

September 3, 2021

**Strictly Private & Confidential**

To,

<b>KKR Capital Markets India Pvt. Ltd</b> Attention: Anil Nagu 2nd Floor, Piramal Tower, Peninsula Corporate Park, Ganpat Rao Kadam Road, Lower Parel, Mumbai - 400 013	<b>KKR India Financial Services Ltd</b> Attention: Anil Nagu 2nd Floor, Piramal Tower, Peninsula Corporate Park, Ganpat Rao Kadam Road, Lower Parel, Mumbai - 400 013	<b>InCred Financial Services Ltd</b> Attention: Vivek Bansal VSNL Colony B Wing, Plot No. C, Unit No. 1203, 12 <sup>th</sup> The Capital, 70, G Block Rd, Bandra Kurla Complex, Bandra East, Mumbai - 400 051
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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**

I refer to the engagement letter dt. 20<sup>th</sup> July 2021 whereby, KKR Capital Markets India Private Limited ("KCM"), KKR India Financial Services Limited ("KIFSL") and InCred Financial Services Limited ("IFSL") (hereinafter collectively referred to as "Clients" or "You") has engaged me for recommendation of (i) fair exchange ratio for the proposed merger of Bee Finance Limited with KKR Capital Markets Private Limited ("Proposed Merger") and (ii) fair entitlement ratio for the proposed demerger of Non-Banking Financial Company ("NBFC") Business of IFSL ("InCred NBFC Business") into KIFSL ("Proposed Demerger") (collectively referred as "Proposed Transaction"). Vikrant Jain has been hereafter referred to as 'Registered Valuer' or 'I' or 'me'.

The fair exchange ratio for this report refers to number of compulsorily convertible preference shares ('CCPS') of face value of INR 10/- each of KCM which would be issued to the equity shareholders of BFL in lieu of number of equity shares of USD 1/- each held by them in BFL, pursuant to the Proposed Merger.

The fair entitlement ratio for this report refers to number of CCPS of face value of INR 10/- each of KCM which would be issued to the equity and preference shareholders of IFSL in lieu of number of equity shares of INR 10/- each and compulsorily convertible preference shares of INR 10/- held by them in IFSL, pursuant to the Proposed Demerger.

**SCOPE AND PURPOSE OF THIS REPORT**

I understand that the management of the Clients ("Management") is contemplating merger of BFL into KCM and demerger of InCred NBFC Business into KIFSL pursuant to a Scheme of Amalgamation ("Scheme") to be implemented under the provisions of section 230 to 232 and other applicable provisions of the Companies Act, 2013.

KKR India Financial Investments Pte Ltd. ("KKR Singapore") holds 99.45% stake in KCM and KCM holds 100% stake in KIFSL.

BFL holds 59.64% stake in IFSL. Further, IFSL has 3 wholly owned subsidiaries, namely, InCred Management and Technology Services Private Limited ("IMTSPL"), InCred. Ai Limited ("InCred.Ai") and Booth Fintech Private Limited ("BFPL"). BFPL further holds 40.96% stake in mValu Technology Services Private Limited ("MTPL").

KCM, KIFSL, IFSL and BFL are hereinafter together referred to as "Valuation Subjects" or "Companies".

I have been given to understand that the following series of events are proposed by the Clients:

- Step 1: BFL to be merged into KCM and in exchange KCM will issue CCPS to the shareholders of BFL as a consideration of the Proposed Merger;
- Step 2: Incred NBFC Business to be demerged into KIFSL. KCM, 100% holding company of KIFSL, will issue CCPS to the shareholders of IFSL as a consideration of the Proposed Demerger. The shareholders of IFSL shall continue to hold shares in IFSL after the demerger of Incred NBFC Business.
- Step 3: The above CCPS will get converted into equity shares as per the terms of CCPS

All of the above are hereinafter referred to as "Proposed Transaction"

In connection with Step 1 and Step 2 above, the Clients require recommendation of fair exchange ratio on merger of BFL with KCM and also recommendation of fair entitlement ratio on demerger of Incred NBFC Business into KIFSL in accordance with provisions of section 230 – 232 of the Companies Act 2013 and all other applicable provisions as on Valuation Date.

For the aforesaid purpose, the Client has engaged the Registered Valuer to submit report recommending the fair exchange ratio and fair entitlement ratio. The scope of my services is to conduct a relative (*and not absolute*) valuation of the equity shares of the Companies and recommending the aforesaid ratios in accordance with internationally accepted valuation standards.

### **SOURCE OF INFORMATION**

My valuation analysis is undertaken on the basis of the following information relating to the business of the Companies, furnished to me by the Management and information available in public domain.

I have been provided with the following documents / information by the Client:

- a) Audited financial statements from years ended 31 March 2018 to 31 March 2020 for BFL (standalone) and from years ended 31 March 2018 to 31 March 2021 for IFSL (consolidated);
- b) Audited financial statements from years ended 31 March 2018 to 31 March 2020 for KCM (standalone);
- c) Audited financial statements from years ended 31 March 2018 to 31 March 2021 for KIFSL;
- d) Unaudited financial statements for year ended 31 March 2021 for BFL (standalone), and KCM (standalone);

- e) Key performance indicators of IFSL and KIFSL for the years ended 31 March 2018 to 31 March 2021;
- f) Details of ESOP's granted to the employees of IFSL and KCM along with the exercise price;
- g) Shareholding Pattern of IFSL, BFL, KCM and KIFSL as at 31 March 2021;
- h) Discussions with the Management on various issues relevant to the valuation exercise, such as outlook of the industry, future prospects, expected growth rate and other relevant information regarding future envisaged profitability of the business, etc;
- i) Other relevant details of the Companies such as their history, their promoters, past and present activities, and other relevant information and data including information in the public domain;
- j) Such other information and explanations as I required and which have been provided by the management of the Companies.

It may be mentioned that the Management have been provided an opportunity to review factual information in the draft report as part of standard practice followed by me to make sure that factual inaccuracies/omissions/etc. are avoided in the final report.

#### **DATE OF VALUATION**

The valuation is done as of 13<sup>th</sup> August 2021. The cut-off date for all the financial information is taken as 31<sup>st</sup> March 2021 and for market parameters is 13<sup>th</sup> August 2021.

#### **TRANSACTION BACKGROUND**

I have been given to understand that BFL is a investment holding company and currently holds investment in its subsidiary, IFSL. IFSL and its subsidiaries IMTSPL, BFPL and InCred.Ai (hereinafter together referred to as "IFSL group") offers personal loans, education loans, small, medium enterprise business loans and two - wheeler loans.

Further, I understand that KCM is registered as a category I merchant banker. It has major business operations through its subsidiary KIFSL, which is engaged in providing structured funding, promoter financing and mezzanine financing. It also has investment in units of Alternative Investment Fund and in joint venture Tranzmute LLP.

Given the above and the nature of businesses being undertaken by KCM and IFSL, I have used the Comparable Companies' Multiple ("CCM") method and considered it appropriate to assign 100% weight to the CCM method to arrive at the equity value of BFL, KCM and Incred NBFC Business. I have used the Price to Book value ("P/B") multiple of listed comparable companies operating in the similar line of business as IFSL and KIFSL respectively.

The Management of BFL and KCM have informed us that, KCM will issue CCPS to the shareholders of BFL, which would be converted into such number of equity shares, as determined based on the terms of the CCPS, with a maximum conversion ratio as determined under this valuation report.

Based on the above, I recommend a ratio for CCPS to be issued based on the fair exchange ratio and fair entitlement ratio of equity shares arrived as per current multiples applied on adjusted net worth as at 31 March 2021.

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.

**BACKGROUND OF COMPANIES**

**KKR Capital Markets India Private Limited (KCM):**

KCM is a company incorporated in 2011, having its registered office at 2nd Floor, Piramal Tower, Peninsula Corporate Park Ganpat Rao Kadam Road, Lower, Parel Mumbai - 400013. The Company is engaged in providing investment advisory, investment management and finance arrangement services.

The Shareholding Pattern is as follows:

Sr. No.	Names of shareholders	No. of shares held (in mn)	% of total Shareholding
1	KKR Singapore	191.5	99.45
2	Other shareholders	1.1	0.55
	<b>TOTAL</b>	<b>192.5</b>	<b>100.0</b>

**InCred Financial Services Limited (IFSL):**

IFSL is a company incorporated in 1991, having its registered office at Unit No. 1203, 12th floor, B Wing, The Capital Plot No. C - 70, G Block, BKC, Mumbai - 400051. IFSL is a NBFC that owns and operates 'Incred.com'. It is a new-age financial services platform that leverages technology and data-science to make lending quick and easy.

The Shareholding Pattern is as follows:

Sr. No.	Names of shareholders	No. of shares held (in mn)	% of total Shareholding
1	BFL	230.4	59.64
2	Other shareholders	155.9	40.36
	<b>TOTAL</b>	<b>386.2</b>	<b>100.0</b>

Breakup of assets under management of different segments are as under:

Currency (INR Mn)	Mar-21	%
Personal Loans	7,936.0	30.1
Student Loans	3,308.0	12.6
Secured School Financing	5,725.0	21.7
Anchor Backed Business Loans	2,781.0	10.6
Lending to FIs & Escrow Backed Lending	5,352.0	20.3
Two Wheeler Loans	404.0	1.5
Non Anchor Business Loans	832.0	3.2
<b>TOTAL*</b>	<b>26,338.0</b>	<b>100.0</b>

\*includes AUM of discontinued products

KKR India Financial Services Limited (KIFSL):

KIFSL is a company incorporated in 1995, having its registered office at 2nd Floor, Piramal Tower, Peninsula Corporate Park Ganpatrao Kadam Marg, Lower Parel, Mumbai - 400013. The Company is a NBFC which provides investments in private equity, energy, infrastructure, real estate, hedge funds, and other related asset classes.

The Shareholding Pattern is as follows:

Sr. No.	Class of Shareholders	No. of shares held (in mn)	% of total Shareholding
1	KCM	460.2	100%
	<b>TOTAL</b>	<b>460.2</b>	<b>100%</b>

Bee Finance Limited (BFL):

BFL is a company incorporated in 1985 under the laws of Mauritius. The Company is an investment holding company.

The Shareholding Pattern of BFL as on 31<sup>st</sup> March 2021 is as follows:

Sr. No.	Class of Shareholders	% of total Shareholding
1	B Singh & Co	47.45
2	Akena	1.57
3	Madhav Dhar	1.57
4	Anshuman Jain	5.22
5	MNI ventures	27.17
6	Sun Channel Ltd	2.09
7	V Ocean Investments Limited	4.44
8	Salamis Foundation Re AJ	5.52
9	SRA Capital Pte Ltd	1.37
10	Others	3.6
	<b>TOTAL</b>	<b>100.0</b>

EXCLUSIONS AND LIMITATIONS

My report is subject to the scope limitations detailed in engagement letter dt. 20 July 2021. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

No investigation of the Companies' claims to title of assets has been made for the purpose of this valuation and their 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 accounts. Therefore, no responsibility is assumed for matters of a legal nature.

My work does not constitute certification of the historical financial statements including the working results of the Companies referred to in this report. Accordingly, I am unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in report as per the agreed terms of engagement. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particulars. This report is issued on the understanding that the Client has drawn my attention to all the material information, which it is aware of concerning the financial position of the Company and any other matter, which have an impact on my opinion, on the fair value of shares of the Companies for the purpose of the Proposed Transaction, including any significant changes that have taken place or are likely to take place in the financial position of the Companies, subsequent to the report date. I have no responsibility to update this report for events and circumstances occurring after the date of the report.

In the course of valuation, I was provided with both written and verbal information. I have evaluated the information provided to me by the Client through broad inquiry, analysis and review but have not carried a due diligence or audit of the information provided for the purpose of this engagement. I assume no responsibility for any errors in the above information furnished by the Client and consequential impact on the present exercise.

My report is not, nor should it be construed as my opinion or certifying the compliance of the Proposed Transaction with the provisions of any law including companies, taxation and capital market laws or as regards any legal implications or issues arising from such Proposed Transaction.

This report is prepared only in connection with the Proposed Transaction exclusively for the use of the Companies and for submission to any regulatory / statutory authority as may be required under the law.

Valuer, nor its managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

The information contained herein and my report is confidential. Any person / party intending to provide finance / invest in the shares / businesses of any of the Companies, 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. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed amalgamation as aforesaid, can be done only with my prior permission in writing.

The COVID-19 is presenting potentially significant impacts upon economic activity and certain businesses. At the Valuation Date, the Covid crisis is still ongoing and the future impact of the Coronavirus was not capable of being qualitatively or quantitatively assessed at this time. For carrying out the valuation, I have factored the impact of Covid in the valuation based on the information available till the Valuation Date, and based on our understanding of the likely impact on the Companies. However, this should not be considered as an accurate assessment of the future impact of the COVID-19 on the

Companies, or any prediction regarding the future course of events that would arise due to the Covid crisis.

### **APPROACH TO VALUATION ENGAGEMENT**

In connection with this exercise, I have adopted the following procedures to carry out the valuation:

- Discussion with the Management to understand the business and fundamental factors that affect its earning-generating capability including strength, weaknesses, opportunity and threats analysis and historical financial performance
- Analysis of information shared by the Management
- Analysis of information related to the Companies and its peers as available in public domain
- Selection of appropriate internationally accepted valuation methodology/(ies) after deliberation
- Arriving at Valuation of Shares for the Proposed Transaction

### **VALUATION MEHTODOLOGY**

The scheme contemplates the merger of BFL into KCM and also demerger of Incred NBFC business into KIFSL. Arriving at the fair exchange ratio for the proposed merger would require determining relative value of the equity shares of BFL and KCM; and for arriving at fair entitlement ratio for the proposed demerger, relative value of the equity shares would be required. These values are to be determined independently but on a relative basis for the Companies.

There are several commonly used and accepted methods for determining the valuation of these Companies, which have been considered in the present case, to the extent and applicable, including:

1. Market Approach:
  - a. Market Price Method
  - b. Comparable Companies Multiples
2. Income Approach: Discounted Cash Flow Method
3. Cost Approach: Net Asset Value Method

As discussed below for the Proposed Transaction I have considered these methods, to the extent relevant and applicable.

This valuation could fluctuate with passage of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions financials and otherwise, of the Companies, and other factors which generally influence the valuation of the companies and their assets.

I have relied on the judgement of the Management as regards contingent and other liabilities, and have made appropriate adjustments based on my past experience.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although, different values may exist for different purpose, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. My choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature,

regulatory guideline and our reasonable judgement, in an independent and bona fide manner based on my previous experience of assignments.

The Valuation methodologies, as may be applicable which have been used to arrive at the value attributable to the equity shareholders of Companies, are discussed hereunder:

**Market Price ("MP") Method:**

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are available from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

**Comparable Companies Market Multiple ("CCM") Method:**

Under this method, fair value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

**Discounted Cash Flow ("DCF") Method:**

The discounted cash flow method is a modern valuation method which relates the value of an asset to the present value of the expected future cash flows on those assets. Here the projected cash flow is discounted with the weighted average cost of capital to arrive at the fair value.

**Book Value / Net Assets Value ("NAV") Method:**

In case of Net Assets Method, the value is determined by dividing the Net Assets of the Company by the number of shares. The underlying asset approach represents the value with reference to the historical cost of the assets owned by the Company and attached liabilities as at the valuation date.

Based on the information available, CCM method is considered to be the most appropriate method in the present case.



**RECOMMENDATION ON FAIR EXCHANGE RATIO**

The fair basis of merger / demerger of the Companies would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at, under each of the above approaches, for the purpose of recommending a ratio of exchange it is necessary to arrive at a single value for the shares of each company. It is however important to note that in doing so, I am not attempting to arrive at the absolute values of the shares of each Company. My approach is to work out relative value of shares of the Companies to facilitate determination of ratio of exchange by applying appropriate weightage to the values.

**Computation of fair exchange ratio for merger of BFL into KCM**

Valuation Approach	BFL		KCM	
	Value Per Share	Weight	Value Per Share	Weight
Asset Approach – NAV Method	N/A	-	N/A	-
Income Approach – DCF Method	N/A	-	N/A	-
Market Approach – MP Method	N/A	-	N/A	-
Market Approach – CCM Method	137,106.2	100%	30.5	100%
Relative Value per Share	137,106.2		30.5	
<b>Fair Exchange Ratio (rounded off)</b>	<b>4500</b>			

**Computation of fair entitlement ratio for demerger of Incred NBFC business into KCM**

Valuation Approach	Incred NBFC business		KCM	
	Value Per Share	Weight	Value Per Share	Weight
Asset Approach – NAV Method	N/A	-	N/A	-
Income Approach – DCF Method	N/A	-	N/A	-
Market Approach – MP Method	N/A	-	N/A	-
Market Approach – CCM Method	59.01	100%	30.5	100%
Relative Value per Share	59.01		30.5	
<b>Fair Entitlement Ratio</b>	<b>1.94</b>			

The share exchange ratio has been arrived on the basis of a relative valuation of the shares of the Companies based on the various methodologies explained herein earlier and various qualitative factors relevant to each of the company and the business dynamics and growth potential of the businesses of the Companies, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgement taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments etc. which are not

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evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in various judicial decisions.

**FAIR EXCHANGE RATIO FOR MERGER OF BFL into KCM and FAIR ENTITLEMENT RATIO FOR DEMERGER OF INCRED NBFC BUSINESS into KIFSL**

In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove referred to earlier in this report, in my opinion, a fair ratio of exchange would be:

4500 CCPS of KCM of Rs. 10 each fully paid up for every 1 equity shares of BFL of face value of USD 1 each fully paid up.

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.

Report Submitted

Thanking you,  
Yours faithfully,

*Vikrant Jain*



CA Vikrant Jain  
Registered Valuer  
Reg No: IBBI/RV/05/2018/10204