

Walker Chandiook & Co LLP

STRICTLY PRIVATE AND CONFIDENTIAL

20 April 2017

The Board of Directors
Future Retail Limited
 10th Floor, Tower C
 247 Park, LBS Marg
 Vikhroli (West)
Mumbai 400 083

Walker Chandiook & Co LLP
 (Formerly Walker, Chandiook & Co)
 16th Floor, Tower II
 Indiabulls Finance Centre
 S B Marg, Elphinstone (W)
 Mumbai 400013
 India

Dear Sir(s),

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Re: Recommendation of ratio of allotment of equity shares of Praxis Home Retail Private Limited ("PHRPL" or the "Resulting Company") to be issued to the shareholders of Future Retail Limited ("FRL" or the "Client"), in connection with the proposed demerger of Home Retail Business Undertaking of FRL (the "Home Retail Business Undertaking") into the Resulting Company

This has reference to our engagement letters and the discussions that we have had with the executives, representatives and management of FRL from time to time in relation to the above matter.

BRIEF BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT

Future Group, through its subsidiaries, engages in the businesses of multi-format retail, insurance, and supply chain and logistics services in India. Its multi-format retail business includes hypermarkets and supermarkets, home retailing, consumer durables retail, fashion retail, food retail, and FMCG retail.

FRL is the flagship company of Future Group. FRL currently operates multiple retail formats in hypermarket, supermarket and home segments of the Indian consumer market including; Big Bazaar (hypermarket chain); FBB (Fashion at Big Bazaar); Food Bazaar (supermarket chain); Food hall (Premium lifestyle food destination); easyday (convenient stores); HomeTown (Home Retail Business) and eZone (consumer electronics specialty store). The business of FRL inter-alia includes the retail operations associated therewith. The Equity Shares of FRL are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

FRL operates in the home solutions segment through HomeTown offering a range of living room furniture, dining, bedroom furniture and furniture essentials, mattresses, modular kitchens, home furnishing, décor, households and bath luxury.

PHRPL is a private limited company incorporated under the Companies Act, 1956 and having its registered office at Mumbai.

SCHEME OF ARRANGEMENT

We understand that the Management of FRL (the "Management") is contemplating a group restructuring/ realignment exercise wherein it is proposed that Home Retail Business Undertaking will be demerged from FRL into PHRPL ("Proposed Demerger").



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The Demerger is proposed to be effected through a Scheme of Arrangement pursuant to the provisions of Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 1956.

In this connection, Walker Chandiook & Co LLP has been requested by FRL to submit a report recommending the ratio of allotment of equity shares of PHRPL to shareholders of FRL in connection with the Proposed Demerger for the consideration of the Board of FRL.

We understand that consequent to the Proposed Demerger, there will be no impact on the economic beneficial interest of the shareholders of FRL.

This report, and the information contained herein, is absolutely confidential. This report will be placed before the Audit Committee and the Board of FRL and to the extent mandatorily required under applicable laws of India, maybe produced before judicial, regulatory or government authorities, in connection with the proposed Transactions. We are not responsible to any other person/ party for any decision of such person or party based on this report. Any person/ party intending to provide finance / invest in the shares / business of FRL/ PHRPL or their holding companies / subsidiaries / associates / joint ventures shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is hereby notified that reproduction, copying or otherwise quoting of this report or any part thereof, other than for the aforementioned purpose, is not permitted.

SOURCES OF INFORMATION

The information and documents, which have been furnished to us by Future Retail Limited, are as under:

1. Unaudited and provisional extracted statement of assets and liabilities of HomeTown as on 31 March 2017.
2. Draft Scheme of Arrangement between FRL, BSPL, PHRPL and their respective shareholders.
3. Proposed Capital Structure of PHRPL.
4. Memorandum of Association of PHRPL.
5. Other relevant details regarding FRL, HomeTown, PHRPL and the Proposed Demerger.

We have also obtained necessary explanations and information, which we believed were relevant to the present exercise, from the executives, representatives and management of FRL.

It may be mentioned that FRL has been provided opportunity to review the draft report (excluding our recommendation of share allotment) for the current exercise as part of our standard practice to make sure that factual inaccuracies are avoided in our report.

EXCLUSIONS AND SCOPE LIMITATIONS

Our report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

Our work does not constitute an audit, due diligence or certification of the historical financial statements of FRL/ PHRPL/ Home Retail Business Undertaking referred to in this report. We have not analysed the Financial Statements of Home Retail Business Undertaking and FRL. Accordingly, we are unable to and do not express an opinion on the accuracy of any financial information referred to in this report. We assume no responsibility for any errors in the above information furnished by FRL and their impact on the present exercise.



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Our scope is limited to expression of our view on the proposed Share Allotment Ratio and its impact on the economic interest of the shareholders of FRL and the Resulting Company. The Report should not be construed as, our opinion or certifying the compliance of the Proposed Demerger with the provisions of any law including the Companies Act 1956, Companies Act 2013, FEMA, taxation related laws, capital market related laws, any accounting, taxation or legal implications or issues arising from Proposed Demerger. This report is issued on the understanding that FRL has drawn our attention to all the matters, which they are aware of concerning the financial position of FRL/ Home Retail Business Undertaking / PHRPL and any other matter, which may have an impact on our opinion, on the share allotment ratio for the Proposed Demerger including any significant changes that have taken place or are likely to take place in the financial position of FRL/ Home Retail Business Undertaking / PHRPL in connection with the Proposed Demerger. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Recommendation of the allotment ratio is specific to the purpose as mentioned above and the allotment date is as agreed per terms of the engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

Please note that the valuation of a business or an enterprise, its equity shares or its equity options is not an exact science and ultimately depends upon what the enterprise or shares might be worth to an independent investor or buyer. Therefore, there is no indisputable single Share Allotment / Entitlement Ratio. While we would provide our view on the Share Allotment Ratio based on the information available to us and within the scope and constraints of this Engagement Letter, others may have a different opinion. The Client acknowledges and agrees that the final responsibility for determination of the Share Allotment/ Entitlement Ratio for the Proposed Demerger and factors other than our report will need to be taken into account in determining such ratios; these will include the Client's assessment of the Proposed Demerger and may include the input of other professional advisors.

The fee for the report is not contingent upon the results reported.

This report does not address the relative merits of the Transactions as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. Any decision by the Client regarding whether or not to proceed with the Transactions shall rest solely with the Client. We owe responsibility to only the Board of Directors of FRL that have retained us and nobody else. We do not accept any liability to any third party in relation to the issue of this valuation report.

Neither the report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the Proposed Demerger. In addition, we express no opinion or recommendation as to how the shareholders of FRL should vote at any shareholders meeting(s) to be held in connection with the Transactions.

We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other person to the Company. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Company, their directors, employees or agents. In no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

We do not accept any liability to any third party in relation to the issue of the Report and our Report is conditional upon an express indemnity from the Company in our favor holding us harmless from and against any cost, damage, expense and other consequences in connection with the provision of this Report. It is clarified that this Report is not a fairness opinion under any of the stock



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exchange/ listing regulations. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.

BACKGROUND

Future Retail Limited

Future Group, through its subsidiaries, engages in the businesses of multi-format retail, insurance, and supply chain and logistics services in India. Its multi-format retail business includes hypermarkets and supermarkets, home retailing, consumer durables retail, fashion retail, food retail, and FMCG retail.

FRL is the flagship company of Future Group. FRL currently operates multiple retail formats in hypermarket, supermarket and home segments of the Indian consumer market including; Big Bazaar (hypermarket chain); FBB (Fashion at Big Bazaar); Food Bazaar (supermarket chain); Food hall (Premium lifestyle food destination); easyday (convenient stores); HomeTown (Home Retail Business) and eZone (consumer electronics specialty store). The business of FRL inter-alia includes the retail operations associated therewith.

The issued, subscribed and paid up equity share capital of FRL as at 31 December 2016 is as under:

Issued, Subscribed and Paid-up Capital	No. of shares
Equity shares of Rs. 2 each	471,338,557

The Equity Shares of FRL are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. As of this report date, the number of equity shares are expected to increase upon allotment of approved 4,67,558 and 6,624 equity shares to eligible employee(s) of FRL under their employees' stock option scheme. Accordingly, the number of issued shares of FRL would stand increased to 471,812,739.

Home Retail Business Undertaking of Future Retail Limited ("Home Retail Business Undertaking")

FRL operates in the home solutions segment through HomeTown offering a range of living room furniture, dining, bedroom furniture and furniture essentials, mattresses, modular kitchens, home furnishing, décor, households and bath luxury.

Praxis Home Retail Private Limited ("PHRPL")

PHRPL is a private limited company incorporated under the Companies Act, 1956 and having its registered office at Mumbai.

The issued, subscribed and paid up equity share capital of PHRPL as at 31 December 2016 is as under:

Issued, Subscribed and Paid-up Capital	No. of shares
Equity shares of Rs. 10 each	50,000

With effect from the Scheme becoming effective, the existing paid up equity share capital of PHRPL amounting to Rs. 500,000/- and any further capital increase required to comply with conversion of company from private limited to public limited company shall stand cancelled without any consideration and accordingly new shares with the face value of Rs. 5 each shall be issued.



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APPROACH - SHARE ALLOTMENT RATIO FOR PROPOSED DEMERGER

As per the Proposed Scheme of Arrangement, in consideration of the transfer and vesting of Home Retail Business Undertaking from FRL into PHRPL, PHRPL shall issue & allot equity shares to the equity shareholders of FRL based on the ratio of allotment of shares.

We understand from the management of FRL that in the event of demerger of Home Retail Business Undertaking into PHRPL, the ratio of allotment of equity shares to the shareholders of FRL is determined on the basis of desired capital structure of PHRPL (post-demerger).

The management of FRL has further indicated that the shareholding of PHRPL pursuant to the Proposed Demerger of Home Retail Business Undertaking into PHRPL would be, effectively, same as the shareholding of FRL (pre-demerger) as the new shares of PHRPL would be issued to the shareholders of FRL in proportion to their shareholding in FRL (pre-demerger). Thus, we understand that the interest of the shareholders in FRL will effectively remain unchanged and therefore from that perspective would not be prejudicially affected.

RECOMMENDATION OF RATIO OF ALLOTMENT OF EQUITY SHARES FOR THE PROPOSED DEMERGER

On the basis of the foregoing, considering the desired capital structure of PHRPL as proposed by the Management and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, a share allotment ratio in the event of Demerger of Furniture & Furnishing Business Undertaking of FRL into PHRPL would be as follows:

1 (One) fully paid equity share of Rs. 5 (Rupees Five) each of PHRPL for every 20 (Twenty) fully paid equity share of Rs. 2 (Rupees Two) each held in FRL

Pursuant to the Scheme, in order to comply with the intent of maintaining the economic interest of the shareholders of FRL, the Resulting Company shall issue 23,590,637 equity shares of Rs. 5 to the shareholders of FRL and the initial issued, subscribed and paid up capital of the Resulting Company consisting of 50,000 equity shares of Rs. 10 each and any further capital increase required to comply with conversion of company from private limited to public limited company shall stand cancelled.

Yours faithfully,
For **Walker Chandiook & Co LLP**
Chartered Accountants



Riaz Thingna
Partner
Firm Registration No: 001076N/ N500013

Place: Mumbai
Date: 20 April 2017