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STRICTLY PRIVATE & CONFIDENTIAL

February 13, 2017

The Board of Directors
DCM Limited
6th Floor, Vikrant Tower
4, Rajendra Place
New Delhi - 110 008.

The Board of Directors
Purearth Infrastructure Limited
6th Floor, Vikrant Tower
4, Rajendra Place
New Delhi - 110 008.

The Board of Directors
DCM Realty and Infrastructure Limited
6th Floor, Vikrant Tower
4, Rajendra Place
New Delhi - 110 008.

The Board of Directors
Tiara Investment Holdings Limited
c/o DTOS Limited,
10th floor, Standard Chartered Tower,
19 Cybercity, Ebene, Republic of Mauritius

Re: Report on Recommendation of Share Entitlement/Exchange Ratios for:

- (a) Proposed Merger of Tiara Investment Holdings Limited with Purearth Infrastructure Limited
- (b) Proposed Demerger of "Real Estate Undertaking" of DCM Limited into DCM Realty and Infrastructure Limited
- (c) Proposed Merger of Purearth Infrastructure Limited with DCM Realty and Infrastructure Limited

Dear Sirs,

We have been requested by the management of DCM Group (hereinafter referred to as the "Management") to issue this report in connection with the proposed restructuring exercise of DCM Limited (hereinafter referred to as "DCM") along with its group companies / joint-ventures as mentioned hereinafter and Tiara Investment Holdings Limited (Mauritius).

1 BACKGROUND

1.1 DCM LIMITED

1.1.1 DCM was established on March 26, 1889 in the name and style of Delhi Cloth & General Mills. The name of the company was changed on October 6, 1983 to DCM. DCM is inter

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For DCM LIMITED

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Company Secretary

alia engaged in business of Textile, Information Technology Infrastructure Services, Real Estate and Engineering (Forging and Casting for Automotive Industry).

1.1.2 The shares of DCM are listed on National Stock Exchange of India Limited and BSE Limited.

1.2 REAL ESTATE UNDERTAKING OF DCM

1.2.1 DCM Group is the owner of plot of land measuring about 66.53 acres situated at Bara Hindu Rao and Kishan Ganj, Delhi, comprising of both freehold and leasehold land. The said plot of land is being developed as commercial premises & group housing residential project. The development rights to construct and sell the said real estate project have been entrusted to Purearth Infrastructure Limited (hereinafter referred to as "Purearth"); a company co-promoted by DCM in partnership with a Singapore based consortium.

1.2.2 Real Estate Undertaking of DCM (hereinafter referred to as "Real Estate Undertaking") is the real estate business pertaining to rights in leasehold land of the above mentioned plot of land, whether or not converted into freehold land, along with ~16.41% equity stake in Purearth.

1.3 PUREARTH INFRASTRUCTURE LIMITED

1.3.1 DCM has floated an SPV in the name of Purearth (formerly known as DCM Estate and Infrastructure Limited) for real estate development, construction & maintenance of industrial estates, commercial centres, shopping malls, residential & multi-storeyed buildings & houses etc. As mentioned earlier, Purearth is undertaking the development of the above mentioned real estate project.

1.4 TIARA INVESTMENT HOLDINGS LIMITED, MAURITIUS

1.4.1 Tiara Investment Holdings Limited, Mauritius (hereinafter referred to as "Tiara") is a private company, with limited liability, incorporated on April 21, 1995 and registered in the Republic of Mauritius under the Mauritius Companies Act, 2001. Tiara is an investment holding company having Global Business License – Category I (GBL-C1) in Mauritius. Currently, Tiara holds ~50.20% equity stake in Purearth.

1.5 DCM REALTY AND INFRASTRUCTURE LIMITED

1.5.1 DCM Realty and Infrastructure Limited (hereinafter referred to as "DCM Realty") has been incorporated on October 06, 2016. DCM Realty has been incorporated to undertake business of real estate development, construction and maintenance of



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For DCM LIMITED

Company Secretary

industrial estates, commercial centres, malls, residential and multi-storeyed buildings and houses etc. DCM Realty is a wholly owned subsidiary of DCM.

- 1.6 DCM, Purearth, Tiara and DCM Realty hereinafter will be collectively referred to as the "Companies".

2 PROPOSED RESTRUCTURING

The proposed restructuring exercise is mentioned below:

- 2.1 **Step I - Merger of Tiara with Purearth with an appointed date of December 31, 2016.**
- 2.2 **Step II - Demerger of the Real Estate Undertaking of DCM into DCM Realty with an appointed date of January 1, 2017.**
- 2.3 We have been informed that upon demerger of the Real Estate Undertaking into DCM Realty at step II, existing shares of DCM Realty shall be cancelled.
- 2.4 **Step III - Merger of Purearth (post-merger of Tiara) with DCM Realty (post-demerger of Real Estate Undertaking) with an appointed date of January 1, 2017.**
- 2.5 We have been informed that as part of the merger at Step III the existing shares held by DCM Realty in Purearth will be cancelled.

3 SOURCES OF INFORMATION

For the purposes of this exercise, we have relied upon the following sources of information:

- (a) Audited financial statements of DCM and Purearth for the financial year (FY) ended March 31, 2016.
- (b) Management certified position of assets and liabilities of the Real Estate Undertaking as on December 31, 2016.
- (c) Management certified consolidated financial statements of Purearth for period ended December 31, 2016.
- (d) Post-Merger consolidated Balance Sheet of Purearth as on December 31, 2016.
- (e) Projected Cash Flow Statement of the Real Estate Undertaking as provided by the Management.
- (f) Projected Profit & Loss Account and Cash Flow Statement of Purearth as provided by the Management.
- (g) Such other information and explanations as we required and which have been provided by the management of the Companies.

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For DCM LIMITED


Company Secretary

(h) Information available in public domain.

4 LIMITATIONS & EXCLUSIONS

- 4.1 Our report is subject to the scope 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.
- 4.2 Our report should not be construed as our opining or certifying the compliance of the proposed restructuring exercise with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed restructuring exercise.
- 4.3 Valuation 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 value. While SSPA has provided an assessment of the value based on the information available, application of certain formulae and within the scope and constraints of our engagement, others may place a different value to the same.
- 4.4 In the course of the valuation, we were provided with both written and verbal information. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.
- 4.5 Our work does not constitute an audit or certification of the historical financial statements including the working results of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
- 4.6 Our recommendation is based on the estimates of future financial performance as projected by the management of the Companies, which represents their view of reasonable expectation at the point of time when they were prepared, but such information and estimates are not offered as assurances that the particular level of income or profit will be achieved or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary



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For DCM LIMITED


Company Secretary

from those contained in the statement and the variation may be material. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

- 4.7 No investigation on the Companies' claims to title of assets has been made for the purpose of this report and their claim to such rights has been assumed to be valid. Therefore, no responsibility is assumed for matters of a legal nature.
- 4.8 A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the management of the Companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the fair value of the shares of the Companies including any significant changes that have taken place or are likely to take place in the financial position of the Companies, subsequent to the Appointed Date for the proposed merger. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
- 4.9 The information contained herein and our report is intended only for the sole use and information of the Boards of Directors of the respective Companies, and only in connection with the proposed restructuring exercise as aforesaid including for the purpose of obtaining requisite approvals. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed Demerger as aforesaid, can be done only with our prior permission in writing.
- 4.10 Any person/party intending to provide finance/invest in the shares/business of the Companies shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- 4.11 We assume no responsibility for any material errors in the information furnished by the Companies and consequential impact on the present exercise. Our recommendation is dependent upon the information furnished to us being complete in all material respects.
- 4.12 SSPA, nor its partners, managers, employees or agents of any of them, makes any representation or warranty, express or implied; as to the accuracy, reasonableness or



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For DCM LIMITED

Company Secretary

completeness of the information, based on which this report is being issued. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in this report.

5 PROPOSED MERGER OF TIARA WITH PUREARTH (STEP - I)

- 5.1 We have been informed by the management of Tiara that, apart from the investment of 5,46,00,000 equity shares in Purearth, Tiara does not hold any other investment in the shares or debentures of any other company and has a positive net assets (excluding investment in Purearth).
- 5.2 The management of Purearth has recommended an exchange ratio of 5,46,00,000 (i.e. exact number of equity shares of Purearth held by Tiara) fully paid-up equity shares (face value of INR 10 each) of Purearth to be issued and allotted to the equity shareholders of Tiara in proportion of their holdings in Tiara, for 2,58,85,730 fully paid up equity shares (face value of USD 1 each) of Tiara in the event of merger of Tiara into Purearth.
- 5.3 In case Tiara acquires additional shares of Purearth before the effective date without incurring additional liability, such number of fully paid-up equity shares (face value of INR 10 each) of Purearth as the additional shares acquired, will also be issued and allotted to the equity shareholders of Tiara, in proportion of their holdings in Tiara.
- 5.4 We believe that the above ratio is fair and equitable considering that all the shareholders of Tiara are and will, upon merger, remain ultimate beneficial owners in the merged company and in the same ratio (inter se) as before the merger.
- 5.5 Upon merger of Tiara into Purearth, the shareholders of Tiara would be entitled to the same number of shares of Purearth which they own on the effective date of the proposed merger indirectly through their holding in Tiara. Pursuant to the merger, there would be no change in the paid-up capital of Purearth.

6 PROPOSED DEMERGER OF REAL ESTATE UNDERTAKING INTO DCM REALTY (STEP - II)

6.1 EQUITY SHARE ENTITLEMENT RATIO

- 6.1.1 We understand from the management of DCM that for the proposed demerger of Real Estate Undertaking from DCM into DCM Realty, the ratio of allotment of equity shares in DCM Realty is considered with an objective of minimizing fractional entitlement in the hands of shareholders of DCM.



6.1.2 Accordingly, the management of DCM are proposing to issue equity shares in the ratio of 1 (One) equity share of INR 10 each fully paid up of DCM Realty for every 1 (One) equity shares of DCM of INR 10 each fully paid up.

6.2 CONCLUSION

6.2.1 Based on the above, a ratio of 1 (One) equity share of INR 10 each fully paid up of DCM Realty for every 1 (One) equity share of INR 10 each fully paid up of DCM in consideration for the demerger of Real Estate Undertaking would be fair and reasonable, considering that all the shareholders of DCM are and will, upon demerger, be the ultimate beneficial owners of DCM Realty in the same ratio (inter se) as they hold shares in DCM.

7 PROPOSED MERGER OF PUREARTH WITH DCM REALTY (STEP - III)

7.1 For the purpose of valuation for merger, generally the following approaches are adopted:

- (a) the "Underlying Asset" approach
- (b) the "Income" approach; and
- (c) the "Market" approach

Since both Purearth and DCM Realty are engaged in real estate, the shares of Purearth and DCM Realty have been valued using the "Underlying Asset" approach by adjusting, wherever necessary, for Intrinsic Value of the project using "Income" approach i.e. discounted cash flow method.

Since the shares of Purearth and DCM Realty are not listed on any stock exchange. Hence, the "Market" approach has not been adopted.

7.2 UNDERLYING ASSET APPROACH


7.2.1 In case of the "Underlying Asset" approach, the value per share is determined by dividing the net assets of the company by the number of shares. Considering the peculiar nature of business in which the companies are engaged in, we have considered the net assets of both the companies by replacing the book value of the underlying project at their respective intrinsic value.

7.2.2 The intrinsic value of the project is arrived at using "Income" approach i.e. discounted cash flow method.



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For DCM LIMITED


Company Secretary

SSPA & CO.
Chartered Accountants

Company Secretary

with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."

- 7.3.5 In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion, a fair ratio of exchange in the event of merger of Purearth with DCM Realty would be:
- 100 (One Hundred) equity shares of DCM Realty of INR 10 each fully paid up for every 127 (One Hundred and Twenty Seven) equity shares of Purearth of INR 10 each fully paid up**

Thank you,
Yours faithfully,

SSPA & Co.




SSPA & CO.
Chartered Accountants
Firm Registration Number: 128851W

Signed by Parag Ved, Partner
Membership No. 102432

Place: District Shaheed Bhagat Singh Nagar, Punjab

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For DCM LIMITED


Company Secretary

Proposed Amalgamation of Purearth Infrastructure Limited ('Purearth') with DCM Realty and Infrastructure Limited ('DCM Realty')

Computation of Fair Value per share and Share Exchange Ratio

Method of Valuation	DCM Realty	Purearth
	Value per Share (INR)	Value per Share (INR)
Net Assets Value	44.47	34.93
Fair Value per Share	44.47	34.93
Share Exchange Ratio (Rounded Off)	1.27	
	Annexure-1	Annexure-2


Ratio:

100 (One Hundred) equity shares of DCM Realty of INR 10 each fully paid-up for every 127 (One Hundred and Twenty Seven) equity shares of Purearth of INR 10 each fully paid-up



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Annexure-1

DCM REALTY AND INFRASTRUCTURE LIMITED

Net Assets Value Method ("NAV")		
Particulars	(INR Crores)	
	Amount	Amount
Fixed Assets		0.0028
Investments (in Purearth)	29.86	
Less: Considered spererately	(29.86)	
Net Current Assets	(0.0068)	
Add: Considered spererately In project valuation	0.0093	0.0026
Net Assets Value (other that project assets)		0.0054
Fair Value of Investment in Purearth		62.36
Value of Project based on DCF (Net of Tax)		20.70
Value for Equity Shareholders		83.07
Number of Equity Shares		1,86,77,749
Value per Share (Face Value of INR 10 each)		44.47



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Annexure-2


PUREARTH INFRASTRUCTURE LIMITED

Net Assets Value Method ("NAV")		(INR Crores)
Particulars	Amount	Amount
Fixed Assets		1.04
Net Current Assets	236.85	
Less: Considered spererately in project valuation	(233.81)	3.04
Loan Funds	99.38	
Less: Considered spererately in project valuation	(99.38)	-
Net Assets Value (other that project assets)		4.08
Value of Project based on DCF (Net of Tax)		372.47
Value for Equity Shareholders		376.55
Number of Equity Shares		10,78,00,000
Value per Share (Face Value of INR 10 each)		34.93



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