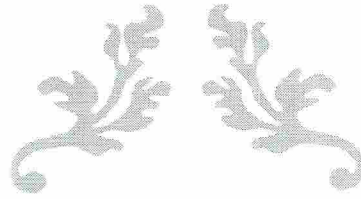


**VALUATION REPORT FROM  
INDEPENDENT CHARTERED  
ACCOUNTANT AS APPLICABLE AS  
PER PARA 4 OF SEBI CIRCULAR NO.  
CIR/CFD/DIL/8/2013 DATED MAY  
21, 2013 (ANNEXURE C)**



Prepared By

*P.C. MODI. & CO.*

*CHARTERED ACCOUNTANTS*

---

VALUATION REPORT ON MERGER OF  
FASHIONS WITH FILATEX

---



Certified True Copy

For High Street Fashions Limited  
For High



Director  
Director

Certified True Copy

For High Street Filatex Ltd.

*Bhagwan Singh*

Director

The Directors

Date: 01/03/2014

High Street Filatex Limited

High Street Fashions Limited

Jaipur

Valuation report of High Street Fashions Ltd. & High Street Filatex Limited

Dear Sir,

This is in accordance with the terms of reference set out in our engagement letter dated 26<sup>th</sup> February, 2014, wherein P.C.Modi & Co. has been appointed by High Street Filatex Limited & High Street Fashions Limited for carrying out valuation of the Companies on account of the proposed merger of High Street Fashions Limited into High Street Filatex Ltd.

The High Street Fashions Private Limited has been converted into a limited Company on 13/12/2013 vide Certificate of Incorporation provided to us by the Company. However, the valuation has been done on the basis of the Balance sheet dated 30/09/2013 supplied to us by the management on which the High Street Fashions Limited was a Private Limited Company.

P.C.Modi & Co. undertook the valuation of the Companies on account of the proposed merger of High Street Fashions Limited into High Street Filatex Ltd. as at 30<sup>th</sup> September, 2013. The Valuation is to be used for the issuance of the shares by High Street Filatex Limited to High Street Fashions Ltd.

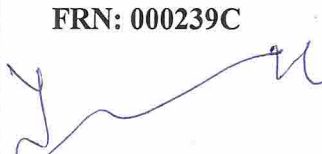
The Report sets out the factual information, assumptions which are to form the basis of the Valuation. It has been prepared in accordance with Letter of Engagement. This Report is based on the information which was provided to P.C.Modi & Co. by the management of High Street Filatex Ltd.

For valuation of shares of the Companies, P.C.Modi & Co. has applied generally accepted valuation methodologies.

The valuation has been done in a best possible way by relying on the information and documents provided to us by the management. Necessary assumptions have been taken to prepare the valuation.

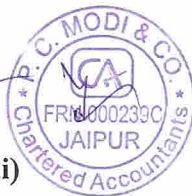
Yours faithfully,

For P.C. Modi & Company  
Chartered Accountants  
FRN: 000239C

  
(Prakash Chand Modi)

Partner

Membership No. 017622



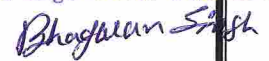
Certified true Copy Certified true Copy

For High Street Fashions Limited



Director

For High Street Filatex Ltd



Director

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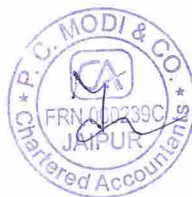
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For High Street Fashions Limited



Director



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For High Street Filatex Ltd.



Director

**PROPOSED MERGER  
OF  
HIGH STREET FASHIONS LIMITED  
WITH  
HIGH STREET FILATEX LIMITED  
REPORT ON WORKING OF SWAP RATIO**

**1. Introduction**

High Street Fashions Ltd. has decided to merge with High Street Filatex Ltd w.e.f. 1st October 2013.

In this context, our firm has been requested to work out a fair valuation of equity share of High Street Filatex Ltd. and High Street Fashions Ltd. and recommend an appropriate swap ratio in the context of the proposed merger.

We have carried out valuation of shares of both the Companies as at 30th September, 2013 and determined the swap ratio in accordance with the valuation estimates.

**2. Background of the Proposed Merger**

The Directors of the High Street Fashions Limited have proposed to merge business with High Street Filatex Limited. The proposed merger will assist the Companies in achieving higher long-term financial returns vis-a-vis achieved by Companies as separate entities. Proposed Merger will achieve consolidation of assets in one company so that the Transferee Company is able to manage and exploit assets in the best possible and efficient manner enhancing returns to the shareholders.

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For High Street Fashions Limited

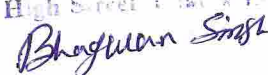


**Director**



**Certified True Copy**

For High Street Filatex Ltd.



**Director**

### 3. Scope of Work & Limiting Factors

“P.C.Modi & Co.” (hereinafter referred as “P.C.Modi & Co.”) have been appointed by the management of High Street Fashions Limited and High Street Filatex Limited vide letter of engagement dated 26<sup>th</sup> February, 2014 for the purpose of computation of the swap ratio for the proposed merger and to give an Advisory Valuation report on the same. The management is considering merger of the two companies keeping in view the following perspectives:

- (i) To have greater operational flexibility;
- (ii) To derive economies of scale.
- (iii) To strengthen the balance sheet & for leveraging the strong balance sheet for expansion.

**As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to in this report. While utmost care has been taken, however, our report is subject to the limitations detailed hereinafter:**

**a) Valuation Date of the Report** - Valuation analysis and results are specific to the date of report. The valuation has been conducted with reference to the position of the Companies as on 30<sup>th</sup> September 2013.

**b) Reliance on the Information provided** – We have been provided with certain written and verbal information and assumptions from the management of “FASHIONS” and “FILATEX”. However, we have not conducted any further due diligence on such data provided as the terms of our engagement were such that we have to rely upon the information provided without detailed enquiry.

**c) Valuation Analysis** – Valuation of business is not a precise art and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment.

**d) Purpose of Valuation** – We have been informed that the Management of the Companies is considering a proposal for the amalgamation of High Street Fashions Limited into High Street Filatex Limited (hereinafter referred to as “amalgamations”) pursuant to the provisions of Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 (hereinafter referred to as “Scheme”). Subject to necessary approvals, FASHIONS would be merged into FILATEX, with effect from the appointed date of 1<sup>st</sup> October 2013. In consideration for the amalgamation, equity shares of FILATEX would be issued to the shareholders of FASHIONS. In this connection, “P.C.Modi & Co.”, Chartered Accountants, have been appointed to carry out the relative valuation of equity shares of FASHIONS and FILATEX to recommend the fair share exchange ratio.

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VALUATION REPORT ON MERGER OF FASHIONS WITH FILATEX

Page 2

For High Street Fashions Limited

Director



For High Street Filatex Ltd.

Director

#### 4. Information Relied Upon

For the purpose of the Report, documents and information, as provided by the management, have been relied upon. We have completely relied on the information provided by the management of FASHIONS&FILATEX and have not verified the same. For carrying out our analysis, we have relied on the following information, as provided by the management:

- a) Annual Reports for the FY 2009-10, FY 2010-11, FY 2011-12 & FY 2012-13 of FASHIONS&FILATEX.
- b) Audited Balance sheet & Profit & Loss Account of FASHIONS&FILATEX for the half year ended 30<sup>th</sup> September, 2013.
- c) Shareholding Pattern of FASHIONS&FILATEX as on 30<sup>th</sup> September 2013.
- d) Property valuation Report on revaluation of Land & Building of FASHIONS dated 30<sup>th</sup> September 2013 & FILATEX dated 30<sup>th</sup> September 2013 by M/s Mayank Varshney
- e) Memorandum of Association and Articles of Association of FASHIONS&FILATEX
- f) Other facts and data considered necessary.

**Wherever required, all the accounts and schedules listed above have been certified by the management of the respective companies.**

We have also relied upon the verbal explanations and information given to us by the management of FASHIONS&FILATEX from time to time for the purpose of this exercise.

Some of the data required for the purpose of this exercise has been taken from Capital Market Magazine & Bombay Stock Exchange's website ([www.bseindia.com](http://www.bseindia.com)).

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**For High Street Fashions Limited**

  
**Director**



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**For High Street Filatex Ltd.**

  
**Director**

## 5. Background of FASHIONS&FILATEX

### 5.1 High Street Fashions Limited

FASHIONS is engaged in the business of manufacture of computerized knitted Socks and other allied knitted articles for sale in domestic as well as in export market.

It was incorporated on the first day of June 2000 and manufactures socks with finest mercerized/combed cotton from most reputed mills in India & blended with lycra and spandex, for extra comfort, durability & stretch.

Presently, the company has installed latest Cad –Cam designing software from Italy by which it can make any design pattern or can give special effect to socks.

High street introduced for the first time in the Country, Jacquard& Computer knitted socks. Besides, it also introduced anti slip & terry socks, ankle socks (with or without terry) and folded welt socks, individually packed premium socks and Argyle collection etc.

Now, the Company has been converted into Limited Company on 13/12/2013. The Company was a private limited Company on the valuation Date.

#### 5.1.1 Capital Structure of FASHIONS as on 30th September 2013

##### Capital structure

Particulars	No. of Shares	Amount in Rs.
Authorised Share Capital Equity share of Rs 10/- Each with voting rights	1,12,45,000	11,24,50,000
Issued, Subscribed And Fully Paid Up Equity share of Rs 10/- Each with voting rights	1,12,44,800	11,24,48,000

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For High Street Fashions Limited

Director



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For High Street Fashions Limited

Director

## 5.2 High Street Filatex Limited

Initially known as M/s. UniLegwears (India) Ltd., High Street Filatex Limited was incorporated as a Limited Company on 24th day of May, 1994.

The Company was granted permission by Ministry of Industry, Department of Industrial Development, Secretariat for Industrial approvals under the 100% Export Oriental Scheme for manufacture of knitted socks with licensed capacity of 21 lac pairs per annum.

The Company thus established its name in International Market as a "Quality socks manufacturer from India". Yet it was recurring losses due to which the entire capital stood eroded as on 31-03-2001. The Company had no option but to make a reference to BIFR. The Company was declared sick vide BIFR order dt 01-02-2007. Meanwhile IDBI had also filed recovery suit in debt recovery Tribunal, Jaipur.

The Management is trying its level best to ensure that the "Asset is kept performing" and factory keeps running & has taken some steps to ensure achievement of the objective.

- i) Filed charge satisfaction reports with Registrar of companies after clearing dues of IDBI.
- ii) The Company also got itself deregistered from BIFR
- iii) The Company also got its suspension revoked with Bombay Stock Exchange and has also moved for its connectivity with NSDL and CDSL. The Company has since started trading in Stock Exchange w.e.f 26th Oct, 2010.
- iv) The Company's name has been changed from UniLegwears(India) Ltd. to High Street Filatex Ltd vide ROC's approval.
- v) The Company is negotiating to get merged with renowned company of similar nature to ensure better scope for expansion, turn over & broad base product line.

### 5.2.1 Capital Structure of FILATEX as on 30th September 2013

#### Capital Structure

Particulars	No. Of Shares	Amount in Rs.
<b>Authorized Share Capital</b>		
Equity Shares of Rs. 10/- Each with Voting Rights	40,00,000	4,00,00,000
Redeemable Preference Shares of Rs 100/- each	350,000	3,50,00,000
<b>Issued, Subscribed and Fully Paid Up</b>		
Equity Shares of Rs. 10/- Each with Voting Rights	6,47,000	64,70,000
Redeemable non convertible cumulative Preference Shares of Rs 100/- each	2,78,000	2,78,00,000

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VALUATION REPORT ON MERGER OF FASHIONS WITH FILATEX

Page 5

For High Street Fashions Limited

Director



For High Street Filatex Ltd.

Bhagwan Singh

Director

## 6. Rationale behind the Scheme

The proposed merger of FASHIONS into FILATEX to have greater operational flexibility, lower investment in current assets, derive economies of scale & to strengthen the Balance sheet & to lever the strong Balance sheet for expansion.

A vertically integrated business can result in multiple benefits both for the spinning business of FASHIONS as well as the weaving & processing business of FILATEX, it shall result in the following benefits:

### a. To have greater operational flexibility;

- i) Greater manufacturing flexibility in accordance with the requirement of the business & the market demand.
- ii) Higher value addition due to optimal utilization of capacity
- iii) No transfer pricing issues to a related party.
- iv) Knitted Socks can be freely moved within the same entity without any tax issues.
- v) Beneficiary as & when GST becomes operational.

### b. To reduce the working capital cycle & thus reduce investment in Current Assets.

- i) Better Working Capital Management.
- ii) Buffer Stock holding of socks common to both manufacturing facilities.
- iii) Reduction in interest costs on working capital loan
- iv) Common holding of yarn, WIP, stores and spares.

### c. To derive economies of scale

- i) Cost saving on account of bulk procurement of raw material.
- ii) Marketing Rationalisation.
- iii) Combined operating Profit is expected to be more than the sum of individual profits.

### d. To strengthen the balance sheet & to lever the strong balance sheet for expansion.

- i) Vertical Integration; scope of strategic/financial investors
- ii) Improvement in financial ratios on account of tax benefits.
- iii) Significant improvement in profitability, liquidity and solvency
- iv) Improved credit rating.

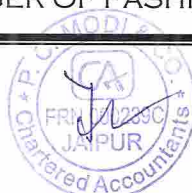
### e. Other Benefits:

- i) Liquidity to shareholders of FASHIONS as their shares shall be listed post-merger.
- ii) Early set-off of accumulated losses & unabsorbed depreciation.
- iii) Savings in administrative costs
- iv) Marginal savings in personnel costs.

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*[Signature]*



*[Signature]*

## 7. Valuation Methodologies

The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. The basis of valuation would depend on the purpose of valuation, nature of business, future prospects of the company & industry and other attendant circumstances.

Different methodologies used for the purpose of valuation are:

### 7.1 Asset Approach:

This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings. This method may also be appropriate for a business that is not making an adequate return on assets. This methodology can also assume the amount which can be realized by liquidating the business by selling off all the tangible assets of a company and paying off the liabilities.

Net asset values, which are of great relevance in industries such as utilities, manufacturing and transport that are dependent on physical infrastructure and assets, may not have particular significance in industries such as information technology, pharmaceutical that are driven by intangibles not recorded in the books. The asset valuation is a good indicator of the entry barrier that exists in a business.

Some of the most common techniques of valuation considered under this approach are to value a business enterprise on the basis of Book value of the assets or at Adjusted Book Value of the assets or at Replacement value.

i) **Book value:** This is simply a value based upon the accounting books of the business. In simple term, Assets less liabilities equals the owners' equity, which is the "Book Value" of the business. For mature firms with predominantly fixed assets, little or no growth opportunities and no potential for excess returns, the book value of the assets may yield a reasonable measure of the true value of these firms. For firms with significant growth opportunities in businesses where they can generate excess returns, book values will be very different from true value.

ii) **Adjusted book value:** This method involves reviewing each and every assets and liabilities on the company's balance sheet and adjusting it to reflect its estimated market value. Depending on the mix of assets owned by the company, other types of appraisers (e.g., real estate, machinery and equipment) might need to be consulted as part of the valuation process. In addition, it is important to consider intangible items that might not necessarily be reflected on the balance sheet, but which might have considerable value to a user, such as trade names, patents, etc. The unrecorded and contingent liabilities are also considered at their fairly estimated value.

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VALUATION REPORT ON MERGER OF FASHIONS WITH FILATEX

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For High Street Fashions Limited



Director



For High Street Filatex Ltd.

Bhargavan Singh

Director

iii) **Replacement value:** This method is mainly used with assets-heavy businesses such as hotels/motels and natural resources (mining) businesses. The asset valuation methodology essentially estimates the cost of replacing the tangible assets of the business. The replacement cost takes into account the market value of various assets or the expenditure required to create an infrastructure exactly similar to that of a company being valued. Since the replacement methodology assumes the value of business as if a new business is set, this methodology may not be relevant for a going concern.

## 7.2 Income Approach

The Income Approach derives an estimation of value based on the sum of the present value of expected economic benefits associated with the asset or business (Economic benefits have two components: cash flow (or dividends) and capital appreciation). Under the Income Approach, the appraiser may select a single period capitalization method (Profit earning capacity value method) or a multi-period discounted future income method.

### i) **Profit earning capacity value method:**

- The basic of this approach is find the normalized earning capacity of the business and to capitalize it on the basis of appropriate rate considering the business fundamentals of safety, return and time. An appropriate multiple can be used with the normalized earnings to arrive at fair estimation of business value ("Enterprise Value" of "EV"). Alternatively, Profit after Tax ("PAT") can also be considered as normalized earnings.
- The important task is to determine two factors
  - (1) normalized earnings (EBIDTA) and
  - (2) rate of capitalization.
- The average annual maintainable earnings should be representative and is generally determined based on average past earnings, or future projected earnings where the past earnings are not representative of the future earning potential of the business.
- The capitalization rate is taken-based at industry P/E Ratio.
- The PECV method of valuation is relevant for valuing the business enterprises as a going concern.

### ii) **Discounted Free Cash Flow Method (DCF):**

- The Discounted Cash Flow (DCF) methodology expresses the present value of a business as a function of its future cash earnings capacity. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate. It recognizes that money has a time value by discounting future cash flows at an appropriate discount factor.

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VALUATION REPORT ON MERGER OF FASHIONS WITH FILATEX

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For High Street Fashions Limited

Director



For High Street Filatex Ltd.

Director

- This method is generally used when there is reasonable certainty on the timing, quantum and quality of the cash flows, which has its close coupling with the underlying assets.

### **7.3 Market Capitalisation Method:**

This valuation method is applicable to quoted companies only. The market value is determined by multiplying the quoted share price of the company by the number of issued shares. This valuation reflects the price that the market at a point in time is prepared to pay for the shares. This valuation method broadly takes into account the investors' perceptions about the performance of the company and the management's capabilities to deliver a return on their investments.

## **8. Methodologies Adopted**

We have used three methods of Valuation for valuing the equity shares of FASHIONS&FILATEX i.e.

- a) Assets Approach – NAV Method – at fair value of assets on appointed date.
- b) Income Approach – PECV Method only in the case of FASHIONS  
(Since the income trend of FILATEX is downward sloping and is declining over the years)
- c) Market Capitalization Method only in case of FILATEX.  
(Since FILATEX is listed on the BSE and FASHIONS is not a listed company)

### **8.1. Fair Value:**

A combination of any of the above methods is used depending on the purpose of valuation, nature of business, future prospects of the company and the industry or any other attendant circumstances that have a bearing on the value of the company. More importantly it is governed by the nature of business of the entity, which is being valued and the purpose of valuation.

### **Judicial Pronouncements and Eminent Authors' Views:**

Though there are no thumb rules of valuation, there are a few pointers/basis to valuation principles that may be applicable on a case depending upon the attendant circumstances relative to each case. Generally "Fair Value" is adopted for arriving at share values that takes into account multiple methods of valuation.

The erstwhile Controller of Capital Issue (C.C.I.) advocated the above methodology. There are a few major Court decisions, which throw light on the adoptable basis of valuation.

In India, the valuers generally follow the principle laid down by the Hon'ble Supreme Court of India in the landmark case of merger of Tata Oil Mills Co. Ltd. with Hindustan Levers

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VALUATION REPORT ON MERGER OF FASHIONS WITH FILATEX

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For High Street Fashions Limited

Director



For High Street Filatex Ltd.

Director

**P.C.MODI & CO.**  
Chartered Accountants

Limited (Hindustan Lever Employees' Union vs. Hindustan Lever Limited and others (1995) 83 Comp. Cases 30 (SC)). It suggests that multiple methodologies are to be considered with stronger weightage to Profit Earning Capacity methods. The Court noted, "in the case of amalgamation, a combination of all or some of the methods of valuation may be adopted for the purpose of fixation of the exchange ratio of all the entities.

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For High Street Fashions Limited



**Director**

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For High Street Filatex Ltd.

*Bhagwan Singh*

**Director**



## 9. Valuation of FASHIONS

### 9.1 Assets Approach

#### NAV Approach

As discussed earlier in Para 7.1, this method may also be appropriate for a business that is not making an adequate return on assets and for which a greater value can be realized by liquidating the business and selling the assets.

The NAV method arrives at the valuation of all the assets of the company as reduced by the amount of outside liabilities. This method is generally not favoured for valuation of the company as a going concern because this method fails to measure the earning potential of the combination of underlying assets and concentrates on the value of assets on a standalone basis. This method is more appropriate where the assets are of prime importance or, where an actual sale of assets is contemplated on a piece meal basis. This view has been supported by "Study on Share Valuation" by the Research Committee of the Institute of Chartered Accountants of India (Page 17, edition 1999).

However, its inclusion in the fair value ensures that sufficient amount of assets would be available to maintain the level of operations.

a) **Net Fixed Assets:** The Net fixed assets have been computed as per the total gross value of existing assets less accumulated depreciation as on 30<sup>th</sup> September, 2013 & the total revaluation (equal to Rs 278,87,636) in the value of Land & Building as given by the management of the Company and supported by the Independent Chartered Valuers Report (Mayank Varshney).

b) **Net current Assets:** The Net Current Assets have been considered at the book value as on 30<sup>th</sup> September, 2013.

c) **Total Debt:** The Total debt as on 30<sup>th</sup> September 2013 has been reduced from the total assets to calculate Net Worth.

Accordingly the valuation of the equity value of the shares of FASHIONS as per NAV Methodology is calculated as per the table given below:

NAV Basis	Value
Net Fixed Assets	2090,37,630
Loans and Advances	1,138,297.00
Current Assets	1555,69,482
Total	3657,45,409.90
Less:: Total Debt as on 30/09/2013	1233,74,441.87
Less:: Deferred Tax Liability	2,152,624.00
Net Asset Value	2402,18,344.03
No. Equity Shares (at Rs. 10/share)	11,244,800.00
Value per Equity Share	21.36

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VALUATION REPORT ON MERGER OF FASHIONS WITH FILATEX

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For High Street Fashions Limited

Director



For High Street Filatex Ltd.

Director

## 9.2 Price Earning Capacity Value Method

In this method, the weighted average of earnings in terms of Profits are taken from the audited balance sheets of five years (including the annualized half – yearly profits, for the period ending on 30<sup>th</sup> September, 2013) of the company which are capitalized on the basis of standard price earnings ratio to get the value of equity of the company.

Accordingly the valuation of the equity value of the shares of FASHIONS as per PECV Methodology is calculated as per the table given below:

PECV Basis	Value
Total Profits after tax for 5 years	1,36,98,815.92
Average Profits after Tax	27,39,763.18
No. of Equity Shares	1,12,44,800.00
Earning per Share	0.24
Industry Composite	17.9
(Source: Capital Market, issue - September 30 - October 13)	
Less:: Discount@30%	5.37
(In view of being a small company)	
P/E Ratio	12.53
<b>Profit Earning Capacity Value per share (P/E ratio taken as 12.53)</b>	<b>3.05</b>

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For High Street Fashions Limited

**Director**

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For High Street Filatex Ltd.

**Director**



## 10.Valuation of FILATEX

### 10.1 Net Asset Value Approach

As discussed earlier in Para 7.1, this method may also be appropriate for a business that is not making an adequate return on assets and for which a greater value can be realized by liquidating the business and selling the assets. This method is generally not favoured for valuation of the company as a going concern because this method fails to measure the earning potential of the combination of underlying assets and concentrates on the value of assets on a standalone basis. This method is more appropriate where the assets are of prime importance or, where an actual sale of assets is contemplated on a piece meal basis. This view has been supported by "Study on Share Valuation" by the Research Committee of the Institute of Chartered Accountants of India (Page 17, edition 1999). However, its inclusion in the fair value ensures that sufficient amount of assets would be available to maintain the level of operations.

a) **Net Fixed Assets:** The Net fixed assets have been computed as per the total gross value of existing assets less accumulated depreciation as on 30<sup>th</sup> September, 2013 & the total revaluation (equal to Rs. 104,81,257) in the value of Land & Building as given by the management of the Company and supported by the Independent Chartered Valuers Report (M/S Mayank Varshney)

b) **Net current Assets:** The Net Current Assets have been considered at the book value as on 30<sup>th</sup> September, 2013.

c) **Total Debt & Preference Share Capital:** The Total debt & Preference Share Capital as on 30<sup>th</sup> September, 2013 has been reduced from the total assets to calculate Net Worth.

Accordingly, the valuation of the equity value of the shares of FILATEX as per NAV methodology is calculated as per the table given below:

NAV Basis	Value
Net Fixed Assets	393,91,222.36
Loans and Advances	664,612.00
Net Current Assets	1,08,316.36
<b>Total</b>	<b>401,64,150</b>
Less:: Total Debt as on 30/09/2013	16,71,384
Less:: Preference Share Capital as on 30/09/2013	278,00,000.00
Net Asset Value	106,92,766.72
No. Equity Shares (at Rs. 10/share)	647,000.00
<b>Value per Equity Share</b>	<b>16.53</b>

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VALUATION REPORT ON MERGER OF FASHIONS WITH FILATEX

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For High Street Fashions Limited

Director



For High Street Fashions Ltd.

Signature of Director

Director

## 10.2 Market Capitalisation Method

As discussed in the previous sections this method is only applicable to listed companies so this method is very appropriate for FILATEX as it is a listed company on the Bombay, Stock Exchanges.

This valuation reflects the price that the market at a point in time is prepared to pay for the shares. This valuation method broadly takes into account the investors' perceptions about the performance of the company and the management's capabilities to deliver a return on their investments.

As per Regulations 76 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 the Pricing of Equity Shares of a Listed Company shall be computed on the basis of higher of the following:-

- a) The average of the weekly high and low of the closing prices of the Equity Shares quoted on Recognised Stock Exchange during the Twenty Six Weeks preceding the relevant date;
- b) The average of the weekly high and low of the closing prices of the Equity Shares quoted on Recognised Stock Exchange during the Two Weeks preceding the relevant date.

Thus, we have calculated the Average Market Price of FILATEX by taking the higher of the average of the weekly high and low prices of the 26 weeks prior to the month of amalgamation, and the two weeks before the month of amalgamation.

Accordingly the valuation of the equity value of the shares of FILATEX as per Market Capitalisation Methodology is as given below:

Particulars	Value
Average 26 weeks high low	26.66
Average of Two week high low	23.35
<b>Higher of the Above</b>	<b>26.66</b>

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For High Street Fashions Limited

**Director**

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For High Street Filatex Ltd.

**Director**



## 11.Swap Ratio &Recommendation

### (A) FAIR VALUE OF HIGH STREET FASHIONS LIMITED

PARTICULARS	FASHIONS	
	Value per share	Weights
NAV	21.36	1
PECV	3.05	1
<b>Value per share</b>	<b>12.21</b>	

We have used two methods of Valuation for valuing the equity shares of FASHIONS i.e. NAV and PECV. Equal weights have been assigned to both the methods as both the methods are relevant and serve the required purpose.

### (B) FAIR VALUE OF HIGH STREET FILATEX LIMITED

PARTICULARS	FILATEX	
	Value per share	Weights
NAV	16.53	1.5
Market Price	26.66	0.5
<b>Value per share</b>	<b>19.06</b>	

We have used two methods of Valuation for valuing the equity shares of FILATEX i.e. NAV and Market Price. More weight is given to NAV over Market price method as frequent trading is not going in the concern.

### (C) SWAP RATIO

PARTICULARS	Fair Value	
	FILATEX	FASHIONS
	Value per share	Value per Share
	19.06	12.21
<b>Swap ratio</b>	<b>1:1.56</b>	
<b>Say</b>	<b>2:3</b>	

Taking into consideration the fair equity value per share of FILATEX & FASHIONS, we recommend that equity share swap ratio of 2:3 between FILATEX and FASHIONS is fair and equitable to all the stakeholders of the companies.

Every Shareholder holding 3 equity shares of High Street Fashions Limited (Face value Rs. 10 per share) will be allotted 2 equity shares of High Street Filatex Limited (Face value Rs. 10 per share), pursuant to merger of Fashions into Filatex.

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For High Street Fashions Limited



**Director**

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For High Street Filatex Ltd.



**Director**



## 12. Disclaimer

This Advisory Valuation report is being furnished at the request of the management of High Street Fashions Limited (hereinafter referred as "FASHIONS") and High Street Filatex Limited (hereinafter referred to as "FILATEX") to determine the swap ratio for the proposed merger of FASHIONS into FILATEX.

For the purpose of computation of the swap ratio for the proposed merger, "P.C.Modi & Co." (Hereinafter referred to as "P.C.Modi & Co.") have been appointed by the management of High Street Fashions Limited & High Street Filatex Limited vide letter of engagement dated 26<sup>TH</sup> February, 2014.

"P.C.Modi & Co." has prepared the report from information extracted from desk research, published reports and other data supplied by the management of the companies and other sources believed to be reliable and true. Our scope of work does not include verification of data submitted by management and we have relied upon the data so submitted without conducting any due diligence thereof. The report cannot be distributed, published, reproduced or used, without the prior express written consent of FASHIONS & FILATEX, for any purpose except by the board of the respective Companies for the purpose of computation of the swap ratio for the proposed merger of FASHIONS & FILATEX.

The management of FASHIONS & FILATEX has provided the factual data, and financial statements on which "P.C.Modi & Co." has relied. *While the information provided herein is believed to be true and reliable to the best of our knowledge, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of such information.*

*We reiterate that valuation is a highly subjective exercise and may differ from valuer to valuer depending upon the perception of attendant circumstances. At best it is an expression of opinion or a recommendation based on certain assumptions.*

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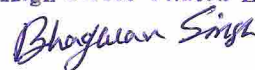
For High Street Fashions Limited



**Director**

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For High Street Filatex Ltd.



**Director**

