

March 05, 2020

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

Dear Sir,

Sub: Fairness Opinion on the Valuation Report issued by Mr. Sandeep Agrawal, Chartered Accountant for the demerger of the the Real Estate undertaking of Oriental Sales Agencies (India) Private Limited into Emami Realty Limited

This is in accordance with the terms of our engagement, wherein Narnolia Financial Advisors Limited ("Narnolia"/ "We"), a SEBI registered Category I Merchant Banker (SEBI registration no. INM000010791) has been appointed by Emami Realty Limited ("Emami") to provide a fairness opinion on the Report given by Mr. Sandeep Agrawal, Chartered Accountant on the share entitlement ratio for the proposed demerger as mentioned above.

This report is being issued in terms of SEBI circular CFD/DIL3/CIR/2017/21 dated 10th March, 2017 for the proposed scheme of arrangement under sections 230 to 232 and other relevant provisions of the Companies Act, 2013. This Report sets out Narnolia's opinion on the share entitlement ratio as determined in the valuation report for the proposed transaction.

All the terms mentioned here shall have the meaning as ascribed in the Report.

This letter forms an integral part of the Report.

Yours faithfully,

For Narnolia Financial Advisors Limited

Manav Goenka

Manav Goenka
Vice President



Fairness Opinion

On the Valuation Report

Issued by

Mr. Sandeep Agrawal, Chartered Accountant

For the Demerger of the Real Estate Undertaking of

Oriental Sales Agencies (India) Private Limited

into

Emami Realty Limited

MERCHANT BANKERS' REPORT

March 05, 2020

Narnolia®

Narnolia Financial Advisors Limited

Marble Arch, 2nd Floor

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Kolkata – 700 020



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1. INTRODUCTION

Oriental Sales Agencies (India) Private Limited ("**Oriental**" or the "**Demerged Company**") is currently engaged in the business of (i) Real Estate (ii) Trading in paintings/ shares & securities. The said businesses are carried out by the Demerged Company either directly or indirectly.

Emami Realty Limited ("**Emami**" or the "**Resulting Company**"), is engaged in the business 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 equity shares of Resulting Company are listed on the BSE Limited, the National Stock Exchange of India Limited and the Calcutta Stock Exchange Limited.

As a measure of business reorganization, the Board of Directors of Oriental Sales Agencies (India) Private Limited and Emami Realty Limited are considering demerger of "Real Estate undertaking of Oriental" (hereinafter referred to as "**Demerged Undertaking**") into Emami under a Scheme of Arrangement ("**Scheme**") under sections 230 to 232 and other relevant provisions 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.

Further, the proposed arrangement would result in reduction of costs including efficiency in administrative costs, pooling of business and strategic resources, economies of scale and focused management control. The arrangement would enable the consolidation of business and carry on the same more efficiently and effectively.

The share entitlement ratio for the proposed demerger has been decided based on a valuation report issued by Mr. Sandeep Agrawal, Chartered Accountant (the "**Valuer**"). The report issued by the valuer provides share entitlement ratio for the proposed demerger of the Demerged Undertaking comprising of Real Estate undertaking of Oriental into Emami.

For the purpose of ascertaining the fairness of the valuation with respect to the proposed demerger of the Real Estate undertaking of Oriental into Emami, Narnolia Financial Advisors Limited ("**Narnolia**") has been appointed as an independent Merchant Banker for furnishing a fairness opinion on the valuation done by the Valuer.

2. PURPOSE OF FAIRNESS OPINION

As per SEBI circular CFD/DIL3/CIR/2017/21 dated 10th March, 2017 in relation to schemes of arrangement by listed entities, the companies going through any arrangement/amalgamation/reconstruction etc. are required to obtain a "Fairness Opinion" from an Independent Merchant Banker relating to the valuation of assets/ shares done by the Valuer.



Our Fairness Opinion is limited to the share entitlement ratio proposed for the demerger of the Real Estate undertaking of Oriental into Emami as per the mentioned Scheme.

3. LEGAL DISCLAIMER

We have been requested to issue a Fairness Opinion Report on the Report given by Mr. Sandeep Agrawal, Chartered Accountant on the share entitlement ratio for the proposed demerger. In preparing this Fairness Opinion Report, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information provided to us.

In furnishing this Report, we reserve the right to amend or replace the Report at any time. Our views are necessarily based on economic, market, and other conditions currently in effect, and the information made available to us, as of the date hereof. It should be understood that subsequent developments may affect our views and that we do not have any obligation to update, revise, or reaffirm the views expressed in the Report. Nothing contained within the Report is or should be relied upon as a promise or representation as to the future.

The Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

This report does not look into the business/ commercial reasons behind the transaction nor the likely benefits arising out of the same. Similarly, the report does not address the relative merits of the transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. This report is restricted to expressing opinion on the fairness of share entitlement ratio only.

We owe responsibility only to the management of Emami Realty Limited, who have appointed us, and nobody else.

The fee for the Engagement is not contingent upon the results reported.

Neither the report nor its contents may be referred to or quoted in any registration, statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme of demerger.

4. SOURCES OF INFORMATION RELIED UPON BY US FOR THE FAIRNESS OPINION

We have prepared the Fairness Opinion Report on the basis of the following information provided to us:

- Draft scheme of Arrangement
- Valuation Report dated March 05, 2020 issued by Mr. Sandeep Agrawal, Chartered Accountant on the share entitlement ratio
- Audited Financial Statement of Emami and Oriental for the financial year ended March 31, 2019



- Management Certified Financial Statement of Emami for the period ended 31st December, 2019
- Management Certified Financial Statement of Real Estate Undertaking of Oriental for the period ended 31st December, 2019
- Other data collated by us from publicly available sources.

We have also obtained necessary explanations and information, which we believed were relevant to the present exercise, from the executives and representatives of the companies.

5. BRIEF BACKGROUND OF THE COMPANIES UNDER REFERENCE

Oriental Sales Agencies (India) Private Limited

Oriental Sales Agencies (India) Private Limited ("Oriental" or the "Demerged Company"), having Corporate Identity Number ("CIN") U51909WB1987PTC042332, is an unlisted private limited company incorporated on May 12, 1987 under the Companies Act, 1956 and having its registered office at Acropolis, 13th Floor, 1858/1, Rajdanga Main Road Kasba, Kolkata – 700107. The authorized share capital of Oriental is Rs. 5,50,00,000/- (Rupees Five crore fifty lakh only), issued, subscribed and paid-up share capital of Oriental is Rs. 3,50,00,000/- (Rupees Three crore Fifty lakh only).

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.

Brief background of the Demerged Undertaking

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 29,986sq. ft. of unsold constructed area as inventory.

Emami Realty Limited

Emami Realty Limited ("Emami" or the "Resulting Company") having Corporate Identity Number ("CIN") L45400WB2008PLC121426, is public limited company incorporated on January 4, 2008 under the Companies Act, 1956 and having its registered office at Acropolis, 13th Floor, 1858/1, Rajdanga Main Road Kasba, Kolkata – 700107. The authorized share capital of Emami is Rs. 27,05,00,000/- (Rupees Twenty seven crore Five lakh only), issued, subscribed and paid-up share capital of Emami is Rs. 5,58,77,778/- (Rupees Five crore Fifty eight lakh Seventy seven thousand Seven hundred and Seventy eight only).



Emami Realty Limited is engaged in the business 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 having its footprints spanning across Chennai, Kolkata, Mumbai, Jhansi, Bhubaneswar, Hyderabad, Coimbatore and Indore.

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.

The equity shares of Emami are listed on the BSE Limited, the National Stock Exchange of India Limited and the Calcutta Stock Exchange Limited.

6. VALUATION TECHNIQUES ADOPTED BY THE VALUER TO ASCERTAIN THE EXCHANGE RATIO

The Valuer has arrived at the share entitlement ratio considering the following valuation methodologies:

Net Asset Value Method

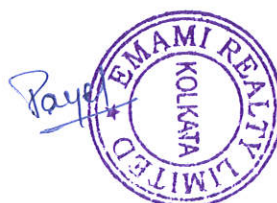
The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This methodology is likely to be appropriate for business which derives value mainly from the underlying value of its 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.

The Valuer has adopted the Net Asset Value Method for the valuation of Emami and also for valuation of the Demerged undertaking of Oriental.

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 cash flows.

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 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.

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. Use for capital budgeting, widely throughout economics, it measures the excess or shortfall of cash flows, in present value term, once financing charge are met.

The Valuer has adopted the Discounted Cash Flow (DCF) Method for the valuation of Emami and also for valuation of the Demerged undertaking of Oriental.

Market Price 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.

Since the equity shares of Emami are listed, the Valuer has also adopted the Market Price Method for valuation of Emami. In order to represent the fair market price nearer to the valuation report dated March 05, 2020, the Valuer has considered higher of (i) average of weekly high and low of the volume weighted average price (VWAP) during twenty six weeks preceding March 05, 2020 (ii) the average of weekly high and low of the volume weighted average price (VWAP) during two weeks preceding March 05, 2020; of price quoted on the National Stock Exchange of India Limited.

Since the equity shares of Oriental are unlisted, the Market Price Method has not been used for valuation of the Demerged undertaking of Oriental.

Though different values have been arrived at under each of the above methodologies, for the purposes of recommending a fair share entitlement ratio, the Valuer has given appropriate weights to the values arrived at under each methodology to arrive at a fair value.



7. SHARE ENTITLEMENT RATIO RECOMMENDED

Based on a relative valuation of the equity shares of Emami and Real Estate undertaking of Oriental arrived from the aforesaid valuation methods, the Valuer has recommended the following Share Entitlement Ratio:

SHARE ENTITLEMENT RATIO of 2.83 : 1 i.e. 2.83 Equity Shares of Rs. 2 each fully paid up of Emami Realty Limited shall be issued and allotted for every 1 Equity Share of Rs. 10 each fully paid of Oriental Sales Agencies (India) Private Limited.

8. OPINION ON EXCHANGE RATIO

Based on the information, material and data made available to us, including the Report of the Valuer and the working thereto, in our opinion the said Share Entitlement Ratio recommended for the demerger of Real-estate undertaking of Oriental into Emami is fair and proper.

For Narnolia Financial Advisors Limited



Manav Goenka
Vice President

