MZSK
& Associates
Chartered Accountants

March 30, 2016

To,

The Board of Directors
Ashapura Intimates Fashion Limited
Unit no 3/4. Pacific Plaza,
Plot no 570, Masjid Gali,
Off Bhavani Shankar Road. Dadar (W),
Mumbai - 400 028.

The Board of Directors
Momai Apparels Limited
Shop No. 305-309, 3rd Floor, Pacific Plaza.
Plot No.570, Masjid Gali,
Off Bhawani Shankar Road.
Dadar - West,
Mumbai - 400 028.

Sub: Recommendation of the fair equity share exchange ratio for the purpose of proposed Amalgamation of Momai Apparels Limited ("MAL") with Ashapura Intimates Fashion Ltd. ("AIFL")

We refer to our engagement letter, wherein Ashapura Intimates Fashion Ltd ("AIFL") has requested MZSK & Associates, Chartered Accountants (hereinafter referred to as "MZSK" or "We" or "Us"), a member firm of BDO International, to recommend fair equity share exchange ratio for the purpose of proposed amalgamation of Momai Apparels Limited ("MAL") with AIFL (hereinafter jointly referred to as the "Companies").

Subject to necessary approvals, MAL will be merged with AIFL with effect from Appointed Date April 1, 2016. In consideration for the amalgamation, equity shares of AIFL would be issued to the shareholders of MAL. In this connection, MZSK has been appointed to carry out the relative valuation of equity shares of AIFL and MAL to recommend Fair Equity Share Exchange Ratio.

This valuation report is in relation to information provided by the Companies and discussions we had with the management of the Companies ("Managements") from time to time in the above matter.

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ASHAPURA INTIMATES FASHION LIMITED
THANE 421329
MUMBAI 400028

SCOPE AND PURPOSE OF THIS REPORT

Ashapura Intimates Fashions Limited (AIFL) founded in 2006, is a fashion house that designs, brands, markets and retails intimate garments for men, women and children. AIFL is in the business of designing, branding, marketing and retailing clothing products such as lounge wear, sleep wear, bridal night wear, honeymoon sets, bathrobes, women inner wear, sportswear and kids lounge wear under the brand name 'Valentine'.

AIFL was listed on the BSE SME segment in April 2013 and on 3rd June, 2015 it migrated to BSE Main Board. The equity shares of AIFL are listed on the BSE Limited ("BSE") and National Stock Exchange of India Ltd ("NSE"). For the FY ended March 31, 2015 AIFL reported standalone revenue of INR 177.44 crores and PAT of INR 8.67 crores.

Momai Apparels Limited ("MAL") was incorporated as Momai Apparels Private Limited on January 21, 2010 as a private limited company under the Companies Act, 1956. Subsequently it was converted into a public limited company vide fresh certificate of incorporation dated September 05, 2013 and consequently its name was changed to "Momai Apparels Limited". MAL was listed on NSE Emerge Platform in October 2014. AIFL holds ~20% stake in MAL.

MAL is engaged in the business of manufacturing non-branded intimate garments such as loungewear, bridal night wear, honeymoon sets, bathrobes, night wear, sportswear and women's innerwear. For the FY ended March 31, 2015, MAL reported revenue of INR 122.80 crores and PAT of INR 3.67 crores.

We understand that the Board of Directors ("Boards") of the Companies propose to consolidate the business operations of MAL with AIFL through a Scheme of Amalgamation under the provisions of Sections 391-394 of the Companies Act,1956 (including any statutory re-enactment thereof) ("Scheme") as under:

- Merge MAL into AIFL on a going concern basis with effect from April 1, 2016 (the "Appointed Date") (hereinafter referred as "Proposed Merger").
- The shareholders of MAL will be issued equity shares of AIFL as a consideration for the Proposed Merger.

In this connection, we have been requested by AIFL to submit a report recommending a fair equity share exchange ratio in the event of the Proposed Merger for the consideration of the Boards of the Companies. This report will be placed before the Audit Committees of the Companies, as per the SEBI Circular CIR/CID/CM D/16/2015 dated 30 November 2015 and the Board of the Companies and to the extent mandatorily required under applicable laws of India, maybe produced before judicial, regulatory or government authorities, in connection with the Proposed Merger.

The scope of our services is to conduct relative valuation of AIFL and MAL for recommending a fair equity share exchange ratio for the Proposed Merger in accordance with generally accepted professional standards.

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This report is our deliverable in respect of our recommendation of fair equity share exchange ratio for the purpose of the Proposed Merger. This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. This report is to be read in totality and not in parts, in conjunction with the relevant documents referred to there in.

The Management of the Companies have informed us that they do not expect any events which are unusual or not in normal course of business up to the effective date of the Proposed Merger, other than the events specifically mentioned in this report. We have relied on the above while arriving at the fair equity share exchange ratio for the Proposed Merger.

SOURCES OF INFORMATION

In connection with this exercise, we have used information available in the public domain, information from the official website of the Companies and following information from the respective Management of the Companies:

AIFL

- Audited financial statements of AIFL for the years ended March 31, 2013, March 31, 2014 and March 31, 2015
- Financial statements of AIFL submitted to BSE and NSE for the periods up to December 31, 2015;
- Estimated Financial Statements of AIFL for the financial year ended March 31, 2016;
- Projected Profitability Statement of AIFL for the financial years ended March 31, 2017 to March 31, 2021;
- Projected Balance Sheet of AIFL for the financial years ended March 31, 2017 to March 31, 2021;
- Income Tax Return of AIFL for the Assessment Year 2015-16;

MAL

- Audited financial statements of MAL for the years ended March 31, 2013, March 31, 2014 and March 31, 2015
- Financial statements of MAL submitted to NSE for the periods up to September 30, 2015;
- Estimated Financial Statements of MAL for the financial year ended March 31, 2016;
- Projected Profitability Statement of MAL for the financial years ended March 31, 2017 to March 31, 2021;
- Projected Balance Sheet of MAL for the financial years ended March 31, 2017 to March 31, 2021;
- Income Tax Return of MAL for the Assessment Year 2015-16;

OTHERS

- Draft Scheme of Amalgamation of MAL with AIFL;
- Other relevant information and documents for the purpose of this engagement.

The Companies have been provided with the opportunity to review the draft report (excluding the recommended ratios) for this engagement to make sure that factual inaccuracies are avoided in our final report.

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SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The scope of the assignment did not include performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was used during the course of the work. Further, conducting a financial or technical feasibility study was also not covered. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This report, its contents and the results herein are specific to the purpose of valuation agreed as per the terms of our engagement; specific to the date of this report and based on the information provided by the Management of the Companies.

A valuation of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of March 30, 2016. Events occurring after this date may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information available in the public domain as well as information sourced from international data bases and the said recommendation(s) shall be considered to be in the nature of non-binding advice (our recommendation however will not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this report.

In the course of the valuation, we were provided with both written and verbal information, including market, technical, financial and operating data. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/on behalf of the Companies. The respective Management of the Companies have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the report. Also, we assume no responsibility for technical information (if any) furnished by the Companies. However, nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

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The report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this valuation report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited/unaudited balance sheet of the Companies.

The report does not look into the business/ commercial reasons behind the Proposed Merger nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Merger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

This valuation report is based on the extant regulatory environment and the business/market conditions, which are dynamic in nature and may change in future, thereby impacting the valuation of the Companies. The information presented in this valuation report does not reflect the outcome of any due diligence procedures, which may change the information contained herein and, therefore, the valuation report materially.

No investigation / enquiry of the Companies' claim to title of assets has been made for the purpose of this report and the Companies' 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.

The fee for the engagement is not contingent upon the results reported.

We owe responsibility to only the Boards of Directors of AIFL and MAL under the terms of our engagement, and nobody else. We do not accept any liability to any third party in relation to the issue of this report. It is understood that this analysis does not represent a fairness opinion. This valuation report is subject to the laws of India.

Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the Proposed Merger, without our prior written consent. In addition, this report does not in any manner address the prices at which AIFL or MAL's shares will trade following the announcement of the Proposed Merger and we express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders' meeting(s) to be held in connection with the Proposed Merger.

We must emphasize that realizations of free cash flow forecast used in the analysis will be dependent on the continuing validity of assumptions on which they are based. The assumptions used in their preparation, as we have been explained, are based on the respective Management's present expectation of both - the most likely set of future business events and

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circumstances and the respective Management's course of action related to them. Our analysis, therefore will not, and cannot be directed to providing any assurance about the achievability of the final projections. Since the financial forecasts relate to future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences may be material.

In the course of the valuation, we have assumed and relied upon, without independently verifying: (i) The accuracy of the information that was publicly available and formed a substantial basis for this report; and (ii) the accuracy of information sourced from databases and information made available to us by the Companies. In accordance with our engagement letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information available in the public domain. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the historical financial statements.

Whilst, all reasonable care has been taken to ensure that facts stated in the report are accurate and opinions given are fair and reasonable, neither us, nor any of our Partners or Employees shall in any way be responsible for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report.

SHARE CAPITAL DETAILS OF THE COMPANIES

Ashapura Intimates Fashion Limited

The Share Capital of AIFL, as per the last audited accounts as on March 31, 2015 is set below:

Authorised share capital	
2,30,00,000 shares of face value of Rs. 10 each	23,00,00,000
TOTAL	23,00,00,000
Issued, subscribed and paid-up share capital	
1,94,67,240 shares of face value of Rs. 10 each	19,46,72,400
TOTAL	19,46,72,400

Momai Apparels Limited

The Share Capital of MAL, as per the last audited accounts as on March 31, 2015 is set below:

Authorised share capital	
1,60,00,000 shares of face value of INR 10 each	16,00,00,000
TOTAL	16,00,00,000
Issued, subscribed and paid-up share capital	
1,44,29,535 shares of face value of INR 10 each	14,42,95,350
TOTAL	14,42,95,350

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APPROACH - BASIS OF PROPOSED AMALGAMATION

The Proposed Merger contemplates the merger of MAL into AIFL pursuant to the Scheme of Amalgamation under sections 391 to 394 of the Companies Act, 1956. Arriving at the fair share exchange ratio for the Proposed Merger would require determining the relative values of the concerned businesses and shares of the Companies. These values are to be determined independently but on a relative basis, and without considering the effect of the Proposed Merger.

The Proposed Merger envisages the merger of MAL into AIFL with equity shares of AIFL being issued to the shareholders of MAL. This requires the relative valuation of equity shares of AIFL and MAL for determination of a fair equity share exchange ratio for the Proposed Merger.

Hence we have carried out a relative valuation of the shares of MAL and AIFL in order to determine the fair share exchange ratio for the Proposed Merger.

There are several commonly used and accepted methods for determining the fair equity share exchange ratio for the Proposed Merger, which have been considered in the present case, to the extent relevant and applicable, including:

- Net Asset Value method
- Market Price method
- Discounted Cash Flows method

It should be understood that the valuation of any company or its assets is inherently subjective and is subject to certain uncertainties and contingencies. all of which are difficult to predict and are beyond our control. In performing our analysis, we made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the companies. In addition. this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the companies, and other factors which generally influence the valuation of companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bonafide manner based on our previous experience of assignments of a similar nature.

Net Asset Value (NAV) Method

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. The Net Asset Value ignores the future return the assets can produce and is calculated using historical accounting data that does not reflect how much the business is worth to someone who may buy or

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invest in the business as a going concern. This valuation approach is therefore mainly used in case where the firm is to be liquidated or in case where the assets base dominates earnings capability.

A Scheme of Amalgamation would normally be proceeded with. on the assumption that the companies amalgamate as going concerns and an actual realization of the operating assets is not contemplated. The operating assets have therefore been considered at their book values. In such a going concern scenario, the relative earning power is of importance to the basis of amalgamation. with the values arrived at on the net asset basis being of limited relevance.

We have computed the NAV of equity shares of the Companies. We have considered the balance sheets of MAL and AIFL as on September 30, 2015 and made suitable adjustments for, inter alia surplus/non-operating assets/liabilities as deemed appropriate for the purpose of our valuation analysis. The total value for equity shareholders is then divided by the current number of equity shares of the respective companies in order to work out the value per equity share of the Companies.

<u>Discounted Cash Flow (DCF) method:</u>

The DCF method uses future cash flows of the firm discounted by the cost of capital to arrive at the present value. In general, the DCF method is a strong and widely accepted tool. as it concentrates on cash generation potential of a business. Considering that this method is based on future potential and is widely accepted, we have used this approach in the valuation in the present exercise.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:
Free cash flows are the cash flows to be generated by the company that are available to all providers of the company's capital - both debt and equity.

Appropriate discount rate to be applied to cash flows i.e. the cost of capital:
This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

To arrive at the total value available to the equity shareholders of MAL and AIFL, the values arrived above under DCF method for MAL and AIFL are adjusted for, inter-alia, the value of loans, cash, and surplus / non-operating assets/liabilities as deemed appropriate for the purpose of our valuation analysis. The total value for equity shareholders is then divided by the fully diluted equity shares of the respective companies in order to work out the value per equity share of MAL and AIFL.

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Market Approach (Market Price Method)

Under the "Market" Approach, the market price of an equity share as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be built in the value of the shares. The market value generally reflects the investors' perception about the true worth of the company.

But there could be situations where 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 the case of a merger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

In the present case, the equity shares of MAL are listed on NSE SME platform "Emerge" and equity shares of AIFL are listed on the BSE Ltd. &NSE and there are regular transactions on their respective stock exchanges for the equity shares. Accordingly, in the present case, the volume weighted average share price over reasonable periods for the shares of the respective Companies, as deemed appropriate for the purpose of our valuation analysis, have been considered for determining the value of the shares of the Companies under the market price methodology.

BASIS OF FAIR EQUITY SHARE EXCHANGE RATIO

The fair basis for the Proposed Merger would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above methodologies, for the purposes of recommending a swap ratio, it is necessary to arrive at a single value for the shares of the concerned companies. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values of the shares of the companies but at their relative values to facilitate the determination of the swap ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology. We have given weights to the values arrived at under different methodologies based on our evaluation and judgment of the businesses of the Companies, in order to arrive at the relative values of the shares of the Companies.

In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion by us and judgments taking into account all the relevant factors. There will always be several factors, e.g. quality of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions.

The fair share exchange ratio of equity shares of MAL and AIFL have been arrived at on the basis of a relative valuation of MAL and AIFL based on the various methodologies explained hereinafter and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations.

In the light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion the fair share exchange ratio for the Proposed Merger is as follows:

10 (Ten) equity shares of AIFL of INR 10/- each fully paid up for every 27 (Twenty seven) equity shares of MAL of INR 10/- each fully paid up.

Yours faithfully,

For MZSK & Associates, Chartered Accountants
Firm Registration No: 105047W

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Rajesh Thakkar
Partner
Membership No 103085

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