

14 October 2022

The Board of Directors  
Ujjivan Small Finance Bank Limited (“Company”)  
Grape Garden, No. 27  
3rd ‘A’ Cross, 18th Main  
6th Block, Koramangala  
Bengaluru 560 095

Dear Members of the Board:

## I. ENGAGEMENT

We understand that the Board of Directors of Ujjivan Small Finance Bank Limited (“USFB”) is considering a restructuring of its shareholding through a Scheme of Arrangement (“**Scheme**”) under Section 230 to 232 and other applicable provisions of the Companies Act, 2013. Under the Scheme, the whole of the Undertakings of Ujjivan Financial Services Limited (“UFSL” or the “Transferor Company”) comprising their entire business, all assets and liabilities of whatsoever nature shall be transferred to and vested in and/ or be deemed to be transferred to and vested in USFB (the “Transferee Company”) as a going concern. USFB shall be issuing equity shares to shareholders of UFSL. The equity shares of both USFB and UFSL are already listed on the BSE Limited and the National Stock Exchange of India Limited.

The terms and conditions of the proposed issuance of shares by USFB are more fully set out in draft scheme document shared with us (“**Draft Scheme Document**”), the final version of which will be filed by the aforementioned companies with the appropriate authorities.

We understand that the share exchange ratio for shares of USFB to the shareholders of UFSL have been arrived at basis the financial results of UFSL and USFB as on 31 March 2021. We further understand that valuation of both USFB and UFSL have been detailed in the valuation report dated October 14, 2022 prepared by JBPR Valuation Advisors LLP (the “**Valuer**”), who have been appointed for this exercise by USFB.

In connection with the aforesaid vide engagement letter dated October 13, 2022, we are submitting our opinion (“**Opinion**”), as to the fairness of the share exchange ratio as detailed in the Draft Scheme Document and valuation report and the valuation of USFB and UFSL as proposed by the Valuer, from a financial point of view. We have not undertaken a valuation of the businesses of USFB and UFSL. Further, we have not independently checked or verified the assumptions made by the Valuer. Based on our perusal of the valuation report dated October 14, 2022 and the Draft Scheme Document, including any assumptions and caveats mentioned therein, we understand that 116 shares of USFB of Rs. 10 each will be issued to the shareholders of UFSL for every 10 shares of UFSL of Rs. 10 each held by the shareholders of UFSL.

The rationale for the Scheme as shared with us by the USFB management is based inter-alia on the following benefits:

1. formation of a larger and stronger entity having greater capacity for conducting its operations more efficiently and competitively
2. avoid operational inefficiency in the group by operating one listed entity and create synergies
3. larger free public float for the combined listed entity as pursuant to coming into effect of the Scheme, the resultant entity would be entirely held by the public shareholders
4. 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.
5. better administration and cost reduction, including reduction in administrative, legal and other costs
6. pursuant to amalgamation the public shareholders of UFSL would benefit by directly holding shares in the USFB and derive value from the business of USFB directly

### IIFL Securities Limited

Corporate Identity Number: L99999MH1996PLC132983

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## II. BACKGROUND

### *UJJIVAN FINANCIAL SERVICES LIMITED*

Ujjivan Financial Services was incorporated on December 28, 2004 under the name 'Ujjivan Financial Services Private Limited'. On October 31, 2005, UFSL was permitted to commence operations as an NBFC and on September 5, 2013, UFSL was registered as NBFC-MFI by the RBI. On October 7, 2015, UFSL was granted an in-principle approval by the RBI to set up a small finance bank under the SFB Guidelines. UFSL was converted from an NBFC-MFI to NBFC-ND-SI-CIC on receipt of RBI certificate dated October 10, 2017. UFSL made an initial public offer of its shares pursuant to which its shares were listed on the BSE and the NSE with effect from May 2016. UFSL is also classified as the promoter of Ujjivan Small Finance Bank Limited, which is currently a subsidiary of UFSL; UFSL currently holds 73.68% of the equity shares of USFB.

### *UJJIVAN SMALL FINANCE BANK LIMITED*

Ujjivan Small Finance Bank Limited was incorporated on July 4, 2016 under the Companies Act, 1956. USFB commenced its operations as a small finance bank on February 01, 2017 pursuant to UFSL transferring its business undertaking comprising of its lending and financing business to the Transferee Company through a slump sale transaction. USFB made an initial public offer of its shares pursuant to which its shares were listed on the BSE and the NSE with effect from December 12, 2019. It is currently a subsidiary of UFSL with 73.68% of its shareholding held by UFSL.

## III. KEY FEATURES OF THE SCHEME OF AMALGAMATION

The key features of the Scheme provided to us through Draft Scheme Document are as under:

1. Upon the Scheme coming into effect USFB shall issue and allot to the shareholders of the UFSL (as on the Record Date) 116 equity shares of the face value of Rs. 10 each of UFSL, for every 10 equity shares of the face value of Rs. 10 each in the UFSL ("Share Exchange Ratio").
2. Equity shares of UFSL shall be deemed to have been automatically cancelled and be of no effect on and from the Record Date; UFSL shall stand dissolved without being wound up
3. In the event of any increase in the issued, subscribed or paid up share capital or restructuring of the share capital of either UFSL or USFB (other than allotment of shares pursuant to exercise of stock options under their respective existing stock option schemes or conversion of the convertible securities), the Share Exchange Ratio shall be adjusted appropriately
4. Appointed Date means April 1, 2023, or such other date as may be approved by the NCLT
5. Effective Date means the date on which the Scheme shall become effective, or such other date as may be approved by the NCLT, as may be applicable

We have relied upon the Draft Scheme Document and taken the abovementioned key features of the Scheme (together with the other facts and assumptions set forth herein) into account while determining the meaning of "fairness", from a financial point of view, for the purposes of this Opinion.

## IV. LIMITATION OF SCOPE AND REVIEW

Our Opinion and analysis is limited to the extent of review of the valuation report by the Valuer and the Draft Scheme Document. In connection with the Opinion, we have:

- i. Reviewed the Draft Scheme Document and the valuation report by the Valuer dated October 14, 2022
- ii. Reviewed the audited financials for UFSL and USFB for the year ended March 31, 2022
- iii. Held discussions with the Valuer, in relation to the approach taken to valuation and the details of the various methodologies utilised by them in preparing the valuation report and recommendations
- iv. Sought various clarifications with the respective senior management teams of USFB
- v. Reviewed historical stock prices and trading volumes of USFB and UFSL on the BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE")

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This Opinion is intended only for the sole use and information of USFB, and in connection with the Scheme, including for the purpose of obtaining judicial and regulatory approvals for the Scheme. We are not responsible in any way to any person/ party/ statutory authority for any decision of such person or party or authority based on this Opinion. Any person/ party intending to provide finance or invest in the shares/ business of either USFB and/or UFSL or their subsidiaries/joint ventures/associates 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 hereby notified that any reproduction, copying or otherwise quoting of this Opinion or any part thereof, other than in connection with the Scheme as aforesaid can be done only with our prior permission in writing. We acknowledge that this Opinion will be shared to the extent as may be required, with the relevant National Company Law Tribunal, stock exchanges, advisors of USFB in relation to the Scheme, as well as with the statutory authorities.

We have assumed and relied upon the accuracy and completeness of all information and documents provided to us, data publicly available or otherwise reviewed by or discussed by the management with us. We have relied upon the USFB management's assurances that they are not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any respect.

We have not carried out any due diligence or independent verification or validation of any information to establish its accuracy or sufficiency. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the USFB or UFSL or UFSL's other subsidiaries/affiliates. In particular, we do not express any opinion as to the value of any asset of USFB, UFSL and or their respective subsidiaries/affiliates, whether at current prices or in the future. No investigation of the respective Company's claim to title of assets has been made for the purpose of the exercise and the companies' claim to such rights has been assumed to be fully valid. We assume no responsibility whatsoever for matters of a legal nature. Further, we have not evaluated solvency or fair value of the USFB or UFSL under any law relating to bankruptcy, insolvency or a similar matter.

Our analysis and results are also specific to the financial position as of March 31, 2022 and based on market parameters and select other information up to October 13, 2022, as applicable. An exercise of this nature involves consideration of various factors. This Opinion is issued on the understanding that USFB has drawn our attention to all the matters, which they are aware of concerning the financial position of USFB and/or UFSL, their businesses, and any other matter, which may have an impact on our Opinion, including any significant changes that have taken place or are likely to take place in the financial position of the Companies or their businesses. We have no responsibility to update this Opinion for events and circumstances occurring after the date of this Opinion.

One should note that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose.

We have assumed, that the Scheme will be in compliance with all applicable laws and other requirements and will be implemented on the terms described in the Draft Scheme Document, 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 USFB, UFSL or its relevant subsidiaries/affiliates and their respective shareholders. We have assumed, at the directions of USFB, that the final Scheme will not differ in any material respect from the Draft Scheme Document. We understand from the Company's management that the Scheme will be given effect to in totality and not in parts.

We express no view or opinion as to any terms or other aspects of the Scheme. We express no opinion or view with respect to the financial implications of the merger for any stakeholders, including creditors of the Company.

The Opinion provided by us should not be construed as a legal opinion on the Scheme filed under section 230 to 232 of the Companies Act, 2013 or with the provisions of any applicable laws.

We express no view as to, and our Opinion does not address, the underlying business decision of USFB to effect the Scheme, the relative merits of the proposed arrangement as compared to any other alternative business strategy, the effect of Scheme on USFB or UFSL or their affiliates, including, without limitation, possible implications on ownership structure, listing format, capital structure or trading price of the UFSL and USFB shares post completion of the proposed Scheme. UFSL and USFB remain solely responsible for the commercial assumptions on the basis of which it agrees to proceed with the Scheme of Arrangement. Our Opinion is necessarily based only upon information

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as referred to in this letter.

We do not express any Opinion as to any tax or other consequences that might arise from the Scheme on USFB or UFSL and/or their subsidiaries/affiliates, and their respective shareholders, nor does our Opinion address any legal, tax, regulatory (including all SEBI regulations) or accounting matters. We have undertaken no independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims, governmental investigation or other contingent liabilities to which USFB or UFSL or its other subsidiaries/affiliates, are or may be a party.

Our Opinion is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us as March 31, 2022 and market parameters and select other information up to October 13, 2022, as applicable. It should be understood that subsequent developments may affect this Opinion and we assume no responsibility for updating or revising our Opinion based on circumstances or events occurring after the date hereof.

Our Opinion also does not address any matters otherwise than as expressly stated herein, including but not limited to matters such as corporate governance, shareholders rights or any other equitable considerations.

We may have in the past provided, and may currently or in the future provide, investment banking services to USFB and UFSL and their affiliates that are unrelated to the Scheme, for which services we have received customary fees. Our engagement as a provider of a fairness opinion is independent of our other business relationships, which we may have with USFB or UFSL and/or their subsidiaries or their respective affiliates.

In addition, in the ordinary course of their respective businesses, affiliates of IIFL Securities Limited may invest in securities of USFB or UFSL and/or its subsidiaries or group companies/affiliates/parent company or for their own accounts and for the accounts of their customers subject to compliance of SEBI (Prohibition of Insider Trading) Regulations and, accordingly, may at any time hold a position in such securities. Our engagement and the Opinion expressed herein are solely for the benefit of the Board of Directors of the USFB (in their capacity as such) in connection with its consideration of the Scheme and for none other. Delivery of our Opinion does not create any fiduciary, equitable or contractual duties on IIFL Securities Limited (including, without limitation, any duty of trust or confidence). Further, our Opinion is being provided only for the limited purpose of complying with the SEBI regulations and the requirement of the stock exchanges on which the Company is listed, and for no other purpose.

Neither IIFL Securities Limited, 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 this assignment.

On the basis of our professional skills, our understanding of the business, related to the industry, market survey, we have arrived at the Opinion. Neither IIFL nor any individual signing or associated with this Opinion shall be required by reason of this Opinion to give any testimony or appear in any court or other legal proceedings.

The Company has agreed to indemnify IIFL against liabilities arising out of or in connection with the services rendered and to be rendered by IIFL under the Engagement Letter.

USFB understands and acknowledges that there exists no conflict of interest or any potential conflict of interest with respect to the contents of this Opinion or the appointment of IIFL by USFB for issuing this Opinion in relation to the Scheme. Further, IIFL shall in no way be liable to USFB or UFSL or any third party for any conflict of interest or any potential conflict of interest that may arise pursuant to the issuance of this Opinion.

USFB has been provided with the opportunity to review the draft Opinion as part of our standard practice to make sure that factual inaccuracy or omissions are avoided in our final Opinion.

The fee for our services is not contingent upon the results of the Scheme. This document is subject to the laws of India.

Our Opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Scheme or any matter related thereto.

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The Opinion is addressed to the Board of Directors of the Company. The Opinion shall not, otherwise than as permitted or as required as per the SEBI Circulars dated March 10, 2017 CFD/DIL3/CIR/2017/21, January 03, 2018 CFD/DIL3/CIR/2018/2, December 22, 2020 SEBI/HO/CFD/DIL1/CIR/P/2020/249, SEBI/HO/CFD/DIL2/CIR/P/2021/0000000657 dated November 16, 2021, SEBI/HO/CFD/DIL2/CIR/P/2021/0000000659 dated November 18, 2021, SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 and SEBI/HO/CFD/SSEP/CIR/P/2022/003 dated January 03, 2022 ("SEBI Circulars") be disclosed or referred to publicly or to any other third party without IIFL's prior written consent. However, USFB may provide a copy of the Opinion if requested/ called upon by any regulatory authorities of India subject to USFB promptly intimating IIFL in writing upon receipt of such request from the regulatory authority. If this is used by any person other than to whom it is addressed or for any purpose other than the purpose stated hereinabove, we shall not be liable in any manner whatsoever, whether in contract or tort or otherwise including for any indirect, consequential, punitive, special or incidental liability to any party in connection with sharing/reference/disclosure of the Opinion as above.

## V. CONCLUSION

Based on and subject to the foregoing, we are of the opinion that the share exchange ratio is fair to the shareholders from a financial point of view. Further the valuation of UFSL and USFB as detailed by the Valuer is fair.

Yours sincerely



For IIFL Securities Limited  
Pinak Rudra Bhattacharyya  
Senior Vice President  
14 October, 2022

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