

**CONFIDENTIAL**

Date: 20 September 2024

To  
Board of Directors,  
Utkarsh Small Finance Bank Limited  
Utkarsh Tower, NH – 31 (Airport Road),  
Sehmalpur, Kazi Sarai, Harhua,  
Varanasi, Uttar Pradesh – 221105

**I. Engagement Background**

We understand that the Board of Directors of Utkarsh Small Finance Bank Limited ("**USFBL**" or "**Transferee Company**") is considering a Composite Scheme of Arrangement ("**Scheme**") under the applicable provisions of Companies Act, 2013 with Utkarsh CoreInvest Limited ("**UCL**" or "**Transferor Company**") for the proposed merger of UCL into and with USFBL (referred to as "**Merger**" or "**Transaction**").

The Scheme envisages the merger of the Transferor Company into the Transferee Company in a manner, as set forth in the draft Scheme shared with us. We further understand that the scheme approved by the respective Boards of Directors of UCL and USFBL will be filed with the appropriate authorities.

We further understand that the Share Exchange Ratio for the proposed transaction has been arrived at based on the Share Exchange Ratio Report dated September 20, 2024 ("**Share Exchange Ratio Report**" or "**Report**") prepared by RBSA Valuation Advisors LLP ("**RBSA**"), whereby RBSA Valuation Advisors LLP has been appointed by UCL and USFBL, to recommend the fair Share Exchange Ratio. RBSA is hereinafter referred to as "**Valuer**".

As recommended by the Valuer in their Report and more fully described in the Scheme, in consideration of the amalgamation, the Transferee company will issue and allot 699 (Six Hundred Ninety-Nine) equity shares of face value INR 10/- (Indian Rupees Ten) of the Transferee Company (credited as fully paid-up) for every 100 (One Hundred) fully paid-up equity shares of face value INR 10/- (Indian Rupees 10) of the Transferor Company ("**Share Exchange Ratio**").

**II. Background**

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

- **Utkarsh CoreInvest Limited** is a public unlisted company, with its registered office at S-24/1-2, 4th Floor, Mahavir Nagar Orderly Bazar, near Mahavir Mandir, Varanasi, Uttar Pradesh – 221002, India having CIN: U65191UP1990PLC045609. The Transferor Company



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was incorporated as a public company on 15 May 1990 under the erstwhile Companies Act, 1956 under the name and style 'Shre Pathrakali Finance Company Limited'. Subsequently, pursuant to a fresh certificate of incorporation dated 9 December 2009 the Transferor Company was converted into a private limited company under the name and style 'Shre Pathrakali Finance Company Private Limited'. On 11 February 2010 upon receipt of the fresh certificate of incorporation, the Transferor Company's name was changed to 'Utkarsh Micro Finance Private Limited'. Subsequently, the RBI permitted the Transferor Company to commence operations as a non-deposit taking NBFC under Section 45 IA of the Reserve Bank of India Act, 1934 and issued a registration certificate dated 19 March 2010 bearing the number B-07-00781 to this effect. On 21 January 2014, the Transferor Company was registered with the RBI as NBFC Microfinance Institution (NBFC-MFI) and was issued a revised registration certificate with the same registration number (i.e., B-07-00781).

- Pursuant to approval of the Central Government to convert the Transferor Company into a public limited company, on 24 June 2016 the jurisdictional registrar of companies issued a fresh certificate of incorporation for change in the Transferor Company's name to 'Utkarsh Micro Finance Limited'. On 7 October 2015, the Transferor Company received an in-principle approval from RBI to set up a small finance bank under the SFB Guidelines with certain conditions, which included a requirement to: (a) transfer all assets and liabilities pertaining to its microfinance business (except certain statutory assets, vehicle and statutory liabilities) to a subsidiary company; and (b) register itself as a NBFC-CIC.
- Accordingly, the Transferor Company incorporated the Transferee Company as its subsidiary on 30 April 2016, and on 25 November 2016, the Transferor Company was granted an approval of the RBI and a license bearing number MUM:125 dated 25 November 2016 was issued by RBI to the Transferee Company to carry on the business of a small finance bank in India. Thereafter, the Transferor Company transferred all assets and liabilities pertaining to its microfinance business (except for certain statutory assets, vehicle and statutory liabilities), as a going concern by way of a slump sale, to the Transferee Company on 21 January 2017. Post this business transfer, the Transferor Company ceased to operate as an NBFC Microfinance Institution and was converted into an NBFC-CIC, with a new registration certificate bearing the number C-07-00781 dated 3 May 2018 issued by the RBI. Thereafter, the name of the Transferor Company was changed to 'Utkarsh CoreInvest Limited', for which a fresh certificate of incorporation was issued by the jurisdictional registrar of companies on 11 October 2018.
- **Utkarsh Small Finance Bank Limited** was incorporated on 30 April 2016 under the Companies Act, 2013, and is a public listed company, with its registered office at Utkarsh Tower, NH - 31 (Airport Road) Sehmalpur, Kazi Sarai, Harhua, Varanasi, Uttar Pradesh – 221105, India having CIN: L65992UP2016PLC082804. The Transferee Company is registered with the RBI as a small finance banking company under the provisions of the Banking Regulation Act, 1949 and holds a registration for operating as a small finance bank bearing number MUM:125 dated 25 November 2016 issued by RBI. The Transferee

Company commenced its business of providing wide range of banking and financial services including retail banking with focus on micro-finance, lending to small businesses & MSMEs, loans for CV & CE, housing loans, loans to small corporates and financial institutions.

### **Background of the Scheme**

Part II of the Scheme provides for:

#### *Amalgamation of UCL into and with USFBL*

- Upon the Scheme coming into effect, and with effect from the Appointed Date, the entire Amalgamated Undertaking of the Transferor Company shall stand vested in the Transferee Company, as a going concern, so as to become the undertaking of the Transferee Company, without the requirement for any further act, instrument, deed, matter or thing.

In connection with the merger of the Transferor Company into the Transferee Company, by way of our Engagement Letter dated July 6, 2024 you requested us to examine the Share Exchange Ratio Report issued by the Valuer and other related information provided by the Transferor Company and Transferee Company and issue our independent opinion as to the fairness of the Share Exchange Ratio (the "Fairness Opinion" or "Opinion") pursuant to the provisions of the Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 issued by SEBI and as amended from time to time ("SEBI Circulars").

### **Source of information and analysis**

For arriving at the Fairness Opinion, we have amongst others:

- reviewed the draft of the proposed Scheme
- reviewed the Share Exchange Ratio Report prepared by the Valuer.
- reviewed certain historical business and financial information relating to each of the relevant entities, as 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 by them in preparing the Report and rationale for their recommendations.
- sought appropriate clarifications from the respective senior management teams of the relevant companies relating to what we considered necessary to arrive at the opinion.
- 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 Transferee Company; and

- Considered such other information and factors including financial analysis, as we deemed appropriate commensurate with the scope of the assignment.

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

Our Opinion and analysis are limited to the extent of review of documents as provided to us by Transferee Company including the Report prepared by the Valuer and the draft Scheme.

While Transferee Company is responsible to ensure the accuracy and completeness of any and all the information given to us, we have independently conducted due diligence of such information which were considered essential for us to arrive at our opinion and to the extent practical and reasonable. Further we have also assumed and relied upon the accuracy and completeness of all information, documents, data and explanations provided to us for the purpose of this engagement. We have relied upon assurances of the management of Transferee Company and Transferor Company 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 respective management of the Transferee Company and Transferor Company as well as the Valuer has 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 Transferee Company/Transferor Company/Valuer and their impact on the present exercise.

The Fairness Opinion is provided as on date of the Share Exchange Ratio Report and, therefore, this Fairness Opinion does not consider events occurring after that day. We have not conducted any physical inspection or title verification, independent valuation or appraisal of any properties of Transferee Company and Transferor Company and /or any of their assets or liabilities and do not express any opinion with respect thereto. Nor have we been furnished with any such appraisals. We do not express any opinion as to the value of any asset whether at current prices or in the future. We have not reviewed any internal management information statements for the purposes of this Fairness Opinion

We express no view as to, and our Opinion does not address, the underlying business decision of Transferee Company and/or Transferor Company to affect the proposed Scheme or the merits of the proposed Scheme. Our Opinion does not constitute a recommendation to any shareholder or creditor of Transferee Company and/or Transferor Company and its subsidiaries 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, with your consent, 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 Transferee Company and/or Transferor Company 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 the Scheme is legally enforceable.

We do not express any opinion as to any tax or other consequences that might arise from the Scheme for the Transferee Company and Transferor Company and/ or their subsidiaries and/or their respective shareholders, nor does our Opinion address any legal, tax, regulatory or accounting matters, as to which we understand that Transferee Company and Transferor Company 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 merger of the Transferor Company into Transferee Company as contemplated in 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, broking, research or banking services to Transferee Company and/or Transferor Company 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 Transferee Company and / or its subsidiaries 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 Transferee Company 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.

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 Transferee Company in our favor

holding us harmless from and against any cost, damage, expense and other consequence in connection with the provision of this Opinion.

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 Fairness 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 Fairness Opinion is limited to the matters stated herein and covered in our engagement letter 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 Entitlement Ratio for the proposed merger) 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 Share Exchange Ratio Report of Valuer, it is quoted**

*"we recommend the following Equity Share Exchange Ratio for the amalgamation of UCL into USFBL:*

*699 (Six Hundred Ninety-Nine) equity shares of USFBL of INR 10/- each fully paid up for every 100 (One Hundred) equity shares of UCL of INR 10/- each fully paid up."*

#### **Conclusion**

Based on and subject to the foregoing, our work as merchant bankers, our work as described above, and other factors we deem relevant, it is our view, as of the date hereof, the Share Exchange Ratio proposed by the Valuer in their Share Exchange Report is fair to the equity shareholders of USFBL, from a financial point of view.



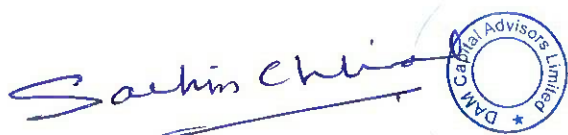
**Distribution of the Fairness Opinion**

The Fairness Opinion is addressed only to the Board of Directors of USFBL. The Fairness Opinion save and except pursuant to the SEBI Circular shall not otherwise be disclosed or referred to publicly or to any other third party without DAM Capital's prior written consent.

However, Transferee Company may provide a copy of the Fairness Opinion if requested/ called upon by any regulatory authorities of India. The Fairness Opinion should be read in totality and not in parts. Further, this Fairness Opinion should not be used or quoted for any purpose other than the purpose mentioned hereinabove. If this Fairness Opinion is used by any person other than to whom it is addressed or for any purpose other than the purpose stated hereinabove, then, we will not be liable for any consequences thereof and shall not take any responsibility for the same as the same would have been shared in contravention of the provisions hereof on a "non-recourse" and "non-reliance" basis. Neither this Fairness Opinion nor its contents may be referred to or quoted to/ by any third party, in any registration statement, prospectus, offering memorandum, annual report, loan agreement or any other agreement or documents given to third parties. In no circumstances, however, will DAM Capital or its management, directors, officers, employees, agents, advisors, representatives, successors, permitted assigns and controlling persons of DAM Capital accept any responsibility or liability including any pecuniary or financial liability to any third party.

Yours truly,

For **DAM Capital Advisors Limited**



Authorised Signatory

Name: Sachin Chandiwal

Designation: Managing Director – Corporate Finance