

# SANDEEP KUMAR AGRAWAL

F.C.A., LL.B., M.B.A. (Finance), DISA (ICAI),  
FAFD (ICAI), INSOLVENCY PROFESSIONAL  
**REGISTERED VALUER (Securities or Financial Assets)**  
Registration No. IBBI/RV/06/2019/10705



To,

<b>Mirza International Ltd</b> 14/6, Civil Lines Kanpur 208 001 Uttar Pradesh	<b>RTS Fashions Pvt Ltd</b> 14/6, Civil Lines Kanpur 208 001 Uttar Pradesh	<b>Redtape Limited</b> Plot No. 08, Sector- 90, Noida-201 301 Uttar Pradesh
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**Sub: Report on Valuation of Shares and Share Exchange Ratio for the purpose of the proposed Scheme of Arrangement of RTS Fashions Pvt Ltd, Mirza International Ltd and Redtape Ltd**

Dear Sirs

There is a proposal for (a) Amalgamation of RTS Fashions Pvt Ltd with Mirza International Ltd; and (b) De-merger of Branded Business/REDTAPE Business of Mirza International Ltd into Redtape Ltd. The transaction is proposed to be implemented through a Composite Scheme of Arrangement under the provisions of the Companies Act, 2013, and other applicable provisions, if any

RTS Fashions Pvt Ltd is hereinafter referred to as "the Transferor Company". Mirza International Ltd is hereinafter referred to as "the Transferee Company". Redtape Ltd is hereinafter referred to as "the Resulting Company". Whereas RTS Fashions Pvt Ltd, Mirza International Ltd and Redtape Ltd are hereinafter collectively referred to as "the Companies". The Branded Business/REDTAPE Business of Mirza International Ltd which is proposed to be de-merged into Redtape Ltd is hereinafter referred to as "the Demerged Business". The proposed Composite Scheme of Arrangement of RTS Fashions Pvt Ltd, Mirza International Ltd and Redtape Ltd is hereinafter referred to as "the proposed Scheme of Arrangement" or "the proposed Scheme".

I was engaged to carry out the valuation exercise and to recommend the share exchange ratio for the Proposed Scheme. In terms of the provisions of section 247 of the Companies Act, 2021, the Board of Directors of RTS Fashions Pvt Ltd in its meeting held on 12<sup>th</sup> November, 2021 and the Audit Committee of Mirza International Ltd in its meeting held on 12<sup>th</sup> November, 2021, passed necessary resolutions for my appointment for the aforesaid purpose. The Resulting Company-Redtape Ltd is recently incorporated for the proposed de-merger and yet to start commercial operations. The Board of Directors of Redtape Ltd in its Meeting held on 9<sup>th</sup> December, 2021, also passed necessary resolution for my appointment for the present valuation exercise.

I, accordingly, report as under:

**1. Objective:** The objective of the present valuation process is to carry out the valuation of shares and to recommend a share swap ratio for the purpose of the proposed Scheme of Arrangement.

**2. Disclosure regarding identity and interest of the Valuer:** The Valuer- Sandeep Kumar Agrawal, having his office at 523, Pocket-E, Mayur Vihar Phase-2, Delhi-110 091, is a Chartered Accountant and Registered Valuer





in respect of Securities or Financial Assets, duly registered with the Insolvency and Bankruptcy Board of India (IBBI) vide Registration No. IBBI/RV/06/2019/10705. The Valuer is hereinafter referred to as "the Registered Valuer".

The Registered Valuer does not have any conflict of interest in the present valuation exercise as he does not hold any share or other pecuniary interest in any of the Companies under the valuation except fee or any other payment received/to be received for carrying out any professional services, if any. The Registered Valuer is not associated with the managements of the Companies, which are subject matter of the present valuation, their promoters or any other group company in any way other than in professional capacity, if any. Accordingly, there is no conflict of interest among the Registered Valuer and the Companies under the valuation exercise or their Management. Prior to accepting this engagement, I have considered my independence.

### **3. Source of Information**

In connection with preparing this Valuation Report, I have received the following information from the Management of the Companies:

- a. Memorandum and Articles of Association of the Companies.
- b. Audited Financial Statements of the Transferor Company and the Transferee Company for the financial years ended 31<sup>st</sup> March 2019, 31<sup>st</sup> March 2020 and March 31, 2021.
- c. Un-Audited Financial Statements (subjected to the limited review by the Statutory Auditors) of the Transferee Company for the half year ended 30<sup>th</sup> September, 2021.
- d. Audited Financial Statements of the Transferor Company for the half year ended 30<sup>th</sup> September, 2021.
- e. Audited Financial Statements of the Resulting Company for period ended 9<sup>th</sup> December, 2021.
- f. Un-Audited Proforma Balance Sheet of the Demerged Business and the Remaining Business of the Transferee Company as on 30<sup>th</sup> September, 2021.
- g. Constitution documents and company registration certificates of RTS Fashion Limited, Dubai, United Arab Emirates which is a wholly owned subsidiary of the Transferor Company-RTS Fashions Pvt Ltd, India.
- h. Constitution documents and company registration certificates of Mirza (UK) Limited, London, United Kingdom which is a wholly owned subsidiary of RTS Fashion Limited, Dubai, UAE and a step down wholly owned subsidiary of the Transferor Company-RTS Fashions Pvt Ltd, India.





- i. Financial Statements of RTS Fashion Limited, Dubai and Mirza (UK) Limited, London for the financial year ended 31<sup>st</sup> March, 2021 and half year ended 30<sup>th</sup> September, 2021.
- j. List of Shareholders of RTS Fashion Limited, Dubai and Mirza (UK) Limited, London.
- k. Management certified projected financial statements of the Transferee Company for financial year ending 31<sup>st</sup> March 2022 to 31<sup>st</sup> March, 2029.
- l. Management certified projected financial statements of Mirza (UK) Limited, London for financial year ending 31<sup>st</sup> March 2022 to 31<sup>st</sup> March, 2029.
- m. Fair Value Certificate dated 4<sup>th</sup> December, 2021, calculating the fair value of shares of Mirza (UK) Limited, London issued by M/s. CapShire UK LLP, Chartered Accountants, London, United Kingdom.
- n. The details and proposal including the statement of rationale and justification for the proposed Scheme of Arrangement.
- o. The list of Shareholders of the Transferor Company and the Shareholding Pattern of the Transferee Company as on 30<sup>th</sup> September, 2021.
- p. The list of Shareholders of the Resulting Company as on 9<sup>th</sup> December, 2021.
- q. Other relevant documents and information of the Companies.

During the valuation exercise, I had various discussions with the Management of the Companies on the subject matter. I have also relied on various secondary research, market data and such other analysis, reviews and enquiries, as I considered relevant.

4. **Scope/Limitation:** The Valuation exercise carried out by me does not constitute an audit carried out in accordance with Generally Accepted Accounting Principles/Auditing Standards. Accordingly, I do not express any opinion on the financial statements, assumptions underlying such financial statements and representations of management included in the Valuation Report. I do not provide any assurance that the financial information or assumptions, upon which these have been based, are accurate.

The present exercise is limited to carry out the valuation exercise and to recommend share swap ratio in connection with the proposed Scheme of Arrangement and does not necessarily constitute an enterprise valuation of these Companies. In carrying out the valuation, I have entirely relied upon the financial statements/projected financial statements of the concerned Companies, assumptions and other information, documents & explanations provided by the Companies and their representative (hereinafter referred to as "the Management") and discussions with the





Management from time to time regarding these Companies vis-à-vis the proposed Scheme of Arrangement.

## **5. Caveats, Limitations, and Disclaimers:**

This Report is a private and confidential document prepared under the specific instructions of the client(s). It is for the internal use of the client(s) and their Shareholders/ Creditors and is not meant for external circulation except to any statutory agency or competent authority for the purpose of the Proposed Scheme. Any person making any investment or taking other decision on reliance of this report will be doing so at its/ his sole risk. I shall not be responsible for any decision taken by anybody on reliance of this report other than the aforesaid Scheme of Arrangement.

While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the client existing business records. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of the Companies/ Client. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.

The valuation of Companies and businesses is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value and we normally express our opinion on the value as falling within a likely range. The object of the present valuation exercise is to determine the share swap ratio for the purpose of the proposed Scheme of Arrangement, we have determined the relative value to derive the share swap ratio.

The ultimate analysis has been tempered by the exercise of judicious discretion by the Registered Valuer and judgment considering the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which may not be apparent from the face of the Balance Sheet but could strongly influence the value.

In the course of the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Company through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Company.

Our report is meant for the purpose mentioned above and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior





written approval for any purpose other than the purpose for which it is prepared.

- 6. Compliance with the Rules and Standards:** While carrying out the present valuation exercise, I have relied on relevant provisions of the Companies Act, 2013; the Companies (Registered Valuers and Valuation) Rules, 2017; the Indian Valuation Standards, 2018, issued by the Institute of Chartered Accountants of India (ICAI); various Guidance Notes on Valuation issued by the ICAI through its publications-Technical Guide on Valuation, Valuation: Professionals' Insight; and other relevant material, to the extent relevant/applicable.

The present Valuation Report complies with the Companies (Registered Valuers and Valuation) Rules, 2017; the Indian Valuation Standards, 2018, issued by the ICAI, and other applicable provisions, if any.

## **7. Background of the proposed Scheme of Arrangement**

The following information was made available to me.

- 7.1 Preamble:** Mirza International Ltd is engaged in design, development, manufacturing, marketing, trading, export and retailing of leather footwear, sports shoes, garments & apparels, leather goods and accessories, and other related activities. The Company also owns and operates a leather tannery for captive consumption. Mirza International Ltd has the following business verticals:

- i. Private Label/White Label Business:** The Company is engaged in design, development, manufacturing, export and sale of leather footwear to various Private Labels in United Kingdom, United States of America (USA), European and Non-European Countries. Private Label Business is pre-dominantly export wholesale made-to-order (MTO) business.
- ii. Branded Business/Redtape Business:** The Company is engaged in design, development, trading, marketing and retailing of leather shoes, sports shoes, garments & apparels and other accessories under '**REDTAPE**' and other Brands owned by the Company. '**REDTAPE**' is a well-known brand in leather and sports footwear, garments & apparels. Branded Business is pre-dominantly domestic retail business.
- iii. Leather Tannery Business:** The Company owns and operate of one of the most modern tanneries in India which is engaged in procuring and processing of leather. Tannery is backward integration for captive consumption and acts as the backbone for the Private Label Business.

RTS Fashions Pvt Ltd is engaged in purchase, sale and trading of soling and packing material and other related activities. The Transferor Company, through its step down wholly owned subsidiary-Mirza UK Ltd, is engaged in design, development, marketing and distribution of leather





footwear, leather goods and accessories in UK, USA and other European Markets.

Mirza UK Ltd is a London based company formed under the laws of United Kingdom. Mirza UK Ltd (Mirza UK) is a step down wholly owned subsidiary of RTS Fashions Pvt Ltd, India. Mirza UK is engaged in marketing and distribution of leather footwear, leather goods and accessories including the products of Mirza International Ltd, in UK, USA and other European Markets.

Mirza UK has an experienced and dedicated team engaged in design and development of leather footwear, leather goods and accessories for UK and other Overseas Markets. Mirza UK does design and development of shoes which are finally manufactured in India in the factories of Mirza International Ltd and sold to various overseas customers under various brands. Thus, Mirza UK is one of the main driving forces of the Private Label Business of Mirza International Ltd.

In order to streamline various activities of Mirza Group, unlock the true value of its businesses, achieve management efficiencies and accelerated growth, the Management is proposing to consolidate entire overseas business into Mirza International Ltd; and to hive off Branded Business/REDTAPE Business into a separate company.

**7.2** The Composite Scheme of Arrangement is proposed to achieve the aforesaid objectives in the following manner:

- Amalgamation of RTS Fashions Pvt Ltd with and into Mirza International Ltd; and
- De-merger of Branded Business/REDTAPE Business of Mirza International Ltd into Redtape Ltd on going concern basis.

In consideration of the aforesaid amalgamation of the Transferor Company with the Transferee Company, the Transferee Company will issue Equity Share(s) to the Shareholders of the Transferor Company.

Similarly, in consideration of the de-merger of the Demerged Business of the Transferee Company into the Resulting Company; the Resulting Company will issue equity shares to the shareholders of the Transferee Company (after giving effect to the amalgamation of the Transferor Company with the Transferee Company). The management is proposing that upon the Scheme becoming effective, the Resulting Company should have 100% mirror Equity Shareholding as that of the Transferee Company (after giving effect to the amalgamation of the Transferor Company with the Transferee Company). To achieve such mirror shareholding, it is proposed that the entire existing Equity Share Capital of the Resulting Company will be replaced by equal value of Compulsorily Redeemable Preference Shares.





### 7.3 Rationale and Justifications:

Mirza International Ltd is engaged in design, development, manufacturing, marketing, trading, export and retailing of leather footwear, sports shoes, garments & apparels, leather goods and accessories, and other related activities. The Company also owns and operates a leather tannery for captive consumption. Mirza International Ltd has the following business verticals:

- i. Private Label/White Label Business:** The Company is engaged in design, development, manufacturing, export and sale of leather footwear to various Private Labels in United Kingdom, United States of America (USA), European and Non-European Countries. Private Label Business is pre-dominantly export wholesale made-to-order (MTO) business.
- ii. Branded Business/Redtape Business:** The Company is engaged in design, development, trading, marketing and retailing of leather shoes, sports shoes, garments & apparels and other accessories under '**REDTAPE**' and other Brands owned by the Company. '**REDTAPE**' is a well-known brand in leather and sports footwear, garments & apparels. Branded Business is pre-dominantly domestic retail business.
- iii. Leather Tannery Business:** The Company owns and operate of one of the most modern tanneries in India which is engaged in procuring and processing of leather. Tannery is backward integration for captive consumption and acts as the backbone for the Private Label Business.

RTS Fashions Pvt Ltd is engaged in purchase, sale and trading of soling and packing material and other related activities. The Transferor Company, through its step down wholly owned subsidiary-Mirza UK Ltd, is engaged in design, development, marketing and distribution of leather footwear, leather goods and accessories in UK, USA and other European Markets.

Mirza UK Ltd is a London based company formed under the laws of United Kingdom. Mirza UK Ltd (Mirza UK) is a step down wholly owned subsidiary of RTS Fashions Pvt Ltd, India. Mirza UK is engaged in marketing and distribution of leather footwear, leather goods and accessories including the products of Mirza International Ltd, in UK, USA and other European Markets.

Mirza UK has an experienced and dedicated team engaged in design and development of leather footwear, leather goods and accessories for UK and other Overseas Markets. Mirza UK does design and development of shoes which are finally manufactured in India in the factories of Mirza International Ltd and sold to various overseas customers under various brands. Thus, Mirza UK is one of the main driving forces of the Private Label Business of Mirza International Ltd.





In order to streamline various activities of Mirza Group, unlock the true value of its businesses, achieve management efficiencies and accelerated growth, the Management is proposing to consolidate entire overseas business into Mirza International Ltd; and to hive off Branded Business/REDTAPE Business of Mirza International Ltd into a separate company.

**A. Amalgamation:** Following are some of the specific advantages of the proposed Amalgamation of RTS Fashions Pvt Ltd with Mirza International Ltd:

- i. The proposed amalgamation of the Transferor Company with the Transferee Company would result in business synergy and pooling of resources into a single entity.
- ii. The proposed amalgamation will enable the integration of the business activities being carried on by the Transferor Company-RTS Fashions Pvt Ltd and its step down wholly owned subsidiary- Mirza UK Ltd with and into the Transferee Company-Mirza International Ltd. It would be advantageous to combine the activities and operations in a single company and to build strong capability to effectively meet future challenges in competitive business environment. Amalgamation will enable Mirza International Ltd to leverage the expertise and resources of Mirza UK Ltd and strengthen its sales and distribution in overseas markets.
- iii. The proposed Amalgamation would result in pooling of physical, financial and human resource of these Companies for the most beneficial utilization of these factors in the combined entity.
- iv. The proposed Scheme of Amalgamation will result in usual economies of a centralized and a large company including elimination of duplicate work, reduction in overheads, better and more productive utilization of financial, human and other resource and enhancement of overall business efficiency. The proposed Scheme will enable these Companies to combine their managerial and operating strength, to build a wider capital and financial base and to promote and secure overall growth.
- v. The amalgamation will result in significant reduction in multiplicity of legal and regulatory compliances which at present is required to be made separately by the Transferee Company as well as by the Transferor Company.
- vi. The proposed amalgamation would enhance the shareholders' value of the listed Transferee Company.
- vii. The proposed Scheme of Amalgamation will have beneficial impact on the Transferor and the Transferee Companies, their shareholders, employees and other stakeholders and all concerned.





**B. De-merger:** Following are some of the specific advantages of the proposed De-merger of Branded Business/REDTAPE Business of Mirza International Ltd into Redtape Ltd:

- i. Mirza International Ltd has two distinct business (a) Private Label/White Label Business which is pre-dominantly export wholesale made-to-order (MTO) business; and (b) Branded Business/REDTAPE Business which is pre-dominantly domestic retail business. Whereas the leather tannery is backward integration for captive consumption and acts as the backbone for the Private Label Business.
- ii. REDTAPE Business is completely independent from the Private Label Business. In REDTAPE Business, the Company buys entire quantity of garments/apparels and significant quantity of footwear from various third party manufacturers. The Company, then, retails the same pan India through physical stores and on-line marketing. Since the Private Label Business and REDTAPE Business have different characteristics and nature, it is proposed to segregate both these businesses into separate companies.
- iii. It is, accordingly, proposed to hive-off Branded Business/REDTAPE Business from the Transferee Company into the Resulting Company, which, upon de-merger, will be owned by the shareholders of the Transferee Company in the same manner and proportion in which they own shareholding in the Transferee Company.
- iv. The proposed de-merger will enable the Transferee Company and the Resulting Company to raise necessary funds, invite strategic investors and other stakeholders for their respective businesses.
- v. It will impart better management focus, will facilitate administrative convenience and will ensure optimum utilization of various resources by these Companies.
- vi. The proposed de-merger will unlock immense possibilities of both these businesses. It will provide scope for independent expansion of various businesses. It will strengthen, consolidate and stabilize the business of these Companies and will facilitate further expansion and growth of their business.
- vii. The proposed De-merger will have beneficial impact on the Transferee Company and the Resulting Company, their employees, shareholders and other stakeholders and all concerned.

## **8. Brief Profile of the Companies:**

### **8.1 Transferor Company: RTS Fashions Pvt Ltd**

- a. **RTS Fashions Pvt Ltd** [Corporate Identification No. (CIN): U 19120 UP 2019 PTC 120284] was incorporated on 19<sup>th</sup> August, 2019, under the provisions of the Companies Act, 2013, as a private limited





company vide Certificate of Incorporation issued by the Registrar of Companies, Central Registration Centre on behalf of the jurisdictional Registrar of Companies, Uttar Pradesh, Kanpur.

- b. The present registered office of the Transferor Company is situated at 14/6, Civil Lines, Kanpur 208 001, Uttar Pradesh.
- c. The present authorized share capital of the Transferor Company is Rs. 8,13,45,000 divided into 81,34,500 Equity Shares of Rs. 10 each.
- d. The present issued, subscribed and paid-up share capital of the Transferor Company is Rs. 8,13,45,000 divided into 81,34,500 Equity Shares of Rs. 10 each.
- e. RTS Fashions Pvt Ltd has objects to be engaged in the business purchase, sale and trading of soling and packing material and other related activities. The Transferor Company, through its step down wholly owned subsidiary-Mirza UK Ltd, is engaged in design, development, marketing and distribution of leather shoes in UK, USA and other European Markets.
- f. The Transferor Company-RTS Fashions Pvt Ltd is the holding company of RTS Fashion Limited, Dubai, UAE. RTS Fashions Pvt Ltd holds 100% shareholding in RTS Fashion Limited, Dubai, UAE.

Whereas RTS Fashion Limited, Dubai, UAE is the holding company of Mirza (UK) Limited, United Kingdom. RTS Fashion Limited, Dubai, UAE holds 100% shareholding in Mirza (UK) Limited, United Kingdom.

Thus, Mirza (UK) Limited is a step down wholly owned subsidiary of the Transferor Company-RTS Fashions Pvt Ltd, India.

## 8.2 Transferee Company: Mirza International Ltd

- a. **Mirza International Ltd** [Corporate Identification No. (CIN): L 19129 UP 1979 PLC 004821] was originally incorporated on 5<sup>th</sup> September, 1979, under the provisions of the Companies Act, 1956, as a private limited company with the name and style as 'Mirza Tanners Pvt Ltd' vide Certificate of Incorporation issued by the Registrar of Companies, Uttar Pradesh, Kanpur. The Company was converted into a public limited company and name of the Company was changed to 'Mirza Tanners Ltd' vide Fresh Certificate of Incorporation dated 6th May, 1994 issued by the ROC, Kanpur. Name of the Company was changed to its present name "Mirza International Ltd" vide fresh Certificate of Incorporation dated 10th August, 2005 issued by the ROC, Kanpur.
- b. The present registered office of the Transferee Company is situated at 14/6, Civil Lines, Kanpur 208 001, Uttar Pradesh.





- c. The present authorized share capital of the Transferee Company is Rs. 51,25,00,000 divided into 25,62,50,000 Equity Shares of Rs. 2 each.
- d. The present issued, subscribed and paid-up share capital of the Transferee Company is Rs. 24,06,12,000 divided into 12,03,06,000 Equity Shares of Rs. 2 each.
- e. The Equity Shares of the Transferee Company are listed at BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).
- f. The Transferee Company - Mirza International Ltd is engaged in design, development, manufacturing, marketing, trading, export and retailing of leather footwear, sports shoes, garments & apparels, leather goods and accessories, and other related activities. The Company also owns and operates a leather tannery for captive consumption.

### 8.3 Resulting Company: Redtape Ltd

- a. **Redtape Ltd** [Corporate Identification No. (CIN): U 52609 UP 2021 PLC 156659] was incorporated under the provisions of the Companies Act, 2013, as a public limited company vide Certificate of Incorporation dated 8<sup>th</sup> December, 2021, issued by the Central Registration Centre on behalf of the jurisdictional Registrar of Companies, Uttar Pradesh, Kanpur.
- b. The present registered office of the Resulting Company is situated at Plot No. 8, Sector-90, Noida-201 301, Uttar Pradesh.
- c. The present authorized share capital of the Resulting Company is Rs. 1,00,000 divided into 50,000 Equity Shares of Rs. 2 each.
- d. The present issued, subscribed and paid-up share capital of the Resulting Company is Rs. 1,00,000 divided into 50,000 Equity Shares of Rs. 2 each.
- e. The Resulting Company is recently incorporated for the proposed de-merger.

## 9. Valuation approach and methodologies:

### 9.1 The primary objective of the present exercise is

- i. to find out the number of shares to be issued by the Transferee Company to the shareholders of the Transferor Company in consideration of the amalgamation of the Transferor Company with the Transferee Company; and
- ii. to find out the number of shares to be issued by the Resulting Company in consideration of the De-merger of the Demerged Business of the Transferee Company into the Resulting Company.





- 9.2** There are a number of techniques/ methods for Valuation of Shares. According to various judicial precedents the valuation of shares is a technical matter, which requires considerable skill and expertise. There are bound to be differences of opinion as to the correct value of the shares of the Company. Simply because it is possible to value the shares in a manner different from the one adopted in a given case, it cannot be said that the valuation agreed upon has been unfair.
- 9.3** In the valuation of the shareholders' equity of a subject company, mainly three different approaches may be employed to determine its fair market value: (A) the Income Approach, (B) the Asset Approach and (C) the Market Approach. While each of these approaches is initially considered in the valuation, the nature and the characteristics of the subject company will indicate which approach, or approaches, is most applicable and suitable.

#### **A. Income Approach**

##### **Discounted Cash Flow Method (DCF)**

One methodology in the Income Approach is the discounted cash flow method, which focuses on the expected cash flow of the subject company. In applying this approach, the cash flow available for distribution is calculated for a finite period of years. Cash flow available for distribution is defined, for purposes of this analysis, as the amount of cash that could be distributed as a dividend without impairing the future profitability or operations of the subject company.

The cash flow available for distribution and the terminal value (the value, of the subject company at the end of the estimation period) are discounted to present value to derive an indication of the value of the business enterprise.

Interest bearing debt, if any, is subtracted from the business enterprise value to arrive at an indication of the value of stockholders' equity.

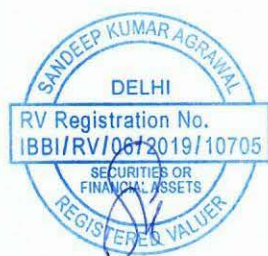
#### **B. Asset Approach**

##### **i. Book Value**

This is a value based upon the account's books of the business. In simple terms, Assets less Liabilities equals the owner's equity, which is the "Book Value" of the business.

##### **ii. Replacement Value**

This is mainly used with asset heavy businesses such as hotels, motels, natural resources. The asset valuation methodology essentially estimates the cost of replacing the tangible assets of the businesses. The replacement cost takes into account the





market value of various assets or the expenditure required to create the infrastructure similar to that of the company being valued.

### **C. Market Approach**

#### **i. Value based on market quotes as available from recognized stock exchange**

In case of valuation of shares of a company, which is listed and traded on the stock exchanges, the market price of such shares is also considered to arrive at the fair value of the shares. Generally, an average market price of the listed shares for a reasonably past period is taken.

As per the SEBI (ICDR) Regulations, 2018 and the SEBI Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957, the issuance of shares under schemes in case of allotment of shares by listed companies only to a select group of shareholders or shareholders of unlisted companies pursuant to such schemes shall follow the pricing provisions of Chapter V of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time.

#### **ii. Price Earning Multiple Value/ Comparable Companies Multiple Method**

The basic of this approach is to find the earning capacity of the business and to capitalize it on the basis of appropriate rate considering the business fundamentals. In this method appropriate multiple can be used with the normalized earnings to arrive at fair estimation of business value (market price per share; MPS).

The multiple is usually taken based at PE Multiple, i.e., MPS/EPS of the Industry, on the rate of return expected by the equity shareholder of the Company.

**9.4** The present exercise primarily involves working out appropriate share exchange ratios for the proposed Scheme of Arrangement.

**9.5** The ICAI Valuation Standards, 2018, provides that in transactions of the nature of merger or amalgamation or arrangement between companies or merger or demerger of businesses, the consideration is often discharged primarily by issue of securities in the nature of equity of the acquirer or transferee entity with reference to an exchange ratio or entitlement ratio, considering the relative values. Such relative values are arrived at by applying an appropriate valuation approach or a combination of valuation approaches. If a combination of valuation approaches or methodologies is adopted, appropriate weightages are assigned to arrive at a single value. Relative values are usually derived by using similar valuation approaches, methodologies and weightages.



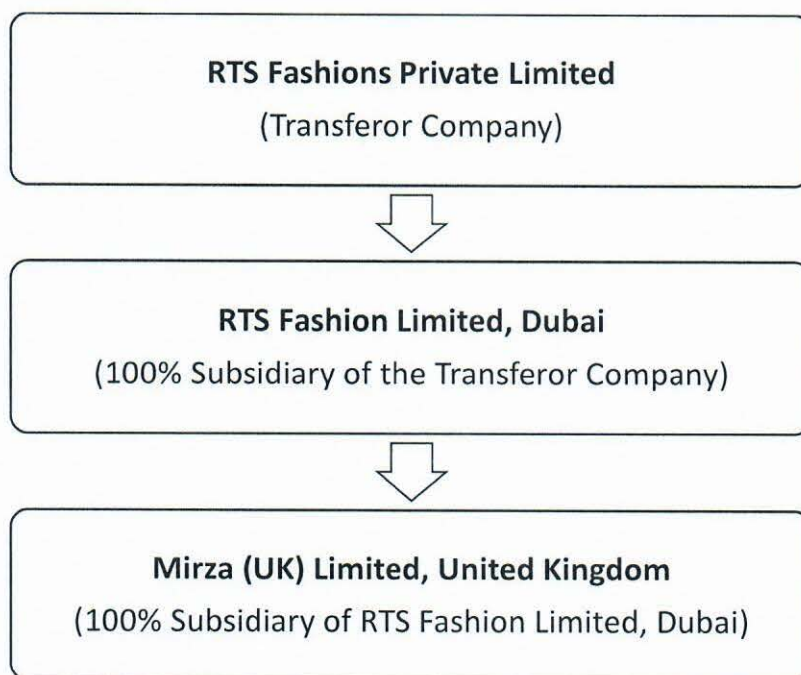


Use of differing methodologies or approaches may be justified in some circumstances, e.g., merger of a listed company and an unlisted company where market price method would be relevant only for the listed company. It further provides that Valuation base selected by a valuer shall be appropriate considering the purpose of engagement and the terms of the engagement. The valuer will use the relevant valuation approach and adhere to other assumptions associated with the valuation bases.

## 9.6 Valuation Approach for amalgamation:

### a. Transferor Company:

As mentioned above, it is proposed to amalgamate RTS Fashions Private Limited with Mirza International Limited. As already mentioned above, Mirza (UK) Limited is a step down wholly owned subsidiary of the Transferor Company - RTS Fashions Pvt Ltd, India.



Transferor Company and its 100% subsidiary company - RTS Fashion Limited, Dubai are mainly holding Company of Mirza (UK) Limited, UK, with no other major assets and independent business activities.

Mirza UK has an experienced and dedicated team engaged in design and development of leather footwear, leather goods and accessories for UK and other Overseas Markets.

In view of the above holding structure, the value of the Transferor Company is basically derived as the value of its ultimate 100% subsidiary company - Mirza (UK) Limited.

Mirza (UK) Limited is a growing company and has plans to further expand its business in UK, Europe, USA and other foreign countries.





As, the business of the Mirza (UK) Limited are intended to be continued on going concern basis and there is no intention to dispose-off the Assets, therefore the Asset Approach is not adopted for the purpose of the valuation of Mirza (UK) Limited.

Further, since Mirza (UK) Limited is an unlisted company, market approach of valuation is not quite relevant and applicable for valuation of shares of Mirza (UK) Limited.

Considering continuance of business on a going concern and also considering the projected financial statements, the valuation of Mirza (UK) Limited as per Income Approach through the discounted cash flow (DCF) method is used.

Considering the fact that there is no other major assets and liabilities in RTA Fashions Private Limited, India and RTS Fashion Limited, Dubai, apart from 100% holding in Mirza (UK) Limited; I am of the view that the value of the Transferor Company- RTS Fashions Private Limited, India should be basically derived as the underlying value of its ultimate subsidiary - Mirza (UK) Limited.

A Fair Value Certificate dated 4<sup>th</sup> December, 2021, calculating the fair value of shares of Mirza (UK) Limited has been obtained from M/s. CapShire UK LLP, Chartered Accountants, London, United Kingdom in this regard. The valuation cut-off date of this Fair Valuation Certificate is the same as of the valuation cut-off date for the purpose of this report. We have also reviewed the valuation of Mirza (UK) Limited including relevant documents and financial data and other information and only after having concurrence with the same; taken the fair value of Mirza (UK) Limited, for the purpose of deriving the fair value of shares of the Transferor Company.

Since the shares of the Transferor Company as well as its subsidiaries are unlisted and unquoted, while deriving the fair value of the shares of the Transferor Company- RTS Fashions Private Limited, I have discounted the total net asset value (adjusted with the value investment in subsidiary) as illiquidity discount, as per the working sheet attached.

**b. Transferee Company:**

The business of the Mirza International Limited is intended to be continued on going concern basis and there is no intention to dispose-off the Assets, therefore the Asset Approach is not adopted for the purpose of the valuation of Mirza International Limited.

Considering continuance of business on a going concern and also considering the projected financial statements, the valuation of Mirza International Limited as per Income Approach through the discounted cash flow (DCF) method is used.





Equity shares of Mirza International Limited is listed on BSE and NSE. Equity shares of Mirza International Limited are frequently traded, in terms of the provisions of the SEBI (ICDR) Regulations, 2018.

As per Regulation 164(1) of the SEBI (ICDR) Regulations, 2018, if the equity shares of the issuer have been listed on a recognised stock exchange for a period of twenty-six weeks or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:

- i. the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twenty-six weeks preceding the relevant date; or
- ii. the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date.

We have been informed that the meeting of Board of Directors of Mirza Limited for approval of draft Scheme of Arrangement is scheduled on 10<sup>th</sup> December, 2021 and accordingly, in terms of the SEBI Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of Rule 19 of the Securities Contracts (Regulation) Rules, 1957; the relevant date for determination of market price shall be 10<sup>th</sup> December, 2021. Trading volume of equity shares of Mirza International Limited during the last 26 weeks was higher on NSE as compared to BSE and accordingly the price data available at NSE has been considered.

Under the Market Price method, average of weekly high and low of the volume weighted average price ('VMAP') of Mirza International Limited on NSE during the twenty-six weeks or two weeks preceding the relevant date, whichever is higher, has been considered.

#### **9.7 Valuation Approach for Demerger:**

- i. Unlike merger/amalgamation, there is no prescribed method or guidelines for determining share exchange ratio for de-merger. In fact, several judicial precedents have held that in case of de-merger, no formal Share Valuation is required.
- ii. Section 2(19AA) of the Income Tax Act, 1961, provides that in case of a de-merger, all the assets and liabilities of demerged business have to be transferred to the resulting company. Section 2(19AA) further provides that the resulting company must issue, in consideration of the de-merger, its shares to the shareholders of the demerged company on a proportionate basis.





- iii. In the proposed Scheme, the management is proposing that upon the Scheme becoming effective, the Resulting Company should have 100% mirror Equity Shareholding as that of the Transferee Company (after giving effect to the amalgamation of the Transferor Company with the Transferee Company). To achieve such mirror shareholding, it is proposed that the entire pre-Scheme Equity Share Capital of the Resulting Company will be replaced by equal value of Compulsorily Redeemable Preference Shares.
- iv. In view of the fact that post de-merger, entire Equity Share Capital of the Resulting Company will be held by the Equity Shareholders of the Transferee Company (post amalgamation of the Transferor Company with the Transferee Company), exactly in the same proportion as they are holding in the Transferee Company, no formal Share Valuation is required. The proposed Share Entitlement Ratio for the De-merger, given in this report is based entirely on the discussions with the management and suggestions made by them.
- v. In view of the above, valuation for the purpose of issue of the equity shares for the purpose of the proposed de-merger is not applicable under Asset Approach, Income Approach or Market Approach.

## 10. Share Exchange Ratio

On the basis of the aforesaid discussion, we recommend the following Share Exchange Ratio:

### i. Amalgamation of RTS Fashions Pvt Ltd with Mirza International Ltd.

Valuation Approach	RTS Fashions Pvt Ltd		Mirza International Ltd	
	Value Per Share	Weight	Value Per Share	Weight
Asset Approach	N.A. <sup>1</sup>	100%	N.A. <sup>3</sup>	N.A.
Income Approach	N.A. <sup>1</sup>	N.A.	96.57 <sup>4</sup>	0% <sup>6</sup>
Market Approach	N.A. <sup>2</sup>	N.A.	101.97 <sup>5</sup>	100% <sup>6</sup>
Relative Value per shares	221.29		101.97	
Exchange Ratio (Rounded-off)	22		10	

### Notes:

- <sup>1</sup> In view of the shareholding structure between the Transferor Company and its subsidiary and ultimate subsidiary company, the value of the Transferor Company is basically derived as the value of its ultimate 100% subsidiary company-Mirza (UK) Limited.

Considering the fact that there is no other major assets and liabilities in RTA Fashions Private Limited, India and RTS Fashion Limited, Dubai, apart from 100% holding in Mirza (UK) Limited; I am of the view that the value of the Transferor Company- RTS Fashions Private





Limited, India should be basically derived as the underlying value of its ultimate subsidiary - Mirza (UK) Limited. [Refer Para 9.6(a) of this Report for details]

So, the Income Approach is not applicable for valuation of Transferor Company. Though, it is clarified that the value of its ultimate subsidiary - Mirza (UK) Limited has derived as per the Income Approach through DCF method. (Refer Para 9.6(a) of this Report for details).

- <sup>2</sup> Since the Transferor Company is unlisted, market approach is also not applicable.
- <sup>3</sup> The business of the Mirza International Limited is intended to be continued on going concern basis and there is no intention to dispose-off the Assets, therefore the Asset Approach is not adopted for the purpose of the valuation of Mirza International Limited.
- <sup>4</sup> Considering continuance of business on a going concern and also considering the projected financial statements, the valuation of Mirza International Limited as per Income Approach through the discounted cash flow (DCF) method is used.
- <sup>5</sup> Equity shares of Mirza International Limited is listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). Under the Market Price method, average of weekly high and low of the volume weighted average price ('VMAP') of Mirza International Limited on NSE during the twenty-six weeks or two weeks preceding the relevant date, whichever is higher, has been considered.
- <sup>6</sup> As mentioned above, in terms of the proviso to Regulation 158(1)(b) of the SEBI (ICDR) Regulations, 2018, the valuation of shares of a listed company, in case of allotment of shares only to a select group of shareholders or shareholders of unlisted companies pursuant to schemes of arrangement, the value of listed shares, cannot be less than the market price determined in terms of Chapter V of the SEBI (ICDR) Regulations, 2018. Since, the market price as determined is more than the value determined under the Income Approach valuation of shares; the value derived as per Income Approach has been disregarded and 100% weightage has been given to the Market Approach.

**Accordingly, the following proposed Share Exchange Ratio for amalgamation of the Transferor Company with the Transferee Company is recommended:**

***"The Transferee Company-Mirza International Ltd will issue 22 (twenty-two) Equity Shares of Rs. 2/- each, credited as fully paid up, to the Shareholders of the Transferor Company for every 10 (ten) Equity Shares of Rs. 10/- each held in the Transferor Company - RTS Fashions Pvt Ltd."***





**ii. De-merger** of Branded Business/REDTAPE Business of Mirza International Ltd into Redtape Ltd

Valuation Approach	Mirza International Ltd		Redtape Ltd	
	Value Per Share	Weight	Value Per Share	Weight
Asset Approach	N.A.	N.A.	N.A.	N.A.
Income Approach	N.A.	N.A.	N.A.	N.A.
Market Approach	N.A.	N.A.	N.A.	N.A.
Relative Value per shares	N.A.		N.A.	
Exchange Ratio (Rounded-off)	1		1	

**Note:**

After the proposed de-merger, the entire Equity Share Capital of the Resulting Company will be held by the Equity Shareholders of the Transferee Company, exactly in the same proportion as they are holding in the Transferee Company. Accordingly, no formal Share Valuation and Share Exchange Ratio is required.

Accordingly, the following proposed Share Exchange Ratio for demerger is based entirely on the discussions with the Companies' management and suggestions made by them:

***"The Resulting Company - Redtape Ltd will issue 1 (one) Equity Share of Rs. 2 each, credited as fully paid-up, to the shareholders of the Transferee Company for every 1 (one) Equity Share of Rs. 2 each held in the Transferee Company - Mirza International Ltd."***

**iii. Re-organisation of pre-Scheme Share Capital of the Resulting Company:**

Valuation Approach	Redtape Limited	
	Value Per Share	Weight
Asset Approach	N.A.	N.A.
Income Approach	N.A.	N.A.
Market Approach	N.A.	N.A.
Relative Value per shares	N.A.	
Exchange Ratio (Rounded-off)	1:1	

**Note:**

Present issued and paid-up share capital of the Resulting Company is Rs. 1,00,000/- divided into 50,000 Equity Shares of Rs. 2/- each, which is held by the Transferee Company. It is proposed that upon the Scheme becoming effective, the Resulting Company will have 100% mirror Equity





Shareholding as that of the Transferee Company. Upon the Scheme becoming effective, the pre-Scheme issued and paid-up share capital of the Resulting Company, which consists of 50,000 Equity Shares of Rs. 2/- each aggregating Rs. 1,00,000/-, will be cancelled; and 50,000 9% Compulsorily Redeemable Preference Shares of Rs. 2/- each aggregating Rs. 1,00,000/- will be created in place of such cancelled equity share capital.

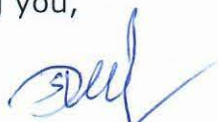
The Resulting Company was recently incorporated for the purpose of the proposed Scheme and it has not started any business. Further on cancellation of pre-Scheme Equity Share Capital, equivalent value of CRPS are proposed to be issued. Hence, no separate valuation of the Resulting Company, through Asset Approach, Income there or Market Approach is required or applicable.

***"The Resulting Company – Redtape Limited will issue 1 (one) 9% Compulsorily Redeemable Preference Shares of Rs. 2/- each, credited as fully paid-up, for in lieu of every 1 (one) Equity Share of Rs. 2/- each held in the Resulting Company – Redtape Limited."***

Entire Pre-Scheme issued and paid-up share capital of the Resulting Company consisting of 50,000 Equity Shares of Rs. 2 each aggregating Rs. 1,00,000, will stand cancelled.

9% Compulsorily Redeemable Preference Shares to be issued in terms of the above, shall be redeemed in terms of the provisions of the Companies Act, 2013, at Par within a period of 5 years from the date of issue of such Compulsorily Redeemable Preference Shares with a put and call option available to the Shareholders and the Issuer Company for early redemption.

Thanking you,



**CA Sandeep Kumar Agrawal**

FCA, ICAI Membership No.: 088699

Registered Valuer in respect of Securities or Financial Assets

IBBI Registration No.: IBBI/RV/06/2019/10705



**Date: 10<sup>th</sup> December, 2021**

**Place: New Delhi**

**UDIN: 21088699 AAAABJ 1910**

Encl.: Valuation Workings



## **Mirza International Limited**

### **Calculation of DCF Value:**

			F.Y 2022	F.Y 2023	F.Y 2024	F.Y 2025	F.Y 2026	F.Y 2027	F.Y 2028	F.Y 2029
<b>FREE CASH FLOW TO THE COMPANY</b>			4,509.52	10,570.46	13,843.83	18,094.90	16,493.02	19,402.23	21,906.72	24,960.44
Discounting Rate	12.67%									
Discounting Factor			0.94	0.84	0.74	0.66	0.58	0.52	0.46	0.41
Forecast year			0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5
Present Value			4,248	8,839	10,275	11,920	9,643	10,069	10,090	10,204
No. of Outstanding shares			1,203.06	1,203.06	1,203.06	1,203.06	1,203.06	1,203.06	1,203.06	1,203.06

	Rs. In Lakhs
Value during explicit forecast period	75,287.35
Terminal Value	80,555.43
Discounted Terminal Value	32,931.81
Total Firm Value	1,08,219.16
Less: Term Loan	1,599.34
Add: Cash & Bank	9,553.81
<b>Equity Value</b>	<b>1,16,173.63</b>
Number of Equity Shares	120306000
<b>Value Per Equity Shares</b>	<b>96.57</b>





## Mirza International Limited

### Annexure: Pricing Certificate

Calculation of minimum issue price as prescribed under Chapter V of the SEBI (ICDR) Regulations, 2018

Relevant Date	Friday, 10 December, 2021
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A. Average of Weekly High & Low of the Volume Weighted Average Price (VWAP) of the equity shares of MIRZA INTERNATIONAL LIMITED quoted on National Stock Exchange of India Limited (NSE) during the last twenty six weeks preceding the Relevant Date

Weeks	From	To	VWAP High	VWAP Low	Average
1	11-Jun-21	17-Jun-21	59.63	56.22	57.93
2	18-Jun-21	24-Jun-21	59.16	57.34	58.25
3	25-Jun-21	01-Jul-21	57.47	53.77	55.62
4	02-Jul-21	08-Jul-21	56.55	54.05	55.30
5	09-Jul-21	15-Jul-21	55.69	54.63	55.16
6	16-Jul-21	22-Jul-21	58.23	55.67	56.95
7	23-Jul-21	29-Jul-21	66.70	62.16	64.43
8	30-Jul-21	05-Aug-21	64.85	60.27	62.56
9	06-Aug-21	12-Aug-21	63.35	55.36	59.36
10	13-Aug-21	19-Aug-21	59.16	57.86	58.51
11	20-Aug-21	26-Aug-21	55.48	54.95	55.22
12	27-Aug-21	02-Sep-21	58.72	55.32	57.02
13	03-Sep-21	09-Sep-21	61.01	57.98	59.50
14	10-Sep-21	16-Sep-21	59.82	59.34	59.58
15	17-Sep-21	23-Sep-21	60.49	57.70	59.10
16	24-Sep-21	30-Sep-21	59.98	58.50	59.24
17	01-Oct-21	07-Oct-21	62.79	59.82	61.31
18	08-Oct-21	14-Oct-21	66.80	64.65	65.73
19	15-Oct-21	21-Oct-21	65.12	63.36	64.24
20	22-Oct-21	28-Oct-21	64.27	61.09	62.68
21	29-Oct-21	04-Nov-21	70.35	59.95	65.15
22	05-Nov-21	11-Nov-21	84.36	80.04	82.20
23	12-Nov-21	18-Nov-21	90.56	83.73	87.15
24	19-Nov-21	25-Nov-21	92.15	81.44	86.80
25	26-Nov-21	02-Dec-21	104.69	85.80	95.25
26	03-Dec-21	09-Dec-21	114.74	102.65	108.70
Average Price (Rs.)					65.88

B. Average of Weekly High & Low of the Volume Weighted Average Price (VWAP) of the equity shares of MIRZA INTERNATIONAL LIMITED quoted on National Stock Exchange of India Limited (NSE) during the last two weeks preceding the Relevant Date

Weeks	From	To	High	Low	Average
1	26-Nov-21	02-Dec-21	104.69	85.80	95.25
2	03-Dec-21	09-Dec-21	114.74	102.65	108.70
Average Price (Rs.)					101.97

A]. Average of 26 Weeks High Low of Volume Weighted Average Price	65.88
B]. Average of 2 Weeks High Low of Volume Weighted Average Price	101.97
Applicable Minimum Price [Higher of A or B]	101.97





**RTS Fashions Pvt Ltd (Transferor Company)**

**Calculation of Net Asset Value  
(As on 30<sup>th</sup> September, 2021)**

<b>Particulars</b>	<b>Amount (Rs. in Lakhs)</b>
Fair Value of Investment in 40,00,000 shares of RTS Fashion Limited, Dubai (i.e., 100% shares in RTS Fashion Limited, Dubai)	21,163.51
Other Assets	113.45
<b>Total Assets (A)</b>	<b>21,276.96</b>
Less:	
Non-Current Liabilities	1.57
Current Liabilities	98.36
<b>Total Liabilities (B)</b>	<b>99.93</b>
<b>Net Asset Value (NAV) [A-B]</b>	<b>21,177.03</b>
Number of Equity Shares (Face Value Rs. 10 each)	81,34,500
<b>NAV per Equity Share (Rs.)</b>	<b>260.34</b>
<b>Less: Discount (15%)</b>	39.05
<b>Fair Value Per Shares (Rs.)</b>	<b>221.29</b>





**RTS Fashion Limited, Dubai**

**Calculation of Net Asset Value  
(As on 30th September, 2021)**

<b>Particulars</b>	<b>Amount (UAE Dirham)</b>
Fair Value of Investment in 1100 ordinary shares of Mirza (UK) Limited, London, United Kingdom) (i.e., 100% shares in Mirza (UK) Limited, London, United Kingdom)	10,26,18,297
Other Assets	20,37,654
<b>Total Assets (A)</b>	<b>10,46,55,951</b>
Less:	
Total Liabilities	16,123
<b>Total Liabilities (B)</b>	<b>16,123</b>
<b>Net Asset Value (NAV) [A-B]</b>	<b>10,46,39,828</b>

<b>Total Equity Value (UAE Dirham)</b>	<b>10,46,39,828</b>
<b>Exchange Rate (UAE Dirham:INR as on 30th September, 2021)</b>	<b>20.2251</b>
<b>Total Equity Value (Indian Rupees)</b>	<b>2,11,63,50,992</b>

**Calculation of Fair Value of Equity of Mirza (UK) Limited  
(As on 30th September, 2021)**

<b>Total Equity Value (British Pound)</b>	<b>2,07,43,541</b>
<b>Exchange Rate (British Pound: UAE Dirham as on 30<sup>th</sup> September, 2021)</b>	<b>4.947</b>
<b>Total Equity Value (UAE Dirham)</b>	<b>10,26,18,297</b>





## Mirza (UK) Limited, London, United Kingdom

### Calculation of DCF Value:

(Amount in British Pound)								
Particulars	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
FCFF	1,55,601	7,87,239	7,76,195	8,76,372	9,72,913	10,59,784	11,42,385	12,29,546
Discounted Period	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5
PV of FCFF	1,51,764	7,30,427	6,85,101	7,35,844	7,77,115	8,05,271	8,25,754	8,45,467
Terminal value								1,65,12,198
Sum of Pv of FCF		55,56,743.90						
Pv of TV		1,13,54,206.51						
Less: Debt (Long Term)		17,85,521						
Cash & Bank		22,56,996						
Equity Value		1,73,82,425.42						
Add: Value (Book Value) of Asset not related to operation								
1) Loan given to group companies		4,03,028.00						
a) RTS Fashion LLC	3,03,208							
b) RTS Fashion FZE	1,00,000							
2) Investment in property		13,00,000.00						
3) Investment in Resorts- Genesis Riverview		6,26,658.00						
4) Loan to Genesis riverview resorts pvt ltd.		10,31,430.00						
Total Equity Value (British Pound)		2,07,43,541.42						

