

# B S R & Associates LLP

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Date: 29 August 2020

To,

The Board of Directors,  
Future Enterprises Limited  
Knowledge House, Shyam Nagar,  
Off Jogeshwari-Vikhroli Link Road,  
Jogeshwari East,  
Mumbai 400 060

The Board of Directors,  
Future Retail Limited  
Knowledge House, Shyam Nagar,  
Off Jogeshwari-Vikhroli Link Road,  
Jogeshwari East,  
Mumbai 400 060

**Re: Recommendation of the equity share exchange ratio for the purpose of the proposed amalgamation of Future Retail Limited into Future Enterprises Limited (as per the composite scheme of merger).**

Dear Madams / Sirs,

We refer to the engagement letter whereby, Future Enterprises Limited ("FEL," "Client") have appointed us on behalf of FEL, Future Retail Limited ("FRL"), Future Lifestyle Fashions Limited ("FLFL"), Future Supply Chain Solutions Limited ("FSCSL"), Future Consumer Limited ("FCL") and Future Market Network Limited ("FMNL"), in relation to carrying out the scope of work elaborated below for a composite scheme of merger (the "Proposed Scheme" or "Scheme"). All the companies mentioned above shall collectively be referred to as "Part A Companies" for the purpose of this letter. FEL has confirmed it is duly authorized on behalf of the Part A Companies to appoint us for the purpose of this engagement.

Our scope of work is the valuation of Part A Companies and recommending a swap ratio for the Proposed Amalgamation of the Part A Companies into resultant FEL company ("Part A Merged Entity").

FEL, on behalf of the Part A Companies, have requested:

- B S R & Associates LLP, Chartered Accountants [Firm Registration No 116231W] (hereinafter referred to as "BSR") vide the engagement letter dated 27 July 2020 ("engagement letter"), in accordance with the terms of the requirement of SEBI Circular CIR/CFD/DIL/5/2013 dated 5 February 2013; and
- BDO Valuation Advisory LLP [IBBI Registration No.: IBBI/RV-E/02/2019/103], (hereinafter referred to as "BDO") vide their engagement letter dated 19 June 2020, in accordance with the terms of the requirement to comply with the provisions of Section 230 to 232 of the Companies Act 2013;

respectively to recommend the Equity Share Exchange Ratio (defined hereinafter) for the proposed amalgamation as provided above. BSR and BDO shall collectively be referred to as

"Valuers". The Equity Share Exchange Ratio reports ("Report") released to each of the Part A Companies, collectively form the deliverable under the engagement letter executed between FEL and BSR. We understand that FEL has executed a separate engagement letter with BDO for a separate report related to the said Equity Share Exchange Ratio.

## SCOPE AND PURPOSE OF THIS REPORT

FEL, incorporated on 12 October 1987, is engaged in the business of manufacturing, trading, logistics and leasing of assets. The company designs, manufactures, and sells menswear, womenswear, and kidswear under its various brand names. It is also involved in renting of retail infrastructure assets; and provision of express, cold chain, and e-commerce logistics, as well as warehousing and distribution services.

FRL, incorporated on 7 February 2007, is engaged in the business of retailing of fashion, household and consumer products through departmental and neighbourhood stores under various formats across the country. It operates Big Bazaar, FBB, Foodhall, Easyday, Heritage, WH Smith, and Ezone stores.

The equity shares of the Part A Companies are listed on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE"). As discussed with the Client, we understand that the managements of Part A Companies ("Management(s)") are contemplating the amalgamation ("Proposed Amalgamation") of the Part A Companies with effect from the proposed appointed date (i.e. the effective date), pursuant to a composite scheme of merger under the provisions of Sections 230 to 232 of the Companies Act, 2013 (including any statutory modifications, re-enactment or amendments thereof) and other applicable securities and capital market laws and rules issued thereunder to the extent applicable. In consideration thereof, equity shares of FEL will be issued to the equity shareholders of each of the Part A Companies. The number of equity shares of FEL of face value of INR 2/- each to be issued for the equity shares of each of the Part A Companies, in the event of the Proposed Amalgamation is referred to as the "Equity Share Exchange Ratio" for the purpose of this letter.

It is in this connection that the Part A Companies, through FEL, have requested BSR, to render services, by way of carrying out a relative valuation of the Part A Companies and submit their respective reports (the "Services"), recommending the Equity Share Exchange Ratio for the Proposed Amalgamation. This Equity Share Exchange Ratio is prepared on the basis that each of the Part A Companies are going concerns. The report containing the respective Equity Share Exchange Ratio is provided for the consideration of the Board of Directors (including audit committees, as may be applicable) of the each of the Part A Companies. This Equity Share Exchange Ratio is prepared in accordance with the applicable Securities and Exchange Board of India ("SEBI"), the relevant stock exchanges', and relevant laws, rules and regulations.

The Valuation Date for the purpose of this Report is 31 March 2020. For the purpose of clarification, this Report is based on the projections provided for each of the Part A Companies and hence is for the purpose of presentation to their respective Board of Directors / Audit Committee only.

This Report will be placed before the Board and Audit Committee of the respective Part A Companies, as applicable, as per the relevant SEBI circulars. To the extent mandatorily required under applicable laws of India, this Report maybe produced before the judicial, regulatory or government authorities, stock exchanges, shareholders in connection with the Proposed Amalgamation.

We understand that this Report is required to meet with the applicable SEBI, the relevant stock exchanges', rules and regulations only and the Client does not require this Report as a registered valuer under the Companies Act 2013 ("Act"), the Companies (Registered Valuers And Valuation) Rules, 2017 or as per any other rules, regulations, standards, bye-laws, ordinance, notifications issued pursuant to such Act or Rules. Accordingly, our valuation analysis and this Report does not constitute nor can be construed as a valuation carried out by a registered valuer in accordance with such Act or Rules or as per any rules, regulations, standards, bye-laws, ordinance, notifications issued pursuant to such Act or Rules and any such use of our valuation analysis and this Report is not permitted.

The scope of our services is to conduct a relative valuation (not an absolute valuation) of the respective equity shares of the Part A Companies and recommend an Equity Share Exchange Ratio for the Proposed Amalgamation.

The Valuers have been appointed severally and not jointly and have worked independently in their analysis. We have received information and clarifications from the management/representatives of each of the Part A Companies. We may have independently arrived at different values per share of the respective Part A Companies. However, to arrive at the consensus on the Equity Share Exchange Ratio for the Proposed Amalgamation, appropriate minor adjustments/rounding off may have been done in the values arrived at by the Valuers.

We have considered financial information up to 31 March 2020 (the "Valuation Date") in our analysis and made adjustments for facts made known (past or future) to us till the date of our Report, including taking into consideration current market parameters, which will have a bearing on the valuation analysis. The Managements have informed us that they do not expect any events which are unusual or not in normal course of business up to the effective date of the Proposed Amalgamation, other than the events specifically mentioned in this Report. We have relied on the above while arriving at the Equity Share Exchange Ratio for the Proposed Amalgamation.

This Report and the information contained herein is absolutely confidential. This Report will be used by each of the Part A Companies only for the purpose, as indicated in this Report, for which we have been appointed. The results of our valuation analysis and the Report cannot be used or relied by the Part A Companies for any other purpose or by any other party for any purpose whatsoever. We are not responsible to any other person/ party for any decision of such person/ party based on this Report. Any person/ party intending to provide finance/ invest in the shares/ businesses of the Part A Companies/ their holding companies/ subsidiaries/ joint ventures/ associates/ investee/ group companies, if any, 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. If any person/ party (other than the Part A Companies) chooses to place reliance upon any matters included in the Report, they shall do so at their own risk and without recourse to BSR. It is hereby notified that usage, reproduction, distribution, circulation, copying or otherwise quoting of this Report or any part thereof, except for the purpose as set out earlier in this Report, without our prior written consent, is not permitted, unless there is a statutory or a regulatory requirement to do so.

Without limiting the foregoing, we understand that the Part A Companies may be required to submit the Report to, or share the Report with the Part A Companies' professional advisors, shareholders, merchant bankers providing fairness opinion on the equity share exchange ratio, regulatory authorities/ stock exchanges, in connection with the Proposed Amalgamation

(together, "Permitted Recipients"). We hereby give consent to the disclosure of the Report to any of them, subject to the Part A Companies ensuring that any such disclosure shall be subject to the condition and understanding that:

- it will be the Part A Companies' responsibility to review the Report and identify any confidential information that it does not wish to disclose;
- we owe responsibility to only to the Part A Companies that have engaged us and nobody else, and to the fullest extent permitted by law;
- we do not owe any duty of care to anyone else other than the Part A Companies and accordingly that no one other than the Part A Companies is entitled to rely on any part of this Report;
- we accept no responsibility or liability towards any third party (including, the Permitted Recipients) to whom the Report may be shared with or disclosed or who may have access to the Report pursuant to the disclosure of the Report to the Permitted Recipients. Accordingly, no one other than the Part A Companies shall have any recourse to us with respect to the Report or with respect to the work carried out by us for the preparation of the Report;
- we shall not under any circumstances have any direct or indirect liability or responsibility to any party engaged by the Part A Companies or to whom the Part A Companies may disclose or directly or indirectly permit the disclosure of any part of the Report and that by allowing such disclosure we do not assume any duty of care or liability, whether in contract, tort, breach of statutory duty or otherwise, towards any of the third parties.

It is clarified that reference to this Report in any document and/ or filing with aforementioned tribunal/ judicial/ regulatory authorities/ government authorities/ stock exchanges/ courts/ shareholders/ professional advisors/ merchant bankers, in connection with the Proposed Amalgamation, shall not be deemed to be an acceptance by us of any responsibility or liability to any person/ party other than the Boards of Directors of the Part A Companies.

This Report is subject to the scope, assumptions, qualifications, exclusions, limitations and disclaimers 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.

## SOURCES OF INFORMATION

In connection with this Report, we have used the following information:

- Salient features of the Proposed Amalgamation
- Historical financials of the Part A Companies
- Projections of the Part A Companies
- Discussion with the Managements of the Part A Companies in connection with the operations of the respective companies, past and present activities, future plans and prospects, details of the proposed deal in certain subsidiaries of the Part A Companies as recently announced, share capital and shareholding pattern of the respective companies.
- For our analysis, we have relied on published and secondary sources of data, whether or not made available by the Part A Companies. We have not independently verified the accuracy or timeliness of the same; and
- Such other analysis and enquiries, as we considered necessary

We have also obtained the explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise from the Managements and representatives of the Part A Companies. The Part A Companies, through FEL and its

representatives, have been provided with the opportunity to review the draft report (excluding the recommended Equity Share Exchange Ratio) for this engagement to make sure that factual inaccuracies are avoided in our final Report.

#### **SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS**

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates. This Report, its content, and the results herein are specific to the purpose of valuation and the Valuation Date mentioned in the Report and agreed as per the terms of our 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 or for any other purpose.

A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. This Report is issued on the understanding that the management of the Part A Companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the companies and any other matter, which may have an impact on our opinion, on the Equity Share Exchange Ratio for the Proposed Amalgamation as on the Valuation Date.

We have considered only circumstances existing at the Valuation Date and events occurring up to the Valuation Date. Events and circumstances may have occurred since the Valuation Date concerning the financial position of the companies or any other matter and such events or circumstances might be considered material by the companies or any third party. We have taken into account, in our valuation analysis, such events and circumstances occurring after the Valuation Date as disclosed to us by the Part A Companies, to the extent considered appropriate by us based on our professional judgement. Further, we have no responsibility to update the Report for any events and circumstances occurring after the date of the Report. Our valuation analysis was completed on a date subsequent to the Valuation Date and accordingly we have taken into account such valuation parameters and over such period, as we considered appropriate and relevant.

The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information received from the Part A Companies till the date of this letter and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). You acknowledge and agree that you have the final responsibility for the determination of the Equity Share Exchange Ratio at which the Proposed Amalgamation shall take place and factors other than our Valuation Report will need to be taken into account in determining the Equity Share Exchange Ratio; these will include your own assessment of the Proposed Amalgamation and may include the input of other professional advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, financial and operating data. In accordance with the terms of our engagements, we have carried out relevant analyses and evaluations through discussions, calculations and such other means, as may be applicable and available, we have assumed and relied upon, without



independently verifying, (i) the accuracy of the information that was publicly available, sourced from subscribed databases and formed a substantial basis for this Report and (ii) the accuracy of information made available to us by the Part A Companies. While information obtained from the public domain or external sources have not been verified for authenticity, accuracy or completeness, we have obtained information, as far as possible, from sources generally considered to be reliable. We assume no responsibility for such information. Our valuation does not constitute as an audit or review in accordance with the auditing standards applicable in India, accounting/ financial/ commercial/ legal/ tax/ environmental due diligence or forensic/ investigation services and does not include verification or validation work.

In accordance with the terms of our engagement letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed, certified, carried out a due diligence, or otherwise investigated the historical and projected financial information, if any, provided to us regarding the companies/ their holding/ subsidiary/ associates/ joint ventures/ investee companies, if any. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the historical financials/ financial statements and projections. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the companies. Also, with respect to explanations and information sought from the Part A Companies, we have been given to understand by the Part A Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusion is based on the assumptions and information given by/on behalf of the Part A Companies. The respective Managements of the Part A Companies have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for non disclosure of relevant information or for any errors in the information furnished by the Companies and their impact on the Report.

The Report assumes that the companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited/ unaudited balance sheets of the companies/ their holding/ subsidiary/ associates/ joint ventures/ investee companies, if any. Our conclusion of value assumes that the assets and liabilities of the companies reflected in their respective latest audited balance sheets remain intact as of the Report date. No investigation of the companies' claim to title of assets has been made for the purpose of this Report and the companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

Our Report is not nor should it be construed as our opining or certifying the compliance of the Proposed Amalgamation with the provisions of any law/ standards including companies, foreign exchange regulatory, accounting and taxation (including transfer pricing) laws/ standards or as regards any legal, accounting or taxation implications or issues arising from such Proposed



Amalgamation. Our Report is not nor should it be construed as our recommending the Proposed Amalgamation or anything consequential thereto/ resulting therefrom. This Report does not address the relative merits of the Proposed Amalgamation as compared with any other alternatives or whether or not such alternatives could be achieved or are available. Any decision by the Part A Companies/ their shareholders/ creditors regarding whether or not to proceed with the Proposed Amalgamation shall rest solely with them. We express no opinion or recommendation as to how the shareholders/ creditors of the companies should vote at any shareholders'/ creditors' meeting(s) to be held in connection with the Proposed Amalgamation. This Report does not in any manner address, opine on or recommend the prices at which the securities of the companies could or should transact at following the announcement/ consummation of the Proposed Amalgamation. Our Report and the opinion/ valuation analysis contained herein is not nor should it be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities or as providing management services or carrying out management functions. It is understood that this analysis does not represent a fairness opinion.

We express no opinion on the achievability of the forecasts, if any, relating to the companies/ their subsidiaries/ associates/ joint ventures/ investee companies/ their businesses given to us by the Managements. The future projections are the responsibility of the respective management of the Part A Companies. The assumptions used in their preparation, as we have been explained, are based on their present expectation of both – the most likely set of future business events and circumstances and the respective management's course of action related to them. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period may differ from the forecast and such differences may be material.

We have not conducted or provided an analysis or prepared a model for any individual assets/ liabilities and have wholly relied on information provided by the companies in that regard. The fee for our valuation analysis and the Report is not contingent upon the results reported. 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 Amalgamation, without our prior written consent. This Report is subject to the laws of India. Any discrepancies in any table/ annexure between the total and the sums of the amounts listed are due to rounding-off.

## SHARE CAPITAL DETAILS OF THE COMPANIES

### Future Enterprises Limited

As on the date of this letter, the shareholding pattern of FEL is as follows:

Category	No of Shares	% shareholding
Promoter & Promoter Group	227,948,191	48.8
Public	226,982,210	51.2
<b>Total</b>	<b>454,930,401</b>	<b>100.0</b>

*Note: In addition to the above, the Company has also issued (1) 11776984 ESOPs; and (2) 39374679 Class B (Series 1) shares (Promoter holding 72.22%, Public holding 27.78%)*

## Future Retail Limited

As on the date of this letter, the shareholding pattern of FRL is as follows:

Category	No of Shares	% shareholding
Promoter & Promoter Group	214,093,716	39.5%
Public	328,108,683	60.5%
<b>Total</b>	<b>542,202,399</b>	<b>100.0%</b>

*Note: In addition to the above, the Company has also issued 1251680 ESOPs*

## APPROACH – BASIS OF AMALGAMATION

The Scheme contemplates the Proposed Amalgamation under Sections 230 to 232 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013 and rules issued thereunder to the extent applicable.

Arriving at the Equity Share Exchange Ratio for the purposes of an amalgamation such as the Proposed Amalgamation, would require determining the relative values of each company involved and of their shares. These values are to be determined independently but on a relative basis, and without considering the effect of the merger.

The three main valuation approaches are the market approach, income approach and asset approach. There are several commonly used and accepted methods within the market approach, income approach and asset approach, for determining the relative fair value of equity shares of a company, which can be considered in the present valuation exercise, to the extent relevant and applicable, to arrive at the Equity Share Exchange Ratio for the purpose of the Proposed Amalgamation, such as:

1. Asset Approach - Net Asset Value (NAV) Method
2. Income Approach - Discounted Cash Flow (DCF) Method
3. Market Approach
  - Market Price Method
  - Comparable Companies Multiples (CCM) Method
  - Comparable Transactions Multiples (CTM) Method

It should be understood that the valuation of any company or its assets is inherently subjective and is subject to uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the companies/businesses, and other factors which generally influence the valuation of companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of method of valuation has been arrived at using usual and conventional methods adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.



### Asset Approach - Net Asset Value Method

Under the asset approach, the net asset value method is considered, which is based on the underlying net assets and liabilities of the company, taking into account operating assets and liabilities on a book value basis and appropriate adjustments for, inter alia, value of surplus/ non-operating assets.

**Income Approach:** Income approach is a valuation approach that converts maintainable or future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted or capitalised) amount. The value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

- **Discounted Cash Flow (DCF) Method:** Under this method, either:
  - 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, on a market participant basis, and the sum of such discounted free 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 equity – Free Cash Flows to Firm (FCFF) technique; This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk; 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, on 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. This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the equity capital providers. The opportunity cost to the equity capital provider equals the rate of return such equity capital provider expects to earn on other investments of equivalent risk.

**Market Approach:** Market approach is a valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.

- **Market Price Method:** Under this method, the value of shares of a company is determined by taking the average of the market capitalisation of the equity shares of such company as quoted on a recognised stock exchange over reasonable periods of time where such quotations are arising from the shares being regularly and freely traded in an active market, subject to the element of speculative support that may be inbuilt in the market price. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share, especially where the market values are fluctuating in a volatile capital market. Further, in the case of an amalgamation, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard. This method would also cover any other transactions in the shares of the company including primary/ preferential issues/ open offer in the shares of the company available in the public domain.

- **Comparable Companies Multiples (CCM) Method:** Under this method, one attempts to measure the value of the shares/ business of company by applying the derived market multiple based on market quotations of comparable public/ listed companies, in an active market, possessing attributes similar to the business of such company - to the relevant financial parameter of the company/ business (based on past and/ or projected working results) after making adjustments to the derived multiples on account of dissimilarities with the comparable companies and the strengths, weaknesses and other factors peculiar to the company being valued. These valuations are based on the principle that such market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.
- **Comparable Transactions Multiples (CTM) Method:** Under this method, one attempts to measure the value of the shares/ business of company by applying the market multiples of publicly disclosed transactions in similar space as the respective companies being evaluated. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

Out of the above methods, we have used approaches/ methods as considered appropriate. The valuation approaches/ methods used, and the values arrived at using such approaches/ methods by us have been tabled in the next section of this Report.

#### **BASIS OF EQUITY SHARE EXCHANGE RATIO**

The basis of the Proposed Amalgamation would have to be determined after taking into consideration all the factors, approaches and methods considered appropriate by the Valuers. Though different values have been arrived at under each of the above approaches/ methods, for the purposes of recommending the Equity Share Exchange Ratio it is necessary to arrive at a single value for the shares of the companies involved in an amalgamation such as the Proposed Amalgamation. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of the companies but at their relative values to facilitate the determination of an Equity Share Exchange Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each approach/ method.

In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion by the valuer and judgments taking into account all the relevant factors. There will always be several factors, e.g. quality of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheet but which will strongly influence the worth of a share.

The determination of an exchange ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. This concept is also recognized in judicial decisions. There is, therefore, no indisputable single exchange ratio. While we have provided our recommendation of the Equity Share Exchange Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the Equity Share Exchange Ratio of the equity shares of FEL and the respective Part A Companies. The final responsibility for the determination of the exchange ratio at which the Proposed Amalgamation shall take place will be with the Board of Directors of the respective Part A Companies who should take into account other factors such as their own assessment of the Proposed Amalgamation and input of other advisors.

The Equity Share Exchange Ratio has been arrived at on the basis of a relative equity valuation of FEL and the respective Part A Companies based on the various approaches/ methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of these companies, having regard to information base, key underlying assumptions and limitations.

We have independently applied methods discussed above, as considered appropriate, and arrived at their assessment of the relative values per equity share of FEL and the respective Part A Companies. To arrive at the consensus on the Equity Share Exchange Ratio for the Proposed Amalgamation, suitable minor adjustments/ rounding off has been done in the relative values arrived at.

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above, we recommend the following Equity Share Exchange Ratio for the Proposed Amalgamation whose computation is as under:

The Computation of Equity Share Exchange Ratio as derived by BSR, is given below:

Valuation Approach	Future Retail Limited		Future Enterprises Limited	
	Value per Share (INR)	Weight	Value per Share (INR)	Weight
Income Approach	155.88	50%	12.79	50%
Market Approach (Market Price)	95.06	25%	11.56	25%
Market Approach (CCM)	115.48	25%	14.39	25%
<b>Relative Value per Share</b>	<b>130.57</b>	<b>100%</b>	<b>12.88</b>	<b>100%</b>
<b>Exchange Ratio (rounded off)</b>	<b>10.1</b>			

Note:

(1) The scope carried out by BSR was based on the projections provided for Part A Companies only. Any other company, if included as a part of the Proposed Amalgamation is not in our scope of work and, based on instructions from the Client, have been considered at nil value. Accordingly any such companies, do not impact the Equity Share Exchange Ratio.

(2) The Equity Share Exchange Ratio has been arrived at, after considering Class B (Series 1) shares of FEL, as well as ESOPs of the respective companies, where the exercise price was below the market price.

#### Valuer's Notes:

For the present valuation analysis, we have considered it appropriate to apply the Income Approach and the Market Approach (Market Price and CCM), to arrive at the relative fair value of the equity shares of the companies for the purpose of the Proposed Amalgamation.

In the current analysis, the amalgamation of the companies is proceeded with on the assumption that the companies would merge as going concerns (subject to the implementation of the composite scheme of merger) and an actual realization of the operating assets is not contemplated. The operating assets have therefore been considered at their book and non-operating/ surplus assets, if any at their fair values under the Asset Approach. In such a going concern scenario, the relative earning power, as reflected under the Income and Market approaches, is of greater importance to the basis of amalgamation/ merger, with the values arrived at on the net asset basis being of limited relevance. Hence, the Asset Approach has not been considered in arriving at the Equity Share Exchange Ratio.

Given the nature of the businesses of the companies and the fact that we have been provided by the Part A Companies with their projected financials, we have considered it appropriate to apply the DCF Method under the Income Approach to arrive at the relative fair value of the shares of the Part A Companies for the purpose of arriving at the Equity Share Exchange Ratio.

In the present case, the equity shares of both the companies, FEL and FCL, are listed on BSE and NSE. Please note that for Market Price Method, we have considered market price movements till 10 June 2020 given that there has been significant movement in share price for Part A Companies on account of market speculations of this transaction post this date. We have also applied the CCM Method under the Market Approach to arrive at the relative fair value of the shares for the purpose of arriving at the Equity Share Exchange Ratio.

Similarly, in the absence of any comparable transactions similar to the companies being evaluated as a part of this Report, the Market Approach (CTM) has not been considered in arriving at the Equity Share Exchange Ratio.

**Ratio:**

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above, we recommend the following Equity Share Exchange Ratio for the Proposed Amalgamation:

101 (One hundred and one only) equity share of FEL of INR 2/- each fully paid up for every 10 (Ten only) equity shares of FRL of INR 2/- each fully paid up.

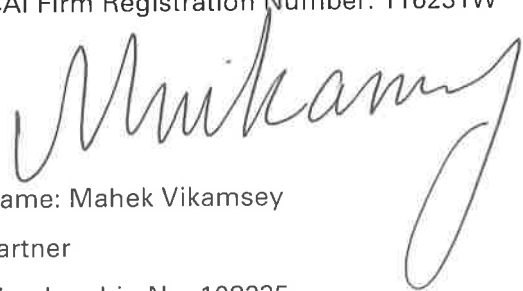
Our Valuation Report and Equity Share Exchange Ratio is based on the equity share capital structure of FEL and the respective Part A Companies as mentioned earlier in this Report. Any variation in the equity capital of FEL and the respective Part A Companies may have material impact on the Equity Share Exchange Ratio.

Respectfully submitted,

**B S R & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 116231W



Name: Mahek Vikamsey

Partner

Membership No: 108235

Date: 29 August 2020

UDIN: 20108235AAAABA9184