

Date: 14<sup>th</sup> October 2022

To  
The Board of Directors,  
**Ujjivan Financial Services Limited**  
Grape Garden, No. 27, 3<sup>rd</sup> A Cross,  
18<sup>th</sup> Main, 6<sup>th</sup> Block, Koramangala  
Bangalore – 560095

## I. Engagement Background

We understand that the Board of Directors of Ujjivan Financial Services Limited (“**UFSL**” or “**Company**” or “**Transferor Company**”) is considering the amalgamation of the Company into and with Ujjivan Small Finance Bank Limited (“**USFBL**” or “**Transferee Company**”) and dissolution without winding up of the Transferor Company pursuant thereto, through a Scheme of Amalgamation (the “**Scheme**”), under applicable sections of the Companies Act, 2013, applicable SEBI Circulars and other Applicable Laws.

Part IV of the Scheme envisages the amalgamation of the Transferor Company into and with the Transferee Company, as set forth in the draft Scheme shared with us on 13<sup>th</sup> October 2022, the final version of which will be filed by the aforementioned companies with the appropriate authorities.

We understand that upon the Scheme coming into effect and in consideration of the amalgamation of the Transferor Company in the Transferee Company, the Transferee Company shall issue and allot to the shareholders of the Transferor Company 116 (One Hundred and Sixteen) equity shares of the face value of Rs. 10 (Rupees ten) each of Transferee Company, credited as fully paid-up, for every 10 (Ten) equity shares of the face value of Rs. 10 (Rupees ten) each fully paid-up held by the shareholders in the Transferor Company (“**Share Exchange Ratio**”).

We further understand that the Share Exchange Ratio for the proposed transaction has been arrived at based on the Valuation report dated 14<sup>th</sup> October, 2022 (“**Valuation Report**”) prepared by Prakash Adiga B – Registered Valuer having Reg. No. IBBI/RV/03/2019/11780 (the “**Valuer**”), who has been appointed for this exercise by UFSL.

In connection with the amalgamation of the UFSL into and with USFBL, you requested our Fairness Opinion (the “**Opinion**”) in terms of SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 as of the date hereof, as to the fairness of the Share Exchange Ratio, as proposed by the Valuer, from a financial point of view, to the equity shareholders of the Company.

## II. Background of the Scheme

A brief history of each of the aforesaid companies is as under –

- **Ujjivan Financial Services Limited** was originally incorporated as a private limited company on December 28, 2004 under the provisions of the erstwhile Companies Act, 1956 with the name ‘Ujjivan Financial Services Private Limited’. Pursuant to a certificate issued by the RBI, on October 31, 2005, the Company was permitted to commence operations as an NBFC under section 45 IA of the Reserve Bank of India Act, 1934. On September 5, 2013, the Company was registered as NBFC-MFI by the RBI. On October 7, 2015, the Transferor Company was granted an in-principle approval by the RBI to set up a small finance bank under the SFB Guidelines. As required by the SFB Guidelines, the promoter of Small Finance Banks



should be owned and controlled by residents. The Transferor Company being a professionally managed company with diverse ownership and no identifiable 'promoter' or 'promoter group' in terms of the SEBI ICDR Regulations, could not directly convert its NBFC business into SFB in the absence of a resident promoter. Hence, the Transferor Company opted for 'Holding company structure' Further, since majority of the shareholders of the Company were foreign shareholders, the Company through its initial public offer in May 2016 brought the foreign shareholding to below 49% to qualify as a domestic promoter of the SFB to meet the RBI condition of a resident promoter. The Company through its said initial public offer, got its equity shares listed on the BSE and the NSE on May 10, 2016. Ujjivan Small Finance Bank was incorporated on July 4, 2016 as a wholly owned subsidiary of the Company.

As per the condition of the aforesaid license dated November 11, 2016, the promoting entity of small finance bank was required to be registered as a NBFC-CIC after transfer of its business to the small finance bank. Accordingly, to comply with the said condition, the Company was converted from a NBFC-MFI to NBFC-ND-SI-CIC and a fresh certification of registration dated October 10, 2017 was received from the RBI in this regard.

- **Ujjivan Small Finance Bank Limited** is a public limited company incorporated on July 4, 2016 under the provisions of the Act. The Transferee Company was issued a license bearing license no. MUM : 123 dated November 11, 2016 by the RBI to carry on the business of small finance bank in India. As per the condition stipulated in the said license, the Transferor Company transferred its business undertaking comprising of its lending business to the Transferee Company through a slump sale transaction on February 1, 2017 and the Transferee Company commenced its operations as a small finance bank on the same date. The Transferee Company was included in the list of scheduled banks under the second schedule of the Reserve Bank of India Act, 1934 pursuant to a notification dated July 3, 2017 issued by the RBI. The Transferee Company made an initial public offer, pursuant to which its equity shares got listed on the BSE and the NSE on December 12, 2019.

Part IV of the Scheme provides for:

Amalgamation of UFSL into and with USFBL

- Upon coming into effect of this Scheme and in consideration of the amalgamation of the Transferor Company in the Transferee Company, the Transferee Company shall, without any further application, act or deed, issue and allot to the shareholders of the Transferor Company whose names are recorded in the register of members as a member of the Transferor Company on the Record Date (or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognised by the Board of the Transferee Company), 116 (One Hundred and Sixteen) equity shares of the face value of Rs. 10 (Rupees ten) each of Transferee Company, credited as fully paid-up, for every 10 (Ten) equity shares of the face value of Rs. 10 (Rupees ten) each fully paid-up held by such member in the Transferor Company
- The new equity shares of the Transferee Company to be allotted and issued to the shareholders of the Transferor Company shall be subject to the provisions of the memorandum and articles of association of the Transferee Company and shall rank *pari passu* in all respects with the then existing equity shares of the Transferee Company after the Effective Date including in respect of dividend, if any, that may be declared by the Transferee Company on or after the scheme coming into effect
- The Appointed Date for the proposed Scheme shall be April 01, 2023, or such other date as may be approved by the NCLT

The rationale of the Scheme as shared with us by the Company's management is based on the following benefits:

- i. The amalgamation would result in formation of a larger and stronger entity having greater capacity for conducting its operations more efficiently and competitively;
- ii. the amalgamation would avoid operational inefficiency in the group by operating one listed entity and create synergies;
- iii. the amalgamation would result in larger free public float for the combined listed entity as pursuant to coming into effect of the Scheme, the resultant listed entity would be entirely held by the public shareholders;
- iv. better administration and cost reduction, including reduction in administrative, legal and other costs associated with the Transferor Company;
- v. create value for stakeholders including respective shareholders, customers, and employees as the combined entity would benefit from operational efficiencies, optimal utilization of resources, improvement in productivity, cost-reduction etc.;
- vi. the Transferor Company currently carries on financial activity business in the nature of investments in bank deposits or other permissible securities and investment in shares of subsidiary and derives its value primarily from its investments in the Transferee Company, and therefore, pursuant to amalgamation the public shareholders of the Transferor Company would benefit by directly holding shares in the Transferee Company and derive value from the business of Transferee Company directly.

We have taken the foregoing facts (together with the other facts and assumptions set forth in section III of this Opinion) into account when determining the meaning of "fairness", from a financial point of view, for purposes of this Opinion.

### **III. Limitation of Scope and Review**

Our Opinion and analysis is limited to the extent of review of documents already in public domain or as provided to us by UFSL including the Valuation Report prepared by the Valuer and the draft Scheme.

In connection with this Opinion, we have:

- reviewed the draft Scheme
- reviewed the Valuation Report dated October 14, 2022 prepared by the Valuer;
- reviewed certain historical business and financial information relating to each of the relevant entities, as available in public domain and provided by the Company, and sought certain clarifications with respect to the same;
- held discussions with the Valuer, in relation to the approach taken to valuation and the details of the various methodologies utilized in preparing the Valuation Report and recommendations;
- sought certain clarifications and representations from the respective senior management teams of the relevant companies;
- reviewed certain publicly available information with respect to certain other companies in the same line of business and which we believe to be generally relevant in the context of the businesses of USFBL; and
- performed such other financial analysis and considered such other information and factors as we deemed appropriate

We have relied upon the accuracy and completeness of all information, documents, data and explanations provided to us, without carrying out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We have relied upon assurances of the management of UFSL that they are not aware of any facts or circumstances that would make such information or data incomplete, inaccurate or misleading in any material respect. The management of UFSL as well as the Valuer have indicated to us that it is understood that any omissions, inaccuracies or misstatements may materially affect our Opinion. Accordingly, we assume no responsibility for any errors in the above information furnished, to us, by UFSL/Valuer and their impact on the present exercise.

We have assumed the genuineness of all the signatures, the authenticity of all documents submitted to us as originals, and the conformity with their originals of all documents submitted to us as copies thereof, and that each of the copies of the documents supplied to us or photocopies or facsimiles thereof are true, complete and accurate and we have found nothing to indicate that such assumption are not fully justified.

With respect to UFSL and USFBL and/ or their subsidiaries:

- ✓ We have not conducted any independent valuation or appraisal of any of the assets or liabilities
- ✓ We do not express any opinion as to the value of any asset whether at current prices or in the future.

We express no opinion on the achievability of the forecasts, if any, given to us. The assumptions used in their preparation, as we have been explained, are based on the management's present expectation of both - the most likely set of future business events and circumstances and the management's course of action related to them. It may occur that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period may differ from the forecast and such differences may be material.

We express no view as to, and our Opinion does not address, the underlying business decision of UFSL and/or USFBL to effect the proposed Scheme or the merits of the proposed Scheme. Our Opinion does not constitute a recommendation to any shareholder or creditor of UFSL and/or USFBL as to how such shareholder or creditor should vote on the proposed Scheme or any matter related thereto. In addition, this Opinion does not in any manner address the price at which the Company's equity shares will trade following consummation of the Scheme.

In rendering our Opinion, we have assumed, that the Scheme will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary regulatory or third party approvals for the Scheme, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on UFSL and USFBL and/ or their subsidiaries and/or their respective shareholders. We have further assumed that the transaction would be carried out in compliance with applicable laws, rules and regulations.

Our Opinion does not factor overall economic environment risk, material adverse change and other risks and is purely based on the information and representations provided to us. Our Opinion does not address matters such as corporate governance or shareholder rights. We have assumed that Part IV of Scheme is legally enforceable.

No consideration has been given to any liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Accordingly, no due diligence into any right, title or interest in property or assets was undertaken and no responsibility is assumed in this respect or in relation to legal validity of any such claims.

We do not express any Opinion as to any tax or other consequences that might arise from the Scheme on UFSL and USFBL and/or their respective shareholders, nor does our Opinion address any legal, tax, regulatory or

accounting matters, as to which we understand that UFSL and USFBL have obtained such advice as it deemed necessary from qualified professionals.

We assume no responsibility for updating or revising our Opinion based on circumstances or events occurring after the date hereof. Our Opinion is specific to the proposed amalgamation of UFSL into and with USFBL as contemplated in Part IV of the Scheme provided to us and is not valid for any other purpose. It is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

We or our affiliates or group companies may have in the past provided, and may currently or in the future provide, investment banking, advisory, broking, research or banking services to UFSL and USFBL and/or its subsidiaries or their respective affiliates that are unrelated to the proposed Scheme, for which services we may have received or may receive customary fees. In addition, in the ordinary course of their respective businesses, affiliates of DAM Capital Advisors Limited (“**DAM Capital**”) may actively trade securities of UFSL and/or USFBL or group companies or for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a position in such securities. Our engagement and the Opinion expressed herein are for the benefit of the Board of Directors of UFSL in connection with its consideration of the Scheme and for none other. Neither DAM Capital, nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the information and documents provided to us, based on which the Opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein. DAM Capital do not have common directorship or partnership with UFSL and USFBL and or its subsidiaries.

We do not accept any liability to any third party in relation to the issue of this Opinion, and our Opinion is conditional upon an express indemnity from UFSL in our favor holding us harmless from and against any cost, damage, expense and other consequence in connection with the provision of this Opinion which is solely arising due to discharge of obligations by UFSL.

The company has been provided with the opportunity to review the draft Opinion as part of our standard practice to make sure any factual inaccuracy/ omissions are avoided in our final Opinion.

This Opinion is subject to the laws of India.

Neither the Opinion nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than for submission to NCLT, Courts, Stock Exchanges, other regulatory authorities, and inspection by shareholders in connection with the proposed Scheme, without our prior written consent.

This Opinion is limited to the matters stated herein and is not to be read as extending to any other matters not so referred to. We express no views or opinion as to any terms or other aspects of the Scheme (other than the Share Exchange Ratio for the proposed demerger) including without limitation, the discharge of Consideration or the form or structure of the Scheme. We were not requested to, and we did not, participate in the negotiation of the Scheme. We express no opinion or view with respect to the financial implications of the Scheme for any stakeholder, including creditors of respective companies.



**IV. VALUER'S RECOMMENDATION**

**As per the Valuation Report of Valuer, it is quoted**

*"In view of this, I recommend a fair exchange ratio (swap ratio) of 1 : 11.6 i.e., 116 USFB equity shares for 10 equity shares of UFSL in the event of a merger of UFSL with USFB"*

**Conclusion**

Based on and subject to the foregoing, we are of the opinion that, as of the date hereof, Share Exchange Ratio proposed by the Valuer in the Valuation Report is fair to the equity shareholders of UFSL, from a financial point of view.

Yours truly,

For **DAM Capital Advisors Limited** (formerly *IDFC Securities Limited*)

A handwritten signature in blue ink, appearing to read 'Kamraj Singh Negi', is written over a circular blue stamp. The stamp contains the text 'DAM Capital Advisors Limited' around the perimeter and a small star symbol at the bottom.

Authorised Signatory

Name: Kamraj Singh Negi

Designation: Managing Director