Annexure 3

RECOMMENDATION OF FAIR SHARE EXCHANGE RATIO

FOR

PROPOSED SCHEME OF AMALGAMATION

BETWEEN

EMAMI INFRASTRUCTURELIMITED

AND

ZANDU REALTY LIMITED

ZANDU REALTY LIMITED

PM

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1. Introduction

1.1 Purpose

The Board of Directors of Emami Infrastructure Limited ("EIL") and Zandu Realty Limited ("ZRL"), collectively being referred to as Group Companies/under same management, as a measure of business reorganization are considering proposal to amalgamate ZRL into EIL under Scheme of Amalgamation ("Scheme") u/s 230 to 232 of the Companies Act, 2013.

Under the Scheme, the consideration of the amalgamation is to be settled by EIL by issuance of equity shares to the shareholders of ZRL. The shares will be issued based on the fair value of both the companies.

ZRL is an associate of EIL. Both the companies are engaged in real estate business and are listed companies. Further, both are Companies under the same management. Thus, the amalgamation will ensure focused management in a single combined entity thereby resulting in efficiency of management and maximising overall shareholder value.

We have been approached by the management to determine the fair value of the shares of both companies and determine the share exchange ratio accordingly.

1.2 Scope of Work

Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report. It may not be valid for any other purpose or as at any other date. In the course of the review, we were provided with information by the management of the two Companies. We have however, evaluated the information provided to us by the Companies. Our conclusions are based on the assumptions and other information given by/on behalf of the Companies. Our assumptions are largely based upon the sources of information mentioned herein below. We have not conducted or provided an analysis or prepared a model for any asset valuation and have wholly relied on information provided by the Companies in this regard.

1.3 Valuation Date

1st April, 2017

1.4 Premises of Value

The Premise of Value is "as a going concern".

1.5 Standard of Value

Standard of value used for the purpose is Fair Value. Fair Value is the price, in cash or equivalent, that a buyer could reasonably be expected to pay, and a seller could reasonably be expected to accept, if the business were exposed for sale in the open market for a reasonable period of time, with both buyer and seller being in possession of the pertinent facts and neither being under any compulsion to act.

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2. Sources of Information

2.1 Internal Sources

For the purpose of the report, following documents and/or information published or provided by management have been relied upon:

- Brief history & brief note on the business profile of EIL & ZRL;
- Audited annual reports of EIL, ZRL and all the subsidiaries and other associates of EIL viz. Sneha Ashiana Private Limited, New Age Realty Private Limited, Delta PV Private Limited, Roseview Developers Private Limited, Prajay Urban Private Limited, Bengal Emami Housing Limited, Swan Housing & Infra Private Limited, Lohitka Properties LLP, Super Value Nirman LLP for the financial year ended 31st March 2017.
- Details of various projects and projections for the projects as provided by the management (Project details: Land Details, Construction Schedule, Revenue/Cost Assumptions etc.);
- Joint Development Agreements (JDA), Memorandum of Understandings (MOU) & Project Management Agreement (PMA) related to various projects;
- Memorandum & Articles of Association of EIL & ZRL.
- Certificates from EIL and ZRL certifying that current assets and current liabilities hold good at their respective values as appearing in books as on 1st April, 2017.
- Draft scheme of amalgamation between EIL and ZRL.
- Discussion with the management of the Companies including necessary information, explanations and representations provided by the management;

All the accounts, projections and schedules listed above have been certified by the management of ZRL or EIL.

2.2 External Sources

- Circle Rate of the Land as provided by the Management.
- Website of National Stock Exchange for market prices of companies;

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3. Background Study

3.1 Brief background of Emami Group

Emami Group is a well-known group based in Kolkata. It was founded by Shri R S Agarwal & Shri R S Goenka. It is a well-known, diversified and professionally managed group having an annual turnover in excess of Rs. 15,000 Crores. The group is having interests in FMCG, Paper, Healthcare & Hospitals, Pharmaceutical retailing, Retail, Edible oil, Bio-diesel, Real Estate etc. The group companies include Emami Limited, Emami Paper Mills Limited, Emami Agrotech Limited, Emami Cement Limited, Emami Frankross Limited, and others enjoying dominant positions in their respective field.

3.2 Brief background of Emami Infrastructure Limited (EIL)

Emami Infrastructure Limited was incorporated on January 4, 2008 under the name and style of Slick Properties Private Limited and is listed with BSE Limited, National Stock Exchange of India Limited and Calcutta Stock Exchange Limited. The Company is into development of real estate projects in the residential, commercial and retail sector. The registered office of the Company is situated at Emami Tower, 2nd Floor, 687 Anandapur, E.M. Bypass, Kolkata -700107.

EIL is a pioneer in the real estate sector, having its footprints spanning across Chennai, Kolkata, Mumbai, Jhansi, Bhubaneshwar, Hyderabad, Coimbatore and Indore. The Company's operations span to all aspects of real estate development, including the identification and acquisition of land, planning, execution and marketing of the projects including management of projects owned by other Landlords.

The Company is involved in various real estate projects on land owned either by itself or by its subsidiaries and associates. The Company hasalso entered intovariousJoint Development Agreements (JDA) with land owners. The company has already started development in some and in others it is set to commence very soon.

3.3 Brief background of Zandu Realty Limited (ZRL)

Zandu Realty Limited was incorporated on December 10, 1919 and is listed with BSE Limited and National Stock Exchange of India Limited with its registered office situated at Emami Tower, 2nd Floor, 687 Anandapur, E.M. Bypass, Kolkata -700107. Emami Group acquired Zandu Pharmaceuticals Works Limited in 2008. Post-acquisition, the Pharma division was de-merged and vested with Emami Limited. Thereafter, the Company was renamed as Zandu Realty Limited. The Company has entered into a Development Agreement with Seth Corp. Private Limited for construction of buildings for commercial use on its land at Dadar, Mumbai. As on 31 March 2017, the Company has 12 Nos. unsold units as inventory. The Company has also made investments in securities of listed/unlisted companies.

4. Basis of Valuation

It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or an approach that is suitable for the purpose. The basis of valuation would depend on the purpose of valuation, nature of business, future prospects of the business & industry and other attendant circumstances. Different methodologies are adopted for valuation of manufacturing, investment, property and trading companies. Investment and property companies are valued based on the market value or fair value of their underlying assets while manufacturing companies are valued in relation to profits from business and relative value of assets.There are commonly used and accepted methods for determining the fair value of the equity shares of the Companies, which have been considered in the present case, to the extent relevant and applicable:

- Net Asset Value Method (NAV) under Asset Approach
- Discounted Cash Flow Method (DCF) under Income Approach
- Market Price Method (MP) under Market Approach

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4.1 Net Asset Value Method (NAV) Method:

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This methodology is likely to be appropriate for business which derives value mainly from the underlying value of its assets rather than its earnings. This method may also be appropriate for a business that is not making an adequate return on assets and for which a greater value can be realized by liquidating the business and selling its assets. Determining Real Value of Assets and Liabilities appearing in Books of Accounts and Market value / Replacement value of Assets would reflect true value of the Asset base of the Company.

4.1.1 Valuation of EIL under Net Asset Value Method:

In order to arrive at the fair value of the Company, we have considered the following:

(a) Projects under execution or which are under advanced stage of planning / implementation have been valued at net realisable value.

(b) Investments in subsidiaries, other associate companies & LLPs have been considered at net realisable value of the respective projects to the extent of EIL's share in the respective companies/entities.

(c) Investment in Zandu Realty Limited has been valued at relative value arrived as below in paragraph no.4.4.2.

(d) Land & properties which are not part of the project has been valued at market value considering circle rate as on the valuation date.

(e) All other assets & liabilities which are not part of the project as mentioned above, have been valued at book values as on 1st April 2017, relying on management's representation that these assets are realizable at their book values in the ordinary course of business.

The valuation of EIL under Net Asset Value Method is arrived at Rs.194.36 per share.

4.1.2 Valuation of ZRL under Net Asset Value Method:

In order to arrive at the fair value of the Company, we have considered the following:

(a) The Inventories, i.e. unsold units at Zandu Sigma Estate, have been valued at market value (considering circle rate) as on valuation date.

(b) The Investments in equity shares of Emami Agrotech Limited & 2 Co-operative Banks are of insignificant value as the percentage holding of shares is minimal and thus valued at book value.

(c) The investments in preference shares and optionally convertible debentures have been valued at the book value of investments as on 31st March, 2017.

(d) All other assets & liabilities which are not part of the project as mentioned above, have been valued at book values as on 1st April, 2017, relying on management's representation that these assets are realizable at their book values in the ordinary course of business.

The valuation of ZRL under Net Asset Value Method is arrived at Rs.2473.26 per share.

4.2 Discount Cash Flow (DCF) Method:

The income based method of valuations is based on the premise that the current value of any business is a function of the future value that an investor can expect to receive from purchasing all or part of the business.

Under this technique the projected free cash flows to the equity shareholders are discounted at the cost of capital. The sum of the discounted value of such free cash flows is the value of the equity shares. Using the DCF analysis involves estimating future free cash flows and application of appropriate discount rate to cash flows. The DCF approach is considered theoretically the most sound, scientific and acceptable method for determination of the value of a business undertaking. The value so derived is not impacted by accounting practices as it is based on cash flows and not book profits. Further DCF factor incorporates all factors relevant to the business.

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4.2.1 Valuation of EIL under Discounted Cash Flow Method:

The Net Present Value (NPV) arrived under Discounted Cash Flow (DCF) approach calculates the value added to the firm as a whole on acceptance & successful execution of a particular project.In order to arrive at the fair value of the company, we have considered the following:

(a) Projects under execution or which are under advanced stage of planning / implementation and against which future projections can be forecasted accurately have been valued as per DCF/NPV approach.

(b) Joint Development Agreements & Project Management Arrangements against which future projections can be forecasted have been valued as per DCF/NPV approach.

(c) Investments in subsidiaries, other associate companies & LLPs have been considered at project value (DCF) to the extent of EIL's share in respective companies/entities.

(d) Investment in Zandu Realty Limited has been valued at relative value arrived as below in paragraph no. 4.4.2.

(e) Land & properties which are not part of the project has been valued at market value considering circle rate as on the valuation date.

(f) All other assets & liabilities which are not part of the project as mentioned above, have been valued at book values as on 1st April 2017, relying on management's representation that these assets are realizable at their book values in the ordinary course of business.

The valuation of EIL under Discounted Cash Flow Method is arrived at Rs.312.54 per share.

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4.2.2 Valuation of ZRL under Discounted Cash Flow Method:

The Company has entered into a Development Agreement with Seth Corp. for construction of buildings for commercial use on its land at Dadar, Mumbai. As on 31 March 2017, the Company has 12 Nos. unsold units as inventory. The Company is exploring further opportunities and has in the meantime deployed its funds in investment in securities of listed/unlisted companies. The Company has no sustained future stream of operating cash flows apart from earnings in the form of interest and dividend.

In view of the same, we have not considered the income approach for the purpose of valuation of ZRL.

4.3 Market Price (MP) Method:

The market price of an equity share as quoted on a stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. 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 a merger/demerger, 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.

In order to represent the fair market price nearer to the valuation report dated 28th June 2017, we have considered higher of i) average of weekly high and low of the volume weighted average price (VWAP) during twenty six weeks preceding 28th June 2017 ii) the average of weekly high and low of the volume weighted average price (VWAP) during two weeks preceding 28th June 2017; of price quoted on the National Stock Exchange of India Limited for both the companies.

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4.3.1 Valuation of EIL under Market Price Method:

The valuation of EIL considering the above approach has been arrived at Rs.138.41 per share.

4.3.2 Valuation of ZRL under Market Price Method:

The valuation of ZRL considering the above approach has been arrived at Rs.1287.03 per share.

4.4 Relative value per share:

The fair basis of proposed amalgamation of ZRL in EIL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived under each of the above methodologies, for the purpose of recommending a share exchange ratio of equity shares, it is necessary to arrive at the single relative values of EIL & ZRL. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity value but at their relative values to facilitate the determination of a fair share exchange ratio. For this purpose, it is necessary to give appropriate weights to the value arrived at under each methodology.

4.4.1 Relative Value per share of EIL:

As discussed above, the company is involved in various real estate developments either on land owned by company or its subsidiaries or by entering into joint development agreements with third parties. Given that a number of projects are under construction and others under planning and/or execution, the Company is expected to earn higher operating cash flows in future and accordingly a much higher weightage needs to be given to the value as arrived under income approach in comparison to other approaches. In view of the same, we have considered it appropriate to give higher weight of 70% to the value arrived under "income approach" and equal weights of 15% each to values as arrived under "asset approach" and "market approach".

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Relative value per share of EIL has been arrived at Rs.268.50 as summarized below:

Valuation Approach	Value Per Share (Rs.)	Weights	Weighted Price (Rs.)
Net Asset Value Method (Asset Approach)	194.36	0.15	29.15
Discounted Cash Flow Method (Income Approach)	312.54	0.70	218.78
Market Price Method (Market Approach)	138.41	0.15	20.76
Relative Value per share of Rs 2 each			**268.69**
Relative Value per share of Rs 2 each (Rounded off)			**268.50**

4.4.2 Relative value per share of ZRL:

As discussed, the company has already developed its land at Dadar, Mumbai and has presently, no project to develop. Therefore, we have not considered income approach for the purpose of valuation.We have considered itappropriate to give equal weights to the value as arrived under "asset approach" and "market approach".

Relative value per share of ZRL has been arrived at Rs.1880 as summarized below.

Valuation Approach	Value Per Share (Rs.)	Weights	Weighted Price (Rs.)
Net Asset Value Method (Asset Approach)	2,473.26	0.50	1,236.63
Market Price Method (Market Approach)	1,287.03	0.50	643.52
Relative Value per share of Rs 100 each			**1,880.15**
Relative Value per share of Rs 100 each (Rounded off)			**1,880.00**

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5. Recommendation of fair share exchange ratio

The share exchange ratio has been arrived on the basis of a relative valuation of the shares of the Companies based on the approaches explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the business of the Companies, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

In the light of above, and on a consideration of all the relevant factors as discussed and outlined hereinabove, in our opinion, the share exchange ratio should be:

7 (Rounded off) Equity Shares of Rs. 2 each fully paid up of EIL against 1 Equity Share of Rs. 100 each fully paid of ZRL is fair and equitable for the equity shareholders of both the companies.

6. Limitations & Disclaimers:

6.1 Our report is subject to scope of limitations detailed hereinafter. As such the report is to be read in totality and not in parts. This report has been prepared solely for the purpose set out in this report and should not be reproduced (in part or otherwise) in any other document whatsoever without our written consent.

6.2 Our valuation is based on the information furnished to us being complete and accurate in all material respect. The same is based on estimates of future financial performance as projected by the managements, which represents their view of reasonable expectations at the point in time when they were prepared, but such information and estimates are not offered as assurances that the particular level of income or profit will be achieved or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary from those contained in the statement and the variation may be material.

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6.3 Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have therefore, not performed any audit, review or examination of any of the historical or prospective information used and therefore, do not express any opinion with regard to the same.

6.4 The information presented in the Report does not reflect the outcome of any due diligence procedures. The reader is cautioned that the outcome of that process could change the information herein and, therefore, the valuation materially.

6.5 The Report is meant for the purpose mentioned in Para 1.1 and should not be used for any purpose other than the mentioned therein. The Report may be shared with regulators.

6.6 The projected workings results are those as prepared by the managements and furnished to us.

For, **S. K. AGRAWAL & CO**.
Chartered Accountants
FRN – 306033E

Sandeep Agrawal
(Partner)
Membership No. 058553
Place: Kolkata
Date: 28 June, 2017

S. K. AGRAWAL & CO. Kolkata Chartered Accountants

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