Report on the

Valuation of

Kwality Credit & Leasing Limited

and

Original Fashion Traders Limited

and

Anurodh Infrastructure Limited

And

Exchange Ratio for

The proposed merger of

Original Fashion Traders Limited

and

Anurodh Infrastructure Limited

with

Kwality Credit & Leasing Limited

DATE

30th January, 2014

1. **Scope of Work:**

- Our firm M/s. Bajoria Mayank & Associates, Chartered Accountants has been engaged by the Board of Directors of Kwality Credit & Leasing Ltd ('KCLL') ("Transferee") to provide assistance (the "Mandate") in determining valuation and the share exchange ratio (the "Exchange Ratio") for the proposed merger of Original Fashion Traders Limited ('OFTL') and Anurodh Infrastructure Limited ('AIL') (here-in-after collectively referred to as "Transferors") with and into the Transferee company (also referred to as the "Transaction" or the "Merger").

1.1 **Limitation and Constraints to this report:**

- This Valuation Report, within the limits and with the cautions, qualifications, and caveats provided herein, has been prepared for the sole purpose of supporting the valuation and decision-making process of the Board of Directors of the Transferee and, therefore, may not be used in any other scope and is not intended for use by any other individual or entity for any other purpose. In addition, it is not appropriate to use this Valuation Report as a basis for granting credit to or conferring rights of any kind on employees, creditors, or other holders of financial instruments issued by the both Transferee & Transferors companies which they hold directly and/or indirectly, or any other entity whatsoever.
- In fulfilling this Mandate and performing all valuations, we have relied on the truth, completeness and accuracy, in all respects, of the documents, facts, data and information provided by the both Transferee & Transferors, without undertaking any independent verification, certification and/or analysis. Further, nothing contained in this report should be construed to be an express or implied representation as to the future or an indication of prospective earnings or financial performance of the Parties. The mandate did not involve performing any audit tests made in accordance with the generally accepted auditing standards, financial/ accounting due diligence review, etc. The report has been prepared on the understanding that the company has drawn our attention to all the matters concerning the company's financial position and other matters, which may have an impact on the company's future.

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- No investigation of the title to the companies and its assets has been made. No consideration has been given to liens and encumbrances, which may be in force against the company and its assets. No responsibility is assumed for other matters of a legal nature. We were not required to carry out a legal/tax due diligence review.
- The value ascertained in this report is not intended to represent the value of the companies at any point in time other than the valuation date, viz., 31st March, 2013. Any subsequent changes in the industry's/ companies operating conditions may impact the value as computed. We, however, have no obligation to update this report for events, trends or transactions relating to the Company or the market/ economy in general and occurring subsequent to the valuation date.
- Furthermore, this Report should not be interpreted by the Shareholders of the Parties as a recommendation in relation to the exercise of voting rights in the Extraordinary General Meeting of the Shareholders / Creditors convened to vote on the Merger.

1.2 Indemnification

- We shall not be held responsible for any liability (in contract or tort or under statute or otherwise) for any economic loss or damage suffered by the company, or any third party, arising out of or in connection with this engagement, however the loss or damage is caused, including our negligence.

1.3 Sources of information

- Background documents and information on the companies
- Audited financial statements for the companies for the years ended 31st March, 2011, 31st March, 2012 and 31st March, 2013.
- Verbal information and discussions with the management

2. Background:

- KCLL is a public limited company listed with the Bombay Stock Exchange (BSE), Calcutta Stock Exchange Association Limited and Jaipur Stock Exchange Limited. The Transferee Company was incorporated on 25th September, 1992.

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- OFTL was incorporated on 31st January 2011.
- AIL was incorporated on 24th January, 2011.

3. Valuation

Valuation of share is a result of combination of various factors and attended circumstances related to the business which is being valued. There can be no single method of share valuation, which may be universally applicable, valuation is an exercise, which is influenced to a great extent by affecting factors and thus is not an exact science or a pure mathematical exercise. The valuer has to further depend upon his judgement and imagination to decide about the discounting/capitalisation rates to be applied for the valuation.

According to standard valuation practice, the fundamental precondition for obtaining significant and comparable valuations in merger transactions is the consistency and comparability of the methods applied according to the characteristics of the companies and/or groups being valued.

In addition, a second fundamental principle often adopted for merger valuations is the "stand alone" assumption. That is, a valuation perspective based on the current configuration and future prospects of the Parties on an independent basis, without taking any potential synergies from the merger into account.

As stated previously, the selected methodologies – which represent recognised techniques, widely used in valuation practice – should not be considered individually, but rather as different parts of a single valuation process. Independent use of the results obtained from each methodology, without duly considering the complementary relationship with other methodologies, will result in loss of the meaningfulness of the valuation process itself.

In selecting and applying the stated methods, we have considered the advantages and limitations implicit in each on the basis of common practice in this sector and its own experience. Further the same valuation method was employed for all the companies to have consistency and since there was no other reasons to use different methods.

On the basis of these considerations and in view of the distinctive characteristics of both the Transferee and the Transferors, the type of transaction and the market sector in which they operate, the following valuation methodologies have been selected:

(a) **Net Asset Value or Net Worth Method:** In the net asset value method, net asset value is computed based on the latest available audited balance sheet. The genesis of this method of valuation lies in the total assets that the companies own. The values of intangible assets are excluded. Loan funds are deducted. The diminution, if any, in the value of assets, not reflected in the accounts is deducted. Contingent liabilities, to the extent that they impair the net worth of the company, are also deducted. The resultant figure represents the net worth of the company on the given day. This method cannot be altogether avoided in a case of a going concern.

(b) **Profit/Price Earning Basis Method:** Earnings potential of the business is the most important determinant in case of going concern. For this purpose, both past and future projected earnings have to be analysed and then capitalised at an appropriate yield rate to arrive at the value of the business. The capitalisation rate so factored has to be decided depending upon various factors such as the earning trend in the industries, P/E ratios prevailing in the industry etc.

(c) **Market Value Method :** This method can be used for the valuation is by taking the average of the quotes in the stock markets over a period of time for company's shares and further adjusting them for the speculative factor. This method of valuation of the business is used on presumption that stock market quotations reflect the health of the business. This method should not be used in cases where the markets are being dominated by BULL/BEAR pressures.

However, the market price method becomes redundant as the shares of OFTL and AIL are not listed on any of the exchanges. Accordingly, our valuation has been based on the Net Asset Value Method and Profit Earning Capacity method.

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3.1 Considering the above facts the net asset value of the companies, as March 31, 2013, has been determined as follows:

- 3.1.1 The net asset value of KCLL is as follows:

Particulars	Total (Rs.)
Paid up Equity	4,22,27,030
Add: Reserves & Surplus	7,10,65,586
Less : Miscellaneous Expenditure	NIL
Net Asset Value [A]	**11,32,92,616**

Hence, the Net Asset Value of "KCLL" is determined at Rs. **11,32,92,616/-** ***(Rupees Eleven Crores Thirty Two Lacs Ninety Two Thousand Six Hundred Sixteen only)***

3.1.2 The net asset value of "OFTL" has been determined as follows:

Particulars	Total (Rs.)
Paid up Equity	48,51,00,000
Add: Reserves & Surplus	32,28,473
Less: Miscellaneous Expenditure	64,420
Net Asset Value [A]	**48,82,64,053**

Hence, the Net Asset Value of "OFTL" is determined at **Rs. 48,82,64,053/-** ***(Rupees Forty Eight Crores Eighty Two Lacs Sixty Four Thousand and Fifty Three Only)***

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3.1.3 The net asset value of **"AIL"** has been determined as follows:

Particulars	**Total (Rs.)**
Paid up Equity	42,63,00,000
Add: Reserves & Surplus	21,61,075
Less: Miscellaneous Expenditure	61,028
Net Asset Value [A]	**42,84,00,047**

Hence the Net Asset Value of "AIL" is determined at **Rs. 42,84,00,047/-** ***(Rupees Forty Two Crores Eighty Four Lacs Forty Seven Only)***

3.2 Profit Earning Capacity Value Method

- In this method, the average earnings based on the past 3 years are first determined. Adjustments are then made for any exceptional transactions or items of a non-recurring nature. The adjusted average earnings are then capitalized at an appropriate rate to arrive at the value of the business.
- The PECV is calculated as under, by capitalizing the weighted average post-tax profits of the company for last 3 years at a rate of 20%.

3.2.1 Calculation of PECV of Equity Shares of KCLL

Particulars		**2012-13**	**2011-12**	**2010-11**
Profit after tax		1,22,831	45,897	8,684
Weights	(i)	3	2	1
Weighted average PAT	(ii)	3,68,493	91,794	8,684
Total of Weighted average PAT	(iii) = Total of (ii)	4,68,971		

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Particulars		2012-13	2011-12	2010-11
Total of Weights	(iv) = Total of (i)	6		
Total Weighted average PAT	(v) = (iii) / (iv)	78,162		
Capitalising factor	(vi)	20%		
Value of the business [B]	(v) / (vi)	**3,90,810**		

3.2.2 Calculation of PECV of Equity Shares of OFTL

Particulars		2012-13	2011-12	2010-11
Profit after tax		5,59,775	2,438	42,760
Weights	(i)	3	2	1
Weighted average PAT	(ii)	16,79,325	4,876	42,760
Total of Weighted average PAT	(iii) = Total of (ii)	17,26,961		
Total of Weights	(iv) = Total of (i)	6		
Total Weighted average PAT	(v) = (iii) / (iv)	2,87,827		
Capitalising factor	(vi)	20%		
Value of the business [B]	(v) / (vi)	**14,39,135**		

3.2.3 Calculation of PECV of Equity Shares of AIL

Particulars		2012-13	2011-12	2010-11
Profit after tax		4,06,613	3,209	45,753
Weights	(i)	3	2	1
Weighted average PAT	(ii)	12,19,839	6,418	45,753
Total of Weighted average PAT	(iii) = Total of (ii)	12,72,010		

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Particulars		2012-13	2011-12	2010-11
Total of Weights	(iv) = Total of (i)	6		
Total Weighted average PAT	(v) = (iii) / (iv)	2,12,002		
Capitalising factor	(vi)	20.00%		
Value of the business [B]	(v) / (vi)	**10,60,010**		

3.3 Fair Value per share

Based on the Average of the Net asset value and PECV Method, the fair value of business of the three companies is as **tabulated below.**

Particulars	**KCLL**	**OFTL**	**AIL**
Net worth of the Companies **(A)**	**11,32,92,616**	**48,82,64,053**	**42,84,00,047**
PECV of the Companies **(B)**	**3,90,810**	**14,39,135**	**10,60,010**
Fair Value of Business (Average of Net asset value and PECV Method) **(A + B)/2**	**5,68,41,713**	**24,48,51,594**	**21,47,30,029**
No. of shares (face value Rs. 10/-)	42,22,703	4,85,10,000	4,26,30,000
Fair Value per share	**13.46**	**5.05**	**5.04**

4. Determination of exchange/swap ratio:

Based on the above calculations, the exchange/swap ratio between the companies works out to be as follows:

Particulars	**OFTL**	**AIL**
Fair Value per share	**5.05**	**5.04**
Fair Value per share of KCLL	**13.46**	**13.46**
Exchange Swap Ratio	**0.38 : 1**	**0.37: 1**

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	Or 1 : 2.67	Or 1 : 2.67

We would like to opine that aforesaid valuation methods to determine the values of the companies as justified on the basis of the fact that these valuation methods are recognised economic methods to calculate enterprise values and the basis for determining the values of companies taking part in the merger are appropriate and in line with recognised principles of company valuation.

However, taking into consideration the Listing status of KCLL that shall be beneficial to the shareholders of OFTL and AIL, the SWAP Ratio for exchange of shares between the companies may be fixed as follows:

a. Between KCLL and OFTL at anything less than 1: 3 (i.e. shareholders holding 3 shares of OFTL will receive 1 share of KCLL)
b. Between KCLL and AIL at anything less than 1: 3 (i.e. shareholders holding 3 shares of AIL will receive 1 share of KCLL)

To conclude, in a nutshell, results achieved from the aforesaid valuation methods selected, it can be considered that the Share Exchange Ratio which the Board of Directors of the Parties intends to propose to the General Meeting of Shareholders is, from a financial perspective, fair and in the best interest of the shareholders of KCLL.

For Bajoria Mayank & Associates

Chartered Accountants

Bajoria

CA Mayank Bajoria

Designation

Membership No: 300481

Place : Kolkata

Dated : 30.01.2014