

VIKASH GOEL
REGISTERED VALUERS
REGN NO. IBBI/RV/01/2018/10339

**REPORT ON SHARE EXCHANGE RATIO BETWEEN SHAREHOLDERS OF
RDB REALTY & INFRASTRUCTURE LTD (RRIL)
AND
RDB REAL ESTATE CONSTRUCTIONS LTD (RRECL)
PURSUANT TO SEPARATION OF REALTY DIVISION OF RRIL
U/S 230 TO 232 OF THE COMPANIES ACT, 2013**



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Board of Directors
RDB Realty and Infrastructure Limited
Bikaner Building, 1st Floor, Room #10
8/1, Lalbazar Street,
Kolkata 700001,
West Bengal, India

Dear Sir / Madam,

Sub: Report on number of equity shares to be issued for the proposed separation of Realty Division of RDB Realty and Infrastructure Limited (RRIL) and its merger with RDB Real Estate Construction Limited (RRECL)

We have been engaged by the management of **RDB Realty and Infrastructure Limited ("the Company" or "RRIL")** for the purpose of assessing the share exchange ratio between RRIL and RRECL. RRIL proposes to divest its Realty Division by demerging it into another group company viz, RRECL in accordance with the terms of a Scheme of Arrangement for Demerger under Sec 230 to 232 of The Companies Act, 2013. Based on the information provided by the management, we have arrived at the "Fair Value" ("Valuation" or "Value") of the Company **as at March 31, 2021**. It should be noted that the valuation engagement is purely an analytical exercise based on the information and documents given to us. Our report is not an advice on the transaction and is not an opinion on the legality or otherwise of the transaction. The share exchange ratio and the values arrived at in this report may not be the actual values or ratio in which the shares are allocated.

Based on our assessment, Shareholders of RRIL shall be entitled to 33 (Thirty Three) Equity Shares of Rs 10/- each of RRECL credited as fully paid up for every 10 (Ten) Equity shares of RS 10/- each credited as fully paid up and held by them in RRIL. The detailed valuation report including computation of fair value of the equity shares of the Company has been attached in subsequent pages.

Regards

Vikash Goel

(IBBI Regn. No.: IBBI/RV/01/2018/10339)
(RVM No. RVOESMA/RVM/2020/0045)

Date: 25-Aug-2021 [Refer "Key Dates" for previous versions of the report]

Place: Kolkata

Contents

Purpose of the engagement	4
Appointing authority	5
Key dates	5
About the valuer	5
Disclosure of valuer interest or conflict	5
Background Information about the companies	6
RDB Realty & Infrastructure Limited (RRIL)	6
Financial Snapshot of RRIL (Extracts).....	7
Pattern of shareholding	7
RDB Real Estate Constructions Limited (RRECL).....	8
Financial Snapshot of RRECL (Extracts).....	8
Pattern of shareholding (RRECL)	9
Inspections and investigations	10
Sources of information.....	10
Caveats, limitations, and disclaimers	11
Valuation.....	14
Valuation bases and premise	14
Approach and methodology:.....	14
Valuation results.....	16
Value of the Realty division of RRIL (Cost Approach):.....	16
Value of the Realty division of RRIL (Market Approach):.....	17
Value of the Realty division of RRIL (Summary)	17
Value of equity shares of RDB Real Estate Constructions Limited as at 31-03-2021.....	17
Conclusion of Share Exchange Ratio.....	17
Computation of Fair Share Exchange Ratio (SEBI Reporting Format)	18
Rationale for using the methods:.....	18
Annexure: Pre-Post scheme shareholding pattern of RRIL	19
Annexure: Pre-Post scheme shareholding pattern of RRECL.....	20

Purpose of the engagement

RDB Realty and Infrastructure Limited (RRIL) was incorporated on 23rd June 2006 under The Companies Act, 1956 and currently has two divisions, viz., Realty and Infrastructure.

Realty division is engaged in real estate development business and does real estate development projects for domestic markets. This division works generally for the non-government sector. The Realty division has been facing some headwinds due to the issues facing the Real Estate sector in India and the ongoing slowdown in economic condition. The management believes that the Realty division requires special attention to face the challenges and provide a new direction to the Real Estate business headed by a new management team.

Infrastructure division carries out infrastructure development projects for domestic markets. Infrastructure development carried out at Infrastructure Division is the core business of RRIL which needs special attention of the Management to seize the new opportunities which this segment offers. To be competitive and maintain its domestic market share, it is necessary to improve operational and administrative efficiency and create the requisite infrastructure for obtaining good business.

Accordingly, RRIL intends to restructure and develop its two businesses to achieve optimum growth and development of both the business separately and to have separate concentrated focus on both the Real Estate and Infrastructure activities. The management believes that the nature of risk and competition involved in both the divisions of RRIL are divergent and consequently each division is capable of attracting different sets of investors. The activities carried out by RRIL have potential for growth and development and require large infusion of funds and undivided care and management attention. Therefore, both the businesses need separate set of directions and investment for development, expansion and optimum growth of their respective businesses and maximization of shareholders' value.

RDB Real Estate Construction Limited (RRECL) was incorporated on 27th July 2018 under The Companies Act, 2013 with a main objective of carrying on the business of real estate development. RRIL and RRECL have common promoters.

Under the circumstances, it is considered desirable and expedient to reorganize and restructure the business of RRIL by separating its Realty division for merger with RRECL, subject to shareholders' consent, statutory and other approvals. This may lead to better and more efficient management of its core Infrastructure activity having better focus and undivided attention in the best interests of its stakeholders. The transaction is in the nature of a **Spin-Off transaction** where the Realty Division will be separated from RRIL and will be merged with RRECL at fair value on a going concern basis. The transaction will be concluded by way of offer of shares of RRECL to the shareholders of RRIL in the ratio of their present equity holdings. The management plans to list RRECL on the stock exchange after the transaction subject to regulatory clearances. For this purpose, an exercise has been undertaken to estimate the fair market value of the equity shares of RRIL and RRECL and to decide the number of shares to be issued by RRECL against merger of RRIL's Realty division.

Appointing authority

We have been appointed by the Board of Directors of RRIL to arrive at the share exchange ratio between RRIL and RRECL. This appointment is based under rules prescribed by The Companies Act, 2013.

Key dates

Appointment Date: We have been appointed by the management vide letter dated 14-Sep-2020. However, pursuant to queries raised by the Stock Exchanges, we have been re-appointed on 6-Aug-2021 to revise the Valuation based on updated information.

Valuation date: The valuation exercise has been performed based on the information available to us as of 31st March 2021 [Updated from previous valuation that was performed as on 31st March 2020.

Date of report: Our valuation report has been submitted as of 25-Aug-2021. The previous version of this report was issued on 12th October 2020.

About the valuer

Vikash Goel (the “Valuer”), is Registered Valuer having Registration No. IBBI/RV/01/2018/10339. The Valuer is registered with the Insolvency and Bankruptcy Board of India and holds a certificate of practice for valuation of Securities and Financial Assets.

Vikash is a Chartered Accountant (Fellow member of ICAI – not in practice), CFA (ICFAI) and holds MS Finance and MBA. He is also an alumnus of St Xavier’s College, Kolkata and Indian Institute of Management Calcutta (IIM-C). Vikash has extensive experience of close to 15 years spanning across Industry and Consulting. Vikash has significant experience in multiple areas including valuation of various types of assets. Vikash has conducted valuation across a variety of spectrum including but not limited to Insolvency, Issue of securities, Angel fund raising, Private equity exit, Private Placement, Valuation of shares under Income Tax, Investment advisory around valuation of shares, mutual funds, hedge funds and derivatives and is exposed to global valuation and business modelling practices for companies.

Disclosure of valuer interest or conflict

We hereby confirm that the valuer is suitably qualified and authorized to practice as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the company (including the parties with whom the company is dealing, including the lender or selling agent, if any). The valuer accepts instructions only from the appointing authority or eligible instructing party with respect to the valuation engagement.

We have no present or planned future interest in the company or its group companies, if any and the fee payable for this valuation is not contingent upon the value reported herein.

Background Information about the companies

RDB Realty & Infrastructure Limited (RRIL)

CIN	L16003WB2006PLC110039
Date of Incorporation	23 rd June 2006
Registered Address	Bikaner Building, 8/1, Lal Bazar Street, 1st Floor, Room No-10, Kolkata 700001, West Bengal, India.
Listing status	Company listed by Shares [Shares are listed on Bombay Stock Exchange (BSE) and Calcutta Stock Exchange (CSE)]
Directors and Key Signatories	ADAPA1526G Anil Kumar Apat 00094695 Ravi Prakash Pincha 00501351 Pradeep Kumar Pugalia 00984678 Aditya Ravinder Kumar Mehra 05161130 Sharad Kumar Bachhawat 08284837 Sarthak Garg 09096844 Neera Chakravarty AOC PJ3618P Ritesh Kumar Jha
Authorised Share Capital	INR 23,00,00,000 [2,30,00,000 Equity shares of INR 10 each]
Paid up Share Capital	INR 17,28,34,000 [1,72,83,400 Equity shares of INR 10 each fully paid up]

[Source: mca.gov.in dated 24th August 2021]

RDB Realty and Infrastructure Limited (RRIL) is a part of RDB Group and has two divisions, viz., Realty and Infrastructure. The company is registered in Kolkata and has projects spread across India.

RRIL went public in 2010 after acquiring the real estate arm of RDB Industries Ltd. The company is listed on Calcutta Stock Exchange (Stock Code: 28393) and Bombay Stock Exchange (Stock Code: 533285).

RRIL presently has two business Divisions.

- Realty Division – The company is engaged in real estate development business and does real estate development projects for domestic markets. This division works generally for the non-government sector.
- Infrastructure Division – This division carries out infrastructure development projects for domestic markets. The Infrastructure business is the core activity of the company.

Financial Snapshot of RRIL (Extracts)

[Amount in INR Lakhs]

Particulars	31-Mar-2021	31-Mar-2020	31-Mar-2019	31-Mar-2018
Revenue from Operations	4,076.11	3,818.18	2,386.21	2,336.00
Total Income	4,199.49	3,913.23	2,570.26	2,357.19
Total Expenses	3,993.31	3,638.61	2,470.06	2,278.07
Profit Before Tax (PBT)	206.17	274.61	100.20	79.12
Profit After Tax (PAT)	110.59	211.34	83.49	82.94
Share Capital	1,728.34	1,728.34	1,728.34	1,728.34
Other Equity	8,170.66	8,019.57	7,901.83	7,809.19
Shareholders' Equity	9,899.00	9,747.91	9,630.17	9,537.53
Non-Current Liabilities	1,736.39	3,001.70	2,123.76	961.74
Net Working Capital	5,911.45	4,272.44	6,336.81	5,787.26

Pattern of shareholding

The shareholding pattern of the company as on 31st March 2021 is as follows:

Existing Shareholding pattern	No. of shares	No. of shares	% of holding
Promoters			
BFM Industries Limited	32,48,600		18.80%
Khatod Investments and Finance Company Ltd	29,60,625		17.13%
Vinod Dugar	20,71,523		11.99%
Sheetal Dugar	16,39,882		9.49%
NTC Industries Limited	12,60,000		7.29%
Sunder Lal Dugar	6,20,700		3.59%
Loka Properties Pvt Limited	3,77,100		2.18%
Ankur Constructions Pvt Ltd.	3,75,000		2.17%
YMS Finance Private Limited	1,16,122		0.67%
Sunder Lal Dugar (on behalf of Moti Lal Dugar HUF)	67,200		0.39%
Vinod Dugar (on behalf of Rekha Benefit Trust)	46,400		0.27%
Kusum Devi Dugar	5,000		0.03%
Rekha Jhabak	2,950		0.02%
Yashashwi Dugar	55		0.00%
Total Promoter / Promoter Group shareholding		1,27,91,157	74.01%
Non-Promoter / Public Shareholding		44,92,243	25.99%
Total Shareholding		1,72,83,400	100.00%

RDB Real Estate Constructions Limited (RRECL)

CIN	U70200WB2018PLC227169
Date of Incorporation	27 th July 2018
Registered Address	Bikaner Building, 8/1 Lal Bazar Street, 1st Floor, Room No.-11, Kolkata-700001, West Bengal, India.
Directors	00094695 Ravi Prakash Pincha 00501351 Pradeep Kumar Pugalia 00559322 Kusum Devi Dugar
Listing status	Not Listed
Authorised Share Capital	INR 3,25,00,000 [32,50,000 Equity Shares of INR 10/- each.]
Paid up Share Capital	INR 1,01,00,000 [10,10,000 Equity Shares of INR 10/- each fully paid up]

[Source: mca.gov.in Dated: 24th August 2021]

RDB Real Estate Constructions Ltd is an entity formed as part of RDB Group and has just begun its operations. The Company is classified as Non-govt company and is registered at Registrar of Companies, Kolkata. RDB Real Estate Constructions Ltd is involved in Real estate activities on a fee or contract basis.

Financial Snapshot of RRECL (Extracts)

[Amounts in INR]

Particulars (Amount in INR)	31-Mar-2021	31-Mar-2020	31-Mar-2019	31-Mar-2018
Total Income	9,97,382	1,50,000	-	N/A
Total Expenses	1,04,225	1,37,098	19,345	N/A
Profit Before Tax (PBT)	8,93,157	12,902	(19,345)	N/A
Profit After Tax (PAT)	6,48,157	10,502	(19,345)	N/A
Share Capital	1,01,00,000	1,01,00,000	1,00,000	N/A
Other Equity	6,39,314	(8,843)	(19,345)	N/A
Shareholders' Equity	1,07,39,314	1,00,91,157	80,655	N/A
Net Working Capital	1,05,28,714	98,10,357	80,655	N/A

Pattern of shareholding (RRECL)

The shareholding pattern of the company as on 31st March 2021 is as follows:

Existing shareholding pattern	No. of shares	No. of shares	% of holding
Sheetal Dugar	4,52,500		44.8%
Vinod Dugar	2,02,500		20.0%
Yashashvi Dugar	1,01,000		10.0%
Sunder Lal Dugar	1,000		0.1%
Kusum Devi Dugar	1,000		0.1%
Rekha Jhabak	1,000		0.1%
YMS Finance Private Limited	1,000		0.1%
Total promoter Shareholding		7,60,000	75.2%
Somani Estates Pvt Ltd	1,50,000		14.9%
Veekay Apartments Pvt Ltd	1,00,000		9.9%
Total Non-promoter shareholding		2,50,000	24.8%
Total Shareholding		10,10,000	100.0%

Inspections and investigations

The Valuation is being done as on the Valuation Date considering the information and documents produced before us for the purpose of ascertaining the share exchange ratio. We have relied on accuracy and completeness of all the information and explanations provided by the management. We have not carried out any independent verification or validation to establish the accuracy or sufficiency of the information shared with us. We have received representations from the management and have accordingly assessed the fair value. We believe that given the nature of the valuation and the underlying reports made available to us, it is plausible to carry out such valuation.

Sources of information

The Valuation is based on various documents, data and information furnished by the Demerged Company that have been reviewed by us and include, amongst others,

- Audited accounts of RRIL for the financial years 2017-18, 2018-19, 2019-20 and 2020-21.
- Audited accounts of RRECL for the financial year 2018-19, 2019-20 and 2020-21.
- Details of Shareholdings of RRECL and RRIL as at 31-03-2021.
- Draft scheme of arrangement as prepared by the management
- Such other analysis, review and inquiries as we have considered necessary and long-term business plan of the Company.
- Such other information and explanations as were required by us and were furnished by the management.
- Public documents as available from external sources such as MCA (mca.gov.in), BSE (bseindia.com).
- Market / industry information.

We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us; we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the Company. The valuation analysis and result are substantively based only on information contained in this report and are governed by concept of materiality.

Caveats, limitations, and disclaimers

- 1. Restriction on use of Valuation Report:** This document has been prepared for the purposes stated herein and should not be relied upon for any other purpose. The managements of the companies (RRIL and RRECL) are the only authorized users of this report and is restricted for the purpose indicated in the report. This restriction does not preclude the managements of RRIL and RRECL from providing a copy of the report to its internal stakeholders on a need-to-know basis, auditors, regulators and third-party advisors whose review would be consistent with the intended use. Our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made. We do not take any responsibility for the unauthorized use of this report.
- 2. Purpose:** Our report is meant for the purpose mentioned above and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.
- 3. No advice towards investment or on transaction:** Our Valuation report should not be construed as advice for the transaction. Specifically, we do not express any opinion on the suitability or otherwise of entering the proposed transaction. We express no opinion or recommendation, and the stakeholders are expected to exercise their own discretion. We would not be responsible for the decision taken by anybody based on this report.
- 4. Responsibility of Registered Valuer:** We owe responsibility to only to the appointing authority that has appointed us under the terms of the engagement. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the client or companies, their directors, employees or agents. In any case, our liability to the management or any third party is limited to be not more than 50% of the amount of the fee received by us for this engagement.
- 5. Accuracy of Information:** While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the clients existing business records. We express no audit opinion or any other form of assurance on this information. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by the appointing authority/management.
- 6. Achievability of the forecast results:** We do not provide assurance on the achievability of the results forecast by the management as events and circumstances do not occur as expected; differences between actual and expected results may be material. We express no opinion as to how closely the actual results will correspond to those projected/forecast as the achievement of the forecast results is dependent on actions, plans and assumptions of management.

- 7. Post Valuation Date Events:** An analysis of such nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. The user to which this valuation is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at 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. Due to possible changes in market forces and circumstances, this valuation report can only be regarded as relevant as at the Valuation Date.
- 8. Range of Value Estimate:** The valuation of companies and assets is made based on the available facts and circumstances and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Although every scientific method has been employed in systematically arriving at the value, there is no indisputable single value and the estimate of the value is normally expressed as falling within a likely range. To comply with the engagement's requirements, we have provided a single value for the overall Fair Value of the assets of the Company, derived based on appropriate approaches. Whilst we consider the valuation to be both reasonable and defensible based on the information available, others may place a different value.
- 9. No Responsibility to the Actual Price of the subject asset:** The actual market price achieved may be higher or lower than our estimate of value/value range depending upon the circumstances of the transaction (for example the competitive bidding environment), the nature of the business (for example the purchaser's perception of potential synergies). The knowledge, negotiating ability and motivation of the buyers and sellers and the applicability of a discount or premium for control will also affect actual market price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which actual transaction will take place. The final transaction price is something on which the parties themselves have to agree. We also emphasize that our opinion is not the only factor that should be considered by the parties in agreeing the transaction price or swap ratio.
- 10. Reliance on the representations of the management and other third parties:** In the course of the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Company through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Company. The management/representatives warranted to us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the management and other third parties concerning the financial data, operational data except as specifically stated to the contrary in the report. We shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or wilful default on part of the companies, their directors, employee or agents.
- 11. No procedure performed to corroborate information taken from reliable external Sources:** We have relied on data from external sources also to conclude the valuation. These sources are

believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.

- 12. Compliance with relevant laws:** The report assumes that the company/business/asset complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the companies/business/assets will be managed in a competent and responsible manner. This Report does not look into the business/commercial reasons behind the transaction nor the likely benefits arising out of the same. In addition, we express no opinion or recommendation, and the stakeholders are expected to exercise their own discretion. Further, unless specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including compliance of scheme of arrangement as per relevant laws, issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet/fixed assets register provided to us.
- 13. Multiple factors affecting the Valuation Report:** The valuation report is tempered by the exercise of judicious discretion by us, considering 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 may not be apparent from the Balance Sheet but could strongly influence the value.
- 14. Questions, Appearances or Testimony in courts/ tribunals/ authorities:** Our engagement is limited to preparing the report to be submitted to the management. We shall not be liable to provide any evidence for any matters stated in the report nor shall we be liable or responsible to provide any explanation or written statement for any assumption, information, methodology or any other matter pertaining to the report. However, in case we are required to appear before any regulatory authority as per law, the party seeking our evidence in the proceedings shall bear the cost/professional fee of attending court / judicial proceedings and our tendering evidence before such authority shall be under the applicable laws.
- 15. Fees and Independence:** We are independent of the client/company and have no current or expected interest in the Company or its assets. The fee paid/to be paid for our services in no way influenced the results of our analysis.



Valuation

The valuation exercise is aimed at the assessment of the Fair Value of the company. We are required to arrive at the above valuations based on internationally accepted valuation practices.

As per **RICS appraisal Manual, Ind AS 113** and **IFRS 13**, the **Fair Value (FV)** is defined as *'The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.'*

Valuation bases and premise

ICAI valuation Standards 102 prescribes three bases of value viz;

- **Fair Value:** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.
- **Participant Specific Value:** Participant specific value is the estimated value of an asset or liability considering specific advantages or disadvantages of either of the owner or identified acquirer or identified participants
- **Liquidation Value:** Liquidation value is the amount that will be realised on sale of an asset or a group of assets when an actual/hypothetical termination of the business is contemplated / assumed. It may be orderly liquidation or forced sale.

The Valuation base is Fair Value and is conducted on the premise of Going concern i.e. the company is expected to operate in the long run for an indefinite period.

Approach and methodology:

Valuation is not an exact science and is dependent on various factors such as specific nature of business, economic life cycle in which the industry and company is operating, past financial performance of the business, future growth potential of the business, business model, management of the company, relevance of technology in the business model, liquidity of equity and much more. The results of the valuation exercise may vary significantly depending on the basis used, the specific circumstances and the judgement of the valuer. In respect of going concerns, certain valuation techniques have evolved over time and are commonly in vogue.

It is understood that RRECL will acquire the Realty Division and accordingly, the shareholders of RRIL will get shares of RRECL that would correspond to the value of the Realty Division being separated. Accordingly, we have assessed the value of the assets belonging to the Realty division that will be separated for estimating the number of shares to be issued by RRECL.

There are several internationally accepted and commonly used pricing methodologies for determining the fair value of the shares of a company, whose shares are not listed on a stock exchange such as:

Market Approach: Market approach is a valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business. This approach provides an indication

of value by comparing the asset with identical or comparable assets for which price information is available.

Since RRECL is a closely held group company and is not a listed entity. Based on the discussions with the management and our assessment, given the nature and size of operations, no comparable listed entity was identified. Thus, RRECL could not be valued using Market Approach.

Although RRIL is a listed entity, only the Realty Division of RRIL is being demerged. We have considered the Price to Book Value Multiple of the Division based on long term P/BV multiple of BSE 500 companies to arrive at the Fair Value of Realty Division of RRIL using this approach.

Income Approach: Income approach provides an indication of value by converting future cash flow to a single current value. Under this approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. Value of the business using income approach is estimated based on the earnings capacity of the entity or net present value of cash flows earned from the business. Discounted Cash Flow (DCF) Method or Profit Earnings Capacity Value (PECV) Method is used to estimate the value of the entity using Income Approach.

As stated earlier both the companies are yet to utilize their full potential and are in the process of exploring various options for strengthening their operations. Past working results do not indicate true potential of these companies. Financial forecasts for a longer term also cannot be reliably drawn at this stage of business restructuring for these companies. While the management has been able to identify the assets of the Realty and Infrastructure division, the Income of the two divisions could not be separately identified given the nature of operations i.e., project wise income. In absence of reliable financial projections for future years and marginal operation in the past two three years, in particular, we have not used Income Approach of valuation for either RRECL or realty division of RRIL.

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). This approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility. The Cost Approach is based on the value per share of the underlying net assets and liabilities of the Company, either on a book value basis or replacement cost basis. This valuation approach is used in cases where the asset base dominates earnings capacity.

The separation of Realty division of RRIL and its transfer to RRECL is proposed for internal restructuring of both the companies and bringing two different lines of activities under separate administrative control of the independent companies having focused attention for the respective business. We believe that the book values of the assets of RRECL and the Realty Division of RRIL plausibly represents the value of the assets of the respective companies/divisions. Accordingly, we have valued the Realty Division of RRIL and RRECL using Book Values.

	Market Approach	Income Approach	Cost Approach
RRIL (Realty Division)	Applied	Not applied	Applied
RRECL	Not applied	Not applied	Applied

Valuation results

Value of the Realty division of RRIL (Cost Approach):

Particulars	Infrastructure	Realty	Total
Assets			
Non-current assets			
Property, Plant and Equipment	9,80,692	9,41,914	19,22,606
Intangibles	-	1,77,446	1,77,446
Financial Assets - Investment	10,20,224	56,00,82,830	56,11,03,054
Financial Assets – Other	3,61,477	68,74,165	72,35,642
Deferred tax assets (Net)	19,55,793	0	19,55,793
Total Non - Current Assets	43,18,186	56,80,76,356	57,23,94,541
Current assets			
Inventories	85,99,56,235	60,95,77,822	1,46,95,34,057
Financial Assets - Trade receivables	4,46,63,356	59,75,089	5,06,38,445
Financial Assets - Cash and cash equivalents	3,60,96,894	8,37,661	3,69,34,555
Financial Assets - Other financial assets	7,24,05,828	31,05,03,713	38,29,09,541
Current Tax Assets	15,61,142	3,46,38,979	3,62,00,121
Other current assets	3,84,44,297	4,15,384	3,88,59,681
Total Current Assets	1,05,31,27,752	96,19,48,648	2,01,50,76,400
Total Assets	1,05,74,45,938	1,53,00,25,004	2,58,74,70,941
EQUITY AND LIABILITIES			
Equity			
Equity Share capital	17,28,34,000	-	17,28,34,000
Other Equity	5,86,21,900	75,84,44,072	81,70,65,972
Total equity	23,14,55,900	75,84,44,072	98,98,99,972
LIABILITIES			
Non-current liabilities			
Financial Liabilities - Borrowings	15,69,10,410	-	15,69,10,410
Financial Liabilities - Other financial liabilities	68,00,000	91,08,057	1,59,08,057
Provisions	8,20,700	-	8,20,700
Total non-current liabilities	16,45,31,110	91,08,057	17,36,39,167
Current liabilities			
Financial Liabilities - Borrowings	26,98,49,461	6,68,09,433	33,66,58,894
Financial Liabilities - Trade and other payables	4,16,34,378	13,73,77,231	17,90,11,609
Financial Liabilities - Other financial liabilities	24,12,25,497	96,72,839	25,08,98,336
Other current liabilities	41,19,49,143	23,83,32,384	65,02,81,527
Provisions	70,81,436	-	70,81,436
Total Current Liabilities	97,17,39,916	45,21,91,887	1,42,39,31,802
Total liabilities	1,13,62,71,026	46,12,99,944	1,59,75,70,969
Total Equity & Liabilities	1,36,77,26,926	1,21,97,44,016	2,58,74,70,941
Net Value of Assets demerged	31,02,80,988	(31,02,80,988)	(0)

The Net value of Assets of Realty division is INR 31,02,80,988 being considered as the value of the Realty Division as per Cost Approach.

Value of the Realty division of RRIL (Market Approach):

Particulars	Amount
Book Value of Assets	31,02,80,988
P/BV Multiple [Based on Long term P/BV Multiple of BSE 500]	2.9140
Market Value of Realty Division	90,41,58,798

Value of the Realty division of RRIL (Summary)

Particulars	Value	Weights	Weighted Amount
Value as per Cost Approach	31,02,80,988	50%	15,51,40,494
Value as per Market Approach	90,41,58,798	50%	45,20,79,399
Weighted Average Value			60,72,19,893
Number of shares			1,72,83,400
Value per Share (INR)			35.13

Value of equity shares of RDB Real Estate Constructions Limited as at 31-03-2021

Particulars	Amount (INR)
Total Assets	1,07,39,314
Less: Total Liabilities	2,50,050
Net worth	1,07,39,314
No. of shares	10,10,000
Book Value of Equity Shares of INR 10/- each	Rs. 10.63

Value of Equity Shares of RRECL as at 31-Mar-2021 thus works out to INR 10.63/-.

Conclusion of Share Exchange Ratio

The assets pertaining to Realty division of RRIL are being transferred to RRECL with the object of having independent and optimum growth and development of the Realty division under different umbrella of management with greater focus and attention. Both RRIL and RRECL have common promoters and the shareholders of RRIL will have the same shareholders as RRECL. Thus, the transfer of the Realty division of RRIL to RRECL may be viewed as an internal arrangement within the group to unlock the fair value of both the Infrastructure and Realty division without affecting any outside party.

In the light of the foregoing, it is recommended that RRECL may discharge its obligation by issue of Equity Shares of requisite value in exchange of the book value of net assets being transferred (after deduction of proportionate reserves and surplus to be transferred along with the investments) to RRECL.

Computation of Fair Share Exchange Ratio (SEBI Reporting Format)

Valuation Approach	RDB Realty & Infrastructure Ltd (Demerged Division)				RDB Real Estate Construction Ltd			
	Value	No. of Shares	Value Per Share	Weight	Value	No. of Shares	Value Per Share	Weight
Asset Approach	31,02,80,988	1,72,83,400	17.95	50.0%	1,07,39,314	10,10,000	10.63	100.0%
Income Approach			-	0.0%			-	0.0%
Market Approach	90,41,58,798	1,72,83,400	52.31	50.0%			-	0.0%
Relative Value per share			35.13				10.63	
Exchange Ratio (Rounded off)			3.3042					

The above calculation shows an exchange ratio of 3.3042, i.e., shareholders of RRIL shall be entitled to 33 (Thirty Three) Equity Shares of Rs 10/- each of RRECL credited as fully paid up for every 10 (Ten) Equity shares of RS 10/- each credited as fully paid up and held by them in RRIL.

Rationale for using the methods:

Asset (cost) Approach: We have assessed the value of the assets belonging to the Realty division that will be separated using the book value approach for estimating the number of shares to be issued by RRECL. The separation of Realty division of RRIL and its transfer to RRECL is proposed for internal restructuring of both the companies and bringing two different lines of activities under separate administrative control of the independent companies having focused attention for the respective business. While RRECL has been valued using Cost Approach only, we have valued Realty Division of RRIL using both Cost and Market Approach. We have assigned 50 percent weight to value arrived under Cost approach.

Income Approach: We understand that both the companies are yet to utilize their full potential and are in the process of exploring various options for strengthening their operations. Financial forecasts for a longer term cannot be reliably drawn at this stage of business restructuring for these companies. In absence of reliable financial projections for future years and marginal operation in the past two three years, in particular, we have not used Income Approach of valuation.

Market Approach: RRECL is a closely held company and its shares are not listed on any stock exchange. Also, given the current state of affairs, it is not plausible to obtain the comparable companies for RRECL and accordingly, comparable companies method or relative valuation methods would not be appropriate for RRECL. For RRIL, since it is a listed company and one of the divisions of RRIL is being demerged, we have considered the Long Term Price to Book Value Multiple of BSE 500 to arrive at the Market Value of the Assets being demerged. We have assigned 50 percent weight to value arrived at using this approach.

Annexure: Pre-Post scheme shareholding pattern of RRIL

Shareholding	Existing	Existing Proportion (Pre-scheme)	To be issued	Revised shareholding	Revised Proportion (Post-Scheme)
Promoters					
BFM Industries Limited	32,48,600	18.80%	1,07,20,380	1,39,68,980	18.8%
Khatod Investments and Finance Company Ltd	29,60,625	17.13%	97,70,062	1,27,30,687	17.1%
Vinod Dugar	20,71,523	11.99%	68,36,025	89,07,548	12.0%
Sheetal Dugar	16,39,882	9.49%	54,11,610	70,51,492	9.5%
NTC Industries Limited	12,60,000	7.29%	41,58,000	54,18,000	7.3%
Sunder Lal Dugar	6,20,700	3.59%	20,48,310	26,69,010	3.6%
Loka Properties Pvt Limited	3,77,100	2.18%	12,44,430	16,21,530	2.2%
Ankur Constructions Pvt Ltd.	3,75,000	2.17%	12,37,500	16,12,500	2.2%
YMS Finance Private Limited	1,16,122	0.67%	3,83,202	4,99,324	0.7%
Sunder Lal Dugar on behalf of Moti Lal Dugar HUF	67,200	0.39%	2,21,760	2,88,960	0.4%
Vinod Dugar on behalf of Rekha Benefit Trust	46,400	0.27%	1,53,120	1,99,520	0.3%
Kusum Devi Dugar	5,000	0.03%	16,500	21,500	0.0%
Rekha Jhabak	2,950	0.02%	9,735	12,685	0.0%
Yashashwi Dugar	55	0.00%	181	236	0.0%
Total Promoters	1,27,91,157	74.01%	4,22,10,815	5,50,01,972	74.01%
Non-Promoters					
Public	44,92,243	25.99%	1,48,24,402	1,93,16,645	25.99%
Total Non-Promoters	44,92,243	25.99%	1,48,24,402	1,93,16,645	25.99%
Total Shareholding	1,72,83,400	100.00%	5,70,35,217	7,43,18,617	100.00%

Annexure: Pre-Post scheme shareholding pattern of RRECL

Existing Shareholding	Existing Shareholding	To be issued	Total Shares	Proportion of share holding
Promoters				
BFM Industries Limited		1,07,20,380	1,07,20,380	
Khatod Investments and Finance Company Ltd		97,70,062	97,70,062	
Vinod Dugar	2,02,500	68,36,025	70,38,525	
Sheetal Dugar	4,52,500	54,11,610	58,64,110	
NTC Industries Limited		41,58,000	41,58,000	
Sunder Lal Dugar	1,000	20,48,310	20,49,310	
Loka Properties Pvt Limited		12,44,430	12,44,430	
Ankur Constructions Pvt Ltd.		12,37,500	12,37,500	
YMS Finance Private Limited	1,000	3,83,202	3,84,202	
Sunder Lal Dugar on behalf of Moti Lal Dugar HUF		2,21,760	2,21,760	
Vinod Dugar on behalf of Rekha Benefit Trust		1,53,120	1,53,120	
Kusum Devi Dugar	1,000	16,500	17,500	
Rekha Jhabak	1,000	9,735	10,735	
Yashashwi Dugar	1,01,000	181	1,01,181	
Total Promoter holding (A)	7,60,000	4,22,10,815	4,29,70,815	74.03%
Non promoter Shareholding of pre-scheme shareholder of RRECL post the demerger (B)	2,50,000			
Non promoter Shareholding of pre-scheme shareholder of RRIL post the demerger (C)		1,48,24,402		25.54%
Total Non-promoter Shareholding (D – B + C)			1,50,74,402	25.97%
Total Shareholding	10,10,000	5,70,35,217	5,80,45,217	100.00%

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