Walker Chandiok & Co LLP

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To,

Board of Directors
The Bombay Dyeing and Manufacturing Company Limited
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Board of Directors
Scal Services Limited
Raheja Point I, Wing 'A',
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Vakola, Santacruz East,
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Maharashtra 400055

Date: 1 August 2018

Sub: Recommendation of Share Entitlement Ratio pursuant to the Scheme of Arrangement between Scal Services Limited and The Bombay Dyeing And Manufacturing Company Limited and their Respective Shareholders ("Scheme")

Dear Sir / Madam,

We refer to our Engagement Letter dated 13 July 2018 whereby the Management of The Bombay Dyeing And Manufacturing Company Limited ("BDMCL" or the "Resulting Company") and Scal Services Limited ("SCAL" or "Demerged Company") (collectively referred to as the "Management") have requested Walker Chandiok & Co LLP ("WCC" or the "firm") for a valuation report recommending the Share Entitlement Ratio for the proposed transaction involving the demerger of the Real Estate Business Undertaking ("Real Estate Business Undertaking" or the "Demerged Undertaking") of SCAL into BDMCL ("Proposed Transaction"), as on an agreed upon date (hereinafter referred to as the "Valuation Date") required for the purpose of the Proposed Transaction pursuant to a Scheme of Arrangement under Section 230 to 232 and other applicable clauses of the Companies Act, 2013 ("Scheme" or "Scheme of Arrangement") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The appointed date for the Scheme is 1 July 2018.

BDMCL and SCAL are together referred to as the "Specified Companies".

WCC has been hereafter referred to as 'Valuer' or 'we' in this Share Entitlement Ratio Report ('Report').

In the following paragraphs, we have summarized our valuation analysis together with the description of the methodologies used and limitations on our scope of work.

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Chartered Accountants

Offices in Bengaluru, Chandigarh, Chennai, Gurugram, Hyderabad, Kochi, Kolkata, Mumbai, New Delhi, Noida and Pune

Walker Chandiok & Co LLP is registered with limited liability with identification number AAC-2085 and its registered office at L-41 Connaught Circus, New Delhi, 110001, India

CONTEXT AND PURPOSE

The Bombay Dyeing and Manufacturing Company Limited

BDMCL is a listed public company whose equity shares are listed on the Bombay Stock Exchange (BSE) and National Stock Exchange of India (NSE). BDMCL is engaged in the businesses of: (a) Real Estate Activities, (b) Polyester Staple Fibre and (c) Retail of Home Textiles.

Scal Services Limited

SCAL is engaged in, inter alia, the following businesses: (a) Real Estate Business and (b) Trading Business including business activities through E-Commerce platform. SCAL has rights for selling some flats at a project located in Dadar, Mumbai through its network (the "Rights"). It also has redevelopment rights for developing a new project ("Project C") located in Worli, Mumbai. The Rights and Project C collectively are part of the Real Estate Business Undertaking of SCAL.

Proposed Transaction

We understand that the Management of the Specified Companies are contemplating a Proposed Transaction wherein there would be demerger of Real Estate Business Undertaking of SCAL into BDMCL.

As a consideration for the Proposed Transaction, equity shareholders of SCAL would be issued 8% Redeemable Non-Convertible Non-Cumulative Preference shares ("Preference Shares") of BDMCL. Share Entitlement Ratio for this Report refers to the number of preference shares of face value of INR 100/- each of BDMCL, which would be issued to shareholders of SCAL.

For the aforesaid purpose, the Management of the Specified Companies have requested WCC to submit the Report recommending the Share Entitlement Ratio in connection with the Proposed Transaction. The scope of our services is to conduct valuation in accordance with generally accepted professional standards for the purpose of the Proposed Transaction.

This Report is our deliverable for the above engagement.

This Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information received from the Management and/or gathered from public domain:

1. Shareholding Pattern of SCAL as on 30 June 2018;
2. Information on business of SCAL and profile provided by the Management;
3. Audited financial statements of SCAL for year ended 31 March 2016, 31 March 2017 and 31 March 2018;
4. Provisional financial statement of SCAL for the period ended 30 June 2018;
5. Financial Projections of the Real Estate Business Undertaking from FY19 to FY22;
6. Draft Scheme of Arrangement;
7. International Database; World Wide Web;

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8. Correspondence with the Management including Management Representation Letter;
9. In addition to the above, we have also obtained such other information and explanations which were considered relevant for the purpose of our analysis.

The Specified Companies have been provided with the opportunity to review the draft Report (excluding the recommended Share Entitlement Ratio) as part of our standard practice to make sure that factual inaccuracies / omissions are avoided in our final Report.

APPROACH TO VALUATION ENGAGEMENT AND VALUATION METHODS FOLLOWED

In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- Discussions with the Specified Companies to:
  - Understand the business and fundamental factors that affect its income-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance of the Real Estate Business Undertaking.
  - Enquire about business plan and future performance estimates of the Real Estate Business Undertaking.
- Undertook Industry Analysis:
  - Research publicly available market data including market rates of real estate properties that may impact the valuation.
  - Other publically available information.
- Analysis of information.
- Selection of appropriate internationally accepted valuation methodology/(ies) after deliberations
- Determination of value of the Real Estate Business Undertaking to arrive at the Share Entitlement Ratio.

Management has informed us that they have appointed Dalmia Securities Private Limited to provide fairness opinion on the Share Entitlement Ratio for the purpose of the aforementioned Proposed Transaction.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

The recommendation contained herein is not intended to represent value at any time other than valuation date of 30 June 2018 ('Valuation Date').

This Report, its contents and the results herein are (i) specific to the purpose of valuation agreed as per the terms of our engagement; (ii) the Valuation Date and (iii) are based on the data detailed in the section – Sources of Information. An analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular, and the information made available to us as of the Valuation Date. Events occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

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The recommendation rendered in this Report only represent our recommendation based upon information till date, furnished by the Management (or its representatives) and other sources and the said recommendation shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

The determination of a Share Entitlement Ratio 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 judgement. There is, therefore, no single undisputed Share Entitlement Ratio. While we have provided our recommendation of the Share Entitlement Ratio based on the information available to us and within the scope of our engagement, others may have a different opinion. The final responsibility for the determination of the Share Entitlement Ratio at which the Proposed Transaction shall take place will be with the Board of Directors of the Specified Companies who should take into account other factors such as their own assessment of the Proposed Transaction and input of other advisors.

In the course of the valuation, we were provided with both written and verbal information, including information as detailed in the section - Sources of Information. We have not audited, reviewed or otherwise investigated the financial information provided to us. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Specified Companies, we have been given to understand by the Specified Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/on behalf of the Specified Companies. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Also, we assume no responsibility for technical information furnished by the Specified Companies. However 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.

The Management has represented that the business activities have been carried out in the normal and ordinary course between 30 June 2018 and the Report date for the Specified Companies and that no material adverse change has occurred in their respective operations and financial position between the respective aforementioned dates and the Report date.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited/unaudited balance sheet of the Companies. Our conclusion of value assumes that the assets and liabilities of the Companies and their subsidiaries, reflected in their respective latest balance sheets remain intact as of the Report date.

This Report does not look into the business/ commercial reasons behind the Proposed Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Transaction as compared with any other alterative business transaction or other alternatives or whether or not such alternatives could be achieved or are available.

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No investigation / inspection of the Companies' claim to title of assets has been made for the purpose of this Report and the Companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

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

We owe responsibility to only the Boards of Directors of the Companies that have appointed us under the terms of our engagement letter and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other advisor to the Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their directors, employees or agents.

We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion on the Share Entitlement Ratio. 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.

This Report is subject to the laws of India.

The Report should be used in connection with the Scheme.

Neither the Valuation 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 Arrangement, without our prior written consent except for disclosures to be made to relevant regulatory authorities including stock Exchanges, SEBI and National Company Law Tribunal.

This Report does not in any manner address the prices at which equity shares of BDMCL will trade following announcement of the Transaction and we express no opinion or recommendation as to how the shareholders of either Company should vote at any shareholders' meeting(s) to be held in connection with the Proposed Transaction.

SHARE HOLDING PATTERN OF COMPANIES

BDMCL

The issued and subscribed equity share capital of BDMCL as on 30 June 2018 was INR 413.1 million consisting of 206,534,900 equity shares of face value of INR 2 each. The shareholding pattern was as follows:

Sr. No.	Shareholder	Percentage
1.	Promoter Group	53.69%
2.	Public Shareholders - Non-Institutions	40.23%
3.	Public Shareholders - Institutions	6.07%
4.	Non-promoter non-public	0.01%
	Total	**100.00%**

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SCAL

The issued and subscribed equity share capital of SCAL as on 30 June 2018 was INR 16.0 million consisting of 160,000 equity shares of face value of INR 100 each. The shareholding pattern was as follows:

Sr. No.	Shareholder	Percentage
1	The Bombay Dyeing and Manufacturing Company Limited	19.00%
2	Bombay Dyeing Real Estate Company Limited	19.00%
3	BDS Urban Infrastructure Private Limited	43.00%
4	Pentafil Textile Dealers Limited	19.00%
	Total	**100.00%**

APPROACH & METHODOLOGY

The Scheme contemplates the demerger of Real Estate Business Undertaking into BDMCL. Arriving at the Share Entitlement Ratio for the Proposed Transaction would require determining value of Real Estate Business Undertaking of SCAL. The Scheme contemplates the Proposed Transaction pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

There are several commonly used and accepted methods for determining the Share Entitlement ratio for the proposed demerger of Real Estate Business Undertaking into BDMCL, which have been considered in the present case, to the extent relevant and applicable, including:

1. Market Approach:
    a. Market Price method
    b. Comparable Companies Multiples
    c. Comparable Transaction Multiple Method
2. Income Approach : Discounted Cash Flows Method
3. Cost Approach : Net Asset Value Method

As discussed below for the Proposed Transaction we have considered these methods, to the extent relevant and applicable.

This valuation could fluctuate with lapse of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.

We have relied on the judgment of the Management as regards contingent and other liabilities.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although, different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature, regulatory guideline and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

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The valuation methodologies, as may be applicable, which have been used to arrive at the value of the Real Estate Business Undertaking are discussed hereunder:

Market Price (MP) Method

The market price of an equity share as quoted on a stock Exchange is normally considered as the 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.

Equity shares of SCAL are not listed on any stock exchange, hence this method is not applicable.

Comparable Companies Market Multiple ("CCM") Method

Under this method, value of the equity shares of a company/ business undertaking is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. Since the business of the Real Estate Business Undertaking involves cash flows from only the identified/ exclusive real estate projects, the multiples of the comparable companies executing a number of projects would not reflect a good benchmark to derive the value of the subject company. Hence, we have not used this method of valuation.

Comparable Companies Transaction Multiple ("CTM") Method

Under CTM method, value of the equity shares of a company/ business undertaking is arrived at by using the prices implied by reported transactions/ deals of comparable companies.

Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

Similar to the CCM Method, considering the uniqueness of the Real Estate Business Undertaking, it is difficult to find similar transactions to benchmark. We have therefore not used this method of valuation.

Discounted Cash Flows (DCF) Method

Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to all providers of the company's capital – both debt and equity.

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Appropriate discount rate to be applied to cash flows i.e. the cost of capital:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

Considering that DCF method is based on future potential & is widely accepted and since the value of the business of the Real Estate Business Undertaking involves cash flows from identified /exclusive real estate projects, we have used DCF for the valuation of the Real Estate Business Undertaking.

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 valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base dominate earnings capability. In a going concern scenario, the earning power is of importance to the basis of demerger, with the values arrived at on the net asset basis being of limited relevance. We have therefore not used this method of valuation.

BASIS OF SHARE ENTITLEMENT RATIO

The basis of the Proposed Transaction would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. The Share Entitlement Ratio is based on the various methodologies explained herein earlier and various qualitative factors relevant to the Real Estate Business Undertaking and the business dynamics and growth potentials of the business of the Real Estate Business Undertaking, having regard to information base, key underlying assumptions and limitations.

As considered appropriate, we have applied methodologies discussed above and arrived at assessment of value of the Real Estate Business Undertaking.

As per the Scheme, 8% Redeemable Non-Convertible Non-Cumulative Preference Shares of INR 100 each would be issued by BDMCL to the equity share holders of SCAL except BDMCL itself. Considering the coupon rate, terms of redemption and the current market value of similar instruments, we understand the value of the Preference Shares can be considered similar to its Face value.

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CONCLUSION

Based on the forgoing, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, pursuant to demerger of Real Estate Business Undertaking of SCAL into BDMCL, we recommend the following Share Entitlement Ratio for consideration by BDMCL to the shareholders of SCAL (except BDMCL):

3 (Three) fully paid up 8% Redeemable Non-Convertible Non-Cumulative Preference Shares of INR 100 each of BDMCL for every 1 (one) equity share of INR 100 each held in SCAL.

Respectfully submitted,
For **Walker Chandiok & Co LLP**
Chartered Accountants
ICAI Firm Registration No: 001076N/ N500013

Huned Contractor
Partner
Membership No: 41456
Date: 01 August 2018

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Annexure 1: Workings for arriving at the Share Entitlement Ratio in the Report

Particulars	Real Estate Business Undertaking of SCAL		BDMC	
	Per Share (INR)	Weight (%)	Per Share INR	Weight (%)
Cost / Asset Approach	NA	-	NA	-
Market Approach				
Market Price Method	NA	-	NA	-
Comparable Companies Method	NA	-	NA	-
Income Approach	300.0	100%	NA	-
Value Per Share	**300.0**	**100%**	**NA**	**-**

NA= Not Applicable/Adopted

1. The Cost / Asset approach is not adopted in the current case as this methodology shall not capture the future cash flows of the projects of the Real Estate Business Undertaking.
2. Market Price Method is not applicable since we are valuing the Real Estate Business Undertaking of SCAL and the equity shares of SCAL are not listed on any stock exchange.
3. CCM and CTM are not adopted since the business of the Real Estate Business Undertaking involves cash flows from only identified/ exclusive real estate projects and hence difficult to find comparable companies / transactions.
4. The Income Approach has been considered since the business of the Real Estate Business Undertaking involves cash flows from identified /exclusive real estate projects and this methodology shall capture the future cash flows of such projects.
5. We have not valued equity shares of BDMC using any of the above approaches as in the proposed transaction, Redeemable Non-Convertible Non-Cumulative Preference shares are being issued to the shareholders of SCAL instead of equity shares.

Share Entitlement Ratio
3 (Three) fully paid up 8% Redeemable Non-Convertible Non-Cumulative Preference Shares of INR 100 each of BDMCL for every 1 (one) equity share of INR 100 each held in SCAL.

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