

KEYNOTE

November 07, 2016

The Board of Directors
Future Retail Limited
Knowledge House, Shyam Nagar
Off Jogeshwari - Vikhroli Link Road
Jogeshwari (E), Mumbai – 400060

And

The Board of Directors
Heritage Foods Limited
6-3-541/C, Panjagutta
Hyderabad - 500080
Telangana, India

Dear Sir/Madam,

Reg: Fairness Opinion towards the valuation for the proposed demerger of the Retail, Agri & Bakery Divisions of Heritage Foods Limited ("HFL"), through its subsidiary Heritage Foods Retail Limited ("HFRL"), into Future Retail Limited ("FRL").

Keynote Corporate Services Limited ("Keynote" or "we" or "us") is Category I Merchant Banker registered with Securities Exchange Board of India ("SEBI"). We have been requested to issue a report on fairness of the valuation of the proposed demerger with respect to draft Composite Scheme of Arrangement between Future Retail Limited ("FRL") and Heritage Foods Limited ("HFL"), Heritage Foods Retail Limited ("HFRL") and their respective shareholders and creditors. We have perused the documents/ information provided by you in respect of the said Arrangement and the Valuation Report as issued by S. R. Batliboi & Co. LLP (hereafter referred to as "Batliboi") dated November 07, 2016 and state as follows:

Company Profile:

Future Retail Limited 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); Foodhall (Premium lifestyle food destination); easyday (Consumer retail department stores); Home Town (Home Improvement Store) and eZone (High end consumer electronics specialty store).

Heritage Foods Limited founded in the year 1992 is one of the fastest growing private sector enterprises in India, with six business verticals viz., Dairy, Retail, Agri, Bakery, Renewable Energy and VetCa. Presently Heritage dairy has market presence in Telangana, Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Maharashtra, Odisha, Haryana and Delhi NCR. 113,500 retail outlets sell Heritage Products in all these states and it has 124 Heritage Fresh retail stores across Hyderabad, Chennai and Bangalore. Integrated Agri pack houses are in Chittoor in Andhra Pradesh and Medak in Telangana and these serve the Heritage Fresh retail stores. The company has a bakery production facility in Hyderabad. Under the Renewable Energy vertical, the company has one solar (2.34 MW) and two wind (4.2 MW) power projects for captive consumption of its dairy factories.

Certified True Copy
For Future Retail Limited


by Company Secretary

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Keynote Corporate Services Limited

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Transaction background: Future Retail Limited proposes to acquire three divisions - Retail, Agri and Bakery from the wholly owned subsidiary - HFRL of Heritage Foods Limited. FRL shall be discharging the consideration by issuing the FRL shares to the shareholders of HFRL ("Transaction").

Rationale of the Report:

We have been informed that, pursuant to a Scheme of Arrangement under Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 and Section 52 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013 (hereinafter referred to as "the Scheme") and subject to necessary approvals, the "Demerged Undertaking" of HFRL, comprising of Retail, Agri and Bakery Divisions and Vetca Division "of HFL being transferred to HFRL as part of Slump Sale and Retail, Agri and Bakery Divisions would be demerged into FRL.

In this regard, we have been requested to suggest a Fairness Opinion on the valuation for the proposed demerger of "Retail, Agri and Bakery Divisions" of HFL, through its subsidiary HFRL, into FRL.

Sources of Information:

For arriving at the fairness opinion set forth below, we have relied upon the following sources of information:

- a) Valuation Report by S. R. Batliboi & Co. LLP dated November 07, 2016;
- b) Historical Financial statements of the Retail, Agri and Bakery divisions of HFL for the year ended March 31, 2015 and year ended March 31, 2016;
- c) Projected Financials of the Retail, Agri and Bakery divisions of HFL for FY 2016-17 to FY 2020-21;
- d) Draft Scheme of Arrangement;
- e) Other relevant information/documents regarding HFL including information available through public domain

In addition to the above, we have also obtained such other information and explanations, which were considered relevant for the purpose of our analysis.

Our Recommendation:

As stated in the Valuation Report, S. R. Batliboi & Co. LLP has recommended the following:

Demerger of "Retail, Agri and Bakery Divisions" of HFL into FRL: "Considering Rs.165.29/share as the highest price, the number of shares to be issued to HFL by FRL based on a combined equity value of Rs. 2,955.7 million of the Retail, Agri and Bakery Divisions should be 17,881,890 equity shares. For reference purposes, at a value of Rs. 2,950.0 mn, the number of shares to be issued would be 17,847,420 equity shares of FRL, while at a value of Rs. 2,960.0 mn, the number of shares to be issued would be 17,907,919 equity shares of FRL".

The aforesaid arrangement shall be pursuant to the Draft Composite Scheme of Arrangement and shall be subject to receipt of approval from the Jurisdictional High Court of Bombay and Hyderabad and other statutory approvals as may be required. The detailed terms and conditions of the demerger are more fully set forth in the Draft Scheme of Arrangement. Keynote has issued the fairness opinion with the understanding that Draft Scheme of Arrangement shall not be materially altered and the parties hereto



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agree that the Fairness Opinion would not stand good in case the final Scheme of Arrangement alters the transaction.

Based on the Information, data made available to us, including the Valuation Report, to the best of our knowledge and belief, the valuation as suggested by S. R. Batliboi & Co. LLP proposed under the Scheme of Arrangement is fair in our opinion.

Exclusions and Limitations:

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by HFL for the purpose of this opinion. With respect to the estimated financials provided to us by the managements of HFL, we have assumed that such financials were prepared in good faith and reflect the best currently available estimates and judgments by the managements of HFL. We express no opinion and accordingly accept no responsibility with respect to or for such estimated financials or the assumptions on which they were based. Our work does not constitute an audit or certification or due diligence of the working results, financial statements, financial estimates or estimates of value to be realized for the assets of HFL. We have solely relied upon the information provided to us by HFL. We have not reviewed any books or records of HFL (other than those provided or made available to us). We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of HFL and neither express any opinion with respect thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of HFL. We have not reviewed any internal management information statements or any non-public reports, and, instead, with your consent we have relied upon information which was publicly available or provided or otherwise made available to us for the purpose of this opinion. We are not experts in the evaluation of litigation or other actual or threaten claims and hence have not commented on the effect of such litigation or claims on the valuation. We are not legal, tax, regulatory or actuarial advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of HFL with respect to these matters. In addition, we have assumed that the Draft Scheme of Arrangement will be approved by the regulatory authorities and that the proposed transaction will be consummated substantially in accordance with the terms set forth in the Draft Scheme of Arrangement.

We understand that the managements of FRL and HFL during our discussion with them would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Draft Scheme of Arrangement, no restrictions will be imposed that will have a material adverse effect on the benefits of the transaction that FRL and HFL may have contemplated. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we are not authorized to solicit, and did not solicit, interests for any party with respect to the acquisition, business combination or other extra-ordinary transaction involving FRL & HFL or any of its assets, nor did we negotiate with any other party in this regard.

We have acted as a financial advisor to FRL and HFL for providing a fairness opinion on the proposed transaction and will receive professional fees for our services.



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In the ordinary course of business, Keynote is engaged in securities trading, securities brokerage and investment activities, as well as providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of Keynote may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the transaction.

It is understood that this letter is solely for the benefit of and confidential use by the Board of Directors of FRL and HFL for the purpose of this transaction and may not be relied upon by any other person and may not be used or disclosed for any other purpose without our prior written consent. The opinion is not meant for meeting any other regulatory or disclosure requirements, save and except as specified above, under any Indian or foreign law, Statute, Act, guideline or similar instruction. Management of FRL and HFL should not make this report available to any party, including any regulatory or compliance authority/agency except as mentioned above. The letter is only intended for the aforementioned specific purpose and if it is used for any other purpose; we will not be liable for any consequences thereof.

We express no opinion whatever and make no recommendation at all as to FRL's or HFL's underlying decision to effect to the proposed transaction or as to how the holders of equity shares or preference shares or secured or unsecured creditors of FRL and HFL should vote at their respective meetings held in connection with the transaction. We do not express and should not be deemed to have expressed any views on any other terms of transaction. We also express no opinion and accordingly accept no responsibility for or as to the prices at which the equity shares of FRL and HFL will trade following the announcement of the transaction or as to the financial performance of FRL and HFL following the consummation of the transaction.

In no circumstances however, will Keynote Corporate Services Limited or its associates, directors or employees accept any responsibility or liability to any third party and in the unforeseen event of any such responsibility or liability being imposed on Keynote Corporate Services Limited or its associates, directors or employees by any third party, FRL, HFL and their respective affiliates shall indemnify them.

For KEYNOTE CORPORATE SERVICES LTD



Nipun Lodha
Executive Vice-President & Head- Corporate Finance
SEBI Registration No. INM000003606
(Merchant Banker)



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