

ANKUSH GARG

REGISTERED VALUER

Strictly Private and Confidential

To, The Board of Director(s) Gretex Industries Limited 90, Phears Lane, 5th Floor, Kolkata – 700 012	To, The Board of Director(s) Apsara Selections Limited Office No. 13, 1st Floor, Bansilal Mansion 9-15 Homi Modi Street, Fort Mumbai, Mumbai – 400 023	To, The Board of Director(s) Sankhu Merchandise Private Limited Office No. 13, 1st Floor, Bansilal Mansion 9-15 Homi Modi Street, Fort Mumbai, Mumbai – 400 023
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Subject: Recommendation of Share Exchange Ratio for the purpose of proposed merger of Gretex Industries Limited and Apsara Selections Limited and Sankhu Merchandise Private Limited

Respected Sir(s),

As requested by the management of Gretex Industries Limited [(CIN - L17296WB2009PLC136911) (hereinafter referred to as "GIL")] and Apsara Selections Limited [CIN - U52190MH2011PLC269248) (hereinafter referred to as "ASL")] and Sankhu Merchandise Private Limited [CIN - U52190MH2011PTC269247) (hereinafter referred to as "SMPL")], we have undertaken the valuation exercise of the equity shares of GIL and ASL and SMPL to recommend Share exchange ratio of equity shares for the proposed merger of ASL and SMPL with GIL (hereinafter collectively referred to as "the Companies").

1. PURPOSE OF VALUATION

- We have been informed that the management of GIL, ASL & SMPL (hereinafter collectively referred to as "the Management") are considering a proposal for the merger of ASL & SMPL into GIL (hereinafter referred to as "merger") through a Scheme of Merger (hereinafter referred to as the "Scheme") pursuant to the provisions of Sections 230 to 232 of the Companies Act, 2013 and I or the Companies Act, 1956 and any other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the "LODR"). Subject to necessary approvals, ASL and SMPL would be merged with GIL, with effect from the appointed Date of January 01, 2020. Accordingly, the valuation date for calculation of the share exchange ratio has been taken as December 31, 2019 ('Valuation Date').



- ii. In this connection, Mr. Ankush Garg, Registered Valuer has been appointed to carry out the relative valuation of equity shares of GIL, ASL and SMPL to recommend the share swap ratio.

2. EXCLUSIONS AND LIMITATIONS

- i. 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.
- ii. No investigation of the Companies' 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. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- iii. Our work does not constitute certification of the historical financial statements including the working results of the Companies 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.
- iv. A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. This report is issued on the understanding that the Companies have drawn our attention to all material information, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the fair value of shares of the Companies for the purpose of the proposed amalgamation, including any significant changes that have taken place or are likely to take place in the financial position of the Companies, subsequent to the report date. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
- v. In the course of the valuation, we are provided with both written and verbal information. We have evaluated the information provided to us by the Companies through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.



- vi. Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed amalgamation.
- vii. This report is prepared only in connection with the proposed amalgamation exclusively for the use of the Companies and for submission to any regulatory/statutory authorities as may be required under any law.
- viii. Mr. Ankush Garg, Registered Valuer nor its 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, 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.
- ix. The information contained herein and our report is confidential. Any person/party intending to provide finance/invest in the shares/businesses of any of the Companies 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, other than in connection with the proposed amalgamation as aforesaid, can be done only with our prior permission in writing.

3. BRIEF BACKGROUND OF THE COMPANIES

i. GRETEX INDUSTRIES LIMITED

- Gretex Industries Limited is a listed public limited company domiciled in India originally incorporated as private limited company under the provisions of the Companies Act, 1956 named as Heritage Barter Private Limited on 16th July, 2009 and consequently the name of the company was changed from M/s Heritage Barter Private Limited to Gretex Industries Private Limited on 7th February, 2013 and again the company was converted from Pvt. Ltd Company to closely held Public Limited Co. on 20th November 2013 from M/s Gretex industries Private Limited to Gretex Industries Limited;
- The company is engaged into the business of trading of musical instruments and manufacturer of hosiery garments;
- The equity shares of the company got listed in Emerge Platform of NSE Ltd. w.e.f 14th October, 2016.



ii. APSARA SELECTIONS LIMITED

- Apsara Selections Limited is an unlisted public company domiciled in India and incorporated as private limited company under the provisions of the Companies Act, 1956 on 25th June, 2011. The Registered office of the company has been changed to Mumbai of Maharashtra from Kolkata of West Bengal w.e.f 16th October, 2015, vide order dated 27th July, 2015 of the regional Director (ER), Kolkata. The Certificate of Registration of Regional Director order for change of State issued by Registrar of Companies, Mumbai on 16th October, 2015. The company was thereafter converted from Pvt. Ltd company to closely held public company on 17th May, 2017 from M/s Apsara Selections Pvt. Ltd to Apsara Selections Limited issued by Registrar of Companies, Mumbai;
- The Company is engaged in the business of into the business of whole sale trading of other clothing items i.e. sarees, salwar suits etc;

iii. SANKHU MERCHANDISE PRIVATE LIMITED

- Sankhu Merchandise Private Limited is a private limited company originally incorporated under the Companies Act, 1956 on 25th June, 2011. The registered office of the Company has been change to Mumbai, Maharashtra from Kolkata, West Bengal w.e.f 27th May, 2016 vide order dated 28th July, 2015 of the Regional Director (ER) Kolkata. The Certification of Registration of Regional Director order for Change of State issued by Registrar of Companies, Mumbai on 27th May, 2016.
- The Company is engaged in the business of into the business of trading in sarees.

4. SOURCES OF INFORMATION

For the purpose of the valuation exercise, we have relied upon the following sources of information provided by the management:

- a) Draft Scheme of Amalgamation u/ s 230 to 232 and other applicable provisions of the Companies Act, 2013 and any other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- b) Audited financial statements of the Companies for the period ended December 31, 2019;
- c) Audited financial statements of Companies for the year March 31, 2019 and 2018;



- d) Shareholding pattern of the Companies;
- e) Market Price and trading history of the Gretex Industries Limited;
- f) Other relevant details regarding the Companies such as their history, their promoters, past and present activities, other relevant information and data including information in the public domain;
- g) Such other information and explanations as we required and which have been provided by the management of the Companies.

5. METHODS OF VALUATION

Valuation by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Given the same set of facts and using the same assumptions, expert opinions may differ due to the number of separate judgment decisions. There can therefore be no standard formulae to establish an indisputable value, although certain formulae are helpful in assessing reasonableness.

Definition of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date. Fair value is the price in an orderly transaction in the principal (or most advantageous) market at the valuation date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value is usually synonymous to market value except in certain circumstances where characteristics of an asset translate into a special asset value for the party(ies) involved.

Price

Fair value assumes that the price is negotiated in a free market (which may be domestic or international). Fair value reflects characteristics of an asset which are available to market participants in general and do not consider advantages/ disadvantages which are available/applicable only to particular participant(s).

The price in the principal (or most advantageous) market used to measure the fair value of



the asset shall not be adjusted for transaction costs. To this end, a market in which the volume and level of activities is high, or one in which the realisation from an asset is maximum, is considered.

Orderly transaction

Orderly transaction is a transaction that assumes exposure to the market for a period before the valuation date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities and it is not a forced transaction. The length of exposure time will vary according to the type of asset and market conditions.

Market participants

Market participants are willing buyers and willing sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics:

- (a) they are independent of each other, that is, they are not related parties as defined under applicable accounting framework and set of reporting/ accounting standards therein, although the price in a related party transaction may be used as an input to a fair value measurement if the entity has evidence that the transaction was entered into at market terms;
- (b) they are knowledgeable, having a reasonable understanding about the asset or liability and the transaction using all available information, including information that might be obtained through due care that is usual and customary;
- (c) they are able to enter into a transaction for the asset or liability; and
- (d) they are willing to enter into a transaction for the asset or liability, i.e., they are motivated but not forced or otherwise compelled to do so.

VALUATION METHODOLOGIES

Market Approach

Market approach is a valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business. The following are some of the instances where a valuer applies the market approach:



- (a) where the asset to be valued or a comparable or identical asset is traded in the active market;
- (b) there is a recent, orderly transaction in the asset to be valued; or
- (c) there are recent comparable orderly transactions in identical or comparable asset(s) and information for the same is available and reliable.

The following valuation methods are commonly used under the market approach:

- (a) Market Price Method;
- (b) Comparable Companies Multiple (CCM) Method and
- (c) Comparable Transaction Multiple (CTM) Method

Cost Approach

Cost approach is a valuation approach that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

In certain situations, historical cost of the asset may be considered by the valuer where it has been prescribed by the applicable regulations/law/guidelines or is appropriate considering the nature of the asset. Examples of situations where a valuer applies the cost approach are:

- (a) an asset can be quickly recreated with substantially the same utility as the asset to be valued;
- (b) in case where liquidation value is to be determined; or
- (c) income approach and/or market approach cannot be used

The following are the most commonly used valuation methods under the Cost approach:

- (a) Replacement Cost Method and
- (b) Reproduction Cost Method and



(c) Net Asset Method

Income Approach

Income approach is a valuation approach that converts maintainable or future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted or capitalised) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

This approach involves discounting future amounts (cash flows/income/cost savings) to a single present value.

The following are some of the instances where a valuer applies the income approach:

- (a) where the asset does not have any market comparable or comparable transaction;
- (b) where the asset has fewer relevant market comparables; or
- (c) where the asset is an income producing asset for which the future cash flows are available and can reasonably be projected.

Some of the common valuation methods under income approach are as follows:

- (a) Discounted Cash Flow (DCF) Method;
- (b) Relief from Royalty (RFR) Method;
- (c) Multi-Period Excess Earnings Method (MEEM);
- (d) With and Without Method (WWM);
- (e) Option pricing models such as Black-Scholes-Merton formula or binomial (lattice) model; and
- (f) Profit-Earning Capitalization Value Method



6. VALUATION BASIS

For the purpose of our valuation we have adopted the following approaches:

- a) The "Net Asset Method"
- b) The "Profit-Earning Capitalization Value Method"
- c) The "Market Price Method"

Note: Market Price Method is not applicable, as shares of ASL and SMPL are not listed on any recognized stock exchange. However, in case of GIL, Market Price Method has been applied by determining weighted average price of shares of GIL during the period of trading in last one year from 01-06-2019 to 31-05-2020.

A. The "Net Asset Method"

The fair value of company's net assets available to equity shareholders is divided by the number of equity shares to arrive at the value of each equity share.

Following are some of the important considerations for using Net Asset Method:

- All the asset base of the company including current assets and liabilities such as receivables, payables, provisions are considered.
 - Fixed assets are considered at their realizable value.
 - Valuation of goodwill as a part of intangible assets.
 - Unrecorded assets and liabilities are considered.
 - The fictitious assets such as preliminary expenses, discount on issue of shares and debentures, accumulated losses etc. are eliminated.
- i. Since the shares are valued on a "going concern" basis and an actual realization of the operating assets is not contemplated, I have considered it appropriate not to determine the realizable or replacement value of the assets. The operating assets have therefore been considered at their fair values.
- ii. We have computed net asset value of the equity shares by adjusting, wherever necessary, the value of net assets attributable to equity holders as appearing in the books of accounts as at 31st December 2019.



- iii. The underlying value for equity shareholders as arrived above is divided by the diluted number of equity shares to arrive at the value per share.

B. The "Profit-Earning Capitalization Value"

- i. Under this method, value of shares of a company is arrived at by capitalizing its net profits for the past five years i.e. 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19 respectively. Such net profits are then capitalized at a rate, which in the opinion of the valuer, combines and adequate expectation of reward from enterprise and risk, to arrive at the business value.
- ii. To the value so arrived, adjustments are made for deferred tax liability (Net), value of investments, loans and advances to related parties, inter-corporate deposits, contingent liabilities adjusted for profitability of development, etc after making adjustment of tax wherever applicable.
- iii. The value as arrived above is divided by the diluted number of equity shares to arrive at the value per share.
- iv. The calculation of share value of GIL, ASL and SMPL under this method is negative, thus it is not fit to apply the same.

7. RECOMMENDATION OF FAIR EXCHANGE RATIO

- i. The fair basis of merger of the Companies would have to be determined after taking into consideration of all the factors and methodologies mentioned here in above. Though different values have been arrived at under each of the above approaches, for the purpose of recommending a ratio of exchange it is necessary to arrive at a single value for the shares of each company. It is however important to note that in doing so, I'm not attempting to arrive at the absolute values of the shares of each company. Our exercise is to work out relative value of shares of the Companies to facilitate the determination of a ratio exchange.
- ii. The share exchange ratio has been derived on the basis of a relative valuation of the shares of the Companies based on the various methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses of the companies, having regard to information base, management representations and perceptions, key underlying assumptions and limitations. Compliance with International Valuation Standards has been ensured while determination of the exchange ratio.



8. FAIR EXCHANGE RATIO FOR MERGER OF ASLAND SMPL INTO GIL

In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above referred to earlier in this report we have mentioned as per **Annexure 1** attached herewith, in our opinion, a fair ratio of exchange in the event of merger of ASL and SMPL into GIL would be:

13 (THIRTEEN) Equity Shares of GIL of INR 10/- each fully paid up for 1 (One) Equity share of ASL of INR 10/- each Fully paid up.

21 (TWENTY-ONE) Equity Shares of GIL of INR 10/- each fully paid up for 1 (One) Equity share of SMPL of INR 10/- each Fully paid up.



Ankush Garg

Registered Valuer

Securities or Financial Assets

IBBI/RV/02/2018/10010

VRN: IOV/2020-2021/21

Address: A – 3 / 85, Sector – 3, Rohini, Delhi - 110085

Date: 05 June 2020

Place: New Delhi

Computation of Share Exchange Ratio:

	Gretex Industries Ltd		Sankhu Merchandise Pvt Ltd		Apsara Selections Limited	
Valuation Approach	Value per Share (Rs.)	Weight	Value per Share (Rs.)	Weight	Value per Share (Rs.)	Weight
Asset Approach (Net Asset Value)	8.96	1	133.81	1	84.82	1
Income Approach (PECV being negative, thus not considered)	-	-	-	-	-	-
Market Approach (Weighted Average Market Price)	5.27	2	NA	-	NA	-
Relative Value per Share	6.50		133.81		84.82	
Exchange Ratio			20.59		13.05	
Exchange Ratio (rounded off)			21.00		13.00	

Ratio:

- A. 21 (TWENTY-ONE) Equity Shares of GIL of INR 10/- each fully paid up for 1 (One) Equity share of SMPL of INR 10/- each Fully paid up.
- B. 13 (THIRTEEN) Equity Shares of GIL of INR 10/- each fully paid up for 1 (One) Equity share of ASL of INR 10/- each Fully paid up.

