

**CA Amish Garg**

**Registered Valuer for Securities or Financial Assets**

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LBS Marg, Bhandup (West), Mumbai-400078.

**Strictly Private & Confidential**

**To,**

**The Board of Directors**

**7NR Retail Limited**

Godown No-1, 234/1+234/2, FP-69/3, Sadashiv Kanto,  
B/h Bajaj Process, Narol Chokdi, Narol Ahmedabad  
Ahmedabad GJ 382405 India

**Dear Sir/Ma'am,**

**Sub: Recommendation for Equity Share valuation to ascertain the fair value of the Equity Share of 7NR Retail Limited**

I refer to our engagement letter, submitted to you pursuant to request from the management of 7NR Retail Limited ('the Company'), for the Valuation exercise of the Company, on a 'going concern' basis, as at November 24, 2022 ('Valuation Date').

**The Report is Structured under the Following Broad heads:**

1. Purpose of the Report
  2. Brief background of the Report
  3. Sources of the Information
  4. Valuation Approach
  5. Recommendation of Value
  6. Caveats
  7. Distribution of the Report
- 1. Purpose of the Report**

- 1.1 I have been informed by the Management of the Company, that the Company is considering a scheme of arrangement with its selected creditors outstanding as on 30<sup>th</sup> September, 2022 in accordance with the provisions of section 230 of the companies act, 2013 and other applicable provisions subject to necessary approvals desirous to issue its shares to some of their creditors outstanding as on 30<sup>th</sup> September, 2022. In this Context, the Company has requested to Mr. Amish Garg ('Valuer' or 'I' or 'my' or 'We') to submit a report for recommendation of fair value of the Equity share of the Company in accordance with the provision of the Companies Act, 2013 and rules made thereunder. This report recommends what in my opinion, is a fair and equitable Equity Value of the Company.
- 1.2 The Valuation is solely for regulatory/non-financial reporting purpose. My scope of work is limited to the Valuation of Equity Shares.

## **2. Brief Background of the Company**

### **2.1 About the Company**

**7NR Retail Limited** is a listed company and the shares of the company are presently listed on Bombay Stock Exchange. Company was originally incorporated as '7NR Retail Private Limited' on December 21, 2012, under the Companies Act, 1956 engaged in the business of trading of apparels in the wholesale and retail segments. Consequent upon conversion into Public Limited Company the name of the Company was changed to '7NR Retail Limited' on March 11, 2017 and fresh certificate of incorporation was obtained from the Registrar of Companies, Ahmedabad, Gujarat, on March 22, 2017.

The Company mainly deals in the business of trading of apparels in the Wholesale and Retail Segments." Company's mission is to develop the franchisee in different cities of India focusing more on Tier I and Tier II cities for expansion of Company and to deliver superior quality to value to the customers, shareholders, employees and society at large. The Company mainly deals in the business of Branding and selling of ready made garments , suiting-shirting , fabrics and all other textile products.

Company remained focused on providing distinctive, high quality and trusted products to consumers at right price. Company is an Entrepreneur driven and well managed organization focused on meeting consumer requirements for meeting their fashion and lifestyle requirements by offering products and services with the finest quality.

Salient features of the Products:

- All Sizes Kids Garments
- Attractive Design
- Eco-Friendly Products

Further the Company has started 2 new units at Vatva and Motera in the Segment of Retail Stores of Furniture, Garments and other products and Wholeselling of Electronic Devices

### **3. Sources of the Information**

Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including but not necessarily limited to the following:

- Considered unaudited Financial Statements of the Company for the period from April 1, 2022 to November 24, 2022;
- Considered Audited Financial Statements of the Company for the financial year 2018-19, 2019-20, 2020-21 and 2021-22;
- Draft scheme of arrangement.
- Other relevant details regarding the company such as their history, past and present activities, future plans and prospects, existing shareholding pattern and other relevant information and data including information of the public domain.
- Such other information and explanations as I have required and which has been provided by the management.
- Consider information available in the public domain in respect of the comparable companies/ transactions, as may be relevant under the circumstances;
- Discussions and correspondence with the Management, to obtain requisite explanations and clarifications on the data provided;
- Such other analyses, reviews and inquiries, as we consider necessary. We had limited interactions with the management of the company and our analysis is subject to the same.

### **4. Valuation Approach**

- 4.1. For the purpose of arriving the fair value of the Equity shares of the Company, it would be necessary to select an appropriate basis of valuation amongst the various alternatives. It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. The application of any particular method of valuation depends upon various factors including the size of the Company, nature of its business and purpose of valuation. Further, the concept of valuation is all about the price at which a transaction takes place i.e., the price at which seller is willing to sell and buyer is willing to buy. Thus, the market value would be the most indicative price. Accordingly, a fair and proper approach for valuing the shares of the Company would be to use a combination of these methods.

4.2 There are various valuation methods for the purpose of valuation of the Company. These are as follows:

- A. Income Approach - Discounted Cash Flow method
- B. Net Assets Value Method
- C. Market Approach

**A. Income Approach - Discounted Cash Flow method**

- The DCF Methods seeks to capture the discounted present value of free cash flows generated by a going concern business over a period of time. It can be estimated by application of any of the two techniques:
  - The projected free cash flows from business operations available to all providers of capital are discounted at the weighted average cost of capital to such capital providers, from a market participant basis, and the sum of such discounted cash flows is the value of the business, from which value of debt and other capital is deducted, and other relevant adjustments made to arrive at the value of the Shares - Free Cash Flows to Firm ("FCFF") technique; or
  - The projected free cash flows from business operations available to equity shareholders (after deducting cash flows attributable to the debt and other capital providers) are discounted at the cost of equity, from a market participant basis, and the sum of such discounted free cash flows, after making other relevant adjustments, is the value of the equity - Free Cash Flows to Equity ("FCFE") technique.

Since 7NR Retail limited is a listed company on BSE, information related to future profitability is price sensitive in nature and hence the management has not provided us with the projected financials statements of 7NR Retail Limited. In view of this, I have not considered income approach.

**B. Net Assets Value Method**

- In Net Assets Value method, the value so determined by dividing the net assets of the Company by the existing number of shares. Since the shares are valued on a going concern basis and an actual realisation of operating assets is not contemplated, we have considered it appropriate not to determine the realizable or replacement value of the assets. The operating assets have therefore been considered at their book values.

The asset approach does not reflect the intrinsic value of the business in a going concern scenario. In view of this, I have not considered asset approach.

**C. Market Approach**

- The Market Approach consider the value of the listed stock carries significant weightage in the analysis of the equity value of the Company. The price at which the shares of the listed Company are quoted on a recognised stock exchange is an indicator of the value of the Company. This method is effective in various situations as market forces collectively determine the price quoted on the stock exchanges. The market value or transaction price is used to derived the multiple on the bias of the subjected underlying assets such as sales, book value, earnings etc. These derived multiples are being used for the arriving the indicative value of the Company.

In the instant case, the equity shares of the company are listed on Bombay stock exchange and as per the definition provided under regulation 164 (5) of SEBI Regulations, the shares of the company are frequently traded shares. In view of this, I have considered market approach for valuation of equity shares.

#### 5. **Recommendation of the Value**

As above mentioned, analysis of different applicable approaches, we have considered the market approach to derive the value of the equity shares of the Company. As explained in the methodology earlier, the market price is considered as higher of the following:

- Average of the volume weighted average price (VWAP) of the equity shares of 7NR Retail Limited quoted on BSE during the 90 trading days preceeding the relevant date. Relvant date is considered as 30 days before the date of board meeting.

Trading days	Date	VWAP
1	24-Oct-22	1.49
2	21-Oct-22	1.42
3	20-Oct-22	1.35
4	19-Oct-22	1.37
5	18-Oct-22	1.37
6	17-Oct-22	1.36
7	14-Oct-22	1.39
8	13-Oct-22	1.41
9	12-Oct-22	1.35
10	11-Oct-22	1.32
11	10-Oct-22	1.34
12	7-Oct-22	1.3
13	6-Oct-22	1.38
14	4-Oct-22	1.42

15	3-Oct-22	1.57
16	29-Sep-22	1.7
17	28-Sep-22	1.61
18	27-Sep-22	1.67
19	26-Sep-22	1.68
20	23-Sep-22	1.83
21	22-Sep-22	1.95
22	21-Sep-22	1.99
23	20-Sep-22	2.1
24	19-Sep-22	2.05
25	16-Sep-22	1.84
26	15-Sep-22	1.73
27	14-Sep-22	1.76
28	13-Sep-22	1.9
29	12-Sep-22	1.86
30	9-Sep-22	1.7
31	8-Sep-22	1.62
32	7-Sep-22	1.65
33	6-Sep-22	1.69
34	5-Sep-22	1.7
35	2-Sep-22	1.69
36	1-Sep-22	1.7
37	30-Aug-22	1.7
38	29-Aug-22	1.62
39	26-Aug-22	1.69
40	25-Aug-22	1.88
41	24-Aug-22	1.82
42	23-Aug-22	1.74
43	22-Aug-22	1.74
44	19-Aug-22	1.63
45	18-Aug-22	1.67

46	17-Aug-22	1.65
47	16-Aug-22	1.63
48	12-Aug-22	1.64
49	11-Aug-22	1.64
50	10-Aug-22	1.62
51	8-Aug-22	1.65
52	5-Aug-22	1.73
53	4-Aug-22	1.61
54	3-Aug-22	1.56
55	2-Aug-22	1.59
56	1-Aug-22	1.55
57	29-Jul-22	1.6
58	28-Jul-22	1.52
59	27-Jul-22	1.46
60	26-Jul-22	1.51
61	25-Jul-22	1.58
62	22-Jul-22	1.67
63	21-Jul-22	1.74
64	20-Jul-22	1.64
65	19-Jul-22	1.63
66	18-Jul-22	1.69
67	15-Jul-22	1.71
68	14-Jul-22	1.79
69	13-Jul-22	1.89
70	12-Jul-22	1.81
71	11-Jul-22	1.76
72	8-Jul-22	1.67
73	7-Jul-22	1.52
74	6-Jul-22	1.56
75	5-Jul-22	1.71
76	4-Jul-22	1.71

77	1-Jul-22	1.63
78	30-Jun-22	1.56
79	29-Jun-22	1.49
80	28-Jun-22	1.42
81	27-Jun-22	1.34
82	24-Jun-22	1.31
83	23-Jun-22	1.37
84	22-Jun-22	1.44
85	21-Jun-22	1.49
86	20-Jun-22	1.51
87	17-Jun-22	1.56
88	16-Jun-22	1.64
89	15-Jun-22	1.72
90	14-Jun-22	1.81
<b>AVERAGE PRICE</b>		<b>1.61</b>

- Average of the volume weighted average price (VWAP) of the equity shares of 7NR Retail Limited quoted on BSE during the 10 trading days preceding the relevant date. Relevant date is considered as 30 days before the date of board meeting.

Trading days	Date	VWAP
1	24-Oct-22	1.49
2	21-Oct-22	1.42
3	20-Oct-22	1.35
4	19-Oct-22	1.37
5	18-Oct-22	1.37
6	17-Oct-22	1.36
7	14-Oct-22	1.39
8	13-Oct-22	1.41
9	12-Oct-22	1.35
10	11-Oct-22	1.32
<b>AVERAGE PRICE</b>		<b>1.38</b>



Based on the above stated methodology in accordance with SEBI (ICDR) Regulations, **fair value is being derived at Rs. 1.61 per equity share.**

The aforesaid arrangement shall be pursuant to the draft scheme of arrangement and shall be subject to receipt of approval from the Hon'ble National Company Law Tribunal or such other competent authority as may be applicable and other statutory approvals as may be required. The detailed terms and conditions of the arrangement are more fully set forth in the draft scheme of arrangement. We have derived the fair value with the understanding that the draft scheme of arrangement shall not be materially altered and the parties hereto agree that the fair value would not stand good in case the final scheme of arrangement alters the Proposed Transaction.

## **6. Caveats**

6. 1. Provision of valuation recommendations and considerations of the issues described herein are areas of our regular corporate advisory practice. The services do not represent accounting, assurance, financial due diligence review, consulting, transfer pricing or domestic/international tax-related services that may otherwise be provided by us.
6. 2. Our review of the affairs of the Company and their books and account does not constitute an audit in accordance with Auditing Standards. We have relied on explanations and information provided by the Management of the Company and accepted the information provided to us as accurate and complete in all respects. We have not independently investigated or otherwise verified the data provided. Nothing has come to our attention to indicate that the information provided had material mis-statements or would not afford reasonable grounds upon which to base the Report.
6. 3. The report is based on the financials provided to us by the Management of the company and thus the responsibility for figures mentioned therein are based is solely that of the Management of the Company and we do not provide any confirmation or assurance on them. These sources are considered to be reliable and therefore, we assume no liability for the accuracy of the data. We have assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences.
6. 4. We have relied on data from external sources. These sources are considered to be reliable and therefore, we assume no liability for the accuracy of the data. We have assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences.
6. 5. This report is only to be used in its entirety, and for the purpose stated in the report. No third parties should rely on the information or data contained in this report without the advice of their lawyer, attorney or accountant.
6. 6. The valuation worksheets prepared for the exercise are proprietary to the Valuer and cannot be shared. Any clarifications on the workings will be provided on request, prior to finalizing the Report, as per the terms of our engagement.

- 6.7 The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them.
- 6.8 The Valuation Analysis contained herein represents the value only on the date that is specifically stated in this Report. This Report is issued on the understanding that the Management of the Company has drawn our attention to all matters of which they are aware, which have an impact on our Report up to the date of signature. We have no responsibility to update this Report for events and circumstances occurring after the date of this Report.
- 6.9 We have no present or planned future interest in the Company and the fee for this Report is not contingent upon the values reported herein.
- 6.10 The valuer, by reason of performing this valuation and preparing this report, is not to require to give expert testimony nor to be in attendance in court or at any government hearing with reference to the matters contained herein, unless prior arrangements have been made with the analyst regarding such additional engagement.
- 6.11 Our Valuation analysis should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into any transaction with the Company.

## **7. Distribution of Reports**

- 7.1 The Analysis is confidential and has been prepared exclusively for the Company for Companies Act, 2013 and SEBI compliance. It should not be used, reproduced or circulated to any other person or for any purpose other than as mentioned above, in whole or in part, without the prior written consent of the valuer. Such consent will only be given after full consideration of the circumstances at the time.

Thanking You

Yours faithfully,



**CA Amish Garg**

Registered Valuer for Securities or Financial Assets

Place: Mumbai

Date: November 25, 2022

UDIN No.: 22133646BEBHIC4492