

**Sandeep Agrawal**

Chartered Accountant, Registered Valuer  
Valuer Registration No. - IBBI/RV/06/2019/11237

05<sup>th</sup> March, 2020

To  
The Board of Directors  
Emami Realty Limited  
Acropolis, 13th Floor,  
1858/1, Rajdanga Main Road  
Kasba, Kolkata -700107

To  
The Board of Directors  
Oriental Sales Agencies (India) Private Limited  
Acropolis, 13th Floor,  
1858/1, Rajdanga Main Road  
Kasba, Kolkata -700107


Sub: Recommendation of Share entitlement ratio for the Proposed Demerger of the Real Estate Undertaking of Oriental Sales Agencies (India) Private Limited ("Oriental") into Emami Realty Limited ("Emami").

Dear Sirs,


This is with reference to the engagement letters dated 15<sup>th</sup> February 2020 appointing me for recommending the Share Entitlement Ratio in this report ("Report") for the proposed demerger of the Real Estate Undertaking ("Demerged Undertaking") of Oriental into Emami ("Resulting Company") required for the purpose of the proposed transaction, pursuant to a Scheme of Arrangement under Section 230 to 232 of the Companies Act, 2013 and relevant rules made thereunder.

The Appointed Date for the Scheme is 1<sup>st</sup> April, 2019.

I am pleased to present herewith my report on the same.

  
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Chartered Accountant, Registered Valuer  
Valuer Registration No. - IBBI/RV/06/2019/11237  
ICAI Membership No. 058553  
UDIN: 20058553AAAAAT4632

Place: Kolkata

  
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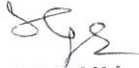


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**RECOMMENDATION OF SHARE ENTITLEMENT RATIO**  
**FOR**  
**PROPOSED SCHEME OF ARRANGEMENT**  
**BETWEEN**  
**ORIENTAL SALES AGENCIES (INDIA) PRIVATE LIMITED**  
**(DEMERGED COMPANY)**  
**AND**  
**EMAMI REALTY LIMITED**  
**(RESULTING COMPANY)**

  
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## **1. Introduction**

### **1.1 Purpose**


The Board of Directors of Oriental Sales Agencies (India) Private Limited (hereinafter referred to as “Oriental” or the “Demerged Company”) and Emami Realty Limited (hereinafter referred to as “Emami” or the “Resulting Company”), as a measure of business reorganization are considering demerger of “Real-estate undertaking of Oriental” (hereinafter referred to as “Demerged Undertaking”) into Emami under a Scheme of Arrangement (“Scheme”) u/s 230 to 232 of the Companies Act, 2013.

Under the Scheme, the consideration of the arrangement is to be settled by Resulting Company to the shareholders of Demerged Company by issue of fully paid up equity shares of face value of Rs.2 each of the Resulting Company. The shares will be issued based on the fair value of Emami and Real Estate Undertaking of Oriental.

I have been approached by the management to determine the fair value of the shares of the Emami and Real Estate Undertaking of Oriental and determine the share entitlement ratio accordingly.

### **1.2 Scope of Work**

Valuation analysis and result 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, I was provided with written information by the management of the Companies. My conclusions are based on the assumptions and other information given by/on behalf of the Companies. My assumptions are largely based upon the sources of information mentioned herein below. I 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.

  
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**1.3 Applicability of Indian Valuation Standards (IVS)**

The Institute of Chartered Accountants of India notified the Indian Valuation Standards with effect from the July 1, 2018. These standards lay down the various principles surrounding valuation of business enterprises, intangible assets and financial instruments.

In the present case, securities being financial instrument, the applicable valuation standards have been complied with while carrying out the valuation exercise.

**1.4 Valuation Date**

Valuation Date is the specific date at which the value of the assets to be valued gets estimated or measured. Valuation is time specific and can change with the passage of time due to changes in the condition of the asset to be valued.

The attached Report is drawn up by reference to accounting and financial information as on 31st December 2019.

**1.5 Premises of Value**

Premise of Value refers to the conditions and circumstances how an asset is deployed. In the present case, I have determined the fair value of the Companies on a Going Concern Value defined as under:

“**Going concern**” value is the value of a business enterprise that is expected to continue to operate in the future.

**1.6 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/asset were exposed for sale on 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.



## **2. Sources of Information**

### **2.1 Internal Sources**

For the purpose of this assignment, I have relied upon the following information, as provided to me by the management of the Companies:

- Brief history & brief note on the business profile of Emami and Oriental;
- Shareholding pattern of Emami and Oriental as on 31<sup>st</sup> December 2019;
- Audited Financial Statement of Emami and Oriental and all the subsidiaries and other associates of Emami for the year ended 31<sup>st</sup> March, 2019;
- Management Certified Financial Statement of Emami for the period ended 31<sup>st</sup> December, 2019;
- Management Certified Financial Statement of Real Estate Division of Oriental for the period ended 31<sup>st</sup> December, 2019;
- Details of various projects and projections for the projects as provided by the management (Project details: Land Details, Construction Schedule, Revenue & Cost Assumptions and Cash Flows);
- Joint Development Agreements (JDA), Memorandum of Understandings (MOU) & Project Management Agreement (PMA) related to various projects;
- Circle Rate of the Land / Properties at rates specified by Registrar of Assurances for purpose of levy of stamp duty as provided by the Management.
- Memorandum & Articles of Association of Emami & Oriental;
- Certificates from Emami and Real Estate Division of Oriental certifying that current assets and current liabilities hold good at their respective values as appearing in books as on 31<sup>st</sup> December, 2019;
- Draft Scheme of Arrangement;
- 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 Emami or Oriental.

### **2.2 External Sources**

- Bombay Stock Exchange and National Stock Exchange website for market prices of Emami;

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### **3. Background Study**

#### **3.1 Brief background of Emami Realty Limited**

Emami Realty Limited having CIN L45400WB2008PLC121426, was incorporated as a private limited company under the Companies Act, 1956 on January 4, 2008 in the name of “Slick Properties Private Limited” in the state of West Bengal. Subsequently, on 25th June, 2009, the Resulting Company was converted into a Public Limited Company and its name was changed to “Slick Properties Limited”. The name of the Resulting Company was changed from “Slick Properties Limited” to “Emami Infrastructure Limited” and a fresh Certificate of Incorporation consequent upon the change of name was issued on 1st July, 2009. Thereafter, the name of the Resulting Company was changed from “Emami Infrastructure Limited” to “Emami Realty Limited” and a fresh Certificate of Incorporation consequent upon the change of name was issued on 15th October 2018. The Registered Office of the Resulting Company is situated at Acropolis, 13th Floor, 1858/1, Rajdanga Main Road Kasba, Kolkata - 700107. The equity shares of Resulting Company are listed on the BSE Limited and the National Stock Exchange of India Limited and the Calcutta Stock Exchange Limited.

Emami is a pioneer in the real estate sector, having its footprints spanning across Chennai, Kolkata, Mumbai, Jhansi, Bhubaneswar, 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.

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

  
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Capital structure as on 31st December 2019 is as follows:

Emami Realty Limited (Resulting Company)	
Particulars	Amount in Rs
<b>Authorised Share Capital</b>	
13,52,50,000 equity shares of Rs 2 each	27,05,00,000
<b>Total</b>	<b>27,05,00,000</b>
<b>Issued, Subscribed, Called-up and Paid-up Capital</b>	
2,79,38,889 equity shares of Rs 2 each	5,58,77,778
<b>Total</b>	<b>5,58,77,778</b>

There has been no change in the share capital of Resulting Company post 31st December 2019.

### 3.2 Brief background of Oriental Sales Agencies (India) Private Limited

Oriental Sales Agencies (India) Private Limited, was incorporated as a Private limited company under the Companies Act, 1956 on 12/05/1987 in the State of west Bengal with CIN U51909WB1987PTC042332. The Registered office of the Demerged Company is situated at Acropolis, 13th Floor, 1858/1, Rajdanga Main Road Kasba, Kolkata - 700107.

The Demerged Company is currently engaged in the business of (i) Real Estate (ii) Trading in Paintings/ shares & securities. The above businesses are carried out by the Demerged Company either directly or indirectly.

Capital structure as on 31st December, 2019 is as follows:

Oriental Sales Agencies (India) Private Limited (Demerged Company)	
Particulars	Amount in Rs
<b>Authorised Share Capital</b>	
55,00,000 equity shares of Rs 10 each	5,50,00,000
<b>Total</b>	<b>5,50,00,000</b>
<b>Issued, Subscribed, Called-up and Paid-up Capital</b>	
35,00,000 equity shares of Rs10 each	3,50,00,000
<b>Total</b>	<b>3,50,00,000</b>

There has been no change in the share capital of Demerged Company post 31st December 2019.



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**3.3 Brief background of Real Estate Undertaking of Oriental**


Oriental Sales Agencies (India) Private Limited owns leasehold land of about 14.49 acres at 2, Jessore Road, Kolkata. In respect of the said land, the Company has entered into a Joint Development Agreement (JDA) with Emami Realty Limited for development and construction of the residential cum commercial complex named “Emami City” of 22.45 Lakh sq. ft. of constructed area. In Pursuance of the said Development Agreement and in consideration of grant of development right, Oriental is entitled to several flats/apartments/units and car parking spaces of various categories in the Residential and Commercial Segment. As on 31 December 2019, the Company has around 29986 sq. ft. of unsold constructed area as inventory.

**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. There are commonly used and accepted methods for determining the fair value of the equity shares of the Company, which have been considered in the present case, to the extent relevant and applicable, including:

- Net Asset Value Method
- Market Value Method
- Discounted Cash Flow Method

The application of any particular method of valuation depends on the purpose for which the valuation is done.

  
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#### **4.1 Applicability of Net Asset Value (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.

#### **4.2 Applicability of 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.

#### **4.3 Applicability of Discounted Cash Flow (DCF) Method**

The DCF method seeks to arrive at a value of business based on the strength of its future cash flows. This method also captures the risk involved with these cashflows. Under this method, value of a company can be assessed using the Free Cash Flow to Firm Method ("FCFF") or Free Cash Flow to Equity Method ("FCFE"). Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows to firm represent the cash available for distribution to both, the owners and creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by the Weighted Average Cost of Capital ("WACC"). The WACC, based on an optimal vis-a-vis actual capital structure, is an appropriate rate of discount to calculate the present value of the future cash flows as it considers equity-debt risk by incorporating debt-equity ratio of the firm.

Net Present Value method also finds a place in the Discounted Cash Flows to the firm. The Net Present Value approach calculates the value added to the firm as a whole on acceptance & successful execution of a particular project.

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A project is a finite endeavor- having specific start and completion dates undertaken to meet particular goals and objectives, usually to bring about beneficial change or added value. This finite characteristic of projects stands in contrasts to processes, or operations which are repetitive, permanent or semi-permanent functional work to produce products or services. Thus, this approach does not consider the terminal value of business/project.

Net Present Value (NPV) is defined as the total Present Value (PV) of a time series of cash flows. It is standard method for using the time value of money to appraise long term projects. All the costs and benefits occurring over the entire life of the project are considered and discounted at an appropriate discount rate. This method is widely used for capital budgeting as it measures the excess or shortfall of cash flows, in present value term, once financing charge are met.

## 5. Fair Valuation of Emami

For the purpose of valuation of Emami, I have adopted following methods which are given under:

- a) Net Asset Value Method;
- b) Discounted Cash Flow Method;
- c) Market Price Method.


To arrive at fair value per share of Emami, weightage needs to be given to the value as arrived in above mentioned methods.

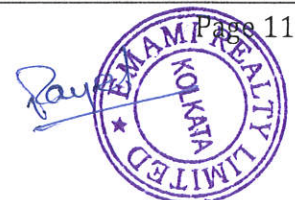
### 5.1 Valuation of Net Asset Value Method

In order to arrive at the fair value of the Emami, I 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 Emami's share in the respective companies/entities.
- (c) Land & properties which are not part of any project has been valued at market value considering circle rate as on the valuation date;

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- (d) Investment in other unquoted equity shares have been considered at the fair value of the Company as on the valuation date;
- (e) All other assets & liabilities which are not part of any project as mentioned above, have been valued at book values as on 31<sup>st</sup> December 2019, relying on management's representation that these assets are realizable at their book values in the ordinary course of business.

The valuation of Emami under Net Asset Value Method is arrived at Rs. 60.77 per share having face value of Rs. 2 each.

**5.2 Valuation 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, I have considered the following:

- (a) Projects under execution against which future projections can be forecasted 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 Emami's share in respective companies/entities.
- (d) Land & properties which are not part of any project has been valued at market value considering circle rate as on the valuation date.
- (e) Investment in other unquoted equity shares have been considered at the fair value of the Company as on the valuation date;

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- (f) All other assets & liabilities which are not part of any project as mentioned above, have been valued at book values as on 31<sup>st</sup> December 2019, relying on management’s representation that these assets are realizable at their book values in the ordinary course of business.

The valuation of Emami under Discounted Cash Flow Method is arrived at Rs.104.84 per share having face value of Rs. 2 each.

**5.3 Valuation under Market Price Method**

In order to represent the fair market price nearer to the valuation report dated 05th March 2020, I have considered higher of i) average of weekly high and low of the volume weighted average price (VWAP) during twenty six weeks preceding 05th March 2020, ii) the average of weekly high and low of the volume weighted average price (VWAP) during two weeks preceding 05th March 2020; of price quoted on the National Stock Exchange of India Limited.

The valuation of Emami considering the above approach has been arrived at Rs.47.94 per share having face value of Rs. 2 each.

**5.4 Relative Value per share of Emami**

Though different values have been arrived under each of the above methodologies, it is necessary to arrive at the single relative values of Emami. It is however important to note that in doing so, I am not attempting to arrive at the absolute equity value but at their relative values to facilitate the determination of a share entitlement ratio. For this purpose, it is necessary to give appropriate weights to the value arrived at under each methodology.

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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, I 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”.

Relative value per share of Emami (Resulting Company) has been arrived at Rs.93.00 as summarized below:

Valuation Approach	Value Per Share (Rs.)	Weights	Weighted Price (Rs.)
Net Asset Value Method (Asset Approach)	60.77	0.15	9.12
Discounted Cash Flow Method (Income Approach)	104.84	0.70	73.39
Market Price Method (Market Approach)	47.94	0.15	7.19
Relative Value per share of Rs 2 each			89.69
Relative Value per share of Rs 2 each (Rounded off)			90.00

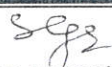
## 6. Valuation of Real estate undertaking of Oriental

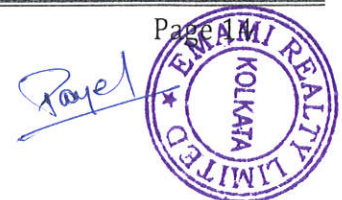
For the purpose of valuation of Real Estate Undertaking of Oriental, I have adopted following methods which are given under:

- Net Asset Value Method;
- Discounted Cash Flow Method;
- Market Price Method.

To arrive at fair value per share of Real Estate Undertaking of Oriental, weightage needs to be given to the value as arrived in above mentioned methods.

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**6.1 Valuation under Net Asset Value Method**

In order to arrive at the fair value of the Real Estate Undertaking of Oriental, I have considered the following:

- (a) Unsold inventory as on the valuation date at Emami City has been valued at estimated net realizable value.
- (b) The investment in equity shares of associate company have been considered at project value (DCF) to the extent of Oriental’s share as on valuation date;
- (c) All other assets & liabilities of the Real Estate Undertaking have been valued at book values as on 31<sup>st</sup> December 2019, relying on management’s representation that these assets are realizable at their book values in the ordinary course of business.

The valuation of Real-estate undertaking of Oriental under Net Asset Value Method is arrived at Rs.257.61 per share having face value of Rs. 10 each.

**6.2 Valuation under Discounted Cash Flow Method**

In order to arrive at the fair value of the Real-estate undertaking of Oriental, I have considered the following:

- (a) Unsold inventory as on the valuation date at Emami City has been valued at as per DCF/NPV approach.
- (b) The investment in equity shares of associate company have been considered at project value (DCF) to the extent of Oriental’s share as on valuation date;
- (c) All other assets & liabilities of the Real Estate Undertaking have been valued at book values as on 31<sup>st</sup> December 2019, relying on management’s representation that these assets are realizable at their book values in the ordinary course of business.

The valuation of Real-estate undertaking of Oriental under Discounted Cash Flow Method is arrived at Rs. 253.45 per share having face value of Rs. 10 each.

### 6.3 Valuation under Market Price Method

As the shares of Oriental are not listed on any stock exchange, the Market price method has not been considered for the purpose of valuation.

### 6.4 Relative value per share of Real-estate undertaking of Oriental:

I have considered it appropriate to give higher weight of 70% to the value arrived under “income approach” and weights of 30% to values as arrived under “asset approach”.

Valuation Approach	Value Per Share (Rs.)	Weights	Weighted Price (Rs.)
Net Asset Value Method (Asset Approach)	257.61	0.30	77.28
Discounted Cash Flow Method (Income Approach)	253.45	0.70	177.41
Market Price Method (Market Approach)	-	-	-
Relative Value per share of Rs 10 each			254.70
Relative Value per share of Rs 10 each (Rounded off)			255.00

Relative value per share of “Real-estate undertaking of Oriental” has been arrived at Rs. 255.00 per share having face value of Rs. 10 each.

## 7. Share Entitlement Ratio

The share entitlement ratio has been arrived on the basis of a relative valuation of the shares of the Emami and Real-estate undertaking of Oriental 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.



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

*2.83 (Rounded off) Equity Shares of Rs. 2 each fully paid up of Emami shall be issued and allotted for every 1 Equity Share of Rs. 10 each fully paid of "Oriental" is fair and equitable for the equity shareholders of both the companies.*

**8. Limitations & Disclaimers**

- 8.1** My report is subject to scope of limitations detailed hereinafter. As such the report is to be read in totality and not in parts. The Report is meant for the purpose mentioned in Para 1.1 and should not be used for any other purpose mentioned therein. The Report may be shared with regulators.
- 8.2** I am partner in a chartered accountant firm which was the statutory auditor of Emami till 18<sup>th</sup> September 2019. The firm is currently statutory auditor of Oriental. Beside this, I have no present or contemplated future interest in the company, any personal interest with respect to the parties involved, or any other interest that might prevent me from performing an unbiased valuation. My compensation is not contingent on an action or event resulting from the analysis, opinions, or conclusions in, or the use of this report.
- 8.3** This Report is based on the information received from the sources mentioned herein above and discussions with the representatives of the Company. This information has not been independently verified by me. I have assumed that the representatives of Company have furnished to me all the information which they are aware of concerning the financial statements and the respective liabilities, which may have an impact on my report.
- 8.4** My scope of work does not enable me to accept responsibility for the accuracy and completeness of the information provided to me. I 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.

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- 8.5** 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.
- 8.6** My aggregate liability for damage shall be limited to the fee that is payable for this assignment, as set out in the engagement letter.
- 8.7** The opinion on fair valuation expressed in this report does not in any way constitute guarantee regarding future performance of the company and obligate me to render a comprehensive business appraisal report, to give testimony, or attend court proceedings with regard to the subject business assets, properties or business interests.
- 8.8** The valuation contemplates facts and conditions existing as of the valuation date. Events and conditions occurring after that date except those specifically mentioned have not been considered, and I have no obligation to update my report for such events and conditions.
- 8.9** It is clarified that this Report is not a fairness opinion under any of the stock exchange/ listing regulations. In case of any third party having access to this Report, please note this Report is not a substitute for the third party’s own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.

Sandeep Agrawal  
Chartered Accountant, Registered Valuer  
Valuer Registration No. – IBBI/RV/06/2019/11237  
ICAI Membership No. 058553  
UDIN: 20058553AAAAAT4632

Date: 05<sup>th</sup> March, 2020

**SANDEEP AGRAWAL**  
**REGISTERED VALUER**  
Securities or Financial Assets  
Valuer Registration No.-IBBI/RV/06/2019/11237

