Annexure 3

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Dated: 7 November 2016

To

The Board of Directors	The Board of Directors
Heritage Foods Limited #6-3-541/C, Panjagutta, Hyderabad - 500 082, Telangana	Future Retail Limited Knowledge House, Shyam Nagar, Off Jogeshwari-Vikhroli Link Road, Jogeshwari (East), Mumbai – 400 060

Sub: Recommendation of Share Entitlement for the proposed demerger of identified divisions of Heritage Foods Limited into Future Retail Limited after the proposed spin-off of these divisions into a wholly owned subsidiary of Heritage Foods Limited

Dear Sir / Madam,

We refer to the engagement letter whereby Heritage Foods Limited (hereinafter referred to as "HFL") and Future Retail Limited (hereinafter referred to as "FRL") have requested S. R. Batliboi & Co. LLP (hereinafter referred to as "SRBC") for recommendation of number of equity shares to be issued by FRL as consideration for the proposed demerger of identified divisions of HFL into FRL after the proposed spin-off of these divisions into a wholly owned subsidiary of HFL ("Share Entitlement").

HFL and FRL are hereinafter jointly referred to as the "Companies". The Share Entitlement for this report refers to number of equity shares of face value of INR 2/- each of FRL, which would be issued to HFL in lieu of their proposed demerger of identified divisions into FRL.

SCOPE AND PURPOSE OF THIS REPORT

Future Retail Limited operates retail stores across India under the Big Bazaar, easyday, Foodhall, Hometown and ezone brands. FRL is listed on the Bombay Stock Exchange and the National Stock Exchange. For the year ended 31 March 2016, FRL reported operating revenues of INR 68,450 mn and a profit after tax of INR 145 mn.

Heritage Foods Limited is engaged in the dairy, retail, agri-products, veterinary care, bakery and renewable energy businesses in India. It is listed on the Bombay Stock Exchange and the National Stock Exchange. For the year ended 31 March 2016, HFL reported operating revenues of INR 23,806 mn and a profit after tax of INR 554 mn.

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Certified True Copy
For Future Retail Limited

Company Secretary

Recommendation of Share Entitlement for the proposed demerger of identified divisions of HFL into FRL after the proposed spin-off of these divisions into a wholly owned subsidiary of HFL

HFL is proposing to spin-off its retail, bakery, agri and veterinary operations into a wholly owned subsidiary. Subsequently, HFL is proposing to demerge the retail, bakery and agri businesses (together referred to as "Divisions") into FRL for a consideration in the form of shares of FRL. We understand that this process would take place under the provisions of the Companies Act, 1956.

For the aforesaid purpose, the Board of Directors of HFL and FRL have appointed SRBC to submit a Share Entitlement Report for recommending the Share Entitlement, for the issue of FRL's equity shares to HFL, to be placed before the Audit Committee/ Board of Directors of the Companies.

We have been provided with historical unaudited financials of the Divisions of HFL, which is carved out from the audited / unaudited financials of HFL, upto 30 June 2016. We have taken into consideration the current market parameters in our analysis and have made adjustments for additional facts made known to us till the date of our Report.

This Report is our deliverable for the above engagement.

This Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information as received from the Companies:

- Unaudited statement of profit and loss and statement of assets and liabilities of Divisions for FY13, FY14, FY15 and FY16 which are carved out from the financials of HFL
- Unaudited statement of profit and loss and statement of assets and liabilities of Divisions of HFL for three months ended 30 June 2016 which are carved out from the unaudited financials of HFL
- Forecast financial statements and underlying assumptions for the Divisions from 1 July 2016 to 31 March 2021;
- Other information and documents for the purpose of recommendation of the Share Entitlement.

Apart from the above, publicly available information and proprietary data bases subscribed to by us were utilized for analyzing the industry.

During the discussions with the Management of both Companies, we have also obtained explanations and information considered reasonably necessary for our

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exercise from the Companies we have valued respectively. The Companies have been provided with the opportunity to review the draft Report (excluding the recommendation for Share Entitlement) as part of our standard practice to ensure that factual inaccuracy / omissions are avoided in our final Report.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this Report and (iii) are based on the unaudited balance sheet of the Divisions as at 30 June 2016.

The Management of respective Companies have represented to us that the business activities of HFL and FRL including their subsidiaries and associates, as applicable, have been carried out in the normal and ordinary course between 30 June 2016 and the Report date and that no material adverse change has occurred in their respective operations and financial position between 30 June 2016 and the Report date.

A valuation of this 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. 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.

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuer and judgment taking into accounts all the relevant factors. There will always be several factors, e.g. quality and integrity of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognised in judicial decisions.

The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information furnished by the Companies (or their representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which

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specific opinion needs to be taken from expert advisors). We have no obligation to update this Report.

The determination of Share Entitlement 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 judgement. There is, therefore, no indisputable single result. While we have provided our recommendation of the Share Entitlement based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the Share Entitlement. The final responsibility for the determination of the Share Entitlement at which the proposed demerger shall take place will be with the Board of Directors of the respective Companies, who should take into account other factors such as their own assessment of the proposed demerger and input of other advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, financial and operating data of the respective Companies. In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this Report and (ii) the accuracy of information made available to us by the Companies. In accordance with our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information provided to us. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Management of the Companies that they have not omitted any relevant and material factors about the Companies and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our recommendations are based on the assumptions and information given by/ on behalf of the Companies. The Management of the Companies has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the Report. Nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Report.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all their areas of operation unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except 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 recorded in the

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audited/unaudited balance sheet of the Companies. Our recommendation of value assumes that the assets and liabilities of the Companies, reflected in their respective latest balance sheets remain intact as of the Report date.

We are not advisors with respect to legal, tax and regulatory matters for the proposed demerger. This Report does not look into the business/ commercial reasons behind the proposed demerger nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the proposed demerger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

The valuation and result are governed by concept of materiality. The financial forecasts used in the preparation of the report reflects Management's judgement, based on present circumstances, as to the most likely set of conditions and the course of action it is most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecasts and as such differences may be material. To the extent that our recommendations are based on forecasts, we express no opinion on the achievability of those forecasts.

The fee for the engagement is not contingent upon the recommendation of this Report. We owe responsibility to only the Boards of Directors of the respective Companies that have appointed us under the terms of our engagement letter and nobody else. We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion.

This Report is subject to the laws of India.

Neither the Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme of Arrangement, without our prior written consent. In addition, this Report does not in any manner address the prices at which equity shares of the Companies will trade following announcement of the proposed demerger and we express no opinion or recommendation as to how the shareholders of either Companies should vote at any shareholders' meeting(s) to be held in connection with the proposed demerger.

APPROACH – BASIS OF DEMERGER

The proposed Scheme of Arrangement contemplates the demerger of the Divisions of HFL into FRL. Arriving at the Share Entitlement for the proposed demerger of the Divisions of HFL into FRL would require determining the relative value of the

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identified divisions of HFL and the equity shares of FRL. These values are to be determined independently but on a relative basis, and without considering the current proposed demerger.

There are several commonly used and accepted methods for determining the Share Exchange for the proposed demerger, which have been considered in the present case, to the extent relevant and applicable, including:

1. Market Price method
2. Comparable Companies Quoted Multiples method
3. Discounted Cash Flows method
4. Net Asset Value method

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

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

Market Price ("MP") Method

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

S.R. Batliboi & Co. LLP Mumbai Chartered Accountants

Future Retail Limited

Since the equity shares of FRL are listed on the Bombay Stock Exchange and the National Stock Exchange, we have considered it appropriate to use the Market Price Method for valuing the shares of FRL. The valuation under this method is as per the Securities and Exchange Board of India (Issue of Capital and Disclosure requirements) Regulations. This method could not be used for the Divisions.

Comparable Companies' Quoted Multiple ("CCM") Method

Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

We have not used this methodology for the valuation of FRL as corporate actions involving FRL in the past one year have affected the historical revenue and profitability and these are not representative of the current operations of FRL as noted in recent quarterly performance reported. We have not used this methodology for the valuation of the Divisions directly, but have applied the CCM method as a part of the approach under DCF method, as the current performance is not normative as per the Management of HFL.

Discounted Cash Flows ("DCF") Method

Under the DCF method, the projected free cash flows to the equity shareholders are discounted at the cost of equity. The sum of the discounted value of such free cash flows is the value of the firm. Using the DCF analysis involves determining the following:

Estimating future free cash flows:
Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company's equity capital.

Appropriate discount rate to be applied to cash flows i.e. the weighted average cost of capital:
This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the providers of capital. The opportunity cost to the equity capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

We have used the DCF method for our valuation of Divisions by using the projections provided to us by the Management.

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Net Asset Value ("NAV") Method

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base dominate earnings capability. A Scheme of Arrangement would normally be proceeded with, on the assumption that the demerged business will continue on a going concern basis and an actual realization of the operating assets is not contemplated. The operating assets have therefore been considered at their book values. In such a going concern scenario, the relative earning power is of importance, with the values arrived at on the net asset basis being of limited relevance.

Since the value of the Divisions and of FRL is largely driven by intangibles which are not captured in historical financials, NAV methodology has not been considered.

BASIS OF DEMERGER

As a precursor to the demerger, the Divisions of HFL are being spun-off into a wholly owned subsidiary of HFL, Heritage Foods Retail Limited ("HFRL"). We have been informed by the HFL Management that the transfer of the Divisions was done at book values. We have not verified the book values of the assets being transferred and have taken the HFL Management's representation for the same.

The basis of demerger of the Divisions into FRL would have to be determined after taking into consideration all the factors and methods mentioned hereinabove. As discussed above, we have applied DCF method in the case of the Divisions and Market Price method in the case of FRL to value the Divisions and FRL. Suitable rounding off may have been done in the values arrived at for the purpose of arriving at a whole number recommendation.

We have thus arrived at an enterprise value of Rs. 3,100.5 mn for the Divisions and a corresponding value of Rs. 2,955.7 mn after adjusting for debt, cash and surplus assets.

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we consider that the Share Entitlement of equity shares for the demerger of Divisions of HFL into FRL post spinoff into HFRL should be 17,881,890 (Seventeen million, Eight hundred and Eighty One thousand, Eight hundred and Ninety) equity shares of FRL (of INR 2/- each fully paid up) considering a value of Rs. 165.29 per share of FRL, to be issued to HFL, in its capacity as the shareholder of HFRL.

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Recommendation of Share Entitlement for the proposed demerger of identified divisions of HFL into FRL after the proposed spin-off of these divisions into a wholly owned subsidiary of HFL

For reference purposes, at a value of Rs. 2,950.0 mn, the number of shares to be issued would be 17,847,420 (Seventeen million, Eight hundred and Forty Seven thousand, Four hundred and Twenty) equity shares of FRL, while at a value of Rs. 2,960.0 mn, the number of shares to be issued would be 17,907,919 (Seventeen million, Nine hundred and Seven thousand, Nine hundred and Nineteen) equity shares of FRL.

Respectfully submitted,

S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

S.R. BATLIBOI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Ravi Bansal
Partner
Membership No:49365

FUTURE RETAIL LIMITED

Place: Mumbai
Date: 7 November 2016