



FAIRNESS OPINION REPORT

Date: August 1, 2018

To,

Board of Directors

The Bombay Dyeing And Manufacturing Company Limited

C-1 Ground Floor, Wadia International Centre,

Pandurang Budhkar Marg,

Worli, Mumbai,

Maharashtra 400025

Board of Directors

Scal Services Limited

Raheja Point I Wing "A" Pt. Jawaharlal Nehru Road,

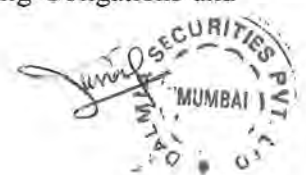
Vakola, Santacruz (E) Mumbai

Maharashtra 400 055

Dear Sir(s),

Subject: Fairness Opinion for the Share Entitlement Ratio pursuant to the Scheme of Arrangement between Scal Services Limited and The Bombay Dyeing and Manufacturing Company Ltd and their respective shareholders ("Scheme")

Please refer to the engagement letter dated July 23, 2018 whereby the managements of The Bombay Dyeing and Manufacturing Company Ltd and ("BDMCL" or "Resulting Company") Scal Services Limited ("SCAL" or "Demerged Company") appointed Dalmia Securities Private Limited ["DSPL"], a SEBI Registered Category (I) Merchant Banker, to provide fairness opinion in terms of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ["SEBI Circular"] and other applicable SEBI Regulations, for the proposed transaction involving the demerger of the Real Estate Business ("Real Estate Undertaking" or the "Demerged Undertaking") of SCAL vesting into BDMCL ("Proposed Transaction"), as on an agreed 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 provisions 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.

1. BACKGROUND

1.1 *The Bombay Dyeing and Manufacturing Company Limited (“BDMCL”)*

BDMCL is a listed public limited company originally incorporated in 1879 and is engaged in the business of (a) Real Estate Activities (b) Polyester Staple Fibre and (c) Retail of Home Textiles. The corporate identity number of the company is L17120MH1879PLC000037. The registered office of the company is situated at Neville House, Heredia Marg, Ballard Estates, Mumbai 400 001. The corporate office of the Company is situated at C-1, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai – 400 025.

The equity shares of BDMCL are listed on BSE Limited and National Stock Exchange of India Limited. The issued, subscribed and paid up share capital of BDMCL is Rs.41.31 Cr. representing 20,65,34,900 equity shares of face value Rs. 2/- each. The shareholding pattern of BDMCL as on June 30, 2018 is as under:

Category	Number of Shares Held	Shareholding (%)
Promoter Group	11,08,62,618	53.69
Public Shareholders – Non Institutions	8,30,64,112	40.23
Public Shareholders – Institutions	1,25,68,745	6.07
Non – Promoter Non – Public	39,425	0.01
Total	20,65,34,900	100.00

1.2 *Scal Services Limited (“SCAL”)*

SCAL is incorporated on December 5, 1983 as a company under the Companies Act 1956, with CIN U65990MH1983PLC031492, having its registered office at Raheja Point I Wing “A” Pt. Jawaharlal Nehru Road, Vakola, Santacruz (E) Mumbai 400 055. It is engaged in, inter alia, the following businesses: (a) Real Estate Business; and (b) Trading Business including business activities through E-Commerce Platform .

The issued, subscribed and paid up share capital of the SCAL is Rs.1,60,00,000 representing 1,60,000 equity shares of face value of Rs. 100 each. As on date, the shareholding pattern of SCAL is as under:

Name of Shareholders	Shares held	Shareholding (%)
The Bombay Dyeing and Manufacturing Co.Ltd**	30,400	19
Bombay Dyeing Real Estate Co.Ltd	30,400	19
BDS Urban Infrastructure Pvt.Ltd.	60,800	43
Pentafil Textile Dealers Ltd.	30,400	19
Total	1,60,000	100.00

** Includes 6 shares held by jointly with Nominees.

1.3. TRANSACTION OVERVIEW AND PROPOSED SCHEME OF ARRANGEMENT

Pursuant to the proposed Scheme, Demerged Company is proposed to demerge its Real Estate Business undertaking into Resulting Company under Sections 230-232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 / Companies Act, 1956, as may be applicable. Pursuant to Scheme, Resulting Company proposes to issue its Preference Shares to the equity shareholders of Demerged Company (except Resulting Company itself).

2. SCOPE OF ENGAGEMENT

BDMCL and SCAL have appointed DSPL to issue fairness opinion for the proposed Scheme in terms of the SEBI Circular and applicable SEBI Regulations. DSPL issued this fairness opinion *vide* its Fairness Report dated August 1, 2018[“**Fairness Report/Report**”] in capacity of Independent Merchant Banker based on the report dated August 1, 2018, containing recommendation of fair Share Entitlement Ratio, issued by M/s Walker Chandiook & Co LLP, Chartered Accountants[WCC/“**Valuer**”] with ICAI Regn No.001076N/N500013. (Salient Features of the report is enclosed at **Annexure**)

3. SOURCES OF INFORMATION

DSPL has relied on the following information for issuing the Fairness Report for the

purpose of the proposed Scheme:

- Draft Scheme of Arrangement under Sections 230-232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 / Companies Act, 1956, as may be applicable, with regard to the proposed Scheme.
- Report containing recommendation of Share Entitlement Ratio issued by WCC.
- Copy of Memorandum and Article of Association of BDMCL and SCAL.
- Audited financial statements of SCAL for the years ended/ as at March 31, 2016 2017 and 2018 and Provisional Financial statement for the period ended June 30, 2018.
- Such other information, documents, data, reports, discussions and verbal & written explanations from SCAL as well as advisors for proposed merger/ amalgamation, information available in public domain & websites as were considered relevant for the purpose of the Fairness Opinion.

4. **KEY FEATURE OF SCHEME**

The proposed scheme involves demerger of the Real Estate Business of SCAL into BDMCL. The proposed scheme is expected to result in the following benefits.

- (a) Helping the Demerged Company to expand its Trading Business which comprises of a platform for digital marketing and distribution of textile products; and
- (b) Realignment and consolidation of its real estate business undertaking in BDMCL in efficient manner and building strong capability to effectively meet future challenges in competitive business environment;
- (c) More focused management and greater visibility on the performance of individual businesses;
- (d) Synergies in operational process and creation of efficiencies by reducing time to market and benefiting customers as well as optimization of operation and capital expenditure; and
- (e) Leading to increased competitive strength, cost reduction and efficiencies, productivity gains by pooling the financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies thereby significantly contributing to future growth.

The proposed scheme is expected to be beneficial to Demerged Company and Resulting Company and their respective shareholders, creditors and all other stakeholders and will enable Demerged Company and Resulting Company to achieve and fulfil their objectives more efficiently and economically

5. EXCLUSIONS AND LIMITATIONS

The Fairness Report is subject to the scope and limitations detailed hereinafter.

- 5.1 The Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein. The Report is divided into chapters and sub section only for the purpose of reading convenience. Any partial reading of this Report may lead to inferences, which may be divergence with the conclusion and opinion based on the entirety of this Report.
- 5.2 In the course of the present exercise, DSPL were provided with both written and verbal information, including financial data. The Report is issued by DSPL based on the basis of information available in public domain and sources believed to be reliable and information provided by the companies forming part of the Scheme and the Valuer for the sole purpose to facilitate BDMCL and SCAL to comply with the requirements of the SEBI Circulars and applicable SEBI Regulations and shall not be valid for any other purpose or as at any other date.
- 5.3 DSPL has relied upon the historical financials and the information and representations furnished without carrying out any audit or other tests to verify its accuracy with limited independent appraisal. Also, DSPL has been given to understand by the managements of the companies forming part of the Scheme that they have not omitted any relevant and material factors. Accordingly, DSPL does not express any opinion or offer any form of assurance regarding its accuracy and completeness. DSPL assumes no responsibility whatsoever for any errors in the above information furnished by the companies and/or the Valuer and their impact on the present exercise. DSPL has not conducted any independent valuation or appraisal of any of the assets or liabilities of the companies. In particular, DSPL does not express opinion on value of assets of the companies forming part of the Scheme and/or their subsidiary, holding affiliates, whether at current price or future price. No investigation of the companies claim to the title of assets or property owned by the companies has been made for the purpose of this fairness opinion. With regard to the companies claim, DSPL has relied solely on representation, whether verbal or otherwise made, by the management for purpose of this Report. Therefore no responsibility whatsoever is assumed for matters of legal nature. Further, DSPL has not

- evaluated solvency or fair value of the companies forming part of the Scheme under any law relating bankruptcy, insolvency or similar matter.
- 5.4 DSPL work does not constitute an audit, due diligence or verification of historical financials including the working results of the companies or their business referred to in this Report. Accordingly, DSPL is unable to and does not express an opinion on the accuracy of any financial information referred to in this Report.
- 5.5 DSPL assumes with the consent of the Company, that the Scheme will be in compliance with all applicable law and other requirements and will be implemented on terms described in the Draft Scheme, without further modifications of any material terms and conditions, and that in course of obtaining necessary regulatory or third party approvals for the Scheme, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the companies forming part of the Scheme and/or its relevant subsidiaries/affiliates and their respective shareholders. DSPL assumes, at the direction of the companies, that the final Scheme will not differ in any material respect from the Draft Scheme. DSPL understands from the companies' management that the Scheme will be given effect in totality and not in part.
- 5.6 The opinion of DSPL under this Report does not express any opinion whatsoever and make recommendation at all to the companies forming part of the Scheme underlying decision to affect the proposed Scheme or as to how the holders of equity shares or secured or unsecured creditors of the companies should vote at their respective meetings held in connection with the proposed Scheme. DSPL does not express and should not be deemed to have expressed any views on any other term of the proposed Scheme.
- 5.7 The Report should not be construed as certifying the compliance of the proposed transfer with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.
- 5.8 The opinion under the Report is specific to the date of this Report. An exercise of this nature involves consideration of various factors. This Report is issued on the understanding that the companies forming part of the Scheme have drawn attention to all the matters, which they are aware of concerning the financial position of the companies.

their businesses, and any other matter, which may have an impact on the opinion for the proposed merger, including any significant changes that have taken place or are likely to take place in the financial position of the companies or their businesses subsequent to the proposed appointed date for the proposed Scheme. DSPL has no responsibility to update this report for events and circumstances occurring after the date of this report. DSPL assumes no responsibility for updating or revising the opinion/Report based on circumstances or events occurring after the date hereof.

- 5.9 In past, DSPL may have provided and currently or in the future provide, investment banking services to the companies forming part of the Scheme under the scheme and/or any holding or subsidiaries or affiliates and their respective shareholders, for which DSPL has received or may receive customary fees. DSPL engagement as fairness opinion provider is independent of our other business relationship, which may have the companies under the scheme and/or any holding or subsidiaries or affiliates. In addition in ordinary course of their respective business, DSPL or its affiliates may actively trade in securities of the companies under the scheme and/or any holding or subsidiaries or affiliates and their respective shareholders for their own accounts and account of their customers and accordingly may at any time hold position in such securities. DSPL engagement and opinion only to fulfil the requirement of the SEBI Circular and not for other purposes. Neither DSPL nor any of its affiliates, partners, directors, shareholders, managers, employees or agents make any representation or warranty, expressed or implied, as to the information and documents provided, based on which the Report has been issued.
- 5.10 This Report issued by DSPL without regard to specific objectivities, suitability, financial situation and need of any particular person and does not constitute any recommendation, and should not be construed as offer for to sell or the solicitation of an offer to buy, purchase or subscribe to any securities mentioned herein. This report has not been or may not be approved by any statutory or regulatory authority in India or by any Stock Exchange in India. This Report may not be all inclusive and may not contain all information that the recipient may consider material.

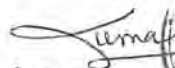
- 5.11 The Report and information contained therein or any part of it does not constitute or purport to constitute investment advice in publicly accessible media and should not be printed, reproduced, transmitted, sold distributed or published by recipient without prior written approval of DSPL. The distribution/taking/sending/dispatching of this document in certain foreign jurisdiction may be restricted by law, and person into whose this document comes should inform themselves about and observe, any such restriction.
- 5.12 This Report has been issued for the sole purpose to facilitate the Company to comply with SEBI Circular and other applicable SEBI Regulations and it shall not be valid for any other purpose. Neither this Report, nor the information contained herein, may be reproduced passed to any person or used for any purpose other than stated above, without prior written approval of DSPL.
- 5.13 The company has been provided with opportunity to review the draft as part of standard practice to make factual inaccuracy/omissions are avoided in the Final Report.
- 5.14 The fee for the services is not contingent upon the result of proposed Scheme. This Report is subject to law of India.

6. **OPINION & CONCLUSION**

In light of the forgoing and subject to the caveats as detailed hereinbefore, DSPL hereby certifies the fair shares exchange ratio recommended by the Valuer, as mentioned below, is fair and reasonable:

***“3 (Three) fully paid-up 8% Redeemable Non Convertible Non-cumulative Preference Shares of face value Rs 100 each of The Bombay Dyeing and Manufacturing Company Ltd (Resulting Company) for every 1 (one) equity shares of Rs. 100 each held in Scal Services Ltd (Demerged Company).*”**

For **Dalmia Securities Private Limited**


Jeyakumar S

COO- Investment Banking

SEBI Registration Number INM000011476

Date: 1 August 2018

Place: Mumbai

Annexure 1

Synopsis of the Valuation Report Issued by WCC LLP (Regn No.ICAI001076N/N500013)

WCC has adopted the following procedures to determine the fair exchange ratio:

- Held discussions with SCAL and BDMCL 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 Undertaking of SCAL.
 - Enquire about business plan and future performance estimates of the Real Estate 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.
- Selection of appropriate internationally accepted valuation methodology/(ies) after deliberations

WCC has indicated the following rationale for adopting Income Approach for valuation of Real Estate Business of SCAL.

1. The Cost approach is not adopted as this methodology shall not capture the future cash flows of the projects of the Real Estate Undertaking.
2. Market Price Method is not applicable since the equity shares of SCAL are not listed on any stock exchange.
3. Market Multiple and Comparable Company Transaction Multiple are not adopted since the business of the Real Estate Undertaking involves cash flows from only identified/ exclusive real estate projects and hence difficult to find comparable companies / transactions.
4. The Income Approach with acceptable Discounting rates, has been considered since the business of the Real Estate Undertaking involves cash flows from identified /exclusive real estate projects and this methodology shall capture the future cash flows of such projects.

As per the report of WCC LLP, the value per share of the SCAL is determined as Rs.300/share by Income Approach Method.

