Annex.- "E" (Original)
34.

Fairness Opinion Report on 'Valuation Report of Equity Capital' for Proposed Scheme of 'Arrangement for Reconstruction and Compromise' between Ashima Limited and its Equity Shareholders, Preference Shareholders & Secured Creditors

Prepared by

SAFFRON

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December 13, 2014

SEBI Registered Category I Merchant Banker

SEBI Registration No: INM000011211

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Notice to Reader

This report is done by Saffron Capital Advisors Private Limited ("Saffron") solely for the purpose of giving a Fairness Opinion on Valuation Report of Equity Capital for the proposed Scheme of 'Arrangement for Reconstruction and Compromise' between Ashima Limited and its Equity Shareholders, Preference Shareholders & Secured Creditors. This report is not to be used, circulated, and quoted otherwise than for the purpose stated herein. This report is subject to the scope of limitations detailed hereinafter. As such the report is to be read in totality and not in parts. This report has been prepared solely for the purpose set out in this report and should not be reproduced (in part or otherwise) in any other document whatsoever without Saffron's written consent.

For the purpose of this assignment, Saffron has relied on the report on Valuation Report dated December 13, 2014 prepared by Rajal Vaidya & Co., Chartered Accountants (Firm Registration No. 124966W) [represented by CA Jaladhi S Vora (Membership No. 121445) having their office situated at 8/46, Pragati Nagar, Naranpura, Ahmedabad – 380013] for the proposed Scheme of 'Arrangement for Reconstruction and Compromise' between Ashima Limited and its Equity Shareholders, Preference Shareholders & Secured Creditors; information and explanation provided to it and Saffron has not tried to evaluate the accuracy thereof. Saffron's work does not constitute certification or due diligence of the past working results and Saffron has relied upon the information provided to it as set out in audited and working results.

Saffron has not carried out any physical verification of the assets and liabilities of the companies and takes no responsibility on the identification of such assets and liabilities.

We hereby give our consent to present and disclose the Fairness Opinion in the general meetings of the shareholders of Ashima Limited pursuant to Clause 24 of the Listing Agreement, to the Stock Exchanges and to the Registrar of Companies.

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Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed scheme with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.

The information contained in this Report is selective and is subject to updating, expansions, revisions and amendment, if any. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent. Recipients are advised to independently conduct their own investigation and analysis of the business of the Company. The report has been prepared solely for the purpose of giving a fairness opinion on Valuation Report on Equity Capital for the proposed Scheme of 'Arrangement for Reconstruction and Compromise' between Ashima Limited and its Equity Shareholders, Preference Shareholders & Secured Creditors and may not be applicable or referred to or quoted in any other context.

For **Saffron Capital Advisors Private Limited**

Authorised Signatory

For, ASHIMA LIMITED.
KBhayani
Authorised Signatory

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Introduction and Scope of Assignment

1. Corporate Profile – Ashima Limited:

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 has defaulted in honouring 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.

(Sources: Valuation Report by Rajal Vaidya & Co., Chartered Accountants and information available in public domain)

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2. **Capital Structure of Ashima Limited**

The Authorised Equity Share Capital of the Company, as on October 31, 2014 is Rs. 125,00,00,000 /- (Rupees One Hundred Twenty Five Crores Only) divided into 12,50,00,000 (Twelve Crores and Fifty Lakhs) Equity Shares of Rs.10/- (Rupees Ten Only) each and the Issued, Subscribed and Paid-up Capital of the Company is Rs. 33,36,87,870/- (Rupees Thirty Three Crores Thirty Six Lakhs Eighty Seven Thousands and Eight Hundred Seventy Only) divided into 3,33,68,787 (Three Crore Thirty Three Lakhs Sixty Eight Thousands Seven Hundred & Eighty Seven) fully paid up Equity Shares of Rs. 10/- (Rupees Ten Only) each.

(Source: Draft Scheme of Arrangement certified by the Company)

3. The Board of Directors of Ashima Limited is proposing a Scheme of Arrangement for Reconstruction and Compromise between Ashima Limited and its Equity Shareholders, Preference Shareholders & Secured Creditors under sections 391-394 of the Companies Act, 1956. Valuation of Equity Capital has been decided based on the Valuation Report prepared by Rajal Vaidya & Co., Chartered Accountants (Firm Registration No. 124966W) [represented by CA Jaladhi S Vora (Membership No. 121445) having their office situated at 8/46, Pragati Nagar, Naranpura, Ahmedabad – 380013].

4. We, Saffron Capital Advisors Private Limited, a SEBI registered Category-I Merchant Banker, has been engaged to give a fairness opinion on Report of Valuation of Equity Capital for the proposed Scheme of Arrangement of Ashima Limited. The valuation mentioned herein reflects our independent opinion which is arrived at based on the information provided to us.

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Exclusions and Limitations

- In this connection, Saffron has been requested to submit a report by giving a fairness opinion on Valuation report for valuation of Equity Capital for the proposed Scheme of Arrangement of Ashima Limited.

- We have prepared the Fairness Opinion on the basis of the following information provided to us / collated by us from publicly available sources, like website of BSE:
  a) Audit Report of Ashima Limited for the financial year ended on March 31, 2014.

  b) Past financials, projected financials, working results and assumptions / explanations as set out in the valuation report of Rajal Vaidya & Co., Chartered Accountants dated December 13, 2014, as provided to us by the Company.

- We have prepared our report based on the information provided to us by the Company.

- Our valuation exercise and conclusions reached by us are dependent on the information provided to us being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our assignment does not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information used during the course of our work. As such we have not performed any audit, review or examinations of any of the historical or prospective information used and, therefore, do not express any opinion with regard to the same. In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to the date of our report.

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- Our report will not be offered to any section of the public to subscribe for or purchase any securities in or assets or liabilities of any company or business valued by us.

- This report is prepared with a limited purpose/ scope as identified/ stated earlier and will be confidential being for use only to whom it is issued. It must not be copied, disclosed or circulated in any correspondence or discussions with any person, except to whom it is issued and to those who are involved in this transaction and for various approvals for this transaction.

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Key Extracts of Valuation Report of Rajal Vaidya & Co., CA

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.

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.

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.**

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Conclusion and Opinion on Valuation Report

Conclusion:

We have reviewed the methodology as mentioned above used by the Valuer for arriving at the fair valuation of the equity shares of the company and also reviewed the working and underlining assumptions adopted to arrive at the values under each of the above approaches.

We have been represented by the management of the company that the present scheme has been proposed as an arrangement of compromise with the secured creditors and shareholders of the Company.

Valuation of Equity Capital has been arrived at based on various methodologies explained herein earlier and various qualitative factors relevant to the company and the business dynamics and growth potentials of the business of the company, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

Based on the information, material data made available to us, including the Valuation Report and working thereto, to best of our knowledge and belief, the methodologies used and corresponding valuation of Equity Capital suggested by the Valuer (Rajal Vaidya & Co., Chartered Accountants) under the proposed Scheme of 'Arrangement for Reconstruction and Compromise' between Ashima Limited and its Equity Shareholders, Preference Shareholders & Secured Creditors is **Fair and Reasonable.**

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