ANNEXURE C

Edelweiss Financial Services Limited
Edelweiss House, 14th Floor,
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Maharashtra
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STRICTLY PRIVATE & CONFIDENTIAL

May 04, 2015

The Board of Directors,
Future Retail Limited
Knowledge House,
Off Jogeshwari-Vikhroli Link Road,
Shyam Nagar, Jogeshwari (East),
Mumbai – 400 060.

The Board of Directors,
Bharti Retail Limited
Bharti Crescent 1,
Nelson Mandela Road,
Vasant Kunj, Phase II,
New Delhi 110 070.

Re: **Recommendation of fair equity share entitlement ratio for the purpose of proposed demerger**

Dear Sirs,

We refer to the engagement letters whereby, Edelweiss Financial Services Limited (hereinafter referred to as "EFSL") and SSPA & Co., Chartered Accountants (hereinafter referred to as "SSPA") have been requested by the management of Future Retail Limited (hereinafter referred to as "FRL") and Bharti Retail Limited (hereinafter referred to as "BRL") (hereinafter collectively referred to as "Companies"), to recommend a share entitlement ratio for:

a) issue of equity shares of BRL to the shareholders of FRL for the purpose of proposed demerger of "Retail Business Undertaking" of FRL into BRL; and

b) issue of equity shares of FRL to the shareholders of BRL for the purpose of proposed demerger of "Retail Infrastructure Business Undertaking" of BRL into FRL.

EFSL & SSPA have been referred to as "Valuers" or "we" or "us" or "our" and individually referred to as "Valuer" in this joint share entitlement ratio report ("Valuation Report" or "Report").

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1. PURPOSE OF VALUATION

1.1 We have been informed that the Board of Directors of FRL and BRL are considering a proposal for consolidation of their Retail businesses, wherein retail operations and retail infrastructure operations of both Companies would be consolidated under separate entities (hereinafter referred to as the "Transaction").

1.2 We have been informed that, pursuant to a scheme of arrangement under sections 391 to 394 read with sections 100 to 104 of the Companies Act, 1956 and other relevant provisions of the Companies Act, 2013 (hereinafter referred to as "the Scheme") and subject to necessary approvals, the "Retail Business Undertaking" of FRL would be demerged into BRL and the "Retail Infrastructure Business Undertaking" of BRL would be demerged into FRL with effect from the Appointed Date of 31 Oct 2015. We have also been informed that both the demergers will be in accordance with the provisions of Section 2(19AA) of the Income Tax Act, 1961.

1.3 In consideration of demerger of the Retail Business Undertaking of FRL into BRL, equity shares of BRL would be issued to the equity shareholders and shareholders of Class B Shares (Series 1) of FRL. In consideration of demerger of the Retail Infrastructure Business Undertaking of BRL into FRL, equity shares of FRL would be issued to the equity shareholders of BRL.

1.4 Further, we have been informed that under the same Scheme, prior to the aforesaid demerger, the Board of Directors of BRL are considering a proposal for re-organisation of equity share capital of BRL. The re-organisation of share capital would be carried out by reducing appropriately the face value of each equity share of Rs. 10/- each and reconsolidating the same into 4,34,78,261 equity shares of Rs. 2/- each, fully paid-up.

1.5 As stated in para 1.1 above, the proposed restructuring involves consolidation of the retail and infrastructure businesses of FRL and BRL, under two separate entities. As the business of FRL is listed and being held by public and promoter shareholders and the business of BRL being unlisted is held by BRL promoters, it is proposed to provide mirror shareholding in both the entities, with proportionate share holding to all the existing shareholders in both the companies. Therefore, we have carried out the valuation of equity shares of FRL and the equity shares of BRL with a view to recommend fair equity share entitlement ratio of equity shares for demerger of

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Retail Business Undertaking of FRL into BRL and for demerger of the Retail Infrastructure Business Undertaking of BRL into FRL, for the consideration of the Board of Directors of the Companies.

2. BRIEF BACKGROUND

2.1 FUTURE RETAIL LIMITED

FRL is the flagship company of Future Group. FRL currently operates multiple retail formats in hypermarket, supermarket and home segments of the Indian consumer market including; Big Bazaar (hypermarket chain); FBB (Fashion at Big Bazaar); Food Bazaar (supermarket chain); Foodhall (Premium lifestyle food destination); Home Town (Home Improvement Store) and eZone (high end consumer electronics specialty store). The business of FRL inter-alia includes the retail operations and the retail infrastructure operations associated therewith.

The Equity Shares and Class B Shares (Series 1) (hereinafter referred to as "DVR Shares") of FRL are listed on BSE Limited and National Stock Exchange of India Limited. The Equity Shares of FRL carry normal voting and dividend rights and DVR Shares carry differential voting and dividend rights.

We have been represented by management of FRL to consider DVR shares at par with equity shares of FRL for this valuation exercise as both the classes of shares have similar economic interest and are treated equally for all corporate actions except for voting/dividend rights.

As of the date of this report, 1,34,98,300 warrants entitling DVR shares issued to the Promoter Group of FRL are outstanding. The Management of FRL has represented that, prior to the record date of the Scheme, Promoters will exercise the warrants and DVR shares will be issued against the warrants and hence we have requested to consider the impact of the same while carrying out the valuation.

2.2 BHARTI RETAIL LIMITED

BRL is wholly owned subsidiary of Cedar Support Services Limited (CSSL) belonging to Bharti Enterprises Group. BRL is primarily engaged in the business of organised retail. It operates neighbourhood stores called "easyday" and compact hypermarket stores

Nishant Sharma

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called "Easyday Market". The retail business of BRL inter-alia includes the in-store retail operations and the retail infrastructure operations associated therewith.

3. SOURCES OF INFORMATION

For the purposes of our valuation exercise, we have relied upon the following sources of information as provided to us by the management of the Companies:

(a) Management certified estimated balance sheet and profit and loss statement of FRL and BRL for the year ended 31 Mar 2015.

(b) Financial Projections of FRL and BRL for FY 2015-16 to FY 2018-19

(c) Draft Scheme of Arrangement

(d) Discussions with the Management on various issues relevant for the valuation including the prospects and outlook for the industry, expected growth rate and other relevant information relating to future expected profitability of the business, etc.

(e) Other relevant details regarding the Companies such as their history, past and present activities, future plans and prospects, existing shareholding pattern and other relevant information and data, including information in the public domain.

(f) Such other information and explanations as we have required and which have been provided by the Management.

4. EXCLUSIONS AND LIMITATIONS

4.1 Our report is subject to the scope limitations detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

4.2 Valuation is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment.

4.3 No investigation on the Companies' claim to title of assets has been made for the purpose of this report and their claim to such rights has been assumed to be valid. Therefore, no responsibility is assumed for matters of a legal nature.

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4.4 Our work does not constitute an audit or certification of the historical financial statements / prospective results including the working results of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report.

4.5 A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the management of the Companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the value of the shares of the Companies including any significant changes that have taken place or are likely to take place in the financial position of the Companies post 31 Mar 2015. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

4.6 In the course of the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Companies through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Public information, estimates, industry and statistical information relied in this report have been obtained from the sources considered to be reliable. However, we have not independently verified such information and make no representation as to the accuracy or completeness of such information provided by such sources. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Companies. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.

4.7 Our recommendation is based on the estimates of future financial performance as projected by the management of the Companies, which represents their view of reasonable expectation at the point of time when they were prepared, but such information and estimates are not offered as assurances that the particular level of

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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. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

4.8 Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed demerger with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed Demerger.

4.9 This report has been prepared for the Board of Directors of BRL and FRL, solely for the purpose of recommending the share entitlement ratio for the demerger as stated in para 1 to the Report.

4.10 Any person/ party, intending to provide finance / invest in the shares / business of the Companies or for any other reason whatsoever, 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.

4.11 It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed demerger as aforesaid, can be done only with the prior written permission of the Valuers.

4.12 EFSL & SSPA, nor its partners, managers, employees makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

4.13 Final responsibility for the determination of the entitlement ratio will be with the Board of Directors of Companies who should take into account other factors such as their own assessment of the proposed Transaction and inputs of other advisors.

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4.14 This report does not look into the business / commercial reasons behind the transaction nor the likely benefits arising out of the same. Similarly, it 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.

4.15 The fee for the engagement is not contingent upon the results reported.

5. VALUATION APPROACH

5.1 For the purpose of valuation for demerger, generally the following approaches are adopted:

(a) the "Underlying Asset" approach

(b) the "Income" approach; and

(c) the "Market" approach

5.2 UNDERLYING ASSET APPROACH

In case of the "Underlying Asset" approach, the value is determined by dividing the net assets of a company/business by the number of shares. Since the business is valued on a "going concern" basis and an actual realization of the operating assets is not contemplated, we have considered it appropriate not to use 'Underlying Asset' approach for present valuation exercise.

5.3 INCOME APPROACH

Under the "Income" approach, the shares of FRL and the shares of BRL have been valued using Discounted Cash Flow ('DCF') Method.

5.3.1 Under the DCF method the projected free cash flows from business operations after considering fund requirements for projected capital expenditure and incremental working capital are discounted at the Weighted Average Cost of Capital (WACC). The sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business.

The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are determined by adding back

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to profit before tax, (i) depreciation and amortisations (non cash charge), (ii) interest on loans, if any and (iii) any non-operating items, the cash flow is adjusted for outflows on account of capital expenditure, tax and change in working capital requirements.

WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the company. In other words, WACC is the weighted average of the company's cost of equity and debt. Considering an appropriate mix between debt and equity for the company, we have arrived at the WACC to be used for discounting the Free Cash Flows of the Companies.

5.3.2 Appropriate adjustments have been made for contingent liabilities, cash and cash equivalents, value of investments and money receivable on conversion of warrants and options (after considering the tax impact wherever applicable) to arrive at the enterprise value.

5.3.3 Outstanding debt as at 31 Mar 2015 has been reduced from the enterprise value to arrive at the equity value.

5.3.4 The value as arrived above is divided by the fully diluted number of equity shares to arrive at the value per share.

5.4 MARKET APPROACH

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.

In the present case, the shares of FRL are listed. Therefore, the volume weighted average share price of FRL over reasonable periods has been considered for determining the value of shares of FRL under the 'Market' approach.

Since the equity shares of BRL are not listed on any recognized stock exchanges, 'Market' approach has not been considered for valuation of shares of BRL.

RECOMMENDATION OF FAIR EQUITY SHARE ENTITLEMENT RATIO

6.1 The fair basis of demerger of the "Retail Business Undertaking" of FRL into BRL and "Retail Infrastructure Business Undertaking" of BRL into FRL would have to be

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determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above approaches, for the purposes of recommending a fair equity share entitlement ratio, it is necessary to arrive at a single value for the shares. It is however important to note that in doing so, we are not attempting to arrive at the absolute value per share of BRL and FRL.

6.2 Our exercise is to work out relative value of shares to facilitate the determination of a fair equity share entitlement ratio. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach. As stated earlier, shares of FRL are valued using Market Approach and Income Approach. We have assigned equal weightage to Market Approach and Income Approach to arrive at the value per share of FRL. In case of BRL, shares have been valued using the Income Approach.

6.3 As mentioned earlier in para 2.1, the Equity Shares of FRL carry normal voting and dividend rights and DVR Shares carry differential voting and dividend rights. We have been informed by the Management of FRL that both classes of shares are treated equally for all other rights and corporate actions except for voting & dividend rights. As per the listing agreement, listed companies are prohibited from allotting DVR shares carrying superior voting rights or superior dividend rights.

Considering the above, in our opinion, DVR shares of FRL can be considered at par with the Equity Shares of FRL for the purpose of present valuation exercise.

6.4 In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

'If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as

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prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible.'

6.5 Valuers have independently carried out valuation of companies and have agreed to issue this Report jointly.

6.6 In the light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report, in our opinion, a fair equity share entitlement ratio in the event of demerger would be:

a) Demerger of "Retail Business Undertaking" of FRL into BRL (post reorganization of share capital of BRL):

1 (One) equity share of BRL of INR 2/- each fully paid for every 1 (One) equity share / DVR share of FRL of INR 2 each fully paid.

b) Demerger of "Retail Infrastructure Business Undertaking" of BRL (post reorganization of share capital of BRL) into FRL:

1 (One) equity share of FRL of INR 2 each fully paid for every 1 (One) equity share of BRL of INR 2 each fully paid.

Thank you,
Yours faithfully,

Nishant Tiwary

Edelweiss Financial Services Limited

Place: Gurgaon

SSPA & Co.
MUMBAI
CHARTERED ACCOUNTANTS

SSPA & Co.,
Chartered Accountants
Firm Registration No: 128851W

Place: Gurgaon

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