

**Fair Equity Share Swap Ratio Report
in relation to the
'Proposed Scheme of Arrangement'**

August 2020

Ref. No.: LM/Aug297/2020

August 29, 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

Dear Sir(s)/ Madam(s),

Sub: Fair Equity Share Swap Ratio Report in relation to the Proposed Scheme of Arrangement

We, BDO Valuation Advisory LLP ('BDO Val' or 'We' or 'Us'), have been appointed vide letter dated June 19, 2020 to recommend the fair equity share swap ratio for the proposed amalgamation.

We are pleased to present herewith our report on the same.

The cut-off date for the present valuation exercise has been considered as at March 31, 2020 and the market factors have been considered till August 21, 2020. The attached report details the valuation methodologies, calculations and conclusions with respect to this valuation.

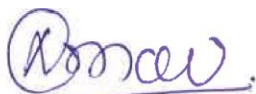
We believe that our analysis must be considered as a whole. Selected portions of our analysis or the factors we considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

This letter should be read in conjunction with the attached report.

Regards,

For BDO Valuation Advisory LLP

IBBI No.: IBBI/RV-E/02/2019/103



Lata R Gujar More

IBBI/RV/06/2018/10488

Partner

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1. Brief Background of the Scheme of Amalgamation & Arrangement

- 1.1. The Composite Scheme of Arrangement between Future Enterprises Limited ('FEL'), Future Consumer Limited ('FCL'), Future Lifestyle Fashions Limited ('FLFL'), Future Market Networks Limited ('FMNL'), Future Retail Limited ('FRL' or 'the Company'), Future Supply Chain Solutions Limited ('FSCSL') alongwith Other identified Companies and their respective shareholders and creditors are entering into a Composite Scheme of Arrangement (the 'Scheme') that interalia provides the following:
- a) for the amalgamation of FCL, FLFL, FMNL, FRL & FSCSL and other identified Companies as per the Scheme into FEL ('Proposed Amalgamation')
 - b) transfer and vesting of the Logistics & Warehousing Undertaking from Merged FEL to Reliance Retail Ventures Limited ("RRVL") on a Slump Sale basis (Step II-a);
 - c) transfer and vesting of the Retail & Wholesale Undertaking from Merged FEL to wholly owned subsidiary of RRVL (RRVL WOS) on a Slump Sale basis (Step II-b); and
 - d) Preferential Allotment of Equity Shares and Warrants to RRVL WOS (Step III).
- 1.2. The Scheme will comply with the provisions of section 230 to 232 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013, along with the applicable provisions of Securities and Exchange Board of India ('SEBI'), if any.

2. Terms of Engagement

- 2.1. We have been appointed to determine and recommend the fair equity share swap ratio for the proposed amalgamation of FRL into FEL (collectively referred to as 'the Companies').
- 2.2. The Company has also appointed, B S R & Associates LLP, Chartered Accountants [Firm Registration No 116231W] (hereinafter referred to as "BSR") vide the engagement letter dated 27 July 2020, in accordance with the terms of the requirement of SEBI Circular CIR/CFD/DIL/5/2013 dated 5 February 2013.

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3. Brief Background of the Companies

3.1. FEL (CIN:L52399MH1987PLC044954) is a company incorporated under the provisions of the Companies Act, 1956. FEL is engaged in the business of manufacturing, trading and leasing of assets. FEL also have investment in insurance business through its subsidiaries.

FEL has equity shares and Class B equity shares (Series 1) in its share capital. The equity shares and Class B equity shares (Series 1) of FEL are listed on National Stock Exchange (NSE) & Bombay Stock Exchange (BSE). The non-convertible debentures of the FEL are listed on BSE Limited.

The summarized shareholding pattern of FEL as on the date of this report (“Report date”) is as follows:

Shareholder Category	No. of Equity Shares	% Holding
I. Promoter and Promoter Group	20,15,18,191	44.30%
II. Public	25,34,12,210	55.70%
Total(I)	45,49,30,401	100.0%

Source: Management of FEL

Each holder of Class B (Series 1) Shares, is entitled to one vote per member in case of voting by show of hands and three vote per four Class B (Series 1) shares held in case of voting by poll/ballot. Each holder of Class B (Series 1) Share is also entitled to 2% additional dividend in addition to normal dividend (including interim dividend, if any) as may declared by FEL. Further, FEL may declare dividend only for Class B (Series 1) Share up to 2% without declaring any dividend for Equity Shares.

The summarized shareholding pattern of FEL DVR as on the Report date is as follows:

Shareholder Category	No. of Equity Shares	% Holding
I. Promoter and Promoter Group	2,84,36,580	72.22%
II. Public	1,09,38,099	27.78%
Total(II)	3,93,74,679	100.0%
Total (I + II)	49,43,05,080	

Source: Management of FEL

In addition to above ESOP's of 1,17,76,984 has also been considered on diluted basis.

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3.2. FRL (CIN: L51909MH2007PLC268269) is a company incorporated under the provisions of the Companies Act, 1956. FRL is engaged in the business of retailing of fashion, household and consumer products through departmental and neighborhood stores under various formats across the country. The major brands include Big Bazaar, EasyDay, Hypercity, Fbb, WHSmith and Ezone. The equity shares of FRL are listed on NSE & BSE.

The summarized shareholding pattern of FRL as on Report date is as follows:

Shareholder Category	No. of Equity Shares	% Holding
I. Promoter and Promoter Group	21,40,93,716	39.49%
II. Public	32,81,08,683	60.51%
Total	54,22,02,399	100.0%

Source: Management of FRL

In addition to above ESOP's of 81,680 has also been considered on diluted basis.

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4. Exclusions and Limitations

- 4.1. Our report is subject to the limitations detailed hereinafter. This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- 4.2. This report, its contents, and the analysis herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement, (ii) the report date and (iii) are based on the unaudited financial statements of the Companies as at March 31, 2020. The management of the Companies have represented that the business activities of the Companies have been carried out in the normal and ordinary course between March 31, 2020 and the Report date and that no material changes have occurred in their respective operations and financial position between March 31, 2020 and the Report date.
- 4.3. This report and the information contained herein are intended for providing select information and only in connection with the purpose mentioned above or for sharing with shareholders, Regional Directors, Registrar of Companies, National Company Law Tribunal, and office of other regulatory or statutory authorities. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without our written consent. In the event, the companies or their management or their representatives intend to extend the use of this report beyond the purpose mentioned earlier in the report, with or without our consent, we will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report.
- 4.4. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. 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 or legal title search of the assets or liabilities of the Companies or any of its subsidiaries or associated companies and have considered them at the value as disclosed by the Companies in their regulatory filings or in submissions, oral or written, made to us.
- 4.5. In rendering this report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.
- 4.6. Any matters related to legal title and ownership are outside the purview and scope of this valuation exercise. Further, no legal advice regarding the title and ownership of the subject property has been obtained while conducting this valuation exercise. Valuation may be significantly influenced by adverse legal, title or ownership, encumbrance issues.
- 4.7. This report is based on the information received from the sources mentioned herein and discussions with the representatives of the Companies. We have assumed that no information has been withheld that could have influenced the purpose of our report.

- 4.8. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the companies. Nothing has come to our knowledge to indicate that the material provided to us was mis-stated or incorrect or would not afford reasonable grounds upon which to base our report.
- 4.9. During the course of our work, we have relied upon the certain opinion documents made available by the management and representatives of the Companies. Though we have reviewed it, we have not independently verified the same. As these opinions/assumptions require the exercise of judgment and are subject to uncertainties, there can be no assurance that these assumptions are accurate.
- 4.10. For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.
- 4.11. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of our report or by virtue of fact that the details provided to us are incorrect or inaccurate.
- 4.12. Further, this report is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us up to, the date hereof. Subsequent developments in the aforementioned conditions may affect this report and the assumptions made in preparing this report and we shall not be obliged to update, revise or reaffirm this report if the information provided to us changes.
- 4.13. We have considered relevant valuation approaches based on our analysis. Any transaction price may however be significantly different and would depend on the negotiating ability and motivations of the respective buyers and sellers in the transaction.
- 4.14. Our scope is limited to the purposes stated hereinabove. The Report should not be construed as, our opinion or certifying the compliance of the Proposed Arrangement with the provisions of any law including the Companies Act 2013, taxation related laws, capital market related laws, any accounting, taxation or legal implications or issues arising from the Proposed Arrangement.
 - 4.14.1. Valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different value on this business.

- 4.15. This Report does not look into the business/commercial reasons behind the Proposed Arrangement nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Arrangement as compared with any other alternative business transaction or any other alternatives, whether or not such alternatives could be achieved or are available.
- 4.16. Further this Report does not in any manner address the prices at which the equity shares of the Companies will trade following the announcement of the Scheme and we express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders' meeting to be held in connection with the Proposed Arrangement.
- 4.17. Whilst all reasonable care has been taken to ensure that the factual statements in the report are accurate, neither us, nor any of our partners, officers or employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report. We are not liable to any party in relation to the issue of this report.
- 4.18. BDO India owes responsibility to only the Boards of Directors of FEL & FRL with reference to terms of engagement letter and nobody else. 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 to FEL & FRL. 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 companies involved, 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 not exceed the fees paid to such Valuer in respect of the fees charged by it for these services.
- 4.19. The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by FEL & FRL (or its representatives) 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). We have no obligation to update this report.
- 4.20. Further, after declaration of Covid-19 as a pandemic by World Health Organization and consequent imposition of lockdown in India has caused a widespread disruption in businesses as well as on financial markets in India and globally alike. Our assumptions for the valuation is surrounded by these unprecedented uncertainty across all the industries and sectors including the time period over which these circumstances could prevail. The valuation assumptions, the underlying

projections and the outcome of the valuation analysis could materially change as a result of the continued or increased uncertainty around the prevalence of Covid-19 circumstances and hence a reliance on our valuation must be placed considering these unprecedented circumstances.

4.21. A draft of this report was shared with the Companies, prior to finalization of report, (excluding the recommended fair equity share swap ratio) as part of our standard practice to make sure that factual inaccuracy/omission are avoided in the report.

5. Sources of Information

5.1. For the purpose of undertaking this valuation exercise, we have relied on the following sources of information provided by the management representatives of the Companies:

- Detailed business profile and information of current business operations of FEL and FRL & its subsidiaries and associates;
- Provisional standalone financial statements (Pre IND-AS 116 impact) of FEL and FRL & its subsidiaries and associates for the financial year ('FY') ended March 31, 2020;
- Projected standalone financial statements (Pre IND-AS 116 impact) of FEL and FRL for the period from April 01, 2020 till March 31, 2025.
- Latest shareholding pattern as at Report date of FEL and FRL.
- Relevant data, representation and information provided to us by the representatives of FEL and FRL either in written or oral form or in form of soft copy;
- Information provided by leading database sources (proprietary databases subscribed by us or our network firm), market research reports and other published data (including the Stock Exchanges);
- Draft Composite Scheme of Arrangement; and
- Management Representation Letter addressed to BDO VAL.

6. Procedures Adopted

6.1. In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- Requested and received financial information;
- Obtained data available in public domain;
- Undertook industry analysis such as researching publicly available market data including economic factors and industry trends that may impact the valuation;
- Detailed analysis of Comparable Companies for each business;
- Discussions (over call/emails/conferences) with the management to understand the business and fundamental factors that could affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance;
- Selection of valuation methodology/(ies) as per internationally accepted valuation methodologies;
- Determined the fair equity share swap ratio based on the selected methodology.

For the purpose of arriving at the valuation of the Companies/businesses we have considered the valuation base as 'Fair Value' and the premise of value is 'Going Concern Value'. Any change in the valuation base, or the premise could have significant impact on our valuation exercise, and therefore, this report.

The Companies have been provided with the opportunity to review the draft Report (excluding the recommended equity share swap ratio) as part of our standard practice to make sure that factual inaccuracies/omissions are avoided in our final Report.

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7. Valuation Approaches

- 7.1. It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous 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, and prospects, financial and otherwise, of the companies/businesses, and other factors which generally influence the valuation of the companies, its businesses and assets.
- 7.2. 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 methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, analysis of businesses, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.
- 7.3. It may be noted that BDO Valuation Advisory LLP is enrolled with IOV Registered Valuers Foundation, which has recommended to follow International Valuation Standards (“IVS”) for undertaking valuation and accordingly We have considered the International Valuation Standards issued by International Valuation Standards Council (‘IVS’) in carrying out the valuation exercise.
- 7.4. The Report Date is valuation date (‘Valuation Date’). For valuation exercise, market parameters have been considered up to and including August 21, 2020.
- 7.5. There are three generally accepted approaches to valuation:
- (a) "Cost" Approach
 - (b) "Income" Approach
 - (c) "Market" Approach

Within these three basic approaches, several methods may be used to estimate the value. An overview of these approaches is as follows:

Cost Approach

Summation Method

The summation method, also referred to as the underlying asset method, is typically used for investment companies or other types of assets or entities for which value is primarily a factor of the values of their holdings.

This valuation approach is mainly used in case where the assets base dominates earnings capability. A scheme of amalgamation would normally be proceeded with, on the assumption that the

companies amalgamate as going concerns and an actual realization of the operating assets is not contemplated. In 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, therefore, the values arrived at on the net asset basis being of limited relevance.

Income Approach

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

Discounted Cash Flow Method

Under the Discounted Cash Flow ('DCF') method, the value of the undertaking is based on expected 'cash flows for future, discounted at a rate, which reflects the expected returns and the risks associated with the cash flows as against its accounting profits. The value of the undertaking is determined as the present value of its future free cash flows.

Free cash flows are discounted for the explicit forecast period and the perpetuity value thereafter. Free cash flows represent the cash available for distribution to both, the owners and creditors of the business.

Discount rate is the Weighted Average Cost of Capital ('WACC'), based on an optimal vis-à-vis actual capital structure. It is appropriate rate of discount to calculate the present value of future cash flows as it considers equity-debt risk and also debt-equity ratio of the firm.

The perpetuity (terminal) value is calculated based on the business's potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies an expected constant level of growth (for perpetuity) in the cash flows over the last year of the forecast period.

The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business's future operations.

The Business/Enterprise Value so derived, is further reduced by value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of business. The surplus assets / non-operating assets are also adjusted.

In case of free cash flows to equity, the cash available for distribution to owners of the business is discounted at the Cost of Equity and the value so arrived is the Equity Value before surplus/ non-operating assets. The surplus assets / non-operating assets are further added to arrive at the Equity Value.

The future earning capability of the business is important, and the management of these companies have provided the future financial projections. Therefore, we have considered DCF Method under Income Approach.

Market Approach

Under the Market approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors' perception about the true worth of the company.

i. Market Price Method

Under this method, the market price of an equity share of the company as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the trading. The market value reflects the investors' perception about the true worth of the company.

ii. Comparable Companies Multiple Method

Under the Comparable Companies Multiple ('CCM') method, the value is determined on the basis of multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that 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.

To the value of the business so arrived, adjustments need to be made for the value of contingent assets/liabilities, surplus Asset and dues payable to preference shareholders, if any, in order to arrive at the value for equity shareholders.

iii. Comparable Transactions Multiple Method

Under the Comparable Transactions Multiple ('CTM') method, the value of a company can be estimated by analyzing the prices paid by purchasers of similar companies under similar circumstances. This is a valuation method where one will be comparing recent market transactions in order to gauge current valuation of target company. Relevant multiples have to be chosen carefully and adjusted for differences between the circumstances. This valuation approach is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

Under Market Approach, we have considered CCM Method and MP Method. We have identified listed comparable companies based on business of each company and thereafter screen selected

multiple based on business composition, business description, etc. We have considered Sales multiple of the comparable listed companies. The total equity value so derived is then divided by total number of equity shares for arriving at the value per equity share of companies under CCM Method.

- 7.6. **The shares of all Companies are listed on BSE and NSE and there are regular transactions in their equity shares with reasonable volumes.** We have considered the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation 2018 as amended from time to time ('ICDR Regulations') for MP Method. Based on our analysis of public domain information about these Companies, we have observed that information related to proposed transaction with these Companies is available in public domain from 10th June 2020 and share price of these companies are affected due to influence of this information. Therefore, 10th June 2020 has been considered as relevant date as per ICDR Regulations.

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8. Basis of Fair Equity Share Swap Ratio

- 8.1. The basis of the fair equity share swap ratio for the Proposed Amalgamation would have to be determined after taking into consideration all the factors and methods mentioned hereinabove and to arrive at a final value for the shares of each company. We have considered consistent methods and weights for all these Companies to facilitate the determination of the fair equity share swap ratio.
- 8.2. We have considered it appropriate to assign equal weights to the value arrived in all the three methods.
- 8.3. The shares have been considered on fully diluted basis by giving effect to the outstanding ESOPs which are in the money.
- 8.4. To arrive at the consensus on the fair equity share swap ratio for the Proposed Amalgamation, suitable minor adjustment/rounding off have been done in the values arrived.

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9. Conclusion

9.1. We have used the combination of valuation Method as discussed above and arrived at the recommended fair equity share swap ratio which is as follows:

a) In the event of amalgamation of FRL into FEL:

Valuation Approach	Valuation Method	FRL		FEL	
		Value Per Share (INR)	Weights	Value Per Share (INR)	Weights
Income Approach	DCF Method	141.3	33.3%	17.5	33.3%
Market Approach	MP Method	95.7	33.3%	11.3	33.3%
Market Approach	CCM Method	189.5	33.3%	13.3	33.3%
Cost Approach	NAV Method	NA	NA	NA	NA
Value Per Share		142.2		14.0	
Swap Ratio (Rounded Off)		10.1		NA	

NA= Not Adopted/Not Applicable

9.2. Therefore, the following is the recommended Fair Equity Share Swap Ratio:

- 101 equity shares of FEL (of INR 2/- each, fully paid up) for every 10 equity shares held in FRL (of INR 2/- each fully paid up) for the proposed amalgamation.

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