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Our ref KFAS-AA-6095  
Contact Ali Asghar  
Partner (DA)

07 May 2025

Dear Sir,

## **Proposed Shareholder Restructuring of Nova Frontiers Limited – Share Swap Ratio Letter**

### **1. Introduction**

With reference to our engagement letter KFAS-AA-6030 whereby KPMG Taseer Hadi & Co. was engaged to calculate the share swap ratio between Nova Frontiers Limited ("Nova" or "the Client") and Gatron (Industries) Limited ("Gatron") in accordance with the Guidelines for M&A issued by the Securities and Exchange Commission Pakistan ("SECP") on October 11, 2023, hereinafter referred to as the ("Guidelines for M&A").

### **2. Our Scope**

We understand that Nova Frontiers Limited seeks to restructure its existing pattern of shareholding. In this respect a scheme of arrangement is being framed under which the current shareholding structure of the Client will be reorganized ("the Transaction"). For this purpose, a swap ratio will be determined following the valuation of both Nova and Gatron as at 31<sup>st</sup> January 2025 ("the Valuation date"). We have used the audited financial statements of Nova and Gatron for the period from 1<sup>st</sup> July 2024 till 31<sup>st</sup> January 2025 along with Gatron's financial projections for the period from 01<sup>st</sup> February 2025 till 30<sup>th</sup> June 2030. Furthermore, we were provided with additional relevant information and explanations, as and when required, to carry out the valuation.

### **3. About The Company**

#### **Gatron (Industries) Limited**

Gatron was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are quoted at Pakistan Stock Exchange Limited since 1992. The principal business of the Company is manufacturing of Polyester Filament Yarn through its self-produced Polyester Polymer/Chips. The Company also produces Pet Preforms.

The Company also wholly owns the following subsidiary companies:

- Gatro Power (Private) Limited
- Global Synthetics Limited
- G-Pac Energy (Private) Limited



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**Nova Frontiers Limited**

Nova was incorporated as a Public Limited Company (unlisted) on September 02, 2022. The principal line of business of the Company is to invest its own capital in shares, bonds, stocks, units of mutual funds or any other securities or its related instruments subject to the compliance with applicable laws.

**4. Share Capital**

S.No.	Companies	Number of shares Issued	Par Value (PKR)	Issued Share Capital
1	Nova Frontiers Limited	13,585,683	10	135,856,830
2	Gatron (Industries) Limited	108,728,960	10	1,087,289,600

**5. Pattern Of Shareholding**

Shareholding pattern of Gatron (Industries) Limited as at 31 January 2025 is as follows:

S.No.	Shareholders	Shareholding %
1	Directors, Chief Executive Officer their Spouse(s) and Minor Children, if any.	22.56%
2	Associated Companies, Undertakings and Related Parties	32.32%
3	NIT and ICP	0.00%
4	Banks Development Financial Institutions, Non Banking Financial Institutions	11.54%
5	Insurance Companies	0.00%
6	General Public – Local	32.26%
7	General Public – Foreign	1.30%
8	Others	0.02%
<b>Total</b>		<b>100.00%</b>

Shareholding pattern of Nova Frontiers Limited as at 31 January 2025 is as follows:

S.No.	Shareholders	Shareholding %
1	Euro Bond	37.68%
2	Venture Asia	30.55%
3	Ghani & Tayub (Private) Limited	17.63%
4	Directors	3.96%
5	Public	10.18%
<b>Total</b>		<b>100.00%</b>



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## **6. Valuation**

According to the Guidelines for M&A, which state that in order to determine the fair value of shares, multiple valuation methodologies may be applied. Furthermore, it states that since no two valuations are identical, ideally and where possible, the fair value of shares shall be determined by averaging the fair value arrived at through any three of the methods mentioned below.

1. The Net Worth Method or Net Asset Valuation Method
2. The Market Value Method
3. Future Earning Capacity or Discounted Cash Flow Method
4. The Comparable Transaction Method

Furthermore, it states that in all cases, the rationale for selecting a particular method or methods must be clearly elaborated.

In line with the Guidelines for M&A, KPMG conducted valuation exercise using the following approaches:

1. Discounted Cash Flow ("DCF") Method for Gatron
2. Market Value ("MV") Method (As of the Valuation Date) for Gatron
3. Net Asset Valuation ("NAV") Method for Gatron and Nova

It is important to note that the rationale for using the above-mentioned methodologies are driven by the operational differences between Gatron and Nova. Specifically, Gatron operates in the textile sector, while Nova primarily mainly earns through investing in bonds, stocks, and mutual fund units. Details of the rationale are provided below in accordance with the respective approaches used to calculate the valuation on individual basis and to calculate the average valuation for the ultimate purpose of calculating the Swap Ratio.

Our valuation is based on the understanding that the Client's management has brought to our attention all relevant financial and non-financial matters that could impact the valuation. Additionally, it is crucial to emphasize that the assumptions and forecasts used for the DCF valuation of Gatron were provided by the management of Gatron. While KPMG conducted a reasonable assessment of these forecasts and assumptions, we have not verified the audited financial statements or any related information.

### **Gatron (Industries) Limited**

The Net Asset Valuation (NAV) method estimates the value of a business entity by calculating the net book value, based on fair valuations provided by the management of Gatron. This is determined by subtracting the fair value of total liabilities from the fair value of total assets. The book value was derived using Gatron's audited financial statements, wherein the fixed assets of



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Gatron were independently fair valued as of the Valuation Date, in accordance with documentation provided by Gatron's management and is mentioned in the table below.

Gatron was also valued using the DCF method, which focuses on projecting future cash flows and determining their present value by accounting for the time value of money. The resulting DCF valuation is presented in the table below.

Market value represents the perceived worth of a company, or its equity as determined by financial markets. It is calculated by multiplying the total number of outstanding shares by the current market price per share. Under this approach, the fair value of a company's equity shares is typically based on the market price quoted on a recognized stock exchange, provided the price reflects active trading. For this valuation, KPMG used the prevailing market price of PKR 155.99 per share on the Pakistan Stock Exchange (PSX) as of the valuation date.

To determine the swap ratio, we calculated the Gatron's share price by averaging the values derived from the DCF approach, the Market Value approach and the NAV approach.

<b>Company Name</b>	<b>Gatron (Industries) Limited</b>
Net Assets under Fair Valuation	158.46
Market Value (As of Valuation Date)	155.99
Income Based Approach (DCF)	149.14
<b>Average Price per Share</b>	<b>154.53</b>

**Nova Frontiers Limited**

For determining the valuation of Nova, we have employed NAV approach as Nova does not generate independent operating cash flows and as per management it is expected to retain all dividend and interest income from its underlying investments rather than distribute it. For this reason, valuation using DCF method was not carried out.

Furthermore, since Nova is not a publicly listed company, there is no observable market price for its shares. Consequently, the Market Value approach could not be applied. Therefore, Nova's valuation was based solely on the Net Asset Value method, which appropriately reflects the fair value of its underlying assets and liabilities.

<b>Company Name</b>	<b>Nova Frontiers Limited</b>
Net Assets under Fair Valuation	1,013.27
<b>Average Price per Share</b>	<b>1,013.27</b>



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### Swap Ratio Computation

KPMG has calculated the swap ratios based on the valuation approaches discussed above, ensuring that the proposed share exchange is aligned with the financial position and intrinsic value of both Gatron and Nova, in accordance with SECP guidelines.

Company Name	Gatron (Industries) Limited	Nova Frontiers Limited
Net Assets under Fair Valuation	158.46	1,013.27
Market Value (As of Valuation Date)	155.99	-
Income Based Approach (DCF)	149.14	-
<b>Fair Market Value Per Share</b>	<b>154.53</b>	<b>1,013.27</b>
Number of shares	108,728,960	13,585,683
<b>Share Swap Ratio</b>	<b>6.56</b>	

Based on above, we recommend that **6.56 shares** of Gatron (Industries) Limited to be exchanged for **1 share** of Nova Frontiers Limited.

### 7. Caveats

- This swap letter is subject to the limitations detailed herein. This letter is to be read in totality, and not in parts, in conjunction with all the relevant documents referred herein.
- It's important to note that our responsibilities do not encompass updates or revisions after the date of issuance. This letter has been prepared solely in connection with the transaction referenced above and the related Scheme.
- Valuation is not an exact science; it requires the application of experience and judgment to the given facts in order to reach a conclusion. There is no single "correct" answer, but rather a range of reasoned and reasonable values.
- The procedures performed in issuing this letter do not constitute an audit or a review conducted in accordance with international auditing standards or international review engagement standards. Therefore, we do not express an opinion or any other form of assurance.
- In preparing our report, our primary source has been the Client's internal management information and representations made to us by management of the Client. We do not accept responsibility for the accuracy of this information, as it remains the responsibility of management.
- A fair value adjustment has been applied to the net assets of both entities based on the latest valuation report provided by the Client management.



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- We have not performed audit, due diligence and verification of financial statements and third party asset valuation report provided by the Client.
- In rendering this letter, we have not provided legal, regulatory, tax or accounting advice and accordingly we do not assume any responsibility or liability in respect thereof.
- This report presents the factual information that forms the basis of the valuation conclusion. We have not verified any of the information included in this report and have relied on the information provided by the Client's management, assuming it to be materially accurate, complete, and fairly presented. Consequently, we understand that this information serves as a reliable basis for the valuation.
- Notably, the valuation methodologies employed align with the Guidelines outlined in the Mergers and Amalgamations directives set forth by the SECP on October 16, 2023. However, it is important to acknowledge that specific factors influencing the Swap Ratio, despite our adherence to the SECP Guidelines, may extend beyond the direct scope of KPMG's work.

Yours faithfully,

KPMG Taseer Hadi & Co.