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CA VIKRANT JAIN

B.Com, ACA, Registered Valuer
Registration No. IBBI/RV/05/2018/10204

3 September 2021

Strictly Private & Confidential

To,

KKR Capital Markets India Pvt. Ltd Attention: Anil Nagu 2nd Floor, Piramal Tower, Peninsula Corporate Park, Ganpat Rao Kadam Road, Lower Parel, Mumbai – 400013	**KKR India Financial Services Ltd** Attention: Anil Nagu 2nd Floor, Piramal Tower, Peninsula Corporate Park, Ganpat Rao Kadam Road, Lower Parel, Mumbai – 400013	**InCred Financial Services Ltd** Attention: Vivek Bansal VSNL Colony B Wing, Plot No. C, Unit No. 1203, 12th The Capital, 70, G Block Rd, Bandra Kurla Complex, Bandra East, Mumbai – 400051

Dear Sir / Madam,

Sub: Recommendation of

(i) Fair exchange ratio on merger of Bee Finance Limited with KKR Capital Markets India Private Limited and

(ii) Fair entitlement ratio on demerger of NBFC business of InCred Financial Services Limited into KKR India Financial Services Limited

With reference to the Valaution report dt. 3 September 2021 for the captioned assignment, I enclose herewith annexure for your kind perusal.

Thanking you,
Yours faithfully,

VIKRANT JAIN
IBBI/RV/05/2018/10204
Registered Valuer

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Annexure to valuation report dt. 3 September 2021 for the proposed merger of Bee Finance Limited with KKR Capital Markets India Private Limited and demerger of NBFC business of InCred Financial Services Limited into KKR India Financial Services Limited

Valuation Methodology

Comparable Companies Multiple Method – BFL:

I have adopted CCM method for the said transaction, considering companies which are publically traded and listed in India. The selection of comparable companies is based on the following creteria:

a. The market capitalisation is greater than Rs. 5000.0 million;
b. Company providing loans to MSME and SME;
c. Company has adequate trading volumes

Based on the above, I have also reviewed the nature of business these companies are into and selected the suitable comparables as mentioned hereunder:

- Shriram City Union Finance Limited,
- Muthoot Capital Services Limited,
- Capri Global Capital Limited,
- Paisalo Digital Limited,
- MAS Financial Services Limited

The below table represents P/B multiple of the selected comparable companies:

Name of the Company	P/B Multiple
Shriram City Union Finance Limited	1.64
Muthoot Capital Services Limited	1.23
Capri Global Capital Limited	5.40
Paisalo Digital Limited	3.15
MAS Financial Services Limited	3.64
Average Multiple	**3.01**

I have compared BFL and Incred NBFC with the above mentioned comparable companies on the basis of financial and operational parameters a) Size (*in terms of AUM and Networth*) b) Profitability (*in terms of Returns on Capital*). Considered it appropriate to apply a discount in the range of 25% to 30% to the average multiples of comparable companies. The multiple so obtained ranges 2.11x to 2.26x. The Clients have mutually agreed a P/B multiple of 2.18x which is appropriate and hence I have considered the same as P/B multiple for the valuation analysis;

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Comparable Companies Multiple Method – KCM and KIFSL:

I have adopted CCM method for the said transaction, considering companies which are publically traded and listed in India. The selection of comparable companies is based on the following creteria:

a. The market capitalisation is greater than Rs. 5000.0 million;
b. Company majorly engaged in providing wholesale finance;
c. Company has adequate trading volumes

Based on the above, I have also reviewed the nature of business these companies are into and selected the suitable comparables as mentioned hereunder:

- L&T Finance Holdings Limited,
- IIFL Finance Limited,
- Indostar Capital Finance Limited

The below table represents P/B multiple of selected comparable companies:

Name of the Company	P/B Multiple
L&T Finance Holdings Limited	1.13
IIFL Finance Limited	2.08
Indostar Capital Finance Limited	1.23
Average Multiple	**1.48**

I have compared KCM and KIFSL with the above mentioned comparable companies on the basis of financial and operational parameters a) Size (*in terms of AUM and Networth*) b) Profitability (*in terms of Returns on Capital*). Considered it appropriate to apply a discount in the range of 25% to 30% to the average multiples of comparable companies. The multiple so obtained ranges 1.03x to 1.11x. The Clients have mutually agreed a P/B multiple of 1.05x which is appropriate and hence I have considered the same as P/B multiple for the valuation analysis;

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Calculation of fair exchange ratio for the Proposed Merger of BFL with KCM

Particulars (INR Mn)	**BFL**	**KCM**
Adjusted Net worth as on 31st March 2021 (Consolidated)	6,195.0	5,621.6
P/B multiple	2.18	1.05
Equity Value	13,505.2	5,902.7
Add: Investment in associate	205.4	0
Adjusted Equity Value	13,710.6	5,902.7
Number of equity shares on fully diluted basis (in million)	0.1	193.7
Value per equity share	137,106.2	30.5
Fair exchange ratio	**4500**	

Notes:

1. Based on the information available, the equity value of BFL is estimated as INR 13,710.6 mn implying a value of INR 137,106.2 per equity share of face value of USD 1 each fully paid up. The equity value of KCM is estimated as INR 5,902.7 mn implying a value of INR 30.5 per equity share of face value of INR 10 each fully paid up.

   Given the aforesaid, the fair exchange ratio for the Proposed Merger of BFL with KCM as at the Valuation Date is estimated between 4,500 equity shares of KCM of face value of INR 10 each fully paid up for 1 equity share of BFL of face value of USD 1 each fully paid up.

2. As informed by the Management, (a) the CCPS holder would have to compulsorily get these shares converted into equity shares on the Conversion Date (*subject to maximum conversion ratio of CCPS to equity shares of 1:1*), (b) there is fixed cumulative dividend of 0.0001% per annum attached to the CCPS which is not significant and (c) KCM is not expected to pay any dividend to its equity shareholders till the consummation of the Proposed Transaction.

3. Based on the explanation above, applicable regulatory restrictions and information provided under "Transaction Background", I recommend the Fair exchange ratio for proposed merger of BFL into KCM as under:

   4,500 CCPS of KCM of face value of INR 10 each fully paid up in exchange for every 1 equity share held in BFL of face value of USD 1 each fully paid up.

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Calculation of Fair entitlement ratio for the Proposed Demerger of Incred NBFC Business into KCM

Particulars (Currency in INR Mn)	Value
Net Worth of Incred NBFC Business as provided by Management	11,054.8
P/B multiple BFL	2.18
Value of Incred NBFC Business	24,099.4
Add: Investment in associates	369.8
Adjusted value of Incred NBFC Business	24,469.2
Value per equity share of KCM (₹/share)	30.5
No. of equity shares to be issued to the shareholders of IFSL (in Mn)	803.0
No. of equity shares of IFSL on fully diluted basis (in Mn)	414.7
Fair entitlement ratio	**1.94**

Notes:

1. Based on the information available, the value of Incred NBFC Business is estimated at INR 24,469.2 mn. The per share value of face value of INR 10 each fully paid up of KCM is estimated at INR 30.5.

   Given the aforesaid, the no. of equity shares to be issued as at the Valuation Date for the Proposed Demerger is estimated at 803.0 million equity shares of KCM. Therefore, the Fair entitlement ratio for the Proposed Demerger of Incred NBFC Business into KCM as at the Valuation Date is estimated at 194 equity shares of KCM of face value of INR 10 each fully paid up for 100 equity share of IFSL of face value of INR 10 each fully paid up

2. As informed by the Management, (a) the CCPS holder would have to compulsorily get these shares converted in to equity shares on the Conversion Date (subject to maximum conversion ratio of CCPS to equity shares of 1:1), (b) there is fixed cumulative dividend of 0.0001% per annum attached to the CCPS which is not significant and (c) KCM is not expected to pay any dividend to its equity shareholders till the consummation of the Proposed Transaction

3. Based on the explanation above, applicable regulatory restrictions and information provided under "Transaction Background", I recommend the Fair entitlement ratio for proposed demerger of Incred NBFC Business into KCM as under:

   194 CCPS of KCM of face value of INR 10 each fully paid up for every 100 equity and every 100 preference shares (*which is convertible into equity shares in the ratio of 1:1 as per existing terms*) as held respectively of IFSL of face value of INR 10 each fully paid up