complement to each other.



5. SLL is presently an Original Equipment Manufacturer ("OEM") vendor for BEL and BEL is the largest customer of products manufactured by SLL. Merger is in line with BEL's strategic decision to increase in-house manufacturing and reduce dependency on OEM vendors.
6. Since the year 2007, BEL has made strategic investments, firstly in the equity share capital of SLL and later in the preference share capital of SLL from time to time. Further, BEL has also provided several long-term and short-term loans, as well as trade advances to SLL over the years. Also, BEL has given corporate guarantees to lenders for loans availed by SLL from its lenders. Accordingly, the Merger of SLL with BEL will enable consolidation of business of SLL into BEL for strategic and commercial considerations.
7. SLL has a good production line, which manufactures good quality products and has a skilled, competent and experienced labour force which are required for manufacturing such products. BEL will reap long-term benefits by absorbing such production line and skilled labour force including safeguarding the intellectual property and designs of certain products which are proposed to be launched in markets with its unique fit, finish and features, which can distinguish its products from competitors.
8. Merger of SLL with BEL will lead to a more efficient utilization of capital, greater business synergies, superior deployment of brand promotion, sales and distribution strategies and create a consolidated and diversified base for future growth.
9. The Merger will result in administrative and operational rationalization and promote organizational efficiencies with the achievement of greater economies of scale, reduction in overheads and improvement in various other operating parameters.
10. There is no likelihood that any creditor of the Transferor Company or the Transferee Company will be prejudiced as a result of the Scheme. The Scheme will neither impose any additional burden on the shareholders of the Transferor Company, nor will it adversely affect the interests of any of the shareholders or creditors of the Transferor Company and Transferee Company. Further, the Scheme is only for the Merger of the Transferor Company with the Transferee Company and is not an arrangement with the creditors of any of the entities involved.

Information relied upon:

We have prepared the fairness opinion report on the basis of the information provided to us and inter alia the following:

- Share Exchange ratio report by Rashmi Shah, Chartered Accountant & Registered Valuer (SFA) dated 24th May, 2021;
- Other information and explanations as provided by the management.

Further, we had discussions on such matters which we believe are necessary or appropriate for the purpose of issuing the valuation report.



We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed to be good and marketable and we would urge the company to carry out the independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment.

We have been informed that all information relevant for the purpose of issuing the Fairness Opinion report has been disclosed to us and we are not aware of any material information that has been omitted or that remains undisclosed.

Valuation Summary:

Some of the methods considered by the valuer for arriving at fair value of shares of a company are as under:

Valuation methods are broadly classified into –

Cost Approach – Net Asset Value (NAV) method

The value under cost approach is determined based on the underlying value of the assets which could be on book value basis, replacement cost basis or on the basis of realizable value. Under NAV method, total value of the business is based on the Net Assets Value either on book value or realizable value or replacement cost basis. NAV methodology is most applicable for the business where the value lies in the underlying assets and not the ongoing operations of the business. NAV method does not capture the future earning capacity of the business.

Income Approach – Discounted Cash Flows (DCF) method

- Under the Income Approach, business is valued by converting maintainable or future amount of cash flows to a single current amount either through discounting or capitalization. DCF Method seeks to arrive at the value of the business based on its future cash flows generating capability and the risks associated with the said cash flows. FCFF or free cash flows to the firm ("FCFF") represents the cash available for distribution to both the owners and the creditors of the business. Risk-adjusted discount rate or Weighted Average Cost of Capital ("WACC") is applied to free cash flows in the explicit period and that in perpetuity. Adjustments pertaining to debt, surplus/non-operating assets including investments, cash & bank balance and contingent assets/liabilities and other liabilities, as relevant, are required to be made in order to arrive at the value for equity shareholders. The total value for the equity shareholders so arrived is then to be divided by the number of equity shares to arrive at the value per equity share of the company.



Market Approach – Market Price method

- Under the Market Price method, the market price of an equity share as quoted on a recognized Stock Exchange is normally considered as the value of the equity shares of that company, where such quotations are arising from the shares being regularly and frequently traded. Generally, market value is reflective of the investors' perception about the actual worth of the company. However, in certain situations, the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further in case of amalgamation, where the value of shares of one company is required to be evaluated against the value of shares of another company, the volume of shares traded and available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

Market Approach – Comparable Companies' Multiple (CCM) method

- Under CCM Method, the value of shares of the subject company is determined on the basis of multiples derived from valuations of comparable companies. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. The Comparable Companies' Multiple Method arrives at the value of the company by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences, such as growth potential, past track record, size, company dynamics, etc.

Basis of Valuation and Assumptions made by the valuer:

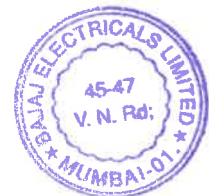
The valuation is based, on the aforesaid methods as described below:

VALUATION OF SLL:

Drivers in choosing the method of valuation analysis:

- Information
 - Availability
 - Reliability
- Characteristics
- Current and future cash flow status.

To determine the value of SLL, Valuer has considered Discounted Cash Flow Method under Income Method on going concern assumption.



VALUATION OF BEL

- For determining the Fair Value of BEL, the market prices disseminated on National Stock Exchange of India Limited (NSE) were considered, since the shares of BEL is frequently traded share in terms of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended.
- The Fair value has been considered by complying the provisions of Chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended.
- The Fair value has been arrived at Rs. 1,146.70 per Equity Share of face value of Rs. 2/- Each.

Conclusion ratio:-

"1 (One) equity share of BEL of face value of INR 2/- each fully paid up to each shareholder of Starlite Lighting Limited (except BEL itself)"

Exclusions and Limitations

Our opinion and analysis is limited to the extent of review of the valuation report by the valuer and the Draft scheme document. In connection with the opinion, we have

- A) Reviewed the Draft Scheme Document and the valuation report by the valuer dated 24th May, 2021.
- B) Reviewed financials for BEL and SLL for the year ended March 31, 2021.
- C) Held discussions with the valuer, in relation to the approach taken to valuation and the details of various methodologies utilized by them in preparing the valuation report and recommendations;
- D) Sought various clarifications with the respective senior management teams of SLL and BEL;
- E) Reviewed historical stock prices and trading volumes of BEL at NSE and BSE Limited;
- F) Reviewed such other information and explanations as we have required and which have been provided by the management of SLL and BEL.

This opinion is intended only for the sole use and information of BEL and in connection with the Scheme, including for the purpose of obtaining judicial and regulatory approvals for the Scheme or the purpose of complying with the SEBI regulations and requirement of stock exchanges on which the company is listed, and for no other purpose. We are not responsible in any way to any person/party/statutory authority for any decision of such person or party or authority based on this opinion. Any person/party intending to provide finance or invest in the shares/business of either SLL and/or BEL or their subsidiaries /joint ventures/associates 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.

For the purpose of this assignment, Navigant has relied on the Valuation Certificate for the proposed "Scheme of Arrangement" of SLL and BEL and their respective shareholders and information and



explanation provided to it, the accuracy whereof has not been evaluated by Navigant. Navigant's work does not constitute certification or due diligence of any past working results and Navigant has relied upon the information provided to it as set out in working results of the aforesaid reports.

Navigant has not carried out any physical verification of the assets and liabilities of the companies and takes no responsibility on the identification and availability of such assets and liabilities.

We hereby give our consent to present and disclose the Fairness Opinion in the general meetings of the shareholders of SLL and BEL and to the Stock Exchanges and to the Registrar of Companies. Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed scheme of Arrangement with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.

The information contained in this report is selective and is subject to updating, expansions, revisions and amendment, if any. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent. Recipients are advised to independently conduct their own investigation and analysis of the business of the Companies. The report has been prepared solely for the purpose of giving a fairness opinion on Valuation Certificate issued for the proposed Scheme of Arrangement between SLL and BEL and their respective shareholders, and may not be applicable or referred to or quoted in any other context.

Our opinion is 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 assignment does not involve 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. As such we have not performed any audit, review or examinations of any of the historical or prospective information used and, therefore, do 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 this date.

One should note that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. Moreover in this case where the shares of the company are being issued as consideration to the shareholders of SLL, it is not the absolute valuation that is important for framing an opinion but the relative valuation of the company vis-a-vis shares of SLL.

We have assumed that the Final Scheme will not differ in any material respect from the Draft Scheme Document shared with us.

We do not express any opinion as to any tax or other consequences that might arise from the Scheme on SLL, BEL and their respective shareholders, nor does our opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the respective companies have obtained such advice as they deemed necessary from qualified professionals. We have undertaken no independent



analysis of any potential or actual litigation, regulatory action, possible unasserted claims, government investigation or other contingent liabilities to which SLL, BEL and/or their associates/ subsidiaries, are or may be party.

The company has been provided with an opportunity to review the Draft Opinion as part of our standard practice to make sure that factual inaccuracy/omissions are avoided in our Final Opinion.

Our Opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Scheme or any matter thereto.

Our Fairness Opinion:

Based upon valuation work carried out by Rashmi Shah, Chartered Accountant & Registered Valuer (SFA) we are of the opinion that the purpose of the proposed merger by absorption of SLL into BEL are fair, from a financial point of view.

The fairness of the Proposed Merger is tested by:

- (1) Considering whether the Valuation methods adopted by Rashmi Shah, Chartered Accountant & Registered Valuer (SFA) depict a correct picture on the value of shares of all companies;
- (2) Calculating the fair market value of companies;
- (3) Considering qualitative factors such as economies of scale of operations, synergy benefits that may result from the proposed Merger of SLL into BEL.

The rationale for Share Exchange ratio as explained above, will be issued as assumed by Rashmi Shah, Chartered Accountant & Registered Valuer (SFA) is justified.

We are in opinion that, Rashmi Shah, Chartered Accountant & Registered Valuer (SFA) is justified by taking the Fair Value of Companies, and covers each aspect of valuation.

This being of our best of professional understanding, we hereby sign the Fairness Opinion report on valuation.

For Navigant Corporate Advisors Limited



Sarthak Vijlani
Managing Director

