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22 January 2015

The Board of Directors

Mahindra Holidays and Resorts India Limited
Mahindra Towers, 1st floor, 'A' Wing,
Dr. G M Bhosle Marg,
P K Kurne Chowk, Worli,
Mumbai - 400 018.

Re: Fairness opinion on the proposed equity share swap ratio as recommended by the Management of MHRIL for allotment of equity shares of Mahindra Holidays and Resorts India Limited to the equity shareholders of Competent Hotels Private Limited, Divine Heritage Hotels Private Limited and Holiday on Hills Resorts Private Limited with respect to their proposed merger into Mahindra Holidays and Resorts India Limited

Dear Sirs,

We refer to engagement letter dated 29 October 2014 and addendum letter dated 21 January 2015 with Ernst & Young Merchant Banking Services Private Limited (hereinafter referred to as "EY" or "we" or "us"), wherein Mahindra Holidays and Resorts India Limited ("MHRIL" or "Client") has requested us to provide fairness opinion on the equity share swap ratio recommended by the Management of MHRIL (the "Management") in relation to the proposed merger (the "Merger") of Competent Hotels Private Limited ("CH"), Divine Heritage Hotels Private Limited ("DHH") and Holiday on Hills Resorts Private Limited ("HHR") (hereinafter collectively referred to as the "Companies" or the "Merging Companies") into MHRIL. As requested by the Client, our fairness opinion is based on the Management's recommendation dated 21 January 2015 (the "Recommendation").

SCOPE AND PURPOSE OF THIS REPORT

Mahindra Holidays & Resorts India Limited operates in the leisure and hospitality sector. It is engaged in the sale of vacation ownership; and provision of holiday facilities and other services in India and internationally. MHRIL has its registered office at Mahindra Towers, 2nd floor, No. 17/18, Patullos road, Chennai - 600002, Tamil Nadu and is listed on both the National Stock Exchange of India ("NSE") and Bombay Stock Exchange ("BSE"). For the year ended 31 March 2014, it reported consolidated revenue of INR 8,303 million and profit after tax of INR 867.9 million.





Competent Hotels Private Limited is engaged in business of operating a resort/hotel in Manali, Himachal Pradesh and has its registered office at Unit No. 873, 8th Floor, Aggarwal Cyber Plaza II, Plot No. C-7, Netaji Subhash Place, Pitampura, New Delhi – 110034. The equity shares of CH were held by individuals as at 31 March 2014. 100% equity stake in CH is held by MHRIL as at the date of the Recommendation.

Divine Heritage Hotels Private Limited is engaged in the business of operating a resort/hotel in Jaisalmer, Rajasthan and has its registered office at No. 24, 25 & 26, Mahindra Towers, Durga Vihar Colony, Tonk Road, Jaipur – 302018. 100% equity stake in DHH is held by MHRIL as at the date of the Recommendation.

Holiday on Hills Resorts Private Limited is engaged in the business of operating a resort/hotel in Kandaghat, Himachal Pradesh and has its registered office at Village Sicharatch Kandaghat, Solan district, Himachal Pradesh – 173215. 100% equity stake in HHR is held by MHRIL as at the date of the Recommendation.

None of the Merging Companies is listed on any stock exchange. The Management has further informed us that there would not be any change in capital structure or ownership structure in the Merging Companies till the date the Merger becomes effective.

We understand that the managements of MHRIL and the Companies are proposing to merge the Companies into MHRIL pursuant to a Scheme of Amalgamation and Arrangement under the provisions of Sections 391-394 of the Companies Act, 1956 read with Section 52 of the Companies Act, 2013, 100 to 104 of the Companies Act, 1956 (hereinafter referred to as the "Scheme of Arrangement").

The Management's recommendation states that since the Merging Companies are wholly owned subsidiaries of MHRIL, no shares are to be issued by MHRIL as consideration for the proposed merger. Further as informed to us by the Management, there will be no change in the shareholding pattern of MHRIL due to merger after the Merger takes place and hence the valuation of the Merging companies and/or MHRIL has not been undertaken by MHRIL from an Independent Valuer as per SEBI Circular No. CIR/CFD/DIL/5/2013 dated 4 February 2013 read with SEBI Circular No. CIR/CFD/DIL/8/2013 dated 21 May 2013. We understand that the proposed appointed date for the merger is 1 April 2015.

In this connection, to comply with regulatory requirements for the Merger, the Management of MHRIL has engaged EY to provide a fairness opinion on their recommendation dated 21 January 2015 from the perspective of the shareholders of MHRIL and not on the fairness or economic rationale of the Merger per se.

This report is our deliverable in respect of our fairness opinion on the Recommendation by the Management for the purpose of the Merger of CH, DHH and HHR into MHRIL.



This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such the report is to be read in totality, not in parts and in conjunction with the relevant documents referred to herein. This report has been issued only for the purpose of facilitating the Merger and should not be used for any other purpose.

SOURCES OF INFORMATION

We have primarily relied on the Recommendation provided by the Management and the Management certified shareholding structures of the Merging Companies as at the date of the recommendation given by the Management of MHRIL. We have also obtained necessary explanations and information, which we believed were relevant to the present exercise, from the representatives of the Management.

It may be mentioned that MHRIL has been provided an opportunity to review the draft report for the current engagement as part of our standard practice to make sure that factual inaccuracies are avoided in our report.





STATEMENT OF LIMITING CONDITIONS

Affecting results

Provision of fairness 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 opinion, its contents and the results herein are specific to (i) the purpose of opinion as agreed as per the terms of our engagement and (ii) the date of this opinion. An opinion 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 opinion and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The recommendation(s) rendered in this opinion only represent our recommendation(s) based upon information as at 22 January 2015, furnished by the Client 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 specific opinion needs to be taken from expert advisors).

In the course of the fairness opinion, we were provided with both written and verbal information, including market, technical, financial and operating data.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of information made available to us by the Client/Companies and (ii) the accuracy of the information that was publicly available and formed a substantial basis for this report. In accordance with our Engagement Letter and in accordance with the customary approach adopted in fairness opinion 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 Client/Companies, we have been given to understand by the Client/Companies that they have not omitted any relevant and material factors 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 conclusions are based on the assumptions and information given by/on behalf of the Client/Companies. The Management of the Client has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our opinion/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Client/Companies and their impact on the report. Also, we assume no responsibility for technical information (if any) furnished by the Client/Companies. However nothing has come to our attention to indicate that the information provided was materially misstated/ incorrect or would not afford



reasonable grounds upon which to base the opinion. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

The Report assumes that the Client complies fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Client/Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this opinion 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 audited/unaudited balance sheet of the Client/Companies.

This report does not look into the business/ commercial reasons behind the Merger nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Merger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. In addition, this report does not in any manner address the prices at which MHRIL's equity shares will trade following consummation of the Transaction and we express no opinion or recommendation as to how the shareholders of any of the companies should vote at any shareholders' meeting(s) to be held in connection with the Transaction.

No investigation of the Client's/Companies' claims to title of assets has been made for the purpose of this report and the Client's/Companies' claims 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 financial forecasts used in the preparation of the Report, if applicable, reflect judgment of the Management of the Client, based on the present circumstances, as to the most likely set of conditions and the course of action they are most likely to take. It is usually the case that some events and circumstances do not occur as expected and are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecasts, and such differences may be material. To the extent that our conclusions are based on the forecasts, we express no opinion on achievability of those forecasts.

The fee for the Engagement is not contingent upon the results reported.

We owe responsibility to only the Board of Directors of the Client, 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. This report is subject to the laws of India.





RECOMMENDATION BY THE MANAGEMENT

It has been recommended by the Management that since the Merging Companies are 100% subsidiaries of MHRIL, no consideration in the form of equity shares is required to be issued by MHRIL for the Merger.

OUR COMMENTS ON THE RECOMMENDATION BY THE MANAGEMENT

Our fairness opinion has been prepared based on the Management's Recommendation and our discussions with the Management, having regard to the representations from the Management, key underlying assumptions and limitations.

As explained to us, upon the Merger taking place, the economic interest, shareholding and other rights of the shareholders of MHRIL will remain unaffected on account of the Merger since the Merging Companies are 100% subsidiaries of MHRIL. In light of the above, and on consideration of all the relevant factors and circumstances including the structure of the transaction as discussed and outlined hereinabove, we believe that the Management's Recommendation that no consideration in the form of equity shares is required to be issued by MHRIL to the shareholders of the Merging Companies, is fair.

It should be noted that we have examined only the fairness of the Management's Recommendation for the shareholders of MHRIL and the Merging Companies inter-se and have not examined any other matter including fairness or economic rationale of the Merger per se or accounting and tax matters involved in the proposed Merger exercise.

Yours faithfully,



Parag Mehta
Ernst & Young Merchant Banking Services Private Limited