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Chartered Accountants
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 Dhobi Talao, M. G. Road,
 Mumbai - 400 020, Maharashtra, India

7 August 2019

The Board of Directors
The Phoenix Mills Limited
 Shree Laxmi Woolen Mills Estate
 Off. Dr. E. Moses Road, Mahalaxmi
 Mumbai, 400011

The Board of Directors
Phoenix Hospitality Company Private Limited
 Phoenix Mill Premises
 Senapati Bapat Marg, Lower Parel,
 Mumbai – 400013

Sub: Recommendation of equity share exchange ratio for the proposed amalgamation of Phoenix Hospitality Company Private Limited with The Phoenix Mills Limited

Dear Sirs,

We refer to our engagement letters whereby The Phoenix Mills Limited (“TPML”) and Phoenix Hospitality Company Private Limited (“PHCPL”) (together referred to as “Clients”, the “Companies”, “Businesses” or “You”) have jointly requested B S R & Associates LLP (“BSR”) and Bansi S. Mehta & Co. (“BSMC”) to recommend an equity share exchange ratio in connection with the proposed amalgamation of Phoenix Hospitality Company Private Limited with The Phoenix Mills Limited.

BSR and BSMC are hereinafter jointly referred to as “Valuers” or “we” or “us” and individually referred to as the “Valuer” in this Valuation Report.

SCOPE AND PURPOSE OF THE VALUATION REPORT

We understand that the management of the Companies (hereinafter referred to as “the Management”) are contemplating the amalgamation of PHCPL with TPML under a Scheme of Amalgamation under the provisions of Sections 230-232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013. Under the proposed Scheme of Amalgamation, as consideration for the amalgamation of PHCPL into TPML, the shareholders of PHCPL will be issued equity shares of TPML (“Transaction”).

BSR and BSMC have been requested by the Board of Directors/ Audit Committee of the Companies to submit a letter recommending an equity share exchange ratio, as on the date of this report, in connection with the Transaction. This valuation report (“Valuation Report”) may be placed before the audit committee, as per SEBI Circular CFD/DIL3/CIR/2017/21 dated 10 March 2017 and the circular no. CFD/DIL3/CIR/2017/26 dated 23 March 2017. We understand that this Valuation Report will be used by the Clients for the above mentioned purpose only and, to the extent mandatorily required under applicable laws of India, may be produced before judicial, regulatory or government authorities, in connection with the Transaction.

We understand that the appointed date for the amalgamation as per the draft scheme shall be 1 April 2019



Recommendation of share exchange ratio for the proposed amalgamation of PHCPL with TPML

The scope of our services is to conduct a relative valuation (and not absolute) of the equity shares of TPML and PHCPL to arrive at the equity share exchange ratio of TPML and PHCPL (“Equity Share Exchange Ratio”) for the proposed amalgamation in accordance with generally accepted professional standards.

This Valuation Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such the Valuation 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 preparing this Valuation Report, we have received the following information from the management of the Companies (“Management”):

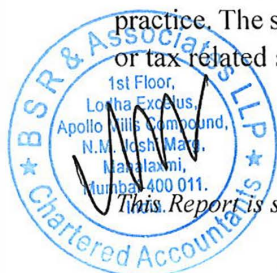
- Audited financial statements of the Companies for the historical period;
- Management business plan (“Management Business Plan”) for TPML, PHCPL, their subsidiaries, joint ventures and special purpose vehicles (SPVs);
- Interviews and discussions with the Management to augment our knowledge of the operations of the Companies;
- Draft Scheme of Amalgamation dated 6 August 2019 (“Scheme”);
- Other information, explanations and representations that were required and provided by the Management;
- For our analysis, we have relied on published and secondary sources of data, whether or not made available by the Client. We have not independently verified the accuracy or timeliness of the same; and
- Such other analysis, review and enquiries, as we considered necessary.

We have taken into consideration the current market parameters in our analysis and have made adjustments for additional facts made known to us till the date of our Valuation Report. Further, we have been informed that all material information impacting the Companies have been disclosed to us. The Management has further confirmed to us that there are no unusual/ abnormal events in the Companies since the last audited accounts till the Valuation Report date materially impacting their operating/ financial performance.

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

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 service does not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.



This Report is subject to the limitations mentioned herein under



Recommendation of share exchange ratio for the proposed amalgamation of PHCPL with TPML

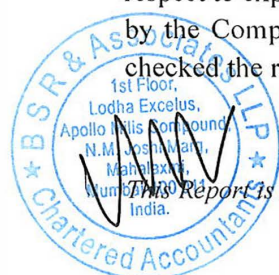
This Valuation Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; and (ii) the date of this Valuation Report and (iii) the latest available financial statements of the Companies and other information provided by the Management or taken from public sources till 7 August 2019.

A valuation of this nature is necessarily based on (a) prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on and (b) the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this Valuation Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Valuation Report.

The ultimate analysis will have to be influenced by the exercise of judicious discretion by the Valuer and judgment taking into accounts all the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, 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.

The recommendation(s) rendered in this Valuation Report only represent our recommendation(s) based upon information received by the Companies till 7 August 2019 and other sources and the said recommendation(s) 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). Further, the determination of Equity Share Exchange 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 judgment. There is, therefore, no indisputable single Equity Share Exchange Ratio. While we have provided our recommendation of the Equity Share Exchange Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the Equity Share Exchange Ratio of the equity shares of TPML and PHCPL. You acknowledge and agree that you have the final responsibility for the determination of the Equity Share Exchange Ratio at which the proposed amalgamation shall take place and factors other than our Valuation Report will need to be taken into account in determining the Equity Share Exchange Ratio; these will include your own assessment of the Transaction and may include the input of other professional advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, technical, financial and operating data. In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this Valuation Report and (ii) the accuracy of information made available to us by the Companies. We have not carried out a due diligence or audit of the Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided. We are not legal or regulatory advisors with respect to legal and regulatory matters for the Transaction. We do not express any form of assurance that the financial information or other information as prepared and provided by the Companies is accurate. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the 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



Recommendation of share exchange ratio for the proposed amalgamation of PHCPL with TPML

of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.

Our conclusions are based on these assumptions and information given by/ on behalf of the Companies. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/ results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and its impact on the Valuation Report. Also, we assume no responsibility for technical information (if any) furnished by the 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 Valuation 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.

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. In no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this Valuation Report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

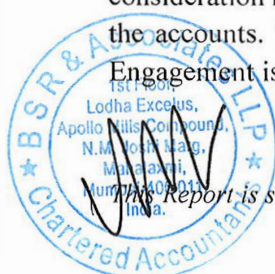
The Valuation Report assumes that the specified Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the specified Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Valuation 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 period balance sheet of the specified Companies. Our conclusion of value assumes that the assets and liabilities of the specified Companies, reflected in their respective latest balance sheets remain intact as of the Valuation Report date.

The financial forecasts used in the preparation of the Report reflects judgment of management of Companies, based on present circumstances prevailing around the Valuation Date, as to the most likely set of conditions and the course of action it is most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period will almost always may differ from the forecasts and as such differences may be material.

This Valuation 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.

No investigation of the Companies' claim to title of assets has been made for the purpose of this Valuation 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 of the Valuation Report.

This Report is subject to the limitations mentioned herein under



Recommendation of share exchange ratio for the proposed amalgamation of PHCPL with TPML

We owe responsibility to the Audit Committee of the Board of Directors of TPML and PHCPL which have retained us, and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of the other. We do not accept any liability to any third party in relation to the issue of this Valuation Report. This Valuation 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. It is understood that this analysis does not represent a fairness opinion.

This Valuation Report is subject to the laws of India.

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. Further, it cannot be used for purpose other than in connection with the Transaction, without our prior consent. In addition, this Valuation Report does not in any manner address the prices at which equity shares will trade following consummation 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 Transaction.

BACKGROUND OF THE COMPANIES

The Phoenix Mills Limited (TPML)

TPML, a company incorporated in 1905, is based in Mumbai, India. TPML is a leading retail mall developer and operator in India and is the pioneer of retail-led, mixed-use developments in India with completed development of over 17.5 million square feet spread across retail, hospitality, commercial, and residential asset classes. The company has an operational retail portfolio of approximately 6.0 million square feet spread across 8 operational malls in 6 gateway cities of India. The company is further developing 5 malls with over 4.9 million square feet of retail space in 5 gateway cities of India. Besides retail, the company plans to expand its commercial office portfolio from current gross leasable area (GLA) of 1.3 million square feet to 4 – 5 million square feet.

The issued and subscribed equity share capital of TPML as at 7 August 2019 is INR 306.69 million consisting of 153,343,690 equity shares of face value of INR 2 each. The shareholding pattern of TPML as on Valuation Report date is as follows:

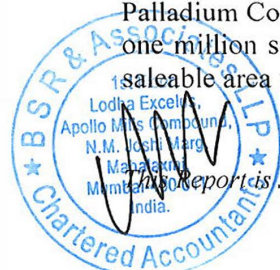
Category	No of Shares	% shareholding
Promoter & Promoter Group	96,215,882	62.75
Public	57,127,808	37.25
Total	153,343,690	100.0

Source: Management

Phoenix Hospitality Company Private Limited (PHCPL)

PHCPL is a holding company having investment in four SPVs engaged in the business of real estate development. PHCPL has ownership interests in Graceworks Realty and Leisure, Alliance Spaces, Palladium Constructions and Starboard Hotels. In together, the four SPVs have GLA of approximately one million square feet of leasable commercial and retail development, ~3.19 million square feet of saleable area under residential development and 193 key hotel.

This report is subject to the limitations mentioned herein under



Recommendation of share exchange ratio for the proposed amalgamation of PHCPL with TPML

The issued and subscribed equity share capital of PHCPL as at 7 August 2019 is INR 23.21 million consisting of 2,321,400 equity shares of face value of INR 10 each. The shareholding pattern of PHCPL as on Valuation Report date is as follows:

Category	No of Shares	% shareholding
The Phoenix Mills Limited	1,321,400	56.92
Promoters and Promoter Group	1,000,000	43.08
Total	2,321,400	100.0

Source: Management

APPROACH & METHODOLOGY - BASIS OF TRANSACTION

The Transaction contemplates amalgamation of PHCPL with TPML. Arriving at the Equity Share Exchange Ratio for the proposed amalgamation of the above mentioned companies would require determining the value of PHCPL in terms of the value of the equity shares of TPML. These values are to be determined independently but on a relative basis, and without considering the proposed Transaction.

There are several commonly used and accepted methods for determining the value of the equity shares of a company, which have been considered in the present case by Valuers independently, to the extent relevant and applicable, including:

1. Market Price method
2. Income Approach/ Earnings based Method
3. Net Asset Value method (NAV)

It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.

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 a transaction of a similar nature, regulatory guidelines and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

The valuation methodologies used by BSR and BSMC to arrive at the value attributable to the equity shareholders of TPML and PHCPL are discussed in Annexure 1A and 1B respectively (*Annexure 1A and 1B together referred to as Annexures*):



This Report is subject to the limitations mentioned herein under



*Recommendation of share exchange ratio for the proposed amalgamation of PHCPL with TPML***BASIS OF EQUITY SHARE EXCHANGE RATIO**

The basis of amalgamation of PHCPL into TPML 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 purposes of recommending an Equity Share Exchange Ratio of equity shares, it is necessary to arrive at a single value for the equity shares of TPML and PHCPL. It is however important to note that in doing so we are not attempting to arrive at the absolute equity values of the Companies but at their relative values to facilitate the determination of a fair Equity Share Exchange Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

The Equity Share Exchange Ratio has been arrived at on the basis of a relative equity valuation of the Companies based on the various approaches/ methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Businesses, having regard to information base, key underlying assumptions and limitations.

As considered appropriate, we have independently applied methodologies discussed in the Annexures and arrived at the value per share of the Companies. To arrive at the consensus on the equity share exchange ratio for the proposed amalgamation, suitable minor adjustments/ rounding off have been done.

In view of the above, and on consideration of the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the Equity Share Exchange Ratio of equity shares for amalgamation of PHCPL into TPML at 627 (six hundred twenty seven) equity shares of TPML of INR 2 each fully paid up for every 100 (hundred) equity shares of PHCPL of INR 10 each fully paid up.


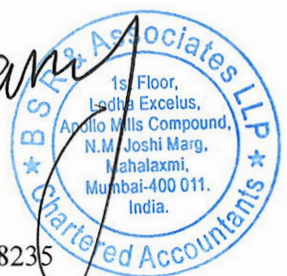
Our Valuation Report and Equity Share Exchange Ratio is based on the current equity share capital structure of TPML and PHCPL as mentioned earlier in this Report. Any variation in the equity capital of TPML and PHCPL may have material impact on the share exchange ratio.

Respectfully submitted.

For B S R & Associates LLP

Chartered Accountants

Firm Registration No: 116231W





Mahek Vikamsey
Partner
 Membership No: 108235
 UDIN: 19108235AAAAAH7405

Date: 7 August 2019

For Bansi S. Mehta & Co.

Chartered Accountants

Firm Registration No: 100991W



Drushti R. Desai
Partner
 Membership No: 102062
 UDIN: 19102062AAAAAH5733

Date: 7 August 2019

*Recommendation of share exchange ratio for the proposed amalgamation of PHCPL with TPML***Annexure 1A****APPROACH & METHODOLOGY - BASIS OF TRANSACTION – BSR**

The valuation methodologies used by BSR to arrive at the value attributable to the equity shareholders of PHCPL and TPML are discussed hereunder:

Market Price 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. Further, in the case of a transaction, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

In the present case, the shares of TPML are listed on BSE and NSE and there are regular transactions in its equity shares with reasonable volume. In the circumstances, the share price of TPML has been considered as suggested in regulation 164 of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. Accordingly, higher of the below two methods has been taken for determining the value of TPML under the market price methodology:

- a) Average of the weekly high and low of the volume weighted average price during the last twenty six weeks preceding the Valuation Report date; and
- b) Average of the weekly high and low of the volume weighted average price during the two weeks preceding the Valuation Report date.

Income Approach

The income approach used for the valuation of TPML and PHCPL includes combination of the rent capitalization method (“Rent Capitalization”) and the Discounted Cash Flow (“DCF”) method. The approach used by us has been summarized below:

- Residential assets – all are currently under construction and have been valued using DCF method
- Commercial/ retail leasable properties – assets which are fully operationalized (have stabilized Net operating Income (NoI)), have been valued using Rent Capitalization method.
- Under construction/ not fully operational Commercial/ retail leasable properties – assets which are either under construction or are yet to be fully operational (i.e., properties still getting leased out) have been valued using combination of both the methods. For the initial years where the NoI is yet to be stabilized, the cash flows generated have been valued using DCF method. Thereafter, the terminal value has been calculated using Rent Capitalization method to evaluate stabilized commercial operations. The sum of the two results to the value of the property.
- Finally, both TPML and PHCPL has been valued on Sum of the Parts (“SOTP”) approach.

The Rent Capitalization method estimates the value of an income generating property based on the level and quality of income the property generates. It capitalizes the stabilized NOI (current year/ one year forward) at a rate known as capitalization rate or cap rate. This cap rate is the rate that is used by the market in recent transactions to capitalize future income into a market value. NoI is a measure of income generated from property after deducting operating expenses and therefore, considered as unleveraged measure of income before tax.



This Report is subject to the limitations mentioned herein under

Recommendation of share exchange ratio for the proposed amalgamation of PHCPL with TPML

Under the DCF method, the future cash flows, including the capital expenditures, are projected over the forecast period and discounted to present at the weighted average cost of capital to arrive at the value of the property. This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and lenders), weighted by their relative contribution to the total capital of the company.

To arrive at the total value available to the equity shareholders, value arrived above under Income approach is adjusted, as appropriate, for cash and cash equivalent, borrowings, surplus assets, contingent liabilities, value of investments, proposed dividend (if any) and other matters. The total value is then divided by fully diluted equity shares (considering ESOPs) to arrive at the value per share.

For the purpose of DCF valuation, the free cash flow forecast of the properties/ assets is based on Management Business Plan provided by the Management. Similarly, the Management has also provided the one year forward market rent applicable for the fully operational properties.

We must emphasize that realizations of free cash flow forecast will be dependent on the continuing validity of assumptions on which they are based. Our analysis, therefore, will not, and cannot be directed to providing any assurance about the achievability of the final projections. Since the financial forecasts relate to future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences may be material. While carrying out this engagement, we have relied extensively on historical information made available to us by the Management and the Management Business Plan for future related information. We did not carry out any validation procedures or due diligence with respect to the information provided/ extracted or carry out any verification of the assets or comment on the achievability and reasonableness of the assumptions underlying the Management Business Plan, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.

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. The cost approach is based on the assumption that a prudent investor would pay no more for an entity than the amount for which he could replace or re-create it or an asset with similar utility.

Considering the nature and size of the business operations we have not used NAV method for the purpose of evaluating the value of TPML and PHCPL.

Computation of equity share Exchange ratio as per BSR Analysis

We have further independently assigned appropriate weightages to the value per equity share of TPML and PHCPL arrived using Market price method, Income approach and NAV method to arrive at the value per equity share of PHCPL and TPML.

Valuation Approach	PHCPL		TPML	
	Value per Share	Weightage	Value per Share	Weightage
Market Approach	NA	0%	661	50%
Income Approach	4,543	100%	789	50%
Asset Approach	1,300	0%	225	0%
Relative Value per share	4,543	100%	725	100%
Exchange Ratio (Rounded off)		6.27		



*Recommendation of share exchange ratio for the proposed amalgamation of PHCPL with TPML***Annexure 1B****APPROACH & METHODOLOGY - BASIS OF TRANSACTION – BSMC**

It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose.

For the purpose of arriving at valuation of the Valuation Subjects we have considered the valuation base as 'Fair Value'. Our valuation, and this report, is based on the premise of 'going concern value'. Any change in the valuation base, or the premise could have significant impact on our valuation exercise, and therefore, this Report.

It may be noted that the Institute of Chartered Accountants of India (ICAI) on June 10, 2018 has issued the ICAI Valuation Standards ("IVS") effective for all the valuation reports issued on or after July 1, 2018. The IVS shall be mandatory for the valuation done under the Companies Act, 2013, and recommendatory for valuation carried out under other statutes/ requirements. We have given due cognizance to the same in carrying out the valuation exercise.

IVS 301 on Business Valuations deals with valuation of a business or business ownership interest (i.e. it includes valuation of equity shares).

IVS 301 specifies that generally, the following three approaches for valuation of business/business ownership interest are used:

1. Market approach
2. Income approach
3. Cost approach

Each of the above approaches are discussed in the following paragraphs.

Market Price Method:

This method involves determining the market price of an entity based on its traded price on the stock exchange over a reasonable period of time. We have determined the market price of shares of TPML based on weighted average price on NSE over a period of six months prior to the Valuation Date. Equity Shares of PHCPL are not listed on any stock exchange and therefore, the Market Price Method is not used to determine the value of the equity shares of PHCPL.

Earnings based Method:

Under the Earnings Approach we compute the fair value based on the earnings.

We have valued TPML and PHCPL based on Sum of the Parts (SOTP) basis wherein we have capitalized earnings of operational portfolios (including projects housed under Investee Companies) with reasonable level of occupancies. For valuing companies/ projects under construction with lower level of occupancies or new projects, we have used the Discounted Cash Flow Method ("DCF") of Valuation.

Under the DCF Method, the future cash flows are appropriately discounted to arrive at a value of the business on a going concern basis. This value would, primarily, be based on the present value of such future cash flows generated.



Recommendation of share exchange ratio for the proposed amalgamation of PHCPL with TPML

The value per share of TPML and PHCPL is based on the value of proportionate stake in the operational portfolios under them.

Cost approach:

Cost Approach is a valuation approach that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

IVS 301 on Business Valuations and IVS 103 on Valuation Approaches and Methods specify that common methodologies for the Cost Approach are the Replacement Cost Method and the Reproduction Cost Method. These methods involve determining the value of the asset based on the cost that would have to be incurred to recreate/replicate the asset with substantially the same utility as that of the asset under valuation.

Value of residential projects would be the present value of the likely realisation, to assume value of such project based on the full market value without considering the time factor would not be reflective of the true value of such project. The value of commercial property held for letting and retail malls can be best valued only on the basis of rental streams. To assume value based on cost approach for such property would be inconsistent with the intent of the companies, and would also not be in line with the basis of valuation viz. going concern.

Fair Valuation:

We have arrived at the fair value of equity shares of TPML by applying equal weights to the value derived under the Earnings based Method and the Market Price Method.

The fair value of the equity shares of PHCPL is derived based on the Earnings.

Attention may also be drawn to Regulation 158 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulation") which specifies that preferential issue of equity shares to shareholders of an unlisted entity pursuant to a National Company Law Tribunal approved scheme shall conform with the pricing provisions of preferential issue specified under Regulation 164 of the said regulations. Further, it may be noted that Regulation 164 specifies the base price for issue of shares on a preferential basis. In the Proposed Amalgamation, PHCPL, an unlisted entity is amalgamating with TPML, a listed entity. We have therefore, given due cognizance to the base price derived using the formula prescribed under ICDR Regulations after considering the fair value of TPML while determining the swap ratio.



*Recommendation of share exchange ratio for the proposed amalgamation of PHCPL with TPML***Computation of equity share Exchange ratio as per BSMC Analysis**

Valuation Approach	PHCPL (A)		TPML (B)	
	Value per Share	Weightage	Value per Share	Weightage
Market Price Method	-	0%*	633	50%
Earnings based Method	4,652	100%	852	50%
Net worth	1,300	0%**	225	0%**
Relative Value per share (a)	4,652	100%	742	100%
Value per Share based on ICDR Pricing (b)		NA		661
Relative Value per Share for the purpose of Exchange Ratio (max(a) or (b))		4,652		742
Exchange Ratio (A/B) (Rounded off)	6.27			

*as mentioned earlier, Market Price Method cannot be used to derive the value of PHCPL as the equity shares of PHCPL are not listed

**based on the reasons specified under Cost Approach earlier, we have not considered it appropriate to use the cost based approach for valuation of equity shares of TPML and PHCPL. Further, it may be noted that the net worth is significantly lower than the value under other methods.

