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BUSINESS VALUATION REPORT

OF

BLUE PEARL TEXSPIN LIMITED

(FORMERLY KNOWN AS E-WHA FOAM INDIA
LIMITED)

AND

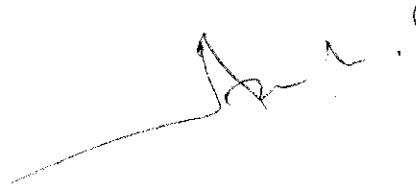
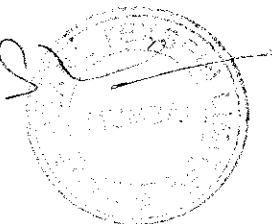
BLUE PEARL LIFESTYLE PRIVATE LIMITED

(FORMERLY KNOWN AS GADA & JAIN HOLDING
PRIVATE LIMITED)

Prepared by:

Shah Mustufa & Associates

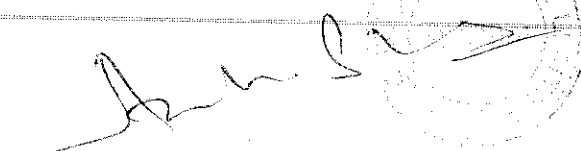
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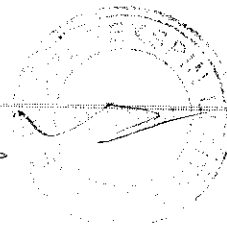



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1. INTRODUCTION

We refer to our engagement letter dated 14th March 2014 confirming our appointment as independent valuer of shares Blue Pearl Texspin Limited (hereinafter referred to as BPTL) and Blue Pearl Lifestyle Private Limited (hereinafter referred to as BPLPL).

The registered office of BPTL is situated at 32, Vyapar Bhavan, P.D. Mello Road, Masjid Bunder (e), Mumbai- 400009. The Company was principally engaged in the business of manufacturing of foam & other foam based products. In 2012, the company changed its line of business & commenced textile business. The Company's equity shares are listed on the Stock Exchange, Mumbai but there has been abysmally low trading volume in the shares of the company in the last few years.

The registered office of BPLPL is situated at 'Unit No. 302, 3rd Floor, Samarpan Complex, New Link Road, Chakala, Andheri (East), Mumbai 400099. The Company is engaged in the business of manufacturing & trading in textiles & trading of readymade garments.

In the following paragraphs, we have summarised our valuation analysis of the business of the above Companies.

2. PURPOSE OF VALUATION

Based on the discussion with the management, we understand that the purpose of valuation is to determine the share swap ratio for merger of BPLPL with BPTL. In this context, the management of both the companies require our assistance in determining the *fair value* of equity shares of both the Companies to determine the share exchange ratio.

3. VALUATION DATE

The analysis of fair value of the equity shares of BPTL and BPLPL has been carried out on close of business on 30th June, 2013.

4. SOURCE OF INFORMATION

For the valuation exercise, we have relied on the following sources of information:

1. Interview with the management team on BPTL and BPLPL.
2. Information provided by the companies' management including



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- a. Audited Financial Statement and tax & other records of BPTL for the last three completed financial years
- b. Audited Financial Statement and tax & other records of BPLPL for the last three completed financial years
- c. The details and documents pertaining to assets and liabilities as required by us of both the companies as on 30th June 2013

The details of transactions and documents for the events happening after the date on 30th June 2013 to understand and see if there are any material transactions that may have a material impact on the valuation.

3. The proposed scheme of Arrangement for the Amalgamation of both the companies.
4. National, regional and local economic data were compiled and reviewed. The sources used include CMIE, CSO, www.capitalmarkets.com and others.
5. Research of comparative business data has been performed. This included data compilation from private company and publicly traded company databases. The transactional data, however, is not included in this report.

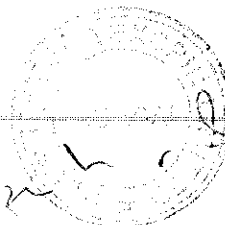
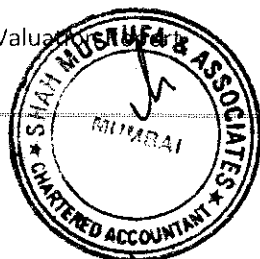
5. INDUSTRY SCENARIO

As a result of merger of BPLPL with BPTL, the company shall carry on operations in textiles and related fields.

Indian Textile Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textile industry also plays a pivotal role through its contribution to industrial output, employment generation & the export earnings of the country. It contributes around 14% to the industrial production, 4% to the GDP & 17% to the country's export earnings. The textile sector is the second largest provider of employment after agriculture. The Indian textile industry is extremely varied, with the hand-spun and hand woven sector at one end of the spectrum, and the capital intensive, sophisticated mill sector at the other.

The decentralized power looms/hosiery and knitting form the largest section of the Textiles Sector. The close linkage of the industry to agriculture and the ancient culture and traditions of the country make the Indian textiles sector unique in comparison with the textiles sector of other countries. This also provides the industry with the capacity to produce a variety of products suitable to the different market segments, both within and outside the country.

Valuation



The textile industry has always been the backbone of the Indian economy. The abundant natural resources, cheap labour and technological developments have helped the industry grow strongly. After China, India is one of the biggest exporters. Also the Indian domestic market is one of the biggest in the world in terms of consumption of textile production.

The industry suffers from the requirements of huge capital investments, rising costs due to power shortages at many locations, ever fluctuating loom costs etc, but there is always good scope of development for a good player in the market.

6. COMPANY BACKGROUND AND PRESENT STATUS

The transferee company that is Blue Pearl Texspin Limited (BPTL) (formerly known as E-Wha Foam India Limited) was engaged in the business of manufacturing of foam & other foam based products. In 2012, the company changed its name from E-Wha Foam India Limited to Blue Pearl Texspin Limited and commenced textile business. It has earned a profit of Rs. 61,053 from its new business operations. It has huge accumulated losses and substantial capital of the company has been eroded.

The transferor company Blue Pearl Lifestyle Private Limited (BPLPL) (formerly known as Gada & Jain Holding Private Limited) is a company engaged in textile business. The company has been continuously running into losses. It has had no operations apart from the last year i.e. 2012-13 when it has resumed business operations in a small manner.

The scheme seeks to reconstruct the issued, subscribed and paid up capital of BPTL and merge the business with all the assets and liabilities of BPLPL into BPTL.

7. VALUATION TECHNIQUES

By its very nature, valuation work cannot be regarded as an exact science and, given the same set of facts and using the same assumptions, expert opinions may differ due to the number of separate judgment decisions which have to be made. There can therefore be no standard formulae to establish an indisputable value, although certain appropriate formulae are useful in establishing reasonableness.

The basic valuation methodologies adopted for the purpose are namely:

1. Asset based approach;
2. Market based approach; and
3. Income based approach.



A) Asset Based Approach

The Asset based approach considers the Net Asset value, Replacement value or Realisable value as an indication of the fair market value of that asset.

Under this method book value of total assets and total liabilities as per latest Financial Statement with necessary adjustments is considered for arriving at Net Asset value of the company.

B) Market Based Approach

The market approach involves identifying comparable companies (usually publicly-listed) within the same segment of the industry and uses the comparable companies' financial information to derive various pricing multiples. These multiples are then used in calculating the fair market value.

Also where the value of the shares of the company are traded on a recognised exchange wherein there are large number of buyers and sellers, the market value determined therein is considered for the purpose with necessary adjustments.

C) Earnings based Approach

The earnings based method considers price earnings capacity value per share, discounted cash flow, earnings multiple method as an indication of the fair value of the share.

Under this method profits of various years are averaged and capitalisation rate is applied to arrive at the fair value.

**8. OPINION ON VALUE OF SHARES & SHARE
EXCHANGE RATIO AND UNDERLYING
ASSUMPTIONS**

The valuation of equity shares of BPTL and BPLPL has been carried out by after considering all three approaches of valuation.



A) Valuation Of Equity Shares Of Blue Pearl Textile Limited

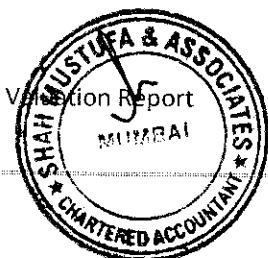
i. Asset Based Approach

Net Asset Value Method as per Audited Balance Sheet as at 30.06.2013

Particulars	Amount (Rs.)
Fixed Assets	79,631
Trade Receivables	52,24,689
Cash and Cash Equivalents	4,13,850
Short Term Loans & Advances	3,67,000
Total Assets	60,85,170
Less:	
Trade Payables	49,87,176
Other Current Liabilities	20,30,500
Short-Term Provisions	10,000
Total Liabilities	70,27,676
TOTAL NET WORTH (A)	(9,42,506)
TOTAL NO. OF EQUITY SHARES PRE REDUCTION (B)	51,20,000
NET ASSET VALUE per Share (A) / (B)	(0.18)
TOTAL NO. OF EQUITY SHARES POST PROPOSED REDUCTION (C) (Refer assumption)	2,04,800
NET ASSET VALUE per Share (A) / (C)	(4.60)

Assumptions:

1. Total numbers of equity shares for the purpose of calculation of Net Asset Value per share is after considering proposed reduction of 49,15,200 shares of Rs. 10 each from the existing



paid up share capital of the Company. Thus, number of shares after reduction is 2,04,800 shares of Rs. 10 each.

The NAV of the company is negative.

ii. Profit Earning Value per Share (PECV) Method

The company commenced operations in the textile business in 2012. It had no operations for a large number of years. Given the turnover of the company, the profit of Rs. 48,842 (taken on proportionate basis for 12 months as the Financial Year for 2012-13 was for 15 months) is very small in value. This is the first year of operation after many years of slumber. A single year's performance and that too the first year of operations cannot be considered to make any projection of the Future Maintainable profit or projected future profits. Hence, PECV Method of valuation has not been considered for this Company.

iii. Market Based Approach

Due to the continuous losses suffered by the company and highly depreciated value of the company's equity shares no significant dealings have taken place in respect of the company's equity shares. Also the shares of the company were under suspension on the Bombay Stock Exchange. The suspension on the trading of shares on the exchange was revoked only seven months from the appointed date after many years of suspension..

From the trading records of the stock Exchange (Bombay Stock Exchange, Source: Website of BSE: www.bseindia.com),

1. Where the company is listed, it is noted that there has been abysmally low volume of trading in the company's equity. The average of market value of highs and lows in the last twelve months of inactive trading in the stock is not a proper indicator. As such no meaningful inferences in respect of the market value of equity would be derived.

2. Valuation as per Market Based Approach gives a very high value per share. The Average Market Price of the shares on the Effective Date of the scheme i.e. 30th June, 2013 was Rs. 7.50/-. After affecting the share reduction by 96% the effective market price would come upto Rs. 187.50/- Given the negative net asset valuation of the company and huge accumulated losses, this is an unreal valuation. Also, as the market value cannot be trusted due to the abysmally low volume of trading on the market, it has been ignored.



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Here we need to note that the company is exchange traded and the shareholders of the transferee company will be benefited due to amalgamation.

Thus, although the Net Asset Valuation is negative, keeping in mind the turnover of the company after entering into the textile business, in our opinion, the recommended share value per share of Blue Pearl Texspin Limited (BPTL) on the valuation date considering reduction of 96% capital is Rs. 10/-. I.e. 2,04,800 remaining shares of BPTL will be valued at Rs. 10/- each.

B) Valuation Of Equity Shares Of Blue Pearl Lifestyle Private Limited

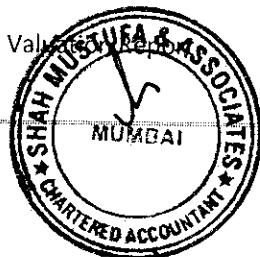
i. Asset Based Approach

Net Asset Value Method as per Audited Balance Sheet as at 30.06.2013

Particulars	Amount (Rs.)
Long Term Loans and Advances	4,99,00,000
Other Non-Current Assets	5,24,280
Cash and Cash Equivalents	9,678
Total Assets	5,04,33,958
Less:	
Long Term Borrowings	2,53,400
Trade Payables	3,16,811
Short Term Provisions	11,500
Total Liabilities	5,81,711
TOTAL NET WORTH (A)	4,98,52,247
TOTAL NO. OF EQUITY SHARES (B)	50,00,000
NET ASSET VALUE per Share (A) / (B)	9.97

ii. Profit Earning Value per Share (PECV) Method

The company had no operations for a large number of years. It has been in operation only in 2012-13. During the same, the turnover of the company was very small (i.e Rs. 4,56,977) and it suffered a loss



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of Rs. 11,140 (profit and turnover have been taken on a proportionate basis for 12 months). Thus, on the basis of materiality the Price Earning Value per share Method cannot be utilised for the calculation of the value of the shares.

iii. Market Based Approach

The Average market price parameter is not applicable for this Company since the company is a private company. Also given the very small size of operations of the company it is very difficult to estimate the Market Price of the company through the process of benchmarking it with the Market Price of other similar companies.

Value of Equity Shares considering above approaches

In our opinion, the recommended share value of Blue Pearl Lifestyle Private Limited (BPLPL) on the valuation date on the basis of Net Asset Value per share method is Rs. 10 (rounded off to the nearest rupee).

9. SHARE EXCHANGE RATIO

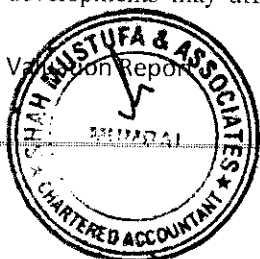
The Share Exchange ratio for the purpose of merger of Blue Pearl Lifestyle Private Limited with Blue Pearl Texspin Limited on the basis of above valuation methodologies is **1:1** i.e. One equity share of Rs. 10 face value, fully paid up post proposed reduction of Blue Pearl Texspin Limited (transferee company) for every equity share of Rs. 10/- face value, fully paid up of Blue Pearl Lifestyle Private Limited (transferor company).

10. DISCLAIMER

In preparing this valuation Report ("the Report"), we have relied upon and assumed, without independent verification, the accuracy and completeness of all information obtained from the company and other databases.

The Report is being provided solely for the benefit of "BPTL" & "BPLPL" and is not on behalf of, and shall not confer rights or remedies upon, any other person other than "BPTL" & "BPLPL". The Report may not be used or relied upon by, or disclosed, referred to, or communicated by "BPTL" & "BPLPL" (in whole or in part) to any third party for any purpose whatsoever with our prior written consent in each instance.

In furnishing the Report, we reserve the right to amend or replace the report at any time. Our views are necessarily based on economic, market, and other conditions currently in effect, and the information made available to us, as of the date hereof. It should be understood that subsequent developments may affect our views and that we do not have any obligation to update, revise, or



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reaffirm the views expressed in the Report. Nothing contained within the Report is or should be relied upon as a promise or representation as to the future.

The pro-forma and estimated financial information contained herein was provided by "BPTL" and "BPLPL" and our Report is based on certain assumptions, analysis of information available at the time of Report preparation.

While the information provided to us is believed to be accurate and reliable, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of such information. Part of this information is based, inter-alia, on published / private reports or research studies carried out by other agencies. The information provided there has not been verified by us, though we are not aware nor have reason to believe that the information is otherwise unreliable in any material aspect. No representations expressed or implied are made in that behalf.

The valuation contained herein is purely for discussion purposes and is not intended to be the price with which the Companies should approach prospective sellers/ buyer of shares of "BPTL" or "BPLPL". Our analysis is not and does not purport to be appraisals or otherwise reflective of the price at which the Shares could actually be bought or sold.

11. ACKNOWLEDGEMENT

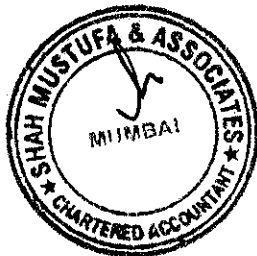
We are thankful to the Management & Staff of "BPTL" and "BPLPL" for their kind co-operation extended to us during the course of our assignment.

For,

SHAH MUSTUFA & ASSOCIATES

FIRM REGN NO.134288W

CHARTERED ACCOUNTANTS



MUSTUFA SHAH

PROPRIETOR

M.NO. 147620

MUMBAI

22nd March 2014

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