

BASIS FOR OFFER PRICE

The Offer Price will be determined by our Company and the Selling Shareholders in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares through the Book Building Process and on the basis of quantitative and qualitative factors as described below. The face value of the Equity Shares is ₹ 10 each and the Offer Price is [●] times the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

Qualitative Factors

Some of the qualitative factors which form the basis for the Offer Price are:

- Established leading all-season Indian apparel brand;
- Nationwide sales and distribution network;
- Our association with OWML and other Group Companies provides us with stable and reliable sourcing of raw materials and manufacturing facilities;
- Strong back-end with in-house design and manufacturing, and long-term relationships with third-party manufacturer;
- Diversified product range
- Experienced management team

For further details see, “*Our Business*”, “*Risk Factors*” and “*Financial Statements*” on pages 105, 11 and 166, respectively.

Quantitative Factors

The information presented below relating to our Company is based on the restated financial statements for fiscal 2014, 2013 and 2012 prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI ICDR Regulations. For details, see “*Financial Statements*” on page 166. On September 5, 2011, the shareholders of our Company approved a bonus issue of 8,715,000 Equity Shares of ₹ 10 each in the ratio of one equity share for every one share held as on September 5, 2011. All the financial ratios are calculated based on the outstanding Equity Shares after considering such bonus issue.

Some of the quantitative factors which may form the basis for computing the Offer Price are as follows:

- **Basic and Diluted Earnings Per Share (“EPS”), as adjusted for change in capital:**

As per our restated financial statements:

Year ended	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
March 31, 2012	27.25	27.25	1
March 31, 2013	23.05	23.05	2
March 31, 2014	25.45	25.45	3
Weighted Average	24.95	24.95	
<i>Three month period ended June 30, 2014[#]</i>	3.92	3.92	

[#]June 30, 2014 figures are not annualised

Notes:

- (1) EPS calculations have been done in accordance with Accounting Standard 20-“Earning per share” issued by the Institute of Chartered Accountants of India.
- (2) Weighted average number of Equity Shares is the number of Equity Shares outstanding at the beginning of the year/period adjusted by the number of Equity Shares issued during the year/period multiplied by the time weighting factor. The time weighting factor is the number of days for which the specific shares are outstanding as a proportion of the total number of days during the year.
- (3) The basic and diluted EPS for the financial year ending FY2012 on restated basis, after adjusting for the bonus issue made on September 30, 2011.

- **Price/Earning (P/E) ratio in relation to Offer Price of ₹ [●] per Equity Share of ₹ 10 each:**

- a. P/E based on basic and diluted EPS at the lower end of the Price Band is [●]
- b. P/E based on basic and diluted EPS at the higher end of the Price Band is [●]
- c. P/E based on basic and diluted EPS as per our restated financial statements for year ended March 31, 2014 is [●]

Note: Peer Group P/E*

- i. Highest: 50.78
- ii. Lowest: 31.63
- iii. Industry Composite: 41.21

* Peer Group includes Kewal Kiran Clothing Limited and Zodiac Clothing Company Limited.

Source: P/E figures for the peers are computed based on closing price as of October 31, 2014, of Kewal Kiran Clothing Limited and Zodiac Clothing Company Limited as ₹ 1,693.35 and ₹ 391.00 per equity share, respectively, at NSE, available at www.nseindia.com divided by Basic and Diluted EPS (on standalone basis) based on the annual reports of such companies for the fiscal 2014.

• **Return on Net Worth (“RoNW”):**

As per our restated financial statements:

Year ended	RoNW (%)	Weight
March 31, 2012	32.80	1
March 31, 2013	15.06	2
March 31, 2014	14.55	3
Weighted Average	17.76	
<i>Three month period June 30, 2014[#]</i>	2.19	

[#]June 30, 2014 figures are not annualised

Note: The RoNW has been computed by dividing profit after tax by net worth. Net worth has been computed by aggregating share capital and reserves and surplus as per the audited restated financial statements. There is no share premium account, revaluation reserve or miscellaneous expenditure (to the extent not written off).

- **Minimum Return on Increased Net Worth for maintaining Pre-Offer EPS for the year ended March 31, 2014 is 14.55% and for the period ended June 30, 2014 is 2.19% (not annualised).**

As the Offer consists only of an offer for sale by the Selling Shareholders, there will be no change in the net worth post-Offer.

- **Net Asset Value[#] (“NAV”) per Equity Share of face value ₹ 10 each as at March 31, 2014 is ₹ 174.84 and as of June 30, 2014 is ₹ 178.64.**

Note: Net Asset Value per Equity Share represents net worth, as restated, divided by the number of Equity Shares outstanding at the end of the period.

As the Offer consists only of an offer for sale by the Selling Shareholders, there will be no change in the NAV post-Offer.

- **Comparison of accounting ratios with Industry Peers:**

Name of the Company	Revenue (Revenue from Operations and other income) (₹ in million)	Face Value per Equity Share (₹)	P/E	EPS (Basic & Diluted) (₹)	Return on Net Worth (%)	Net Asset Value / Share (₹)
MCFL ⁽¹⁾	5,188.92	10	[●]	25.45	14.55	174.84
Peer Group						
Kewal Kiran Clothing Limited ⁽²⁾	3,790.38	10	31.63 ^(c)	54.38	23.06	235.79
Zodiac Clothing Co. Limited ⁽²⁾	3,551.36	10	50.78 ^(c)	7.70	8.47	90.84
Industry Average	3,670.87			31.04	15.77	163.32

⁽¹⁾ Based on standalone restated audited financials of our Company for Fiscal 2014.

⁽²⁾ Based on standalone audited financials of Kewal Kiran Clothing Limited and Zodiac Clothing Company Limited for Fiscal 2014.

(a) Return on Net Worth is calculated as Net Profit for the year divided by Shareholders Fund (share capital plus reserves and surplus).

(b) Net Asset Value per share is calculated as Shareholders Fund divided by paid-up number of shares of the company.

(c) P/E figures for the peers are computed based on closing price as of October 31, 2014, of Kewal Kiran Clothing Limited and Zodiac Clothing Company Limited as ₹ 1,693.35 and ₹ 391.00 per equity share, respectively, at NSE, available at www.nseindia.com divided by Basic and Diluted EPS (on standalone basis) based on the annual reports of such companies for the fiscal 2014.

The Offer Price of ₹ [●] has been determined by our Company and Selling Shareholders, in consultation with the BRLMs on the basis of the demand from investors for the Equity Shares through the Book-Building Process and is justified in view of the above qualitative and quantitative parameters. Investors should read the above mentioned information along with “**Risk Factors**” and “**Financial Statements**” on pages 11 and 166, respectively, to have a more informed view. The trading price of the Equity Shares of our Company could decline due to the factors mentioned in “**Risk Factors**” or any other factors that may arise in the future and you may lose all or part of your investments.