SANTOSH K SINGH & CO.
Chartered Accountants

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Sept 12, 2018

STRICTLY PRIVATE AND CONFIDENTIAL

The Board of Directors
Ritesh Properties and Industries Limited
11/5B, Pusa Road, New Delhi-110060

The Board of Directors
Ritesh Impex Private Limited
11/5B, Pusa Road, New Delhi-110060

The Board of Directors
H B Fibres Limited
11/5B, Pusa Road, New Delhi-110060

The Board of Directors
Ritesh Spinning Mills Limited
11/5B, Pusa Road, New Delhi-110060

Dear Sir,

Subject: ***Recommendation on Swap ratio for allotment of equity shares of Ritesh Properties And Industries Limited ('RPIL') to the equity shareholders of Ritesh Impex Private Limited ('RIPL'), H B Fibres Limited ('HBFL) and Ritesh Spinning Mills Limited (RSML) upon the merger of RIPL, HBFL, RSML with RPIL***

In terms of our engagement letter dated July 23, 2018, Santosh K Singh & Co., Chartered Accountants (**SKS**), has carried out an independent valuation of RPIL, RIPL, HBFL and RSML with a view to recommend a share exchange ratio for the purpose of determining number of equity shares of RPIL to be issued to equity shareholders of RIPL, HBFL and RSML pursuant to the proposed merger (RPIL, RIPL, HBFL and RSML are collectively referred to as "Companies").

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In the following paragraphs, we have summarized the valuation analysis of RPIL, RIPL, HBFL and RSML as on 1st April 2018 ('Appointed Date') together with the description of the methodologies used and limitation on our scope of work.

CONTEXT AND PURPOSE

We understand that the Management of RPIL is contemplating a restructuring exercise wherein it proposes to merge RIPL, HBFL and RSML into RPIL to achieve synergies through focused business segments and leverage on its operations for future growth ("Transaction").

This would be achieved by a Scheme of Arrangement for merger ("Scheme") under the relevant provisions of the Companies Act.

In this connection, SKS has been appointed to carry out the relative valuation of RPIL, RIPL, HBFL and RSML with a view to recommend a share exchange ratio.

The information contained herein and our report is confidential. It is intended only for the sole use and information of the Companies, and only in connection with the Scheme of Arrangement. 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 Scheme of Arrangement as aforesaid, can be done only with our prior permission in writing.

BACKGROUND INFORMATION

Ritesh Properties And Industries Limited (RPIL or the Company) is a company registered under Companies Act, 1956 having its registered office at 11/5B, Pusa Road, New Delhi-110060 in the state of Delhi and its equity shares are listed on the Bombay Stock Exchange Limited (BSE). Ritesh Properties and Industries Ltd (RPIL) is a leading company with business interests in Real Estate & garment Industry.

Ritesh Impex Private Limited (RIPL) is a company registered under Companies Act, 1956 having its registered office at 11/5B, Pusa Road, New Delhi-110060 in the state of Delhi and is owned 86.11% by the Femella Fashions Private Limited. RIPL is engaged in the business of buying, selling, import, export and acting as a trader of all kinds of readymade garments, cloth, linen, etc. Apart from the aforesaid business, RIPL is also engaged in the business of real estate.

H B Fibres Limited (HBFL) is a company registered under Companies Act, 1956 having its registered office at 11/5B, Pusa Road, New Delhi-110060. It is 100% owned by individuals. HBFL is engaged in the business of buying, selling, import, export, acting as agents and dealers and suppliers of agricultural and non-agricultural intermediate products, metal products, handicraft, all types of textile and garment related products including silk, jute, hosiery and mixed fabrics etc. Apart from the aforesaid business, HBFL is also engaged in the business of real estate.

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Ritesh Spinning Mills Limited (RSML) is a company registered under Companies Act, 1956 having its registered office at 11/5B, Pusa Road, New Delhi-110060 in the state of Delhi and is owned by the individuals. RSML is engaged in the business of spinning, weaving and finishing of textiles. Apart from the aforesaid business, RSML is also engaged in the business of real estate.

SOURCES OF INFORMATION

For arriving at the share exchange ratio, we have relied upon the following information, as provided to us by the Management of the Companies:

- Brief background of the business of RPIL, RIPL, HBFL and RSML;
- Audited financial statements of RPIL, RIPL, HBFL and RSML for the financial years ended 31st March 2016, 31st March 2017, 31st March 2018;
- Projected financial statements of Fashion segment in RPIL ;
- Draft Scheme of Arrangement of proposed merger;
- Shareholding pattern of RPIL, RIPL, HBFL and RSML as at March 31st, 2018;
- Discussions with the management of Companies including necessary information, explanations and representations provided by the management;

VALUATION METHODOLOGY

The standard of value in our analysis is defined as the price that a buyer could reasonably be expected to pay, and a seller could reasonably be expected to accept, in an independent third party arm's length transaction.

For the purpose of arriving at the share exchange ratio for the proposed merger, we have placed reliance on various judicial precedents laid down by Courts while deciding the matters involved in determination of share exchange ratios. The valuation of a business is an exercise which is carried out using various methodologies, to the extent applicable:

1. **Net Asset Value (NAV) Method**

The application of any particular method of valuation depends on the purpose for which the valuation exercise is performed, relevance of each method under the circumstances of the case and other factors as determined appropriate.

<u>Net Asset Value (NAV) method</u>

The asset based valuation technique is based on the value of the underlying net assets of the business. Under this method, the net assets as per financial statements are adjusted for the market value of surplus/ non-operating assets, contingent liabilities which may be crystallized and other adjustments as determined appropriate.

a) **RIPL, HBFL AND RSML:**

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We have used NAV method considering the fact that RIPL, HBFL and RSML are all asset holding companies (predominantly in the form of real assets) and do not have any other significant operations in place.

b) **RPIL**:

We have used NAV method considering the fact that RPIL has both operating and non-operating assets in its books and we have considered the adjusted NAV of RPIL after taking into account the fair value of those operating assets and non -operating assets separately and using sum of the part approach for arriving at the overall value of RPIL.

RELATIVE VALUATIONS

The Fair basis for the proposed merger of RIPL, HBFL and RSML into RPIL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above methodologies, for the purpose of recommending a share exchange ratio, it is necessary to arrive at the single relative value of the RIPL, HBFL, RSML and RPIL. 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 shares exchange ratio. For the purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

Valuation of RIPL, HBFL, RIPL and RSML

For valuation of HBFL, RIPL and RSML we have applied the following weightages:

- Net Asset Value (NAV) Method (100%),

We have assigned weightage of 100% to Net Asset Value method being the most relevant method.

For valuation of RIPL we have applied the following weightages:

- Adjusted Net Asset Value (NAV) Method (100%) applying the fair value of operating (using DCF method for non-real estate assets including fabric trading business) and non-operating assets (using market value for real estate assets),

We have assigned weightage of 100% to Net Asset Value method being the most relevant method.

It may be noted that for RSML, we have considered the fully diluted share capital including Compulsorily Convertible Debenture (CCD) on "As if converted Basis" (basis the terms and conditions as are applicable to the conversion of CCDs into equity shares).

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SCOPE LIMITATIONS

This report is subject to the limitation detailed hereinafter. As such the report has to be read in totality, and not in parts, in conjunction with the relevant documents referred to above.

- Computation of share exchange ratio is specific to the intended purpose as agreed in the terms of our engagement letter. Accordingly, the share exchange ratio should not be used for any other purpose nor would it be applicable as at any other date.
- We owe responsibility only to the Board of Directors of the Companies, and do not accept any liability to any third party, in relation to this report. Neither the report nor the 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 Arrangement, without our prior written consent.
- The determination of share exchange ratio involves considerable exercise of professional judgment as regards alternative methodologies and is also significantly influenced by prevailing industry, economic and market (including capital market) conditions. We have exercised reasonable care while exercising professional judgment and consideration of the aforesaid factors; however it is possible that any other valuer may not agree with the methodologies used by us and the relevant factors considered by us.
- Valuation analysis performed by us is not and should not be construed to constitute as an audit. SKS is not expressing any opinion on any GAAP related issues and has not offered any attestation services. The above mentioned procedures were performed to the extent of data provided to us by the management of RPIL, RIPL, HBFL and RSML.
- Valuation analysis is also specific to the date of this report. An exercise of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. As such, our results are, to a significant extent, subject to continuance of current trends beyond the date of the report. We, however, have no obligation to update this report for events, trends or transactions relating to RPIL, RIPL, HBFL and RSML or the market / economy in general and occurring subsequent to the date of this report.
- Our report on valuation analysis was based on inquiries of and discussions with management of RPIL, RIPL, HBFL and RSML and reading of the documents provided to us. In the course of our valuation analysis, we have relied upon financials and other information, including estimates of future financial performance and assumptions thereof, provided by management of RPIL, RIPL, HBFL and RSML.
- Our conclusions are dependent on such information being complete and correct in all material respects. We have not conducted an independent audit, due diligence review or validation of such information and estimates of future financial performance for the purpose of this assignment. Accordingly, we don't express an opinion or any other form of assurance thereon and we accept no responsibility or liability for any losses occasioned to RPIL or RIPL, HBFL and RSML, their directors or shareholders or to any other party as a result of our reliance on such information.

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- No representation is made as to the accuracy or completeness of such information unless expressly stated and nothing in our report should be relied as a representation of the future.
- We make no representation or warranty as to the accuracy or completeness of the information used for our analysis, including any estimates, and shall have no liability for any representations (expressed or implied) contained in, or for any omission from, these procedures.
- We have performed our analysis of RPIL, RIPL, HBFL and RSML for the aforesaid purpose and no account has been taken of any discount or premium that may be negotiated in the market in the event of a distress sale.
- It is understood that this report is required in connection with the limited purpose and will not be used to solicit either directly or indirectly - investments in RPIL or RIPL, HBFL and RSML or otherwise for any transaction.
- This report was not prepared by SKS for use by prospective financing sources. If, at any time, a potential financing source reviews this report, such financing source should conduct their own investigation and analysis of the data set forth in this document, obtain their own independent advice, and reach their own conclusions.
- SKS is not required to give testimony or to appear in court by reason of this valuation analysis, with reference to the Companies in the report.
- Any inferences drawn from this valuation report should consider the report in its entirety.
- Nothing has come to our attention to indicate that the information provided was materially mis-stated/incorrect or would not afford reasonable grounds upon which to base the report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose. We are not responsible for arithmetical accuracy / logical consistency of any information provided by RPIL or RIPL, HBFL and RSML and used in our analysis.
- The recommendation rendered in this report only represent the recommendations of SKS based upon information provided by the management of RIPL, HBFL and RSML and JBM and other sources and said recommendations shall be considered advisory in nature. Our recommendation will however not be for advising anybody to take buy or sell decision for which specific opinion needs to be taken from expert advisors.
- Our valuation analysis should not be constructed as investment advice; specifically we do not express any opinion on the suitability or otherwise of entering into any transaction with RIPL, HBFL and RSML or RPIL.

SHARE EXCHANGE RATIO

In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion, the share exchange ratio for the merger of RIPL, HBFL and RSML into RPIL works out to be as under:

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Valuation Approach	RPIL		RIPL		HBFL		RSML	
	Values per share	Weight	Values per share	Weight	Values per share	Weight	Values per share	Weight
Net Assets Value	60.01	100%	1,05,345.27	100%	812.94	100%	263.65	0%
Market Price Method	-	0%	-	0%	-	0%	-	0%
Discounted Cash Flow Method	-	0%	-	0%	-	0%	-	0%
Price Earning Capacity Value	-	0%	-	0%	-	0%	-	0%
Relative Value per Share	60.01		1,05,345.27		812.94		263.65	
Share Allotment Ratio for RIPL	1756		1.00					
Share Allotment Ratio for HBFL	14				1.00			
Share Allotment Ratio for RSML	4						1.00	

- **1,756 (One thousand seven hundred Fifty six)** equity shares of face value of Rs. 10 each of RPIL to be issued against **1 (One)** equity shares of face value of Rs. 100/- each of RIPL to the existing shareholders of RIPL
- **14 (Fourteen)** equity shares of face value of Rs. 10/- each of RPIL to be issued against every **1 (One)** equity shares of face value of Rs. 10/- each of HBFL to the existing shareholders of HBFL
- **4 (Four)** equity shares of face value of Rs. 10/- each of RPIL to be issued against every **1 (One)** equity shares of face value of Rs. 10/- each of RSML to the existing shareholders of RSML.
- **4 (Four)** equity shares of face value of Rs. 10/- each of RPIL to be issued against every **1 (One)** equity shares of Rs. 10 to be issued as per terms and conditions of conversion of CCD of face value of Rs. 5,000/- each of RSML to the existing CCD holders of RSML.

We have not looked any other aspect of the proposed merger except the aforesaid share Exchange Ratio.

For M/s Santosh K Singh & Co.
Chartered Accountants
Firm Registration No. 019877N

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Santosh K Singh
(Partner)
M. No. 502320

Place: New Delhi
Dated: Sept 12, 2018