

KEYNOTE

Date: May 30th, 2013

**The Board of Directors,
Future Retail Limited**
Knowledge House
Off Jogeshwari - Vikhroli Link Road
Shyam Nagar, Jogeshwari (East)
Mumbai – 400060

Subject: Fairness Opinion on Merger Equity Share Entitlement Ratio for the proposed merger of Future Value Retail Limited (“FVRL”) with Future Retail Limited (“FRL”)

Dear Sirs,

This has reference to engagement letter dated May 27, 2013 wherein Future Retail Limited has requested Keynote Corporate Services Limited (“Keynote”) to provide fairness opinion to the Board of Directors of FRL for merger of FVRL with FRL (“the Proposed Transaction”).

1) Background and Purpose

Future Retail Limited (“FRL”)

FRL is a public listed company which, through itself and its subsidiaries, is a diversified retail player and also has interests in media and other businesses. Through around 14 million square feet of retail space, FRL serves customers in more than 95 cities across India. Around 300 million customers walk into its stores each year. It is listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) and has a current market cap of around Rs. 2,978 Cr.

Shareholding Pattern as on 31-March-2013

Category	Shareholding of Equity Shares (%)	Shareholding for Class B Equity Shares (%)
Promoter	44.19%	51.45%
Public	55.81%	48.55%
Institutions	38.49%	2.16%
FII	25.88%	0.67%
DII	12.61%	1.49%
Non-Institutions	17.32%	46.39%

Summary Financials

Financials (Rs. Cr.)	FY10*	FY11*	FY12**
Total Income	6019.0	4114.5	7015.4
Total Expenditure	5805.4	3999.2	6983.7
Profit Before Tax	213.6	115.3	288.3
Profit After Tax	176.4	78.8	273.3

* FY10 and FY11 numbers ended June 30, 2010 and June 30, 2011 respectively

** FY12 numbers are for the period of 18 months ended December 31, 2012

Keynote Corporate Services Limited

The Ruby, 9th Floor, Senapati Bapat Marg, Dadar (West), Mumbai - 400028
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Future Value Retail Limited ("FVRL")

FVRL is in the business of operating retail formats like Big Bazaar and Food Bazaar. The company operates 162 Big Bazaar stores, 31 Food Bazaar stores, among other formats, in over 93 cities across the country, covering an operational retail space of over 8.7 million square feet. It is a privately held company. Currently, entire share capital of FVRL is being held by FRL.

Shareholding Pattern as on 31-March-2013

Category	Shareholding (%)
Promoter (FRL & its nominees)	100.00%

Summary Financials

Financials (Rs. Cr.)	FY10*	FY11*	FY12**
Total Income	2,992.8	6,918.6	11,036.2
Total Expenditure	2,918.1	6,749.4	10,975.7
Profit/(Loss) Before Tax	74.7	169.2	136.2
Profit/(Loss) After Tax	50.6	113.0	90.04

* FY10 and FY11 numbers ended June 30, 2010 and June 30, 2011 respectively

** FY12 numbers are for the period of 18 months ended December 31, 2012

2) Scheme of Arrangement

We understand that the Board of Directors of FRL, in its meeting held on March 15, 2013, had approved a Scheme of Amalgamation of FVRL (the "Scheme of Amalgamation" or the "Scheme"), a wholly owned subsidiary of FRL, with FRL. The Scheme, pursuant to Sections 391 to 394 of the Companies Act 1956, provides for merger of FVRL with FRL and matters incidental and consequential thereto. As per the Scheme:

1. With effect from the Appointed Date (i.e. July 01, 2012), the whole of the undertaking of FVRL shall be merged with FRL;
2. Since the entire share capital of FVRL is held by FRL, no consideration shall be payable/dischageable to the shareholders of FVRL for the amalgamation of FVRL with FRL;
3. Holders of Compulsorily Convertible Debentures in FVRL would get Compulsorily Convertible Debentures/Optionally Convertible Debentures in FRL and their conversion into equity shares of FRL, in financial years 2014-15 and 2015-16, shall be at a price not less than the average of share price of FRL for a period of four weeks immediately prior to the date of conversion. The Debenture holders shall have a put option on a promoter Company/FRL;
4. On the Scheme becoming effective, FVRL shall be dissolved without being wound up.

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3) Scope of Engagement

For the aforesaid purpose, the Board of FRL has appointed us to issue a fairness opinion on Merger Equity Share Entitlement Ratio for the Proposed Transaction as per the requirement of SEBI circular CIR/CFD/DIL/5/2013 dated February 5, 2013.

This report is intended only for the sole use and information of FRL and only in connection with the Proposed Transaction including for the purpose of obtaining judicial and regulatory approvals for the merger.

4) Sources of Information

We have relied on the following information of FRL and FVRL in issuing this fairness opinion for the purpose of the amalgamation of FVRL into FRL.

1. Scheme of Amalgamation of FVRL with FRL
2. Audited Annual Report of FRL as on December 31, 2012, June 30, 2011 and June 30, 2010;
3. Audited Annual Report of FVRL as on December 31, 2012, June 30, 2011 and June 30, 2010
4. Such other information, documents, data, reports, discussion and verbal & written explanations from FRL as well as advisors for merger/amalgamation to FRL, public domain websites, as were considered relevant for the purpose of the Fairness Opinion.

5) Fairness Opinion on Merger Equity Share Entitlement Ratio

FVRL is a wholly owned subsidiary of FRL and it is now merging with its parent company, FRL. There are no new shares to be issued as the entire share capital of FVRL is held by FRL. No consideration shall be payable/dischargeable to the shareholders of FVRL for the amalgamation of FVRL with FRL and on the Scheme becoming effective, FVRL shall be dissolved without being wound up. Considering this there is no Merger Equity Share Entitlement Ratio prescribed for the Proposed Transaction.

Based on the facts discussed and exclusions & limitations mentioned herein below, we state that in our opinion the recommendation given by the Board in the Scheme of Amalgamation seems fair and reasonable.

6) Exclusions and Limitations

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by FRL for the purpose of this opinion. Our work does not constitute an audit or certification or due diligence of the working results, financial statements, financial estimates or estimates of value to be realized for the assets of FRL or FVRL. We have solely relied upon the information provided to us by FRL. We have not reviewed any books or records of FRL or FVRL (other than those provided or made available to us). We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of FRL or FVRL and neither express any opinion with respect thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of FRL or FVRL. We have not reviewed any internal management information statements or any non-public reports, and, instead, with your consent we have relied upon information which was publicly available or provided or

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otherwise made available to us by FRL for the purpose of this opinion. We are not experts in the evaluation of litigation or other actual or threatened claims and hence have not commented on the effect of such litigation or claims on the valuation or on opinion. We are not legal, tax, regulatory or actuarial advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of FRL and FVRL with respect to these matters. In addition, we have assumed that the Scheme of Amalgamation will be approved by the regulatory authorities and that the proposed transaction will be consummated substantially in accordance with the terms set forth in the Scheme of Amalgamation.

We understand that the management of FRL during our discussions with them would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Scheme of Amalgamation, no restrictions will be imposed that will have a material adverse effect on the benefits of the Proposed Transaction that FRL and FVRL may have contemplated. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we are not authorized to solicit, and did not solicit, interests for any party with respect to the acquisition, business combination or other extra-ordinary transaction involving FRL and FVRL or any of its assets, nor did we negotiate with any other party in this regard.

We have acted as a financial advisor to FRL for providing a fairness opinion on the Merger Equity Share Entitlement Ratio and will receive a fee for our services. In the past, Keynote and its affiliates have not provided any financial advisory and financing services to FRL or FVRL and their affiliates and have not received fees for rendering of the services.

In the ordinary course of business, Keynote is a SEBI Registered Category I Merchant Banker, engaged in securities trading, securities brokerage and investment activities, as well as providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of Keynote may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the Proposed Transaction.

It is understood that this report is solely for the benefit of and confidential use by the Board of Directors of FRL for the purpose of the Proposed Transaction and may not be relied upon by any other person and may not be used or disclosed for any other purpose without our prior written consent. The opinion is not meant for meeting any other regulatory or disclosure requirements, save and except as specified above, under any Indian or foreign law, Statute, Act, guideline or similar instruction. Management of FRL should not make this report available to any party, including any regulatory or compliance authority/agency except as mentioned above. The letter is only intended for the aforementioned specific purpose and if it is used for any other purpose; we will not be liable for any consequences thereof.

We express no opinion whatever and make no recommendation at all as to FRL or FVRL's underlying decision to effect to the Proposed Transaction or as to how the holders of equity shares or preference shares or secured or unsecured creditors of FRL and FVRL should vote at their respective meetings held in connection with the Proposed Transaction. We do not express and should not be deemed to have expressed any views on any other terms of the Proposed Transaction. We also

Keynote Corporate Services Limited

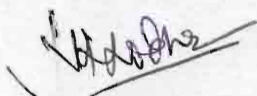
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express no opinion and accordingly accept no responsibility for or as to the prices at which the equity shares of FRL will trade following the announcement of the Proposed Transaction or as to the financial performance of FRL or FVRL following the consummation of the Proposed Transaction.

In no circumstances however, will Keynote Corporate Services Limited or its associates, directors or employees accept any responsibility or liability to any third party and in the unforeseen event of any such responsibility or liability being imposed on Keynote Corporate Services Limited or its associates, directors or employees by any third party, FRL and their affiliates shall indemnify them.

Thanks & Best Regards,

For **KEYNOTE CORPORATE SERVICES LTD.**



Nipun Lodha
Executive Vice President
SEBI Registration No. INM000003606
(Merchant Banker)

Keynote Corporate Services Limited