

1<sup>st</sup> July, 2017  
The Board of Directors

Zandu Realty Limited ("Company")  
Corp Office: Akash Tower, 3<sup>rd</sup> Floor, 781 Anandpur  
E. M. Bypass, Kolkata – 700 107

Dear Members of the Board:

## I. ENGAGEMENT

We understand that the Board of Directors of Emami Infrastructure Limited ("**EIL**") and Zandu Realty Limited ("**ZRL**") are considering an amalgamation of EIL and ZRL under a Composite Scheme of Amalgamation ("**Scheme**") under Section 230 to 232 of the Companies Act, 2013. Under the Scheme, the consideration of the merger is to be settled by EIL by issuance of equity shares of EIL to shareholders of ZRL. The shares will be issued to shareholders of ZRL based on the fair value of both the companies. The equity shares of EIL is listed on BSE Limited, National Stock Exchange of India Limited and the Calcutta Stock Exchange Limited whereas the equity shares of ZRL is listed on the BSE Limited and the National Stock Exchange of India Limited and are a part of the Emami Group.

The terms and conditions in the proposed amalgamation are more fully set out in draft scheme document shared with us ("**Draft Scheme Document**"), the final version of which will be filed by the aforementioned companies with the appropriate authorities

We further understand that the respective shareholding on the proposed mergers have been arrived at based on the valuation report dated 28<sup>th</sup> June, 2017 prepared by M/s S. K. Agrawal & Co. Independent Chartered Accountants and Auditors of the Company (the "**Valuer**"), who have been appointed for this exercise by EIL and ZRL jointly

In connection with the aforesaid, both EIL and ZRL vide separate engagement letters have requested our opinion ("**Opinion**"), as of 1<sup>st</sup> April, 2017, as to the fairness of the share entitlement ratio, as proposed by the Valuer, from a financial point of view, to the shareholders of EIL and ZRL. We have not undertaken a valuation of the businesses of EIL and ZRL. Further, we have not independently checked or verified the assumptions made by the Valuer. Based on our perusal of the valuation report dated 28<sup>th</sup> June, 2017 and the Draft Scheme Document, including any assumptions and caveats mentioned therein, we understand that as 7 equity shares of Rs. 2 each of EIL will be issued for every 1 equity share of Rs. 100 each of ZRL to the shareholders of ZRL


The rationale for the Scheme as shared with us by the EIL's management is based *inter-alia* on some of the following benefits:

1. EIL and ZRL are both engaged in real estate business and are listed companies. ZRL is an associate of EIL and 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;
2. The proposed amalgamation will bring in advantages of synergy in operations and economies of scale. The pooling of resources of companies will create strong financial structure and facilitate resource mobilisation and achieve better cash flows. The combined net worth in a single entity shall facilitate in attracting funds from strategic

- investors and/or financial institutions at competitive rates. Thus, the synergies created by the horizontal merger will increase the operational efficiency and integrate business functions of the amalgamated entity and help to pursue inorganic and organic growth opportunities of such business. It will also lead to more efficient utilisation of capital and create a consolidated base for future growth of the amalgamated entity
3. The amalgamation will also result in administrative and operational rationalisation, organisational efficiencies, reduction in overheads and other expenses and optimal utilisation of various resources. It will prevent cost duplication, overlapping of administrative responsibilities and multiplicity of records, legal and regulatory compliances generally involved with running two separate entities and more particularly due to the listed status of both the companies involved. It will enable a dedicated management to focus and accelerate growth of the amalgamated entity
  4. The amalgamation will result in not only, pooling of efficient human resources and putting them to optimum utilisation for the growth of the merged entity but also attracting efficient manpower by the merged entity
  5. The rationale for continuing with two separate entities in the same business no longer exists. It is considered prudent and more appropriate to consolidate similar businesses in one entity. Such restructuring will lead to simplification of group structure by eliminating multiple companies in similar business, thus enabling focus on core competencies
  6. The amalgamation will enable greater realization of the potential of the businesses of the EIL and ZRL in the amalgamated entity and have beneficial results for all concerned

## II. BACKGROUND

### **EMAMI INFRASTRUCTURE LIMITED**



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. EIL is into development of real estate projects in the residential, commercial and retail sector. The registered office of EIL is situated at Emami Tower, 2nd Floor, 687 Anandapur, E.M. Bypass, Kolkata -700107

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

EIL is involved in various real estate businesses either by itself or through its subsidiary/associates. EIL has also entered into Joint Development Agreements ("JDA") with other land owners, wherein EIL will get share in constructed area as part of consideration. EIL has already started development in some and in others it is set to commence.



## ZANDU REALTY LIMITED

ZRL 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 ZRL was renamed as Zandu Realty Limited. ZRL has entered into Development Agreement with Seth Corp Private Limited for construction of buildings for commercial use on its land at Dadar, Mumbai. As on 01 April 2017, ZRL has certain unsold units as inventory. ZRL has also made investments in securities of listed/unlisted companies.

### III. KEY FEATURES OF THE SCHEME OF AMALGAMATION

The key features of the Scheme provided to us through Draft Scheme Document are as under:

1. The Appointed Date is 1<sup>st</sup> April, 2017
2. The Scheme provides for amalgamation of ZRL with EIL on a going concern basis in accordance with Sections 230 to 232 of the Companies Act, 2013
3. Upon the Scheme becoming effective, all the assets, liabilities, contracts, rights and obligations of ZRL shall stand transferred to and vested in EIL;
4. In terms of the proposed Scheme of amalgamation, 2,86,329 equity shares of Rs. 100 each held by EIL in ZRL shall stand cancelled without any further act or deed.

We have relied upon the Draft Scheme Document and taken the abovementioned key features of the Scheme (together with the other facts and assumptions set forth herein) into account while determining the meaning of "fairness", from a financial point of view, for the purposes of this Opinion.



### IV. LIMITATION OF SCOPE AND REVIEW

Our Opinion and analysis is limited to the extent of review of the valuation report by the Valuer and the Draft Scheme Document. In connection with the Opinion, we have:

- i. Reviewed the Draft Scheme Document and the valuation report by the Valuer dated 28<sup>th</sup> June, 2017.
- ii. Reviewed the audited financials for EIL and ZRL for the year ended March 31, 2017.
- iii. Held discussions with the Valuer, in relation to the approach taken to valuation and the details of the various methodologies utilised by them in preparing the valuation report and recommendations.
- iv. Sought various clarifications with the respective senior management teams of EIL and ZRL.
- v. Reviewed historical stock prices and trading volumes of the EIL and ZRL on National Stock Exchange of India Limited ("NSE").



This Opinion is intended only for the sole use and information of the EIL and ZRL, and in connection with the Scheme, including for the purpose of obtaining judicial and regulatory approvals for the Scheme. We are not responsible in any way to any person / party/ statutory authority for any decision of such person or party or authority based on this Opinion. Any person / party intending to provide finance or invest in the shares/

business of either EIL and/or ZRL or their subsidiaries/joint ventures/associates shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

It is hereby notified that any reproduction, copying or otherwise quoting of this Opinion or any part thereof, other than in connection with the Scheme as aforesaid can be done only with our prior permission in writing. We acknowledge that this Opinion will be shared to the extent as may be required, with the relevant National Company Law Tribunal, advisors of EIL and ZRL in relation to the Scheme, as well as with the statutory authorities.

We have assumed and relied upon the accuracy and completeness of all information and documents provided to us, data publicly available or otherwise reviewed by or discussed by the management with us. We have relied upon the EIL and ZRL's assurances that they are not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any respect.

We have not carried out any due diligence or independent verification or validation of any information to establish its accuracy or sufficiency. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the EIL and ZRL or their respective subsidiaries/affiliates. In particular, we do not express any opinion as to the value of any asset of EIL, ZRL and or their respective subsidiaries/affiliates, whether at current prices or in the future. No investigation of the respective Company's claim to title of assets has been made for the purpose of the exercise and the companies' claim to such rights has been assumed to be fully valid. We assume no responsibility whatsoever for matters of a legal nature. Further, we have not evaluated solvency or fair value of the EIL or ZRL under any law relating to bankruptcy, insolvency or a similar matter.

Our analysis and results are also specific to the position as of April 1, 2017 and based on information as at April 1, 2017. An exercise of this nature involves consideration of various factors. This Opinion is issued on the understanding that EIL and ZRL have drawn our attention to all the matters, which they are aware of concerning the financial position of EIL and/or ZRL, their businesses, and any other matter, which may have an impact on our Opinion, on the Share Entitlement Ratio for the Scheme, including any significant changes that have taken place or are likely to take place in the financial position of the Companies or their businesses subsequent to the proposed Appointed Date (i.e. April 1, 2017) for the Scheme. We have no responsibility to update this Opinion for events and circumstances occurring after the date of this Opinion.

One should note that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. Moreover, in this case where shares of the EIL are being issued as consideration to the shareholders of ZRL, it is not the absolute valuation that is important for framing an opinion but the relative valuation of EIL and ZRL, respectively.

We have assumed, that the Scheme will be in compliance with all applicable laws and other requirements and will be implemented on the terms described in the Draft Scheme Document, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary regulatory or third party approvals for the Scheme, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on EIL, ZRL or its relevant subsidiaries/affiliates and their respective shareholders. We have assumed, at the directions of the EIL and ZRL, that the final Scheme will not differ in any material respect from the Draft Scheme Document. We understand from the Company's management that the Scheme will be

given effect to in totality and not in parts. Accordingly, our Opinion should be seen from a perspective of the resultant Shareholding.

We express no view or opinion as to any terms or other aspects of the Scheme. We express no opinion or view with respect to the financial implications of the merger for any stakeholders, including creditors of the Company.

The Opinion provided by us should not be construed as a legal opinion on the Scheme filed under section 230 to 232 of the Companies Act, 2013 or with the provisions of any applicable laws.

We express no view as to, and our Opinion does not address, the underlying business decision of EIL and ZRL to effect the mergers, the relative merits of the proposed amalgamation as compared to any other alternative business strategy, the effect of the mergers on the EIL and ZRL or its affiliates, including, without limitation, possible implications on ownership structure, listing format, capital structure or trading price of the EIL and ZRL's shares post completion of the propose amalgamation. The Company remains solely responsible for the commercial assumptions on the basis of which it agrees to proceed with the mergers. Our Opinion is necessarily based only upon information as referred to in this letter.

We do not express any Opinion as to any tax or other consequences that might arise from the Scheme on the EIL, ZRL and/or their subsidiaries/affiliates, and their respective shareholders, nor does our Opinion address any legal, tax, regulatory (including all SEBI regulations) or accounting matters. We have undertaken no independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims, governmental investigation or other contingent liabilities to which EIL, ZRL or their subsidiaries/affiliates, are or may be a party.

Our Opinion is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us as of April 1, 2017. It should be understood that subsequent developments may affect this Opinion and we assume no responsibility for updating or revising our Opinion based on circumstances or events occurring after the date hereof.

Our Opinion also does not address any matters otherwise than as expressly stated herein, including but not limited to matters such as corporate governance, shareholders rights or any other equitable considerations.

We have in the past provided, and may currently or in the future provide, investment banking services to EIL and ZRL and their affiliates that are unrelated to the Scheme, for which services we have received customary fees. Our engagement as a fairness opinion provider is independent of our other business relationships, which we may have with the EIL, ZRL and/or their subsidiaries or their respective affiliates.

In addition, in the ordinary course of their respective businesses, affiliates of IIFL Holdings Limited may invest in securities of EIL or ZRL and/or its subsidiaries or group companies/affiliates/parent company or for their own accounts and for the accounts of their customers subject to compliance of SEBI (Prohibition of Insider Trading) Regulations and, accordingly, may at any time hold a position in such securities. Our engagement and the Opinion expressed herein are solely for the benefit of the Board of Directors of the EIL and ZRL (in their capacity as such) in connection with its consideration of the Scheme and for none other. Delivery of our Opinion does not create any fiduciary, equitable or contractual duties on IIFL Holdings Limited (including, without limitation, any duty of trust or confidence). Further, our Opinion is being provided only

IIFL Holdings Limited (CIN No.: L74999MH1995PLC093797)

Corporate Office – IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai – 400013. Tel: +91 22 4646 4600 Fax: +91 22 2493 1073

Regd. Office – IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane – 400604

Tel: +91 22 25806650 Fax: +91 22 25806654 E-mail: info.ib@iiflcap.com | mail@indiainfoline.com Website: www.iiflcap.com | www.indiainfoline.com





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for the limited purpose of complying with the SEBI regulations and the requirement of the stock exchanges on which the Company is listed, and for no other purpose.

Neither IIFL Holdings Limited, nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the information and documents provided to us, based on which the Opinion has been issued. All such parties and entities expressly disclaim any and all liability for this assignment.

On the basis of our professional skills, our understanding of the business, related to the industry, market survey, we have arrived at the Opinion. Neither IIFL nor any individual signing or associated with this Opinion shall be required by reason of this Opinion to give any testimony or appear in any court or other legal proceedings.

The Company has agreed to indemnify IIFL against liabilities arising out of or in connection with the services rendered and to be rendered by IIFL under respective Engagement Letter.

Both EIL and ZRL understand and acknowledge that there exists no conflict of interest or any potential conflict of interest with respect to the contents of this Opinion or the appointment of IIFL by EIL and ZRL for issuing this Opinion in relation to the Scheme. Further, IIFL shall in no way be liable to EIL and ZRL or any third party for any conflict of interest or any potential conflict of interest that may arise pursuant to the issuance of this Opinion.

Both EIL and ZRL has been provided with the opportunity to review the draft Opinion as part of our standard practice to make sure that factual inaccuracy or omissions are avoided in our final Opinion.

The fee for our services is not contingent upon the results of the Scheme. This document is subject to the laws of India.

Our Opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Scheme or any matter related thereto.

The Opinion is addressed to the Board of Directors of the Company. The Opinion shall not, otherwise than as permitted or as required as per the SEBI Circular dated March 10, 2017 CFD/DIL3/CIR/2017/21 ("SEBI Circular") be disclosed or referred to publicly or to any other third party without IIFL's prior written consent. However, the Company may provide a copy of the Opinion if requested/ called upon by any regulatory authorities of India subject to the Company promptly intimating IIFL in writing upon receipt of such request from the regulatory authority. If this is used by any person other than to whom it is addressed or for any purpose other than the purpose stated hereinabove, we shall not be liable in any manner whatsoever, whether in contract or tort or otherwise including for any indirect, consequential, punitive, special or incidental liability to any party in connection with sharing/reference/disclosure of the Opinion as above.



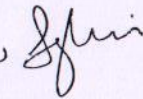



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**V. CONCLUSION**

Based on and subject to the foregoing, we are of the opinion that, share entitlement ratio is fair to the shareholders of EIL and ZRL from a financial point of view.

Yours sincerely

GAURAV SINGHVI, AVP   


For IIFL Holdings Limited

