

## SSPA & CO.

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### STRICTLY PRIVATE & CONFIDENTIAL

September 13, 2024

To,  
The Board of Directors,  
Mac Charles (India) Limited  
1<sup>st</sup> Floor, Embassy Point,  
150 Infantry Point,  
Bengaluru, Karnataka – 560 001

To,  
The Board of Directors,  
Embassy Prism Ventures Limited  
1st Floor, Embassy Point,  
150 Infantry Point,  
Bengaluru, Karnataka – 560 001

Dear Sir(s)/ Madam(s),

**Re: Report on opining on fair share entitlement ratio for the proposed demerger of 'Demerged Undertaking' of Mac Charles (India) Limited into Embassy Prism Ventures Limited**

We refer to the engagement letter dated August 05, 2024, whereby, SSPA & Co., Chartered Accountants (hereinafter referred to as 'SSPA' or 'Registered Valuer' or 'We') have been appointed by the management of Mac Charles (India) Limited ('MCIL' or 'Demerged Company') and Embassy Prism Ventures Limited ('EPVL' or 'Resulting Company') to issue a report opining on the fair share entitlement ratio for the proposed demerger of Demerged Undertaking of MCIL (hereinafter referred to as the 'Demerged Undertaking') into EPVL, under a Scheme of Arrangement ('Scheme'), pursuant to the provisions of Sections 230 to 232 of the Companies Act, 2013 read with the rules made thereunder.

MCIL and EPVL are hereinafter collectively referred to as the 'Companies' and 'Client'.

#### 1. SCOPE AND PURPOSE OF THIS REPORT

1.1 We have been informed by the management of MCIL and of EPVL (hereinafter referred to as 'the Management') that they are considering a proposal for demerger of 'Demerged Undertaking' of MCIL into EPVL pursuant to the Scheme.

Subject to necessary approvals, the Demerged Undertaking of MCIL would be demerged into EPVL with effect from the appointed date (hereinafter referred to as 'Appointed Date'). The



Appointed Date is defined to be same as the 'Effective Date' as per the Scheme.

The proposed transaction is hereinafter referred to as the 'Proposed Demerger'.

- 1.2 Equity shares of EPVL are proposed to be acquired by MCIL from Embassy Property Developments Private Limited (hereinafter referred to as 'EPDPL') and other shareholders before the Scheme is approved by the respective Boards of MCIL and EPVL consequent to which EPVL will become a wholly owned subsidiary of MCIL.
- 1.3 Pursuant to the Scheme, as a consideration for the Proposed Demerger, equity shareholders of MCIL are proposed to be allotted redeemable preference shares ('RPS') of face value of INR 10 each of EPVL.
- 1.4 In this regard, we have been requested to issue a report opining on the fair share entitlement ratio as recommended by the Management for the Proposed Demerger.

## 2. BRIEF BACKGROUND

### 2.1. MAC CHARLES (INDIA) LIMITED

MCIL, incorporated in 1979, is involved in inter alia, residential real estate development, generation of power through operation of windmills, commercial real estate activity involving development as well as operation and management of commercial office assets, identifying and making strategic investments, including the formation of subsidiaries for undertaking the stated business activities through them, etc. The equity shares of MCIL are listed on BSE Limited ('BSE').

The shareholding pattern of MCIL as on August 31, 2024 is as follows:

Name of the shareholders	No. of equity shares	% of holding
<b>Promoter and promoter group</b>		
Embassy Property Developments Private Limited	96,16,952	73.41%
C B Pardhanani	1,60,000	1.22%
Jitendra Virwani	48,835	0.37%
<b>Public shareholders</b>	32,75,265	25.00%
<b>Total equity shares (face value INR 10 each)</b>	<b>1,31,01,052</b>	<b>100.00%</b>

As per the audited consolidated financial statements for financial year ('FY') 2023-24, the



revenue from operations of the Demerged Company for FY 2023-24 is INR 11.38 crores and loss before tax of the Demerged Company for FY 2023-24 is INR 68.82 crores.

**2.2. DEMERGED UNDERTAKING OF MCIL**

‘Demerged Undertaking’ means, the undertaking, business activities, rights and the entire ownership and economic interests of the Demerged Company in the commercial real estate business consisting of planning, developing, leasing (including client/tenant management activity) and maintenance of commercial office space which comprises certain identified real estate assets and the identified liabilities attributable to the Demerged Undertaking as detailed in the draft Scheme.

**2.3. EMBASSY PRISM VENTURES LIMITED**

EPVL, a wholly owned subsidiary of EPDPL, was incorporated in September 2020, for the purpose of real estate development inter alia for the business of leasing commercial real estate properties. MCIL intends to purchase the equity shares of EPVL from EPDPL thereby making it a wholly owned subsidiary of MCIL.

**3. REGISTERED VALUER - SSPA & CO., CHARTERED ACCOUNTANTS**

SSPA, is a partnership firm, located at 1st Floor, ‘Arjun’, Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing various corporate consultancy services. We are a firm of practising Chartered Accountants registered with The Institute of Chartered Accountants of India (‘ICAI’). We are also registered with the Insolvency and Bankruptcy Board of India (‘IBBI’), as a Registered Valuer for asset class – ‘Securities or Financial Assets’ with Registration No. IBBI/RV-E/06/2020/126.

**4. SOURCES OF INFORMATION**

For the purpose of this exercise, we have relied upon the following sources of information received from the Management and information available in the public domain:

- (a) Management certified provisional statement of assets and liabilities of Demerged Undertaking of MCIL as on June 30, 2024.
- (b) Draft Scheme of Arrangement.



- (c) Brief terms and conditions of RPS proposed to be issued to shareholders of Demerged Company.
- (d) Such other information and explanations as we required and which have been provided by the Management, including management representations.

**5. SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS, AND DISCLAIMERS**

- 5.1. Our report is subject to the scope and 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 and in the context of the purpose for which it is made. Further, our report containing recommendation of fair share entitlement ratio for the Proposed Demerger is in accordance with ICAI Valuation Standards 2018 issued by The Institute of Chartered Accountants of India.
- 5.2. This report has been prepared for the Board of Directors of the Companies solely for the purpose of opining on a fair share entitlement ratio for the Proposed Demerger.
- 5.3. The report assumes that the Companies / Demerged Undertaking of MCIL comply fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Companies / Demerged Undertaking of MCIL 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 litigations.
- 5.4. The draft of the present report was circulated to the Management (excluding the recommended fair share entitlement ratio) for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.
- 5.5. For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Companies and / or its auditors / consultants, is that of the Management. Also, with respect to explanations and information sought from the Companies, we have been given to



understand by the Management that they have not omitted any relevant and material information about the Companies / Demerged Undertaking of MCIL. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our conclusions.

- 5.6. Our work does not constitute an audit, due diligence, or certification of these information referred to in this report including information sourced from public domain. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any information referred to in this report and consequential impact on the present exercise. However, we have evaluated the information provided to us by the Companies through broad inquiry, analysis, and review. However, nothing has come to our attention to indicate that the information provided / obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.
- 5.7. This report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies/ Demerged Undertaking of MCIL and any other matter, which may have an impact on the report including any significant changes that have taken place or are likely to take place in the financial position of the Companies / Demerged Undertaking of MCIL. Events and transactions occurring after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.
- 5.8. We are independent of the Companies and have no current or expected interest in the Companies or its assets. The fee paid for our services in no way influenced the results of our analysis.
- 5.9. Our report is not, nor should it be construed as our opining or certifying the compliance with the provisions of any law including companies, competition, taxation, and capital market related laws or as regards any legal implications or issues arising in India or abroad from the Proposed Demerger.



- 5.10. Any person/party intending to provide finance/divest/invest in the shares/convertible instruments/business of the Companies / Demerged Undertaking 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.
- 5.11. The decision to carry out the Proposed Demerger (including consideration thereof) lies entirely with the parties concerned and our work and our finding shall not constitute a recommendation as to whether or not the parties should carry out the Proposed Demerger.
- 5.12. Our report is meant for the purpose mentioned in Para 1 only and should not be used for any purpose other than the purpose mentioned therein. It is exclusively for the use of the Companies and may be submitted to National Company Law Tribunal / BSE/ Securities Exchange Board of India ('SEBI') / regulatory/ statutory authority for obtaining requisite approvals. The 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. In no event, regardless of whether consent has been provided, shall SSPA assume any responsibility to any third party to whom the report is disclosed or otherwise made available.
- 5.13. SSPA nor its partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness, or completeness of the information, based on which this report is issued. We owe responsibility only to the Companies that have appointed us under the terms of the Engagement Letter. We will not be liable for any losses, claims, damages, or liabilities arising out of the actions taken, omissions, or advice given by any other person. In no event shall we be liable for any loss, damages, cost, or expenses arising in any way from fraudulent acts, misrepresentations, or willful default on part of the Client or companies, their directors, employees, or agents.
- 6. RATIONALE FOR SHARE ENTITLEMENT RATIO**
- 6.1. As stated earlier, as part of the Scheme, the Demerged Undertaking of MCIL is proposed to be demerged into EPVL, which will be a wholly owned subsidiary of MCIL.



- 6.2. The Proposed Demerger shall result in segregation of business between the Demerged Company and the Resulting Company and hence, allotment of shares by the Resulting Company to the shareholders of the Demerged Company will ensure that the shareholders do not lose value. Therefore, given that the intent of issuing shares by the Resulting Company is to compensate the shareholders of the Demerged Company for the segregation of business, it is proposed that the Resulting Company being a wholly owned subsidiary of MCIL will issue the same number of RPS to the shareholders of the Demerged Company as their current equity shareholding in the Demerged Company.
- 6.3. The fair share entitlement ratio and the number of shares to be allotted pursuant to the Proposed Demerger is of no relevance since there will be no loss of economic interest in the hands of MCIL or EPVL and their respective shareholders. Accordingly, for the purpose of recommending a ratio of entitlement we are not attempting to arrive at the absolute values of shares of each company.
- 6.4. Accordingly, in the present Scheme, the management of the Resulting Company intends to issue one RPS for every equity share held by the shareholders in the Demerged Company and we believe that the proposal of the Resulting Company does not result in any value loss to the shareholders of the Demerged Company.
- 6.5. The Scheme does not envisage the dilution of the holding of one or more shareholders as a result of the operation of the Scheme. Post demerger, the effective percentage holding of a shareholder in the Demerged Company and the Resulting Company would remain same and would not vary.
- 6.6. Further, it is also pertinent to note that the shares held by MCIL in EPVL shall continue to be held by MCIL and that the present shareholders of MCIL will derive 100% value from EPVL both from RPS held in EPVL and through their equity shareholding in MCIL.
- 6.7. The following aspects have been considered by us in assessing/analyzing the demerger consideration proposed by the management of MCIL and EPVL:
- a. EPVL is a wholly owned subsidiary of MCIL;
  - b. Upon the Scheme becoming effective, shareholders of MCIL shall be entitled to the RPS of EPVL in the same proportion in which they own equity shares in MCIL;



- c. The shareholders of MCIL shall hold the RPS in EPVL, pursuant to discharge of demerger consideration by EPVL;
- d. Upon scheme becoming effective, the beneficial and economic interest of the shareholders of MCIL in the issued and paid-up share capital of EPVL would be same as it is in the issued and paid-up share capital of MCIL, in terms of percentage holding; and
- e. The determination of fair share entitlement ratio would not have any economic impact on the ultimate value of the equity shareholders of MCIL and the Proposed Demerger of Demerged Undertaking of MCIL into EPVL will be value neutral for the shareholders of MCIL.

## **7. RECOMMENDATION OF SHARE ENTITLEMENT RATIO**

Based on discussions with the Management, the share entitlement ratio has been determined as follows:

- 7.1. As mentioned in Para 1.3 above, in consideration for the Proposed Demerger, EPVL would issue RPS to the equity shareholders of MCIL.

We understand that the Management have considered following parameters while arriving at the share entitlement ratio:

- i. In the present Scheme, the management of EPVL intends to issue one RPS for every equity share held by the shareholders in MCIL.
- ii. Given that the intent of issuing RPS by EPVL is to compensate the shareholders of MCIL for the segregation of business, it is proposed that EPVL issue the same number of shares to the shareholders of the MCIL as they currently hold in MCIL.
- iii. The equity shareholders of MCIL will continue to hold economic interest in EPVL through equity holding of MCIL in EPVL which will result in no dilution in value of equity shareholders value in MCIL. Considering the aforesaid, a fair share entitlement ratio and the number of RPS to be allotted pursuant to the Proposed Demerger is of no relevance since there will be no loss of economic interest in the hands of MCIL/EPVL and their





respective shareholders. Accordingly, for the purpose of opining on a fair share entitlement ratio, we are not attempting to arrive at the absolute values of shares of each company.

iv. No fractional entitlements.

7.2. Accordingly, the Management has recommended the following share entitlement ratio in consideration for the Proposed Demerger i.e. demerger of Demerged Undertaking of MCIL into EPVL:

**1 (one) redeemable preference share of INR 10 (ten) each fully paid up of EPVL for every 1 (one) equity share of INR 10 (ten) each fully paid up held in MCIL.**

We believe that the aforementioned share entitlement ratio is fair considering that all the shareholders of MCIL are and will, upon Proposed Demerger, be the ultimate beneficial owners of EPVL in the same ratio (inter se) as they hold shares in MCIL.

7.3. As mentioned above, post the Proposed Demerger all the shareholders of MCIL are and will be the ultimate beneficial owners of EPVL in the same ratio (inter se) as they hold shares in MCIL. Therefore, no relative valuation of Demerged Undertaking of MCIL and of EPVL is required to be undertaken for the Proposed Demerger. Accordingly, valuation approaches as indicated in the format (as attached herewith as **Annexure I** to this report) as prescribed by circular number LIST/COMP/02/2017-18 of BSE and Master Circular on Scheme of Arrangement by Listed Entities - SEBI/HO/CFD/POD-2/P/CIR/2023/93 of SEBI have not been undertaken as they are not relevant in the instant case.

## 8. CONCLUSION

8.1. The share entitlement ratio in consideration for the Proposed Demerger as recommended by the Management is:

**1 (one) redeemable preference share of INR 10 (ten) each fully paid up of EPVL for every 1 (one) equity share of INR 10 (ten) each fully paid up held in MCIL.**



Based on our review, information made available to us and discussions with the Management, in our opinion, the aforementioned share entitlement ratio in consideration for the Proposed Demerger of Demerged Undertaking of MCIL into EPVL is reasonable.

We believe that the aforementioned share entitlement ratio is fair considering that all the shareholders of MCIL are and will, upon Proposed Demerger, be the ultimate beneficial owners of EPVL in the same ratio (inter se) as they hold shares in MCIL.

Thanking you,  
Yours faithfully,

**For SSPA & CO.**

**Chartered Accountants**

ICAI Firm registration number: 128851W

IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126

*Parag S. Ved*



**Parag Ved**

**Partner**

ICAI Membership No.: 102432

Registered Valuer No.: IBBI/RV/06/2018/10092

UDIN: 24102432BKCJBB2335

Place: Mumbai

Annexure I

For Demerger of 'Embassy Zenith' business of MCIL into EPVL

Valuation Approach	Demerged Undertaking		EPVL	
	Value per share (INR)	Weight	Value per share (INR)	Weight
Asset Approach	NA	NA	NA	NA
Income Approach	NA	NA	NA	NA
Market Approach	NA	NA	NA	NA
<b>Relative value per share</b>	<b>NA</b>		<b>NA</b>	

