Annexure B

HARESH UPENDRA & CO.

CHARTERED ACCOUNTANTS

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Email: haresh.mergersindia@gmail.com

Date: 2nd November 2017

To,

Board of Directors:

Company/ Body Corporate	Address: Registered Office
Ruchi Soya Industries Limited *(hereinafter known as "RSIL" or "Transferor Company")*	Ruchi House, Royal Palms, Survey No. 169, Aarey Milk Colony, Near Mayur Nagar, Goregaon (East) Mumbai – 400065
MRIG Trading Private Limited *(hereinafter known as "MTPL" or "Transferee Company")*	614, Tulsiani Chambers, Nariman Point, Mumbai - 400021

Subject: Recommendation of fair valuation of 'Business Undertaking' of Ruchi Soya Industries Limited

We refer to our engagement letter dated 16th October 2017 whereby Ruchi Soya Industries Limited has requested us to recommend fair valuation of 'Business Undertaking' of RSIL ('Undertaking') for the proposed transaction of slump sale of the said Business Undertaking to Mrig Trading Private Limited.

The valuation exercise and report thereon is as follows–

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I. PREAMBLE:

RSIL is facing economic challenges and to overcome such financial issues proposes to seek waiver of interest/principal and reschedule repayment of instalment by way of arrangements with all the financial creditors with moratorium and nominal interest for agreed period in line with the cash flow under debt restructuring arrangement as per the Reserve Bank of India guidelines. The management of RSIL also has concrete plans to monetise its assets subject to necessary approvals. Therefore, the Transferor Company intends to propose a Scheme of Arrangement as part of carrying out a comprehensive business and debt restructuring and rehabilitation exercise along with arrangement with financial creditors and shareholders.

In terms of the draft Scheme of Arrangement, Devonshire Capital Holdings Limited ("the Investor"), a privately held independent Asian based merchant banking organization spread throughout the Asia Pacific region, proposes to acquire 100% of equity share capital of the Transferee Company (post Slump Sale of The Business Undertaking) for Rs. 4,000 crores. The same is subject to (a) Transferee Company to have clean title to the Brands, (b) Business Undertaking to be sold to Transferee Company upon payment of the first tranche of the Consideration Amount of Rs. 800 crores to be paid to RSIL upon approval of transfer of Business undertaking by the Lenders, shareholders and other statutory and regulatory approvals as may be required (c) Total Consideration Amount for the sale of the Business undertaking to the Transferee Company ~~to~~ will be Rs. 4,000 crores, payable to RSIL over a period of 6

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years including the first tranche as mentioned above. (d) RSIL shall have a negative lien on the brands till complete payments are made according to the schedule to be defined in the definitive documents; (e) Transferee Company and RSIL shall sign an Offtake Agreement inter alia containing, a long term supply arrangement between RSIL and Transferee Company for processed end products; Offtake Agreement to include a Take or Pay agreement with RSIL in order to guarantee the amounts of the offtake to be agreed in the definitive documents; (f) Transferee Company shall also have a right of first refusal in case of any excess capacity in RSIL. The terms as agreed by the Investor are mentioned in **Annexure I.**

All the terms are subject to the Definitive agreement and approval from the creditors.

II. BRIEF BACKGROUND:

1. RUCHI SOYA INDUSTRIES LIMITED

1.1. Ruchi Soya Industries Limited, a flagship company of Ruchi Group, is India's leading agri-food Fast Moving Consumer Goods (FMCG) company. The Company is one of the highest exporters of soya meal, textured soya, protein, lecithin and other food Products. RSIL is also one of the pioneers in oil palm plantations in the country. Its leading brands include Nutrela, Mahakosh, Sunrich, Ruchi Golds and Ruchi Star. RSIL has also diversified into renewable energy.

1.2. RSIL has developed an extensive distribution network to support these brands in reaching out to the target customer segments. There are approx. 118 Company depots (with storage and other logistical facilities), which serve 5800+ distributors across the country reaching over 1.15 million retail outlets.

1.3. The Transferor Company is engaged in the following business:

a. Extractions: Various types of seed extractions

b. Vanaspati: Vanaspati, Bakery fats and Table spread

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c. Oils: Crude oils, refined oils

d. Food Products: Textured Soya protein, Soya flour

e. Wind Power: Generation Electricity Generation from Wind Mills

f. Others: Gram, Wheat, Rice, Maize, Corn, Seeds, Coffee, Marine Products, Tuar, Peas, Barley, Soap, Fresh Fruit Bunch, seedling and Plant and Equipment, Cotton Bales, Toiletry preparations and Cotton seed oil cake

g. Plantation activities

1.4. The shares of RSIL are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

2. BUSINESS UNDERTAKING

We reproduce the details of Business Undertaking which has been defined under the Scheme approved by the board of Directors as below: -

Business Undertaking means the undertaking carrying on the business activity of sale of certain branded products manufactured, marketed and distributed by the Transferor Company forming part of and used for the purpose of carrying on the business of sale, marketing and distribution of the products of the Transferor Company including the Off Take Agreement inter alia providing a long term supply arrangement between the Transferor Company and Transferee Company of the manufactured products, tenancy rights of the depot, enabling assets, warehouse and marketing office for period on terms to be defined in the definitive agreements and shall include (without limitation):

a) all rights of commercial nature including attached goodwill, title, interest, labels and certain brands registration, copyrights, trademarks, advertisement and publicity materials, or such other intellectual rights, powers, licenses, tenancy rights, registrations, contracts of whatsoever nature, in power or possession or in the control of or vested in or enjoyed by the Transferor Company attached to the Business Undertaking,

b) all debts, liabilities duties, obligations and guarantees of the Transferor Company relating to the Business Undertaking which shall include liabilities either present and contingent or both, directly and specifically arising out of the activities or operations of the Business Undertaking and specific loans and borrowings raised, if any, incurred and utilized solely for the activities or operations of the Business Undertaking

c) employees, if any, engaged by the Transferor Company with respect to the Business Undertaking;

d) all contracts, engagement, arrangements, rights related to advertising, brand promotion, brand ambassadors with respect to the Business Undertaking;

e) all debtors, current assets, investments, loans and advances with respect to the Business Undertaking;

Any question that may arise with respect to whether a specific asset or liability pertains or does not pertain to the Business Undertaking or whether it arises out of the activities or operations of the Business Undertaking or not shall be mutually agreed between the Board of Transferor Company and Transferee Company.

3. **MRIG Trading Private Limited:**

MTPL is a private limited company domiciled in India and is 100% subsidiary of RSIL. The CIN number of the company is U51909MH2003PTC138972.

III. **PURPOSE OF THE REPORT:**

We have been requested by the management of Ruchi Soya Industries Limited (hereinafter referred to as the "Management") to carry out fair valuation of the Business Undertaking of Ruchi Soya Industries Limited for the purpose of slump sale to MTPL, a wholly owned subsidiary of RSIL, as per the draft Scheme of Arrangement under section 230 to 232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013, if any.

In this context, we have carried out a fair valuation of the Business Undertaking of RSIL based on the approach set out herein and the valuation conclusions are detailed in this report.

IV. SCOPE LIMITATIONS, ASSUMPTIONS QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS:

Our report is subject to the detailed hereinafter.

1. Valuation of the undertaking has been done to arrive at fair consideration using appropriate valuation methods and model appropriate under the circumstances.
2. This report is issued on the understanding that you have drawn our attention to all the matters, which are concerning the financial position of RSIL, Business Undertaking to be transferred as slump Sale, MTPL and your understanding with the Investor and binding nature of their offer and any other matter that may have impact on our opinion as regards the fair valuation of Business Undertaking.
3. Our scope of work was not designed to verify the accuracy or reliability of the information including projections, terms sheet from investors, etc. provided to us and nothing in this report should be taken to imply that we have for the purpose of this assignment conducted procedures, audits or investigations in an attempt to verify or confirm any of the information supplied to us.
4. We have not check the authenticity and rational of the investor.
5. We do not hold any responsibility to update this report for events occurring after the date of this report.
6. The information contained herein and our report is confidential and it is intended only for the sole use and information of RSIL and MTPL and for use in the

above-mentioned proceedings to comply with the statutory/regulatory requirement.

7. We are not responsible either to any person/party or for any decision of such person or party based on this report.
8. This valuation report is subject to the laws of India
9. This valuation report does not address the relative merits of the transaction as compared with any other alternatives business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.
10. No investigation of the company's claims to title of assets has been made for the purpose of this valuation report and the company's 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.
11. We will not liable for any losses, claims, damages or labilities arising out of the action taken, omissions of the others. We do not accept any liability to any third party in relation to issue of this valuation report. This valuation report is not a substitute for the third party 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 option.
12. 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 prior consent.

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V. **SOURCES OF INFORMATION:**

For the purpose of this assignment, we have relied on the following sources of information provided by the Management of RSIL and MTPL:

i. Memorandum and Articles of Association of RSIL and MTPL.

ii. Audited financial statements as follows –

- RSIL as on 31st, March 2017
- MTPL as on 31st, March 2017

iii. Draft Scheme of arrangement between Ruchi Soya Industries Limited and MRIG Trading Private Limited and their Respective Shareholders and Creditors

iv. Assets and liabilities statement of Business Undertaking of RSIL as on

- September 30, 2017
- March 31, 2017
- March 31, 2016

v. List of Brands, Trademarks and copyrights to be transferred as part of business undertaking.

vi. Financial Projections of the Business Undertaking comprising of Balance Sheet and Profit and Loss Statement for 6 months period ended March 31, 2018 and from FY 2018-19 to 2022-23.

vii. Details of marketing and advertisement expenses for FY 2015-16 and FY 2016-17

viii. Binding Term Sheet between Devonshire Capital Holdings Limited ("The Investor") and RSIL.

ix. Report on Valuation of "Mahakosh" and "Nutrela" Brands of Ruchi Soya Industries Limited dated 23rd May 2017

x. Information on relevant key events between 31stMarch 2017to till date, as made known to us and their financial report.

xi. Management representation letter dated 2nd November 2017

xii. Discussions with the management of RSIL and MTPL on various matters considered relevant by us for the purpose of this valuation

xiii. Such other analysis, reviews and enquiries, as we considered relevant

The Companies have been provided with opportunity to review the report as part of our standard practice to make sure that factual inaccuracies/omissions are avoided in our final report.

VI. **Share Capital of Transacting Entities:**

1. **Ruchi Soya Industries Limited(RSIL):** Its net worth as on March31st, 2017is Rs. 1,023.70 crores. The share capital on such date is as under:

Particulars	Amount in Rs.
Authorized Share Capital:	
1,01,02,50,000 Equity Shares of Rs. 2/- each	2,02,05,00,000
TOTAL	**2,02,05,00,000**
Issued, Subscribed and Paid up Share Capital:	
33,41,00,722 Equity Shares of Rs. 2/- each	66,82,01,444
Less : 76,30,115 Treasury Shares	1,52,60,230
TOTAL	**65,29,41,214**

There is no change in the share capital of the Company till date. The Equity shares of the company are listed on BSE and NSE.

2. **MRIG Trading Private Limited (MTPL):** Its net worth as on March 31st, 2017isnegative Rs. 1,74,932/-. The share capital on such date is as under –

Particulars	Amount in Rs
Authorized Share Capital:	
10,000 Equity Shares of Rs10/- each	1,00,000
TOTAL	**1,00,000**

Issued, Subscribed and Paid up Share Capital:	
10,000 Equity Shares of Rs10/- each	1,00,000
TOTAL	**1,00,000**

There is no change in share capital of Transferee Company till date.

VII. RATIONALE OF THE SCHEME

The rational for the Scheme is set out below:

i. Each of the varied businesses being carried on by Transferor Company has potential for sustainable profitable growth and is also capable of attracting different set of investors and strategic partners to scale up the size and operations.

ii. Each business vertical will get the requisite management focus and autonomy to pursue the possibilities of expansion and growth, it can be managed more efficiently leading to better returns.

iii. To achieve greater economies of scale and provide a larger and stronger base for potential growth.

iv. To enable better realization of potential of the businesses and yield beneficial results and enhanced value creation.

v. To simplify the corporate structure of the Transferor Company and enable focused attention on performance improvement, reduction in operational and administrative expenses and overheads, better cost and operational efficiencies and will also result in coordinated optimum utilization of resources

vi. To facilitate debt resolution and allow retirement of restructured debt in line with the Reserve Bank of India ("RBI") guidelines for resolution of stressed assets under the various schemes of RBI such as Change in Ownership of Borrowing Entities (outside Strategic Debt Restructuring Scheme), etc as notified and amended from time to time, by RBI.

vii. It would be in the best interest of the shareholders, creditors, employees and other stakeholders of Transferor Company as it would result in enhancement of stakeholders' value.

VIII. Valuation Methods and Analysis:

Valuation methods are broadly classified into -

1. **UNDERLYING ASSETS APPROACH:**

The Asset approach focuses on the net worth or net assets of company. Asset approach includes net asset value [NAV] method based on realizable or book value of assets. The Asset approach considers the assets Liabilities including intangible assets and contingent liabilities. This valuation approach is mainly used in case where the assets base dominates earnings capability or if it is investment holding company and significant value is derived from its investment holdings.

The Underlying Assets Approach or Net Assets Value Method values an entity with reference to the historical cost of the assets owned by the entity and attached liabilities as at the valuation date. Such value usually represents the support value of a going concern.

Considering the fact that the business of the Undertaking is intended to be continued on a "going concern" basis, Net Assets will not capture fair value of the business. Balance Sheet of the Business Undertaking transferred as Slump Sale mainly consist of Intangible Assets that to only of acquired brand, though other self-generated brands not recorded in the books but are being transferred are also equally valuable. However, taking into account expected improvement in profitability of the business, we have considered it appropriate to ignore Net Assets Value Method for current valuation exercise.

2. **Income Approach:**

The income approach is widely used for valuation under 'Going Concern' basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow (DCF) Method under the income approach seeks to arrive at a valuation based on strength of the Future cash flows. The free cash flows to equity represent the cash available after meeting all financial obligations, including debt payments, working capital requirements and after covering capital expenditure and taxes. The free cash flows to equity are discounted by using the cost of equity as there is no debt. The cost of equity represents the rate of return on investment that is required by the company's ordinary shareholders. The present value of the free cash flows to equity for the project period indicates the value of the business.

We have also considered Profit Capitalization Method. We have arrived at normalized and sustainable profits based on appropriate weightage given to PAT for future years as past few years were not normal years.

3. **Market Approach:**

Under the market approach, the valuation is based on the market capitalization of the company in case of listed companies or/and comparable companies trading or transaction multiples of comparable companies. The market approach generally reflects the investors' perception about the true worth of the company.

RSIL shares are frequently traded on Stock Exchange. However, market price method as per provisions of Chapter VII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended is not considered as this being valuation of one of the undertakings of RSIL.

Deriving a value is influenced by the following factors –

- *The objective or purpose of valuation*
- *The industry and business the transacting entities*

- *The commercial viability of the most appropriate method/s*
- *The unique facts of the case as relating to the entities*
- *The compliance of regulatory framework for the purpose of valuation*
- *Dividend payment capability*

Weightage:

The Fair value is considered based on the Supreme Court's Decision in the case of Hindustan Lever Employees; Union Vs. Hindustan Lever Limited (1995) reported at (83 Company Cases 30) wherein the Apex Court has opined that the fair value of a Company could be assessed based on weights. So accordingly, appropriate weight has been considered for arriving at fair value.

ARRIVING CONSIDERATION FOR THE TRANSFER OF BUSINESS UNDERTAKING OF RSIL TO MTPLBY WAY OF SLUMP SALE:

The fair value of the Undertaking would have to be determined after taking into consideration all the factors and methodologies and facts mentioned hereinabove.

As explained earlier in Para, we have thought fit to give weightage only to values determined under only Income Approach.

(Rs. In crores)

Valuation Approach	Fair Value of Business Undertaking	Weight	Product
ASSET APPROACH	N.A.	N.A.	N.A.
INCOME APPROACH			
a. Profit Capitalization	1,327.00	1	1,327
b. Discount Cash Flow	2,141.00	1	2,141
MARKET APPROACH	N.A.	N.A.	N.A.
		2	3,468
FAIR VALUE OF BUSINESS UNDERTAKING			1,734

RSIL had several rounds of discussions and negotiation with the identified financial investor - Devonshire Capital Holding Ltd. It has a binding term sheet from the Investor for acquisition of 100% stake of the said Business Undertaking for a gross consideration amount of INR

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4,000 crores to be paid in various tranches as per agreed payment schedule over a period of 6 years or any other amount higher or lower as may be agreed by the investor subject to adjustment of liabilities, if any. The Net Present value of the gross consideration for the Business Undertaking is (Rs 4,000 crore discounted at 14% per annum works out to be) Rs 2,614 crore (Two Thousand Six Hundred Fourteen Crore Only).

IX. Recommendation

Based on our analysis, without considering investor's offer, in our view fair value of the Business Undertaking is Rs. 1,734 crores (One Thousand Seven Hundred Thirty-Four Crores Only).

CHARTERED ACCOUNTANTS ★ HARESH UPENDRA & CO

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Haresh Upendra & Co
Chartered Accountant

Annexure I:

RSIL to then spin out the Brands and the distribution network of the Company into an SPV created for this purpose and 100% owned by the Investor; subject to the following:

a. Suitable, tax efficient structure to be found to give SPV clean title to the Brands;

b. Brands business and distribution network to be sold to SPV on the following terms:

   i. Brands business and distribution network transferred to the SPV upon payment of the first tranche of the Consideration Amount;

   ii. First tranche of Consideration Amount to be INR [800] crores and to be paid to RSIL upon approval of creation of SPV and approval of transfer of Brands business and distribution network by Lenders

   iii. Total Consideration Amount for the sale of the Brands and the distribution network to the SPV to be INR [4,000] crores, including the first tranche as mentioned above.

   iv. Consideration Amount to be paid to RSIL over [6] years – amount, term, and payment schedule;

c. RSIL to have a negative lien on the Brands till complete payments are made according to the schedule as defined in the definitive documents;

d. SPV and RSIL shall sign an Offtake Agreement inter alia containing, a long-term supply arrangement between RSIL and SPV for processed end products; Offtake Agreement to include a Take or Pay agreement with RSIL in order to guarantee the amounts of the offtake as agreed in the definitive documents; SPV shall also have a right of first refusal in case of any excess capacity in RSIL;

e. Any delay in the creation of SPV results in the diminishing of the value of the Brands due to the current situation RSIL finds itself in – therefore any delay in the creation of SPV shall result in the diminishing of the Consideration Amount as per a scale that will be defined in the definitive documents.

Annexure II:
Net Present Value

Payment Schedule of Branded Business from the investors (Years)	NPV*	2018	2019	2020	2021	2022	2023	2024
Amount	Rs. 2614 crore	Rs. 800 crores	Rs. 200 crores	Rs. 300 crores	Rs. 400 crores	Rs. 700 crores	Rs. 800 crores	Rs. 800 crores

* *NPV is calculated on WACC.*