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21 January 2014

**The Board of Directors
Blue Dart Express Limited**

Blue Dart Centre,
Sahar Airport Road
Andheri (East)
Mumbai 400099,

Re: Fairness opinion on the proposed debenture issue

Dear Sirs,

We refer our engagement letter dated 3 January 2014, wherein Blue Dart Express Limited ("Blue Dart" or "Company") has requested us to provide fairness opinion in relation to issue of unsecured, redeemable, non-convertible, fully paid up debentures ("Debentures") by way of bonus.

BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT

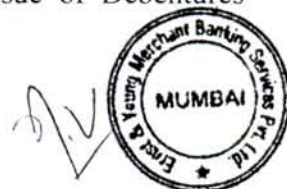
Blue Dart Express Limited operates as a courier and integrated package distribution company covering over 33,739 locations and over 220 countries and territories worldwide through DHL Express. The Company was founded in the year 1983 and has its registered office at Blue Dart Centre, Sahar Airport Road, Andheri (East), Mumbai 400099.

We understand that the Board of Directors of Blue Dart are proposing to issue Debentures, by way of bonus, to equity shareholders.

Upon the Scheme being effective, the Company shall issue and allot, 7 (Seven) Series I Debentures, 4 (Four) Series II Debentures and 3 (Three) Series III Debentures, each as a separate tranche, all of face value Rs. 10/- (Rupees Ten Only) each, fully paid up by utilizing its Surplus in the Statement of Profit and Loss, for every 1 (one) equity share held by the Member whose name is recorded in the Register of Members and record of the depository as Members of the Company on the Record Date.

As represented to us, the coupon rate will be as determined by the Board of Directors on a date close to the issue date considering interest rate scenario prevailing at that point of time.

In this connection, the Company has engaged Ernst & Young Merchant Banking Services Private Limited (hereinafter referred to as "EY" or "EYMBSP") to submit a fairness opinion report for submission to stock exchanges/Securities Exchange Board of India (SEBI) / High Court of Judicature at Bombay and to other regulatory bodies ("Purpose"). Our scope of work is to comment on the fairness of ratio for issue of Debentures proposed by the Board of Directors interse equity shareholders.





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This report is our deliverable to 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, not in parts and in conjunction with the relevant documents referred to herein. This report has been issued only for the above mentioned Purpose and should not be used for any other purpose.

SOURCES OF INFORMATION

The information which we have used to prepare our report consists of the Scheme of Arrangement and annual reports of Blue Dart for last 5 years. Further, we have also obtained necessary explanations and information, which we believed were relevant to the present exercise, from the representatives of the Company.

STATEMENT OF LIMITING CONDITIONS

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 report, its contents and the results herein (i) are specific to the purpose of fairness opinion agreed as per the terms of our engagement; (ii) are specific to the date of this report. Events occurring after this date 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.

The opinion rendered in this report only represent our opinion based upon information furnished by the Company and the said opinion shall be considered advisory in nature. The recipients are expected to exercise their own discretion before relying upon it. We have no obligation to update this report.

In the course of the engagement, we were provided with both written and verbal information.

In accordance with the terms of our engagement, we have assumed and relied upon, without independently verifying, the accuracy of the information that was publicly available / provided to us by the Company. We have not audited, reviewed or otherwise investigated the financial information used by us but have relied on the audited financial statements. 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 historical financial statement. We have been given to understand by the Company that they have provided us all 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. The Management of the Company has indicated to us that they have understood



that any omissions, inaccuracies or misstatements may materially affect our results. Accordingly, we assume no responsibility for any errors in the information furnished by the Company and their impact on the report. However nothing has come to our attention to indicate that the information provided would not afford reasonable grounds upon which to base the report.

The report assumes that the Company complies fully with relevant laws and regulations applicable in all its areas of operations and that the Company will be managed in a competent and responsible manner. Further, this report has given no consideration to matters of a legal nature.

This report does not look into the business/ commercial reasons behind the Scheme. Similarly, it does not address the relative merits of the Scheme as compared with any other alternatives (eg. dividend, buyback) or whether or not such alternatives could be achieved or are available.

No investigation / enquiry of the Company's claim to title of assets has been made for the purpose of this report and the Company's 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 latest audited balance sheet.

Therefore, no responsibility is assumed for matters of a legal nature.

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

We owe responsibility only to the Board of Directors of the Company under the terms of our engagement and do not accept any liability to any third party.

This report is subject to the laws of India.

Neither the report nor its contents may be referred to or quoted in any prospectus, offering memorandum, public document, loan agreement or other document given to third parties, other than in connection with the proposed Scheme, without our prior written consent. In addition, this report does not in any manner address the prices at which Blue Dart's equity shares will trade following the announcement of the proposed Scheme and we express no opinion or recommendation as to how the shareholders of Company should vote at any shareholders' meeting(s), if any, to be held in connection with the proposed Scheme. The report does not evaluate fairness from lenders/creditors' or other stakeholders (other than shareholders) perspective.

It may be mentioned that Blue Dart 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.



SHARE CAPITAL DETAILS OF THE COMPANY

Blue Dart's equity shares are listed on BSE Limited and National Stock Exchange of India Limited.

The issued, subscribed and paid up share capital of the company comprises of 23,727,934 shares of Rs. 10 each.

The shareholding pattern of Blue Dart as at 30 September 2013 is as follows:

Shareholders	% shareholding		
Promoter / Promoter Group			75.00%
Public and others, split into			25.00%
A) Institutions, further split into		13.75%	
- Foreign Institutional Investors	5.62%		
- Domestic Institutional Investors	8.13%		
B) Non Institutions		11.25%	
Total			100.00%

Source: www.bseindia.com

OUR OPINION

The fairness opinion has been prepared based on our analysis of the various qualitative factors relevant to the Company. In arriving at the opinion, we have primarily evaluated the following two aspects

- a. that the Scheme should be fair to the shareholders as a whole; and
- b. that the Scheme should *inter-se* be fair to shareholders.

We note that the Debentures to be issued have a face value of Rs. 10 each and aggregate value upto a maximum of Rs. 332.19 crores. The debentures are to be redeemed at par between 36 to 60 months after the date of allotment.

As of March 31, 2013, the Company has a cash balance of Rs. 236.49 crores. Further, the Company has made cash profits¹ of Rs. 84.3 crores during 6 months ending September 30, 2013. Further, we note that during the last six financial periods, the Company in aggregate has generated cash from operations in excess of its investment needs. A part of this cash generation has been used to pay dividends. But in each of these years, the Company has not undertaken any borrowings.

We also queried the Management on its forecast cash flow over the debenture redemption period. The Management confirmed to us that, barring any unforeseen circumstances, it is

PAT plus depreciation



confident of generating incremental net cash flows over the next five years (after considering its investment needs).

Thus, barring any unforeseen circumstances, the Company expects to have comfortable liquidity position and sufficient debt raising capacity . Further, should there be any requirement for raising debt, the Management does not foresee any difficulty. Thus, the debenture issue, while providing an incremental benefit to the shareholders, does not in any way adversely impact the financial position or credit worthiness of the Company. Hence, in our opinion, the debenture issue is fair to shareholders as a whole.

Next we evaluate the *inter-se* fairness of the debenture to the shareholders.

The shareholding pattern of the Company will remain unaffected on account of the issue of Debentures by way of bonus. Further, Debentures would be issued in the same proportion as the equity shareholding to all shareholders. While, prior to the issue, a shareholder had economic interest in only the equity shares of the company, he/she would now have economic interest in the Debentures and the equity shares. The proportion of shares or Debentures for a particular shareholder (relative to total number of shares or Debentures) will be in line with the shareholding pattern of the Company before the issue of Debentures.

Based upon the rationale as described above and other factors we deemed relevant, we are of the opinion that, as of the date hereof, the bonus ratio for issue of Debentures proposed by the Management is fair to the shareholders.

We are not commenting upon the fairness of the Scheme per se or the quantum/type of Debentures proposed to be issued or the possible coupon rate of these Debentures. We have not evaluated this from tax or other stakeholders' perspective.

Navin Vohra, Director

Ernst & Young Merchant Banking Services Private Limited



Annexure 1

Year ended	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11	31-Mar-13
Period in months	12	12	12	12	12	15
Cash flows from operating activities						
Operating profit before working capital changes & taxes	13,483	12,794	10,456	15,919	17,904	28,461
Adjustment for changes in working capital	-1,225	-3,156	-3,481	-7,468	-1,370	-1,592
Cash generated from operations (before taxes)	12,258	9,638	6,975	8,451	16,534	26,869
Taxes paid	-4,020	-4,174	-3,002	-4,725	-6,021	-8,650
Net cash from operating activities	8,238	5,464	3,973	3,726	10,513	18,219
Net cash from investing activities	-5,130	-3,321	-5,865	-2,519	-9,937	2,228
Surplus cash from Operations after Investing activities	3,108	2,143	-1,892	1,207	576	20,447
Cash flow from financing activities	-1,338	-330	-335	-281	-276	-553
Surplus cash after financing activities	1,770	1,814	-2,228	926	300	19,894
Cash and bank balances						
Closing	2,960	4774	2,547	3,473	3,748	23,642
Source: Annual reports						

