

REPORT ON
RECOMMENDATION OF ENTITLEMENT RATIO
AND IMPLICATIONS ON THE
LISTED NCD HODLERS
FOR THE PROPOSED DEMERGER
OF
THE DEMERGED UNDERTAKING OF
ADITYA BIRLA FASHION AND RETAIL LIMITED
INTO
ADITYA BIRLA LIFESTYLE BRANDS LIMITED

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1. Glossary

Abbreviation	Definition
ABFRL	Aditya Birla Fashion and Retail Limited
ABLBL	Aditya Birla Lifestyle Brands Limited
Companies	Demerged Company and Resulting Company
Demerged Company	Aditya Birla Fashion and Retail Limited
Demerged Undertaking	Demerged Undertaking is the MFL Business of ABFRL
ICAI	Institute of Chartered Accountants of India
IVS	ICAI Valuation Standards
MFL Business	The division of ABFRL engaged in business of manufacturing, marketing, sales and/or distribution of fashion apparel, footwear and accessories through offline and/or online channels including wholesale, retail and e-commerce under four lifestyle brands viz Louis Phillippe, Van Heusen, Allen Solly and Peter England along with casual wear brands viz. American Eagle and Forever 21, sportswear brand Reebok and the innerwear business under Van Heusen brand
NCD 1	Non-Convertible Debentures with ISIN INE647O08107 and redemption amount of INR 400 Crores (Details mentioned in Appendix C)
NCD 2	Non-Convertible Debentures with ISIN INE647O08115 and redemption amount of INR 500 Crores (Details mentioned in Appendix C)
NCD 3	Non-Convertible Debentures with ISIN INE647O08123 and redemption amount of INR 750 crores (Details mentioned in Appendix C)
Remaining Business of Demerged Undertaking Company	All the business, units, divisions, undertakings, and assets and liabilities of the Demerged Company other than the Demerged Undertaking
Report Date	Means the date of this Report
Resulting Company	ABLBL
SEBI	Securities and Exchange Board of India
SEBI Master Circular -Debt	SEBI Circular No. SEBI/HO/DDHS/PoD1/P/CIR/2023/108 dated July 29, 2022, as amended from time to time [pursuant to Regulation 59A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]
SEBI Master Circular - Equity	SEBI Circular No. SEBI/HO/CFD/POD-2/ P/CIR/2023/93 dated June 20, 2023, as amended from time to time or any other circulars issued by SEBI applicable to schemes of arrangement from time to time [pursuant to Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]
TCNS	TCNS Clothing Co Limited
the Management	Management of ABFRL
the Managements	Management of ABFRL and ABLBL



2. Introduction

2.1 There is a proposal before the Board of Directors of Aditya Birla Fashion and Retail Limited to demerge the Demerged Undertaking of ABFRL into ABLBL under a scheme of arrangement under sections 230-232 of Companies Act, 2013, including the rules and regulations made thereunder (hereinafter referred to as “**the Scheme**”). Pursuant to the demerger, equity shares of ABLBL would be issued to the shareholders of ABFRL as consideration for the proposed demerger. The said transaction is referred to as the “**Proposed Demerger**”.

2.2 In light of the above, we have been appointed by the Management of ABFRL vide Engagement Letter dated April 3, 2024 and by the Management of ABLBL by Engagement Letter dated April 13, 2024 (“**the Managements**”) to recommend the following:

- Share Entitlement Ratio for the allotment of equity shares of ABLBL, to the shareholders of ABFRL as consideration for the Proposed Demerger, in accordance with the requirements under the Companies Act, 2013 including the rules and regulations made there under.
- Comment on impact of the Scheme on the NCD holders.

2.3 This report (“**Report**”) sets out the findings of our exercise.

2.4 Brief Profile of the Companies and Undertakings:

- **Profile of ABFRL (on a consolidated basis)**

Aditya Birla Fashion and Retail Limited is a public company, limited by shares, incorporated under the Companies Act 1956 bearing CIN : L18101MH2007PLC233901 having its registered office at Piramal Agastya Corporate Park, Building ‘A’, 4th and 5th Floor, Unit No. 401, 403, 501, 502, L.B.S. Road, Kurla, Mumbai - 400 070. ABFRL runs a diverse portfolio of fashion brands and retail formats with key business segments comprising of Madura Fashion and Lifestyle and Pantaloons, Ethnic portfolio along with other new growth platforms.

- **Profile of the Demerged Undertaking**

The Demerged Undertaking is engaged in the business of manufacturing, marketing, sales and/or distribution of fashion apparel, footwear and accessories through offline and/or online channels including wholesale, retail and e-commerce under four lifestyle brands viz Louis Phillippe, Van Heusen, Allen Solly and Peter England along with casual wear brands viz. American Eagle and Forever 21, sportswear brand Reebok and the innerwear business under Van Heusen brand. The Demerged Undertaking of ABFRL would be transferred in the Resulting Company.

- **Profile of ABLBL (Resulting Company)**

The Resulting Company is a public company, limited by shares, incorporated under the Companies Act, 2013 bearing corporate identification number U46410MH2024PLC423195 and having its registered office at Piramal Agastya, Building A, 401, 403, 501, 502, LBS Road, Kurla, Mumbai Maharashtra 400070 (hereinafter referred to as “**Resulting Company**”). The Resulting Company was incorporated on April 9, 2024 as a wholly owned subsidiary of the Demerged Company.



• **Share Capital and Shareholding pattern of ABFRL**

The authorised, issued, subscribed and paid-up share capital of ABFRL as at March 31, 2024 is as follows:

SHARE CAPITAL	AMOUNT (INR in Lakhs)
Authorised:	
2,00,00,00,000 equity shares of Rs.10each	2,00,000
5,00,000 8% Redeemable Cumulative Preference Shares of INR 10 each	50
15,000 Redeemable Cumulative Preference Shares of INR 100 each	15
95,00,000 Preference Shares of INR 10 each	950
Total	2,01,015
Issued:	
1,01,52,15,146 equity shares of Rs. 10 each	1,01,522
11,10,000 8% non-cumulative non-convertible redeemable preference shares of INR 10 each	111
Total	1,01,633
Subscribed and fully paid up:	
1,01,50,09,642 equity shares of Rs. 10 each	1,01,501
11,10,000 8% non-cumulative non-convertible redeemable preference shares of INR 10 each	111
Total	1,01,612

Source: Management of ABFRL

It may be noted that the proposed merger of TCNS Clothing Co Limited with ABFRL (“TCNS Merger”) is under process. We understand from the Scheme that the TCNS Merger would be a condition precedent to the Proposed Demerger. Post effectiveness of the said TCNS Merger, the equity share capital of ABFRL would comprise of 1,07,06,78,979 equity shares.

Number of equity shares on diluted basis after taking into account issue of shares on account of TCNS dilution and appropriate adjustments for ESOPs outstanding (for ABFRL and entitlement to TCNS shareholders) are 1,07,44,29,831 equity shares of INR 10 each.

The foregoing equity share capital is held as follows as on March 31, 2024:

Particulars	Number of Shares Held	Percentage of Shareholding
Promoter & Group	52,62,99,516	51.85%
Public	48,87,10,126	48.15%
Total	1,01,50,09,642	100.00%



It is understood from the Management of ABFRL that pursuant to TCNS Merger, the Promoter & Promoter Group Shareholding is likely to be 49.16%.

The preference share capital is held by Birla Management Centre Services Private Limited.

- **Non-Convertible Debentures (NCDs) of ABFRL**

ABFRL has issued the following Non-Convertible Debentures (NCDs), details of the said NCDs are given in Appendix C. The said NCDs are listed on BSE. :

Particulars	NCD	ISIN	INR in crores
NCDs to be transferred to the Resulting Company	NCD 2	INE647O08115	500
NCDs to be retained by the Demerged Company	NCD 1	INE647O08107	400 ¹
	NCD 3	INE647O08123	750 ²

¹ NCD 1 are redeemable in September 2024

² Comprises of inter-alia specific borrowing of ~ INR 680 crores towards acquisition of TCNS by ABFRL

- **Shareholding pattern of ABLBL**

The authorised, issued, subscribed and paid-up share capital of ABLBL as on April 15, 2024 is as follows:

SHARE CAPITAL	AMOUNT (INR)
Authorised: 50,000 equity shares of Rs. 10 each	5,00,000
Issued, Subscribed and fully paid up: 50,000 equity shares of Rs. 10 each	5,00,000

Source: Management of ABLBL

Basis information provided by the Management of ABLBL, there are no ESOP's outstanding as at the Report Date.

The foregoing share capital is held as follows:

Particulars	Number of Shares Held	Percentage of Shareholding
ABFRL and its nominees	50,000	100.00%
Total		100.00%



3. Data obtained and sources of information

- 3.1 We have called for and obtained such data, information, etc. as were necessary for the purpose of this assignment, which have been, as far as possible, made available to us by the Managements. **Appendix A** hereto broadly summarizes the data obtained.
- 3.2 For the purpose of this assignment, we have relied on such data summarized in the said Appendix and other related information and explanations provided to me in this regard.



4. Consideration of Factors for Determination of Share Entitlement Ratio

For the purpose of arriving at the Share entitlement ratio for the Proposed Demerger, we have examined, considered and placed reliance on various details, data, documents, accounts, statements furnished and explanations and information given to us and have proceeded to find out the ratio on a consideration of the following factors:

- 4.1 All the properties and the liabilities of ABFRL relating to the Demerged Undertaking shall be transferred to ABLBL.
- 4.2 As can be observed from the shareholding pattern, ABLBL is a wholly owned subsidiary of ABFRL. Upon the Scheme being effective, the entire existing share capital of ABLBL shall stand cancelled and new shares shall be allotted to the shareholders of ABFRL holding shares therein on the record date as defined in the Scheme. Therefore, only the shareholders of ABFRL shall hold shares of ABLBL. Thus, effectively the shareholding in ABLBL would continue to mirror the shareholding of ABFRL. Hence, the Proposed Demerger will not have any impact on the beneficial economic interest of the equity shareholders of ABFRL as the equity shareholders of ABFRL would continue to have the same economic interest in ABFRL and ABLBL combined.
- 4.3 Further, we have given due consideration to the twin factors of the level of paid-up equity share capital that is considered reasonable for the Demerged Undertaking proposed to be transferred to ABLBL and of avoiding fractions in the share entitlement.
- 4.4 From the foregoing, it is evident that the question or aspect of adjusting the interest of equity shareholders between two or more disparate groups (which is ordinarily at the root of fixing such ratio of entitlement) is not relevant in this case due to mirroring of the shareholding in case of ABLBL and ABFRL.
- 4.5 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 is mandatory for the valuation done under the Companies Act, 2013, and recommendatory for valuation carried out under other statutes/ requirements. However, as the current exercise does not entail valuation, the question of following the Valuation Standards does not arise.



For NCD holders

As mentioned earlier, following series of NCDs of ABFRL are currently listed:

Particulars	NCD	ISIN	INR in crores
NCDs to be transferred to the Resulting Company / ABLBL	NCD 2	INE647O08115	500
NCDs to be retained by the Demerged Company	NCD 1	INE647O08107	400
	NCD 3	INE647O08123	750

- It may be noted that the NCD 2 of ABFRL (i.e. NCDs amounting to INR 500 Crores with ISIN - INE647O08115) would be transferred to the Resulting Company with the same terms including coupon rate, tenure, redemption price and quantum.
- The Management has provided us their outlook of operating and financial cashflows of the Demerged Undertaking. Based on these cash flows as projected by the Management, we understand that the Resulting Company will meet the interest and repayment obligations of such NCD 2 holders. Hence, in our view, the overall economic interest of NCD 2 holders will not be adversely affected pursuant to the Proposed Demerger.

Similarly, the Management has provided us their outlook of operating and financial cashflows of the Demerged Company. Based on these cash flows including incremental borrowing and the equity fundraise as projected by the Management, we understand that the Demerged Company will meet the interest and repayment obligations of NCD 1 and NCD 3 holders. Based on the above, in our view, the economic interest of NCD 1 and NCD 3 holders would not be affected pursuant to the Proposed Demerger.



5. Conclusion

Based on the foregoing data, considerations and steps followed, in our opinion the Share Entitlement Ratio would be as follows:

For Equity Shareholders

For every 1 (one) equity share of face and paid-up value of Rs 10/- (ten) each held in Demerged Company, 1 (one) equity share of face and paid-up value of Rs. 10/- (ten) each of Resulting Company to be issued to the equity shareholders of Demerged Company.

Specific Consideration:

The SEBI Master Circular - Equity requires the valuation report for a scheme of arrangement to provide certain information in a specified format. The current transaction does not trigger the requirement for valuation under SEBI Master Circular - Equity since there is no change in shareholding. However, we have given in **Appendix B** the disclosure required under the specified format.



6. Limitations and Disclaimers

- 6.1 The Report is to be read in totality and not in parts.
- 6.2 The Report is based on the information furnished to us being complete and accurate in all material respect. In no event, we shall be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or willful default on part of the companies, their directors, employee or agents.
- 6.3 We have relied on the written representations from the Managements that the information contained in this Report is materially accurate and complete in the manner of its portrayal and therefore forms a reliable basis for the share entitlement ratio.
- 6.4 The estimate of future financial performance is as projected by the Managements, which represents their view of reasonable expectations 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 from those contained in the statement and the variation may be material.
- 6.5 The information presented in this report does not reflect the outcome of any financial due diligence procedures. The reader is cautioned that the outcome of that process could change the information herein and, therefore, the valuation materially.
- 6.6 Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, review or examination of any of the historical or prospective information used and therefore, we do not express any opinion with regard to the same.
- 6.7 The Report is meant for the specific purpose mentioned herein and should not be used for any purpose other than the purpose mentioned herein. This 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. For the avoidance of doubt, this restriction will not preclude the clients from providing a copy of this Report to third party advisors, shareholders, creditors, or judicial and regulatory authorities in relation to the Proposed Demerger.
- 6.8 No investigation of the Demerged Undertaking, ABFRL's claim to the title of assets has been made for the purpose of this assignment and their 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 Report is not, nor should it be construed, as our opining or certifying the compliance with the provisions of any law including company and taxation laws or as regards any legal, accounting or taxation implications or issues.

6.9 The recommendation is based on the regulatory environment that existed at the Report Date. We have no obligation to update this Report because of events or transactions occurring subsequent to the date of this Report. The fee for the engagement is not contingent upon the results reported.



- 6.10 The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all their areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, as specifically stated to the contrary, this 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 disclosed in the audited/unaudited balance sheets of the Companies, if any, provided to us.
- 6.11 This Report does not look into the business/ commercial reasons/economic rationale behind the proposed Scheme, nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the proposed Scheme as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.
- 6.12 Any person/ party intending to provide finance/ invest in the shares/ businesses of the companies/ their holding companies/ subsidiaries/ joint ventures/ associates/ investee/ group companies, if any, 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. If any person/ party (other than the Client) chooses to place reliance upon any matters included in the Report, they shall do so at their own risk and without recourse to us.
- 6.13 We have not carried out any physical verification of the assets and liabilities of the Companies and take no responsibility for the identification of such assets and liabilities.
- 6.14 This Report is subject to the laws of India. In addition, this Report does not in any manner address the price at which equity shares of ABFRL shall trade following announcement of the Proposed Demerger and we express no opinion or recommendation as to how the shareholders of either of the Companies should vote at any shareholders' meeting(s) to be held in connection with the Proposed Demerger. Our Report and opinion/ analysis contained herein is not to be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities.
- 6.15 *Disclosure Of RV Interest Or Conflict, If Any And Other Affirmative Statements*

We do not have any financial interest in the Companies, nor do we have any conflict of interest in carrying out this assignment.

For **Bansi S. Mehta Valuers LLP**

Registered Valuer

IBBI Registration Number: IBBI/RV-E/06/2022/172



DRUSHTI DESAI

IBBI Registration Number: IBBI/RV/06/2019/10666

Partner

Place: Mumbai

Date: April 19, 2024.

UDIN: 24102062BKEUCB7715

Appendix A: Broad Summary Of Data Obtained and Sources of Information

From the Managements:

1. Limited reviewed financial results of ABFRL for the period ending on December 31, 2023.
2. Carved out Balance Sheet of the Demerging Undertaking and the Remaining Business of the Demerged Company as at December 31, 2023.
3. Cashflows of the Demerging Undertaking and Remaining Business of the Demerged Company from FY 2024-25 to FY 2028-29.
4. Draft Scheme between ABFRL and ABLBL and their shareholders and creditors.
5. Other relevant information.
6. Answers to specific questions and issues raised by me after examining the foregoing data.



Appendix B: Information required pursuant to SEBI Master Circular

As mentioned earlier, upon implementation of the Scheme, all the shareholders of ABFRL would become shareholders of ABLBL resulting in a mirror image shareholding. Therefore, there is no change in shareholding as illustrated in Para 4(d) SEBI Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023. Therefore, we have not carried out a valuation of these entities under the generally accepted principles of valuation.

Valuation Approach	ABFRL		ABLBL	
	Value per Share of ABFL for Demerged Undertaking (INR)	Weight	Value per Share of ABLBL (INR)	Weight
Asset Approach	NA	NA	NA	NA
Income Approach	NA	NA	NA	NA
Market Approach	NA	NA	NA	NA
Relative Value per Share	NA		NA	
Share Entitlement Ratio (A/B) (Rounded)	NA		NA	

NA stands for Not Applicable / Not Adopted



Appendix C: Terms of NCDs

	NCD 1	NCD 2	NCD 3
ISIN	INE647O08107	INE647O08115	INE647O08123
Face Value (INR)	10,00,000	1,00,000	1,00,000
Dividend / Coupon	Coupon	Coupon	Coupon
Terms of payment of dividends/ coupon including frequency, etc.	Annual Coupon with the coupon rate of 5.80%	Annual Coupon with the coupon rate of 7.80%	Annual Coupon with the coupon rate of 7.57%
Credit Rating	AA/Stable	AA/Positive	AA+/Stable
Tenure / Maturity	3 years	3 years	7 years
The terms of redemption	Interest to be paid annually and principle payable at maturity	Interest to be paid annually and principle payable at maturity	Interest to be paid annually and principle payable in 3 annual instalments at the end of 5 th , 6 th and 7 th year
Amount of redemption	INR 4,00,00,00,000 (Indian Rupees Four Hundred Crores Only)	INR 5,00,00,00,000 (Indian Rupees Five Hundred Crores Only)	INR 7,50,00,00,000 (Indian Rupees Seven Hundred Fifty Crores Only)
Date of redemption	09 September 2024	30 January 2026	12 September 2030
Redemption premium/ discount	NA	NA	NA
Early redemption scenarios, if any	Yes, in case the credit rating is downgraded to A	Yes, in case the credit rating is downgraded to A	Yes, in case the credit rating is downgraded to A+ or below
Other embedded features (put option, call option, dates, notification times, etc.)	NA	NA	NA
Other terms of instruments	As per Private Placement Offer letter dated September 6, 2021 and Debenture Trust Deed dated September 14, 2021	As per Private Placement Offer letter dated January 24, 2023 and Debenture Trust Deed dated January 31, 2023	As per Private Placement Offer letter dated September 11, 2023 and Debenture Trust Deed dated September 7, 2023
Any other information/details pertinent for holders of NCDs	As per Private Placement Offer letter dated September 6, 2021 and Debenture Trust Deed dated September 14, 2021	As per Private Placement Offer letter dated January 24, 2023 and Debenture Trust Deed dated January 31, 2023	As per Private Placement Offer letter dated September 11, 2023 and Debenture Trust Deed dated September 7, 2023
Name of debenture trustee	Axis Trustee Services Limited	Axis Trustee Services Limited	Axis Trustee Services Limited





To,
National Stock Exchange of India Limited,
Exchange Plaza,
Bandra Kurla Complex, Bandra East,
Mumbai - 400051

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Kala Ghoda, Fort,
Mumbai - 400001

Dear Sir/Madam,

Sub: Confirmations to be filed with Stock Exchanges in respect of the draft Scheme of Arrangement involving Aditya Birla Fashion and Retail Limited and Aditya Birla Lifestyle Brands Limited ("Scheme").

This is to certify that:

- a) No material event impacting the valuation has occurred during the intervening period of filing the Scheme documents with the stock exchanges and the period under consideration for valuation;
- b) there are no past defaults on the listed debt obligations of the entities forming part of the Scheme;
- c) the Company, its promoters or directors have never been declared as wilful defaulter as per RBI Circular Ref. No. RBI/2015-16/100 DBR.No.CID.BC.22/20.16.003/2015-16 dated July 1, 2015 by the banks;
- d) the Company, its promoters or directors have not been directly or indirectly, debarred from accessing the capital market or have not been restrained by any regulatory authority from, directly or indirectly, acquiring the said securities; and
- e) the Company, its promoters or directors do not have direct or indirect relation with the companies, its promoters and whole-time directors, which are compulsorily delisted by any recognised stock exchange.

Thanking you

Yours faithfully,

For Aditya Birla Fashion and Retail Limited



Anil Malik
President & Company Secretary

Date: April 22, 2024

Place: Mumbai

ADITYA BIRLA FASHION AND RETAIL LIMITED

Registered Office:

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