Annex.- "C" (Original)

25

CA. Rajal J. Vora
M.Com., F.C.A., D.I.S.A.(ICA)
9879188409

Rajal Vaidya & Co.
Chartered Accountants

CA. Jaladhi S. Vora
B. Com., LLB., F.C.A.
9909915650

8/46, Pragatinagar, Naranpura, Ahmedabad - 380013. Phone : 079-27455402
Email : jaladhivora@yahoo.com, rajalca_80@yahoo.co.in

STRICTLY PRIVATE AND CONFIDENTIAL

The Board of Directors
Ashima Limited
Texcellence Complex,
Khokhara-Mehmedabad,
Ahmedabad-380 021

13th December 2014

Dear Sirs,

Re: Valuation of equity shares of Ashima Limited

This has reference to the engagement letter dated 15th November 2014 and various discussions that we have had with you and the information that we have received from key executives and representatives of Ashima Limited (hereinafter referred to as "Client" or the "Company"") from time to time in the above matter.

SCOPE AND PURPOSE OF THIS REPORT

We have been given to understand that the management of the Client is proposing a scheme of arrangement for reconstruction and compromise under Sections 391 to 394 of the Companies Act, 1956 (the "Scheme"). As per Circular CIR/CFD/DIL/5/2013 dated 4th February 2013, issued by the Securities and Exchange Board of India ("SEBI") before such a Scheme is submitted for sanction, a valuation report from an independent chartered accountant is required to be submitted.

It is in this connection that we have been requested by the Client to carry out a fair valuation of the equity shares of the Company, on a going concern basis, as at 30th September 2014, being the valuation date.

We understand that our report containing our analysis on the fair value of the equity shares of the Company will be furnished to SEBI for the purpose of compliance with the abovementioned SEBI Circular. It should also be understood that the value at which investments are made and / or price paid in a transaction may differ from the value

RAJAL VAIDYA & CO. AHMEDABAD CHARTERED ACCOUNTANTS

ASHIMA LIMITED Ahmedabad

26.

computed in this report due to factors such as the motivation of parties, negotiation skills of the parties, the structure of the transaction (i.e. financing structure, transition of control, etc.) or other factors unique to the transaction.

This report on the valuation of equity shares and the information contained therein is absolutely confidential. It is intended only for the sole use and information of the Company and only for the purpose of complying with the aforementioned SEBI Circular. We are not responsible to any other person / party for any decision of such person / party based on this report. Any person / party intending to provide finance / invest in the shares / business of the Company or its subsidiaries, 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 hereby notified that any reproduction, copying or otherwise quoting of our report or any part thereof other than by the Company for the aforementioned purpose, can be done only with our prior permission in writing.

SOURCES OF INFORMATION

The valuation exercise was undertaken on the basis of the following information relating to the Company, furnished to us by the representatives of the Company and information available in the public domain:

- Memorandum and Articles of Association
- Draft Scheme of Arrangement for Reconstruction and Compromise
- Projected profit and loss account and balance sheet ending 31st March 2024
- Management Discussions
- Other relevant details

We have also received the necessary explanations, information and representations which we believed were relevant to the present valuation exercise from the representatives of the Company.

KAMAL VAIDYA & CO. AHMEDABAD CHARTERED ACCOUNTANTS

ASHIMA LIMITED Ahmedabad

BACKGROUND

Ashima Limited is the flagship company of the Ashima Group and is engaged in the business of cotton fabric manufacturing. The Company's equity shares are listed on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). The Company has applied for delisting of its equity shares from the Ahmedabad Stock Exchange Limited. The Company over the past several years has been incurring losses which have eroded the Company's networth. Consequently the Company could not make payments towards its debt commitments which has affected the creditworthiness of the Company. After several unsuccessful attempts to carry out a financial restructuring, the Company is now proposing a scheme of arrangement for reconstruction and compromise to its secured creditors.

GENERALLY ACCEPTED VALUATION METHODOLOGIES

There are several commonly used and accepted methods for determining the fair value of the equity shares of a company, which we have applied to the extent relevant and applicable in the current case

1. Net Asset Value Method based on Book Value / Intrinsic Worth of assets and liabilities
2. Value based on Market Multiples of Comparable Listed Companies (Multiple Method based on Comparable Companies)
3. Value based on Transaction Multiples of Comparable Transactions (Multiple Method based on Comparable Transactions)
4. Value based on Discounted Free Cash Flow Method
5. Value based on Market Quotes available on recognized stock exchanges (Market Prices Method)

In case of a company, the equity shares of which are listed, the market price of an equity share as quoted on a 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. In the present case, as mentioned earlier the equity shares of the Company are listed on various stock exchanges where they are frequently traded in. We

RAMAL VAIDYA & CO. AHMEDABAD CHARTERED ACCOUNTANTS

ASHIMA LIMITED Ahmedabad

have hence used the Market Prices Method as the primary methodology to value the equity shares of the Company. The value of the equity shares under this methodology have been determined by considering the weighted average market prices of the Company's equity shares over a period of 6 months ending 12th December 2014, based on which the weighted average market price per equity share of Rs.10/- each fully paid up of the Company works out to Rs. 9.14/- per equity share.

As mentioned earlier, the Company's networth has been eroded on account of accumulated losses. Consequently the book value of the Company is negative as at the Valuation Date and hence not representative of the fair value of the equity shares of the Company. Moreover, as informed to us by the management, the Company does not have any working capital facilities from any bank and hence faces severe limitations in terms of maintaining required level of inventory or extending normal credit facilities demanded by its customers. In such a case, as the present business is not being carried out at its full potential and the fact that the future business operations of the Company would be dependent on the outcome of the proposed Scheme, there is a high level of uncertainty in relation to the business operations of the Company going forward. Consequently, determining the maintainable level of operations, revenues or profitability for both the present as well as the future would involve a high level of subjectivity. As a result, in the present case, on account of the reasons mentioned earlier, we were unable to apply the Multiple Method based on Comparable Companies, the Multiple Method based on Comparable Transactions or the Discounted Cash Flows Method. Consequently, as mentioned earlier, in the present case, we have used only the Market Prices Method to determine the fair value of the equity shares of the Company.

Accordingly, in our opinion in the present case the fair value of the equity share of Rs 10/- each is Rs. 9.14/- per equity share.

SCOPE LIMITATIONS

Our report is subject to the scope limitations detailed in this report. 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. Our valuation analysis was completed on 12th December 2014 and we have not

RAJAL VAIDYA & CO. AHMEDABAD FRN 104960W CHARTERED ACCOUNTANTS

ASHIMA LIMITED Ahmedabad

updated our work since that date. We had provided a draft of this report to the Client. The report has been reviewed by the Client and they have confirmed that the information contained in this report is factually correct.

Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as agreed per terms of our engagement. It may not be valid for any other purpose or as at any other date. Valuation analysis and results are also specific to the date of this report. This report is issued on the understanding that the Company has drawn our attention to all the matters, of which it is aware concerning the financial position of the Company and any other matter, which may have an impact on our valuation of the equity shares of the Company, including any significant changes that have taken place or are likely to take place in the financial position of the Company since the Valuation Date. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Our work does not constitute an audit, due diligence or certification or review of the historical financial statements and of the projected financial statements of the Company, referred to in this report. Accordingly, we are unable to and do not express an opinion on the accuracy of any financial information referred to in this report. In the course of the valuation, we were provided with written representations and verbal information. We have evaluated the information provided to us by the Company through broad inquiry and analysis (but have not carried out a due diligence or audit or review of the Company for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided). The terms of our engagement were such that we were entitled to rely upon the information provided by the Company without detailed inquiry. We have relied on the understanding given to us by the Company, that they have not omitted any relevant and material factors which could have a bearing on this report. We do not express any opinion or offer any form of assurance regarding the accuracy and completeness of the information / data provided to us by the representatives of the Company. We assume no responsibility for any errors in the information furnished by the Company and its impact on this valuation exercise.

RAJAL VAIDYA & CO. AHMEDABAD CHARTERED ACCOUNTANTS

ASHIMA LIMITED Ahmedabad

30.

We express no opinion on the achievability of the budgeted / projected results of the Company as given to us by the Company. These budgeted / projected results are the responsibility of the Company. We are informed that the assumptions used in their preparation, are based on the Company's present expectations of both - the most likely set of future business events and circumstances and the Company's management's consequential course of action. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period may differ from the forecast and such differences may be material.

No investigation of the Company's claim to title of assets has been made for the purpose of this valuation and the Company's 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 to us. Therefore, we do not assume any responsibility for matters of a legal nature.

Our report is not nor should it be construed as our opining or certifying the compliance with the provisions of any law / standards including company laws, foreign exchange regulatory laws, accounting and taxation / transfer pricing laws / standards or as regards any legal, accounting or taxation implications or issues. Our report and the opinion / valuation analysis contained herein is not nor should it be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities.

This report does not look into the business / commercial reasons behind the proposed Scheme nor the likely benefits arising out of the same. Similarly, it does not address the relative benefits of the proposed Scheme as compared with any other alternative business transaction or other alternatives, or whether or not such alternatives could be achieved or are available. In addition, this report does not in any manner address the prices at which the equity shares of the Company will trade following the announcement of the proposed Scheme and we express no opinion or recommendation as to how the shareholders or creditors of the Company should vote at any shareholders' or creditors' meeting(s) to be held in connection with the proposed Scheme.

RAJAL VAIDYA & CO. AHMEDABAD FRN 112560W CHARTERED ACCOUNTANTS

ASHIMA LIMITED Ahmedabad

We have not conducted or provided an analysis or prepared a model for any fixed asset valuation and have wholly relied on information provided by the Company in that regard.

The fee, for our valuation and the report, is not contingent upon the results reported.

CONCLUSION

On a consideration of all the relevant factors and issues discussed herein, in our analysis, for the purpose of the proposed fresh issue of equity shares under the Scheme, the fair value of the equity share of Rs.10/- each fully paid up of the Company, on a going concern basis as at Valuation Date works out to Rs. 9.14/- (Indian Rupees Nine and Paise Fourteen only) per equity share.

We trust the above meets with your requirements.

Thanking you,

For, ASHIMA LIMITED
Authorised Signatory

Yours faithfully,
For RAJAL VAIDYA & CO.
Chartered Accountants

RAJAL VAIDYA & CO. AHMEDABAD FRN-124966W CHARTERED ACCOUNTANTS

CA. Jaladhi S Vora
Partner
Membership No. 121445.
Firm Registration No. 124966W.
Date: 13th December 2014.