S.R. Batliboi & Co. LLP Chartered Accountants The Ruby, 14th floor, 29, Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, India.	Deloitte Haskins & Sells Chartered Accountants 19th Floor, Shapath-V, S.G. Highway, Ahmedabad -380015, Gujarat.

Dated: 13 October 2017

To

The Board of Directors, **Bharat Financial Inclusion Limited** My Home Tycoon, 3rd Floor Block A, 6-3-1192, Kundanbagh, Begumpet, Hyderabad – 500016 Telangana, India.	**The Board of Directors,** **IndusInd Bank Limited** 2401 Gen. Thimmayya Road (Cantonment), Pune – 411 001, India.

Sub: Recommendation of Fair Equity Share Exchange ratio for the purpose of the proposed merger of Bharat Financial Inclusion Limited into IndusInd Bank Limited

Dear Madam/Sir,

We refer to the engagement/appointment letters whereby,

- Bharat Financial Inclusion Limited (hereinafter referred to as "BFIL") has requested S. R. Batliboi & Co. LLP (hereinafter referred to as "SRBC"); and
- IndusInd Bank Limited (hereinafter referred to as "IBL") has requested Deloitte Haskins & Sells (hereinafter referred to as "DHS")

for recommendation of the Fair Equity Share Exchange ratio (hereinafter referred to as ("Fair Equity Share Exchange ratio) for the proposed merger of BFIL into IBL (hereinafter referred to as "Proposed Merger").

IBL and BFIL are hereinafter jointly referred to as "Companies". The Fair Equity Share Exchange ratio for this report refers to number of equity shares of face value of INR 10/- each of IBL, which would be issued to equity shareholders of BFIL in lieu of their equity shareholding in BFIL pursuant to the Proposed Merger.

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

D. H. & S. CHARTERED ACCOUNTANTS

SRBC and DHS are hereinafter jointly referred to as "Valuers" or "we" or "us" and individually referred to as "Valuer" in this joint Fair Equity Share Exchange Ratio Report ("Share Exchange Ratio Report" or "Report").

SCOPE AND PURPOSE OF THIS REPORT

IBL offers commercial, transactional and electronic banking products and services. The equity shares of IBL are listed on National Stock Exchange ("NSE") and Bombay Stock Exchange ("BSE"). IBL was founded in 1994. IBL had reported consolidated total revenue and profit after tax of INR 185,771.6 million and INR 28,678.9 million respectively, for the year ended 31 March 2017.

BFIL is a Non-Banking Financial Company ("NBFC") which provides micro finance services in India. BFIL was formerly known as SKS Microfinance Limited. The equity shares of BFIL are listed on NSE and BSE. BFIL was founded in 2003. BFIL had reported consolidated total revenue and profit after tax of INR 17,279 million and INR 2,896.9 million respectively, for the year ended 31 March 2017.

We understand that the managements of IBL and BFIL ("Management/s") are contemplating the merger of BFIL into IBL ("Proposed Merger") under a composite scheme of Arrangement and Amalgamation under the provisions of Sections 230-232 of the Companies Act, 2013 and, the Companies Rules 2016, relevant regulations and directions of RBI, and other applicable securities and capital market laws and rules issued thereunder to the extent applicable. As a consideration for this Proposed Merger, equity shareholders of BFIL would be issued equity shares of IBL.

We understand that the appointed date for the Proposed Merger is 01 January 2018 or such other date as approved by the Courts/ regulatory authorities.

For the aforesaid purpose, the Board of Directors of BFIL and IBL have appointed SRBC and DHS, respectively, to submit a joint Share Exchange Ratio Report for recommending the Fair Equity Share Exchange ratio, for the issue of IBL's equity shares to the equity shareholders of BFIL. This report will be placed before the Audit Committee and Board of Directors of IBL and BFIL as per the relevant SEBI circulars, and to the extent mandatorily required under applicable laws of India, this report maybe produced before the judicial, regulatory or government authorities, stock exchanges, shareholders in connection with the Proposed Merger.

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

D. H. & S. CHARTERED ACCOUNTANTS

The scope of our services is to conduct a relative (and not absolute) valuation of the equity shares of IBL and BFIL and report on the Fair Equity Share Exchange Ratio for the Proposed Merger in accordance with generally accepted professional standards.

The Valuers have been appointed severally and not jointly and have worked independently in their analysis. Both the Valuers have received information and clarifications from their respective clients. The Valuers have independently arrived at different values per share of IBL and BFIL. However, to arrive at the consensus on the Fair Equity Share Exchange Ratio for the proposed merger, appropriate minor adjustments / rounding off has been done in the values arrived at by the Valuers.

We have been provided with audited financial statements and other financial information of IBL and BFIL for the year ended 31 March 2017 and latest available quarterly results of respective companies. We have taken into consideration the current market parameters in our analysis and have made adjustments for additional facts made known to us till the date of our Report. The current valuation does not factor impact of any event which is unusual or not in normal course of business. Further, the Management has informed us that all material information impacting the Companies have been disclosed to us.

The Management has informed us that:

(a) There would not be any capital variation in the Companies till the Proposed Merger becomes effective without approval of the shareholders other than on account of existing ESOP Scheme which would not be material;
(b) Neither Companies would declare any dividend which are materially different than those declared in the past few years.
(c) There are no unusual/abnormal events in both the Companies since the last quarterly results were declared till the Report Date materially impacting their operating / financial performance.

We have relied on the above while arriving at the Fair Equity Share Exchange Ratio for the Proposed Merger.

This Report is our deliverable for the above engagement.

This report and the information contained herein is absolutely confidential. It is intended only for the sole use and information of the Companies and only in connection with the Proposed Merger including for the purpose of obtaining regulatory approvals, as required

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

D. H. & S. CHARTERED ACCOUNTANTS

under applicable laws of India, for the Proposed Merger. We understand that the Companies may be required to submit this report to judicial, regulatory or government authorities, stock exchanges, shareholders in connection with the Proposed Merger under applicable laws. We hereby consent to such disclosure of this report, on the basis that we owe responsibility to only the Boards of Directors of the Companies that have respectively engaged us, under the terms of our engagement, and no other person; and that, to the fullest extent permitted by law, we accept no responsibility or liability to the shareholders of the Companies or any other party, in connection with this report. The results of our computation and our report cannot be used or relied by the Companies for any other purpose or by any other party for any purpose whatsoever. We are not responsible to any other person / party for any decision of such person / party based on this report. Any person / party intending to provide finance / invest in the shares / businesses of the Companies or their holding company / subsidiaries / joint ventures / associates / investee companies, if any, 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 reproduction, copying or otherwise quoting of this report or any part thereof, other than for the aforementioned purpose, is not permitted.

This Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information:

- Annual reports for the year ended 31 March 2017 and earlier periods for IBL and BFIL;
- Unaudited results for the quarter ended 30 June 2017 for IBL and BFIL; and
- Other relevant information

During the discussions with the Management, we have also obtained explanations and information considered reasonably necessary and relevant for our exercise.

Both IBL and BFIL have been provided with the opportunity to review the draft Report (excluding the recommended Fair Equity Share Exchange Ratio) as part of our standard practice to make sure that factual inaccuracy / omissions are avoided in our final Report.

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

D. H. & S. CHARTERED ACCOUNTANTS

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this Report and (iii) are based on the audited financial statements of IBL and BFIL as at 31 March 2017 and unaudited financial results for the quarter ended 30 June 2017.The Management has represented that the business activities of IBL and BFIL have been or would be carried out in the normal and ordinary course between 31 March 2017 and the Report date and that no material adverse change has occurred in their respective operations and financial position between 31 March 2017 and the Report date. While the unaudited quarterly results of IBL for the quarter ended 30 September 2017 have been declared, the quarterly results for the said quarter in the case of BFIL have not been declared. We have looked at the September quarterly results for IBL and have also been informed that there are no material unusual/abnormal events. Considering this and given that we are carrying out a relative valuation we have considered it appropriate not to use the quarterly results of IBL for the quarter ended 30 September 2017 for our calculations.

A valuation of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuers and judgment taking into accounts all the relevant factors. There will always be several factors, e.g. quality and integrity of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions.

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

D. H. & S. CHARTERED ACCOUNTANTS

The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information furnished by IBL and BFIL (or its representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this Report.

The determination of exchange ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single exchange ratio. While we have provided our recommendation of the Fair Equity Share Exchange Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the Fair Equity Share Exchange Ratio of the equity shares of IBL and BFIL. The final responsibility for the determination of the Fair Equity Share Exchange Ratio at which the Proposed Merger shall take place will be with the Board of Directors of IBL and BFIL, who should take into account other factors such as their own assessment of the Proposed Merger and input of other advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, financial and operating data.

In accordance with the terms of our respective engagements, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available, sourced from subscribed databases, including analyst reports, and formed a substantial basis for this Report and (ii) the accuracy of information made available to us by IBL and BFIL. While information obtained from the public domain or external sources have not been verified for authenticity, accuracy or completeness, we have obtained information, as far as possible, from sources generally considered to be reliable. In accordance with our engagement letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed, carried out a due diligence or otherwise investigated the historical financial information provided to us. We have not independently investigated or otherwise verified the data provided by IBL and BFIL. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from IBL and BFIL, we have been given to understand by the Management that they have not omitted any relevant and material factors about IBL and BFIL and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt.

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

D. H. & S. CHARTERED ACCOUNTANTS

Our conclusions are based on the assumptions and information given by / on behalf of IBL and BFIL. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis / results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the Report. Nothing has come to our attention to indicate that the information provided was materially mis-stated / incorrect or would not afford reasonable grounds upon which to base the Report.

The Report assumes that IBL and BFIL comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that IBL and BFIL will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited / unaudited balance sheet of IBL and BFIL. Our conclusion of value assumes that the assets and liabilities of IBL and BFIL reflected in their respective latest balance sheets remain intact as of the Report date. No investigation of IBL and BFIL's claim to title of assets has been made for the purpose of this Report and IBL and BFIL's 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.

Our report is not nor should it be construed as our opining or certifying the compliance of the Proposed Merger with the provisions of any law / standards including companies, foreign exchange regulatory, accounting and taxation (including transfer pricing) laws / standards or as regards any legal, accounting or taxation implications or issues arising from such Proposed Merger.

This Report does not look into the business / commercial reasons behind the Proposed Merger nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Merger as compared with any other alternative business proposed merger, or other alternatives, or whether or not such alternatives could be achieved or are available.

The fee for the engagement is not contingent upon the conclusion of this Report.

SRBC owes responsibility to only the Boards of Directors of BFIL and DHS owes responsibility to only the Board of Directors of IBL that have respectively appointed us

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

D. H. & S. CHARTERED ACCOUNTANTS

under the terms of our respective engagement / appointment letters and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to IBL and BFIL. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of IBL and BFIL, their directors, employees or agents. In no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this Report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion. This Report is not a substitute for the third party's own due diligence / appraisal / enquiries / independent advice that the third party should undertake for his purpose.

This Report is subject to the laws of India.

Neither the Report 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 in connection with the Proposed Merger, without our prior written consent. In addition, this Report does not in any manner address the prices at which equity shares of IBL and BFIL will trade following announcement of the Proposed Merger and we express no opinion or recommendation as to how the shareholders of IBL and BFIL should vote at any shareholders' meeting(s) to be held in connection with the Proposed Merger. Our report and the opinion / valuation analysis contained herein is not nor should it be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities or as providing management services or carrying out management functions.

SHARE CAPITAL DETAILS OF THE COMPANIES

Bharat Financial Inclusion Limited

Based on the share capital of BFIL as at 30 June 2017 and the outstanding options as at that date, we have considered the diluted equity share capital of BFIL of 142,049,474 equity shares of INR 10 each, for the purpose of the present valuation analysis.

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

D. H. & S. CHARTERED ACCOUNTANTS

IndusInd Bank Limited

Based on the share capital of IBL as at 30 June 2017 and the outstanding options as at that date, we have considered the diluted equity share capital of IBL of 609,920,541 equity shares of INR 10 each, for the purpose of the present valuation analysis.

APPROACH – BASIS OF MERGER

The Proposed Merger contemplates the merger of BFIL into IBL. Arriving at the Fair Equity Share Exchange Ratio for the proposed merger of BFIL into IBL would require determining the relative value of the equity shares of BFIL and the equity shares of IBL. These values are to be determined independently, but on a relative basis, without considering the effect of the Proposed Merger.

There are several commonly used and accepted methods, under the market, income and asset approaches, for determining the Fair Equity Share Exchange Ratio for the proposed merger of BFIL into IBL, which have been considered in the present case, to the extent relevant and applicable, and subject to availability of information, including:

1. Asset Approach - Net Asset Value method

2. Income Approach –
    a. Discounted Cash Flows method
    b. Earnings Capitalization Value method

3. Market Approach –
    a. Market Price method
    b. Comparable Companies Multiples method

It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of the Companies.

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

D. H. & S. CHARTERED ACCOUNTANTS

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 purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for proposed mergers of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

Net Asset Value ("NAV") Method

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. The Net Asset Value ignores the future return the assets can produce and is calculated using historical accounting data that does not reflect how much the business is worth to someone who may buy or invest in the business as a going concern. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base dominate earnings capability. A scheme of amalgamation would normally be proceeded with, on the assumption that the companies / banks amalgamate as going concerns and an actual realization of the operating assets is not contemplated. The operating assets have therefore been considered at their book values. In such a going concern scenario, the relative earning power, as reflected under the Income and Market approaches, is of greater importance to the basis of amalgamation, with the values arrived at on the net asset basis being of limited relevance.

Discounted Cash Flows ("DCF") Method

In the case of banks / NBFCs, under the DCF method the projected free cash flows to the equity shareholders are discounted at the cost of equity. The sum of the discounted value of such free cash flows is the value of the firm for equity shareholders.

Such DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company's equity capital.

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

D. H. & S. CHARTERED ACCOUNTANTS

Appropriate discount rate to be applied to cash flows i.e. the cost of equity:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the equity capital providers (namely equity shareholders). The opportunity cost to the equity capital provider equals the rate of return the equity capital provider expects to earn on other investments of equivalent risk.

Earnings Capitalization Value Method

Earnings Capitalization Value Method involves determination of the maintainable earnings level of the company from its operations, based on past and / or projected working results. These earnings are then capitalized at a rate, which in the opinion of the valuer's combines an adequate expectation of reward from the enterprise risk, to arrive at the value of the company.

Market Price 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 arising 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. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

Comparable Companies' Multiples ("CCM") Method

Under this method, 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. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

D. H. & S. CHARTERED ACCOUNTANTS

Out of the above methods, the Valuers have used methods as considered appropriate by them respectively.

Basis of Fair Equity Share Exchange Ratio

The basis of the Proposed Merger of BFIL into IBL would have to be determined after taking into consideration all the factors, approaches and methods considered appropriate by the respective Valuer. Though different values have been arrived at under each of the above approaches / methods, for the purposes of recommending the Fair Equity Share Exchange Ratio of equity shares it is necessary to arrive at a final value for each of the Companies' shares. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values of IBL and BFIL but at their relative values to facilitate the determination of the Fair Equity Share Exchange Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each approaches / methods.

The Fair Equity Share Exchange Ratio has been arrived at on the basis of a relative equity valuation of IBL and BFIL based on the various approaches / methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of IBL and BFIL, having regard to information base, key underlying assumptions and limitations.

Valuers, have independently applied methods discussed above, as considered appropriate, and arrived at their assessment of value per share of IBL and BFIL. To arrive at the consensus on the Fair Equity Share Exchange Ratio for the Proposed Merger, suitable minor adjustments / rounding off have been done in the values arrived at by the Valuers.

The Computation of Fair Equity Share Exchange Ratio as derived by SRBC, is given below:

Valuation Approach	BFIL		IBL	
	Value per Share (INR)	Weight	Value per Share (INR)	Weight
Asset Approach - Net Asset Value Method	187.3	0%	365.0	0%
Income Approach – Discounted Free Cash Flow Method	1,269.5	50%	1,900.1	50%
Market Approach – Market Price method	956.3	50%	1,584.5	50%
Relative Value per Share	**1,112.9**		**1,742.3**	
Exchange Ratio (rounded off)			**0.639**	

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

D. H. & S. CHARTERED ACCOUNTANTS

The Computation of Fair Equity Share Exchange Ratio as derived by DHS, is given below:

Valuation Approach	BFIL		IBLs	
	Value per Share (INR)	Weight	Value per Share (INR)	Weight
Asset Approach - Net Asset Value Method	187.3	0%	365.0	0%
Income Approach – Earnings Capitalization Value method	1,541.7	50%	2,156.4	50%
Market Approach – Market Price method	906.2	50%	1,675.2	50%
Relative Value per Share	**1,223.9**		**1,915.8**	
Exchange Ratio (rounded off)			**0.639**	

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the following Fair Equity Share Exchange Ratio for the Proposed Merger of BFIL into IBL:

639 (Six Hundred and Thirty Nine) equity shares of IBL of INR 10/- each fully paid up for every 1,000 (One Thousand) equity shares of BFIL of INR 10/- each fully paid up.

Respectfully submitted,

S.R. Batliboi & Co. LLP Chartered Accountants ICAI Firm Registration Number: 301003E **Jayesh Gandhi** Partner Membership No: 037924 Date: 13 October 2017	Deloitte Haskins & Sells Chartered Accountants ICAI Firm Registration Number: 117365W **Anjum A. Qazi** Partner Membership No: 104968 Date: 13 October 2017

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

D. H. & S. CHARTERED ACCOUNTANTS

S.R. BATLIBOI & CO. LLP
Chartered Accountants

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai-400 028, India
Tel : +91 22 6192 0000
Fax : +91 22 6192 1000

13 October 2017

To,

The Board of Directors,
Bharat Financial Inclusion Limited
My Home Tycoon,
3rd Floor Block A, 6-3-1192,
Kundanbagh, Begumpet,
Hyderabad – 500016
Telangana, India.

Sub: Supplement to our report dated 13 October 2017 on "Recommendation of Fair Equity Share Exchange Ratio for the proposed merger of Bharat Financial Inclusion Limited into IndusInd Bank Limited"

Dear Sir,

This is with reference to the above given report. Please see below the workings of our valuation analysis herein.

As explained in our report, the Fair Equity Share Exchange Ratio of equity shares for the purpose of the intended merger of Bharat Financial Inclusion Limited (hereinafter referred to as 'BFIL') into IndusInd Bank Limited (hereinafter referred to as "IBL") (hereinafter together referred to as "Companies") has been arrived at on the basis of a relative valuation of these Companies based on the various methodologies as indicated in our report and various qualitative factors relevant to each Company and the business dynamics of the Companies, having regard to information base, management representations and perceptions, key underlying assumptions and limitations as referred to in the report. Please note that we have not attempted to arrive at the absolute values of the Companies but at their comparative values to facilitate the determination of a share exchange ratio.

In the present case, the equity shares of the Companies are listed on BSE and NSE. In these circumstances, the share price observed on NSE for IBL and BFIL over a reasonable period have been considered for arriving at the value per equity share of IBL and BFIL under the market price method. However since both the Companies have made an announcement in public domain on 11 September 2017 about a possible merger, we have considered the market price till 8 September 2017 (i.e. last trading day prior to announcement date).

Post demonetisation profitability of BFIL and its comparable companies has been impacted and profit after tax of these companies for Trailing Twelve Months ("TTM") ended 30 June 2017 doesn't reflect

S.R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

S.R. Batliboi & Co. LLP, a Limited Liability Partnership with LLP Identity No. AAB-4294
Regd. Office : 22, Camac Street, Block 'C', 3rd Floor, Kolkata-700 016

the normative earning capability of the companies. Hence, we have used not Comparable Companies' Multiples ("CCM") method.

We have not been provided with forecasts for both the Companies by the Management. However, both Companies are adequately covered by the equity research houses and accordingly, we have relied on the consensus estimates of equity research houses for both the Companies.

Considering the above, IBL and BFIL have been valued based on Market Price (MP) method and Discounted Cash Flows (DCF) method.

We have considered it appropriate to assign equal weights to both the MP method and DCF method for valuation of IBL and BFIL.

On the above basis, relative value of equity shares for the swap / share entitlement is as follows:

1) IBL - ₹ 1,742.3 per equity share of ₹ 10/- each fully paid up
2) BFIL - ₹ 1,112.9 per equity share of ₹ 10/- each fully paid up

In light of the above, and in consideration of all the relevant factors and circumstances as discussed and outlined in the report dated 13 October 2017, the proposed Fair Equity Share Exchange Ratio of equity shares for the merger of BFIL into IBL is a ratio of:

- 639 (Six Hundred and Thirty Nine) equity shares of IBL of ₹ 10/- each fully paid up for every 1,000 (One Thousand) equity shares of BFIL of ₹ 10/- each fully paid up.

The above including the attached valuation workings should be read in conjunction with our reports dated 13 October 2017 and is subject to the scope limitations enunciated in the report.

Thanking You,

For S. R. Batliboi & Co. LLP
ICAI Firm registration number: 301003E / E300005
Chartered Accountants

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

Jayesh Gandhi
Partner
Membership No.:037924
Place: Mumbai
Date: 13 October 2017

Determination of share exchange ratio

Method		IBL		BFIL		
Particulars: ₹	Weight (%)	Value per share	Working Note	Value per share	Working Note	Exchange ratio of IBL and BFIL
Market Price Method	50%	1,584.47	1	956.28	3	
Discounted Cash Flows Method	50%	1,900.10	2	1,269.45	4	
Weighted average price		**1,742.28**		**1,112.87**		**0.639**

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

Working Note 1 – Computation of average market price of IBL based on 3 months ended 8 September 2017

Date	Price-Open (Rs)	Price-High (Rs)	Price-Low (Rs)	Last Price (Rs)	Volume	No. of Trades	Net Turnover ('000)	Market Cap	NSE Close	Wt.Avg. Price
08-Sep-17	1,712.90	1,713.00	1,688.10	1,695.90	741404	28574	12,59,448.19	10,15,521.90	9,934.80	1,698.73
07-Sep-17	1,690.00	1,715.15	1,687.65	1,703.90	854744	23214	14,52,304.42	10,20,227.20	9,929.90	1,699.11
06-Sep-17	1,676.00	1,693.80	1,673.15	1,684.80	1155788	31524	19,49,389.41	10,08,790.80	9,916.20	1,686.63
05-Sep-17	1,670.70	1,688.60	1,665.00	1,684.75	530479	19885	8,91,792.37	10,08,760.90	9,952.20	1,681.11
04-Sep-17	1,682.50	1,689.55	1,658.50	1,669.45	423495	25914	7,08,100.96	9,99,599.90	9,912.85	1,672.04
01-Sep-17	1,661.00	1,695.80	1,654.00	1,692.25	616709	32449	10,37,425.44	10,13,251.60	9,974.40	1,682.20
31-Aug-17	1,662.50	1,668.40	1,648.00	1,656.75	1845805	42623	30,59,820.07	9,91,995.60	9,917.90	1,657.72
30-Aug-17	1,651.00	1,665.80	1,647.05	1,655.80	379651	23726	6,29,740.55	9,91,360.60	9,884.40	1,658.74
29-Aug-17	1,645.00	1,659.30	1,638.10	1,643.30	514823	23334	8,48,240.79	9,83,876.60	9,796.05	1,647.64
28-Aug-17	1,667.00	1,670.00	1,653.65	1,660.55	745075	40254	12,37,198.31	9,94,187.90	9,912.80	1,660.50
24-Aug-17	1,662.10	1,684.00	1,655.70	1,667.70	1400606	39627	23,42,650.52	9,98,468.70	9,857.05	1,672.60
23-Aug-17	1,628.00	1,664.95	1,628.00	1,660.90	1091055	62812	17,98,127.84	9,94,397.40	9,852.50	1,648.06
22-Aug-17	1,619.50	1,640.95	1,611.00	1,626.30	694864	22344	11,29,486.96	9,73,682.10	9,765.55	1,625.48
21-Aug-17	1,620.00	1,641.50	1,611.70	1,616.10	484815	16584	7,87,356.76	9,67,575.20	9,754.35	1,624.04
18-Aug-17	1,625.00	1,625.00	1,594.30	1,621.05	620278	31367	9,99,668.69	9,70,490.20	9,837.40	1,611.65
17-Aug-17	1,650.00	1,650.00	1,617.40	1,628.50	619082	29950	10,11,347.85	9,74,950.40	9,904.15	1,633.63
16-Aug-17	1,628.00	1,654.00	1,603.40	1,647.20	952709	55298	15,51,878.15	9,86,145.70	9,897.30	1,628.91
14-Aug-17	1,628.50	1,640.50	1,612.30	1,624.70	900057	35715	14,64,317.67	9,72,675.40	9,794.15	1,626.92
11-Aug-17	1,609.00	1,633.50	1,599.00	1,625.35	1142387	70186	18,43,738.94	9,73,064.50	9,710.80	1,613.94
10-Aug-17	1,630.00	1,638.60	1,609.00	1,629.40	709628	48478	11,49,243.16	9,75,424.00	9,820.25	1,619.50
09-Aug-17	1,638.00	1,645.00	1,631.75	1,637.25	530640	25952	8,68,782.59	9,80,123.30	9,908.05	1,637.24
08-Aug-17	1,654.00	1,660.95	1,632.05	1,638.65	717420	33513	11,81,774.97	9,80,961.40	9,978.55	1,647.26
07-Aug-17	1,670.00	1,674.55	1,647.70	1,650.50	386830	24085	6,41,468.51	9,88,055.30	10,057.40	1,658.27
04-Aug-17	1,635.25	1,670.90	1,635.25	1,664.70	557065	42731	9,23,888.71	9,96,522.70	10,066.40	1,658.49
03-Aug-17	1,655.00	1,660.00	1,638.05	1,645.20	462668	36263	7,62,259.47	9,84,849.60	10,013.65	1,647.53
02-Aug-17	1,665.50	1,668.45	1,648.50	1,658.75	509282	28660	8,44,735.44	9,92,960.90	10,081.50	1,658.68
01-Aug-17	1,654.60	1,674.00	1,637.75	1,665.70	1150244	31810	18,97,092.96	9,97,121.30	10,114.65	1,649.30
31-Jul-17	1,634.30	1,650.80	1,616.50	1,645.75	1287974	46415	21,08,788.62	9,85,178.90	10,077.10	1,637.29
28-Jul-17	1,596.50	1,637.35	1,594.05	1,628.35	923109	33171	14,90,616.34	9,74,648.90	10,014.50	1,614.78
27-Jul-17	1,587.00	1,625.90	1,585.00	1,606.70	1980176	56609	31,82,016.00	9,61,690.30	10,020.55	1,606.94
26-Jul-17	1,543.80	1,585.00	1,536.65	1,580.20	1175988	47830	18,37,026.93	9,45,828.70	10,020.65	1,562.11
25-Jul-17	1,554.00	1,556.90	1,539.10	1,542.50	1159201	56687	17,90,257.69	9,23,263.40	9,964.55	1,544.39
24-Jul-17	1,565.65	1,565.65	1,549.50	1,554.50	980822	48819	15,25,882.03	9,30,446.00	9,966.40	1,555.72
21-Jul-17	1,560.00	1,568.90	1,551.15	1,566.65	665760	34501	10,41,556.18	9,37,718.40	9,915.25	1,564.46
20-Jul-17	1,579.00	1,580.95	1,554.85	1,560.00	747783	32297	11,72,094.63	9,33,738.00	9,873.30	1,567.43
19-Jul-17	1,576.00	1,584.00	1,569.60	1,574.55	704416	39162	11,10,835.72	9,42,446.90	9,899.60	1,576.96
18-Jul-17	1,575.55	1,581.90	1,564.50	1,570.10	789508	35534	12,40,116.42	9,39,783.40	9,827.15	1,570.75
17-Jul-17	1,576.00	1,584.75	1,560.00	1,581.05	762299	50219	11,99,230.84	9,46,337.50	9,915.95	1,573.18
14-Jul-17	1,582.00	1,582.90	1,568.65	1,574.50	971789	25450	15,30,873.48	9,42,417.00	9,886.35	1,575.31
13-Jul-17	1,581.00	1,585.00	1,561.30	1,579.90	712568	30349	11,23,391.11	9,45,649.10	9,891.70	1,576.54
12-Jul-17	1,572.60	1,581.20	1,562.00	1,577.00	1550156	70916	24,39,103.43	9,43,913.40	9,816.10	1,573.46
11-Jul-17	1,565.00	1,571.00	1,550.65	1,560.70	2874052	81374	44,88,268.64	9,34,125.80	9,786.05	1,561.65
10-Jul-17	1,541.55	1,564.95	1,526.50	1,560.35	260961	7001	4,04,552.00	9,33,916.30	9,771.05	1,550.24
07-Jul-17	1,514.50	1,529.90	1,511.55	1,526.30	840805	51183	12,81,862.53	9,13,536.30	9,665.80	1,524.57
06-Jul-17	1,523.50	1,523.50	1,506.15	1,519.55	803617	31350	12,17,488.45	9,09,496.30	9,674.55	1,515.01
05-Jul-17	1,505.00	1,519.85	1,499.00	1,516.35	498116	22279	7,53,607.93	9,07,565.80	9,637.60	1,512.92
04-Jul-17	1,477.05	1,501.00	1,477.05	1,497.80	812900	28239	12,12,791.49	8,96,463.30	9,613.30	1,491.93
03-Jul-17	1,482.90	1,495.60	1,472.75	1,490.95	1167857	62509	17,34,026.32	8,92,363.40	9,615.00	1,484.79
30-Jun-17	1,468.65	1,483.50	1,462.30	1,478.95	806197	49210	11,86,708.15	8,85,181.20	9,520.90	1,471.98
29-Jun-17	1,495.05	1,509.80	1,474.15	1,479.55	806219	38905	12,01,230.56	8,85,540.30	9,504.10	1,489.96
28-Jun-17	1,486.05	1,499.00	1,463.15	1,490.65	972763	69353	14,36,902.66	8,92,183.80	9,491.25	1,477.14
27-Jun-17	1,495.00	1,502.00	1,485.00	1,490.15	1285379	65995	19,16,541.08	8,91,884.60	9,511.40	1,491.03
23-Jun-17	1,493.70	1,503.00	1,485.30	1,491.40	596334	23701	8,90,970.19	8,92,558.20	9,574.95	1,494.08
22-Jun-17	1,497.85	1,506.45	1,487.30	1,490.65	905839	50326	13,55,588.20	8,92,109.30	9,630.00	1,496.50
21-Jun-17	1,508.30	1,512.00	1,489.05	1,494.35	859762	47019	12,86,496.29	8,94,323.60	9,633.60	1,496.34
20-Jun-17	1,512.10	1,521.45	1,503.55	1,514.95	472248	12200	7,15,661.66	9,06,652.10	9,653.50	1,515.44
19-Jun-17	1,503.10	1,521.50	1,499.50	1,511.35	692751	32762	10,49,656.38	9,04,497.60	9,657.55	1,515.20
16-Jun-17	1,492.90	1,513.00	1,487.05	1,498.90	1375090	46542	20,65,272.45	8,97,046.70	9,588.05	1,501.92
15-Jun-17	1,497.80	1,501.25	1,487.45	1,491.00	424499	24145	6,33,344.92	8,92,184.60	9,578.05	1,491.98
14-Jun-17	1,497.00	1,505.60	1,485.15	1,500.10	1032366	31402	15,46,194.39	8,97,629.80	9,618.15	1,497.72
13-Jun-17	1,513.80	1,513.80	1,487.20	1,492.15	671410	36703	10,07,202.11	8,92,872.70	9,606.90	1,500.13
12-Jun-17	1,520.00	1,524.25	1,502.10	1,505.80	325151	16128	4,91,332.12	9,01,040.60	9,616.40	1,511.09
09-Jun-17	1,520.00	1,538.00	1,512.95	1,526.85	724205	39794	11,04,255.72	9,13,636.50	9,668.25	1,524.78
Average										**1,584.47**

(Source: Capitaline)

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

Working Note 2 – Valuation of IBL as per Discounted Cash Flows (DCF) method

While valuing IBL as per DCF method, we have used 2 scenarios wherein the terminal value has been computed as per (a) Price to Book (P/BV) multiple and (b) Price to Earnings (P/E) multiples method. We have considered it appropriate to assign equal weight to both the methods. (refer Working Note 2.1 below)

Working Note 2.1: Valuation summary of IBL as per DCF method

Currency: ₹mn	Notes	Weights (%)	Equity value
Equity value			
Discounted cash flows method - P/BV exit multiple	Working Note 2.2	*50.0*	10,86,421.8
Discounted cash flows method – P/E exit multiple	Working Note 2.3	*50.0*	12,31,398.5
Equity value			**11,58,910.1**
Diluted number of equity shares (in million)	Working Note 2.4		609.9
Value per equity share (₹ / share)			**1,900.10**

Working Note 2.2: Valuation of IBL under DCF method – P/BV exit multiple

The estimated net worth of IBL for FY20 has been considered based actual net worth of IBL as of 30 June 2017 and estimated PAT of IBL till FY20 provided by research analysts as sourced from Capital IQ and applied an exit P/BV multiple of the comparable companies to arrive at the terminal value. The terminal value has been discounted using an appropriate discount rate and the discount rate is adjusted to value the cash flows at endpoint of the measurement period.

Currency: ₹mn	Notes	FY18	FY19	FY20	Terminal value
Net worth		2,43,258.8	2,89,310.7	3,46,898.5	
Net worth as at 31 March 2020					**3,46,898.5**
Net cash flows		-	-	-	
Discount rate (%)	Working Note 2.5	12.8	12.8	12.8	
Present value factor- Year end discounting		0.94	0.84	0.74	
P/BV exit multiple	Working Note 2.6				4.2
Terminal value					**14,56,973.9**
Present value for explicit period					-
Present value of terminal period					10,78,812.7
Equity value					**10,78,812.7**
Add: Cash infusion on account of ESOP	Working Note 2.4				7,609.1
Equity value					**10,86,421.8**

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

Working Note 2.3: Valuation of IBL under DCF method – P/E exit multiple

The estimated Profit after Tax (PAT) of IBL for FY20 has been considered based on consensus estimates provided by research analysts as sourced from Capital IQ and applied an exit P/E multiple of the comparable companies to arrive at the terminal value. The terminal value has been discounted using an appropriate discount rate and the discount rate is adjusted to value the cash flows at endpoint of the measurement period.

Currency: ₹mn	Notes	FY18	FY19	FY20	Terminal value
Profit after tax		36,614.3	46,051.9	57,587.8	
Net cash flows		-	-	-	**57,587.8**
Discount rate (%)	Working Note 2.5	12.8	12.8	12.8	
Present value factor- Year end discounting		0.94	0.84	0.74	
P/E exit multiple	Working Note 2.6				28.7
Terminal value					**16,52,769.9**
Present value for explicit period					-
Present value of terminal period					12,23,789.3
Equity value					**12,23,789.3**
Add: Cash infusion on account of ESOP	Working Note 2.4				7,609.1
Equity value					**12,31,398.5**

Working Note 2.4: Computation of diluted equity shares of IBL as of 30 June 2017

Currency: ₹mn	Value
No of shares as at 30 June 2017	598.5
ESOPs issued but not allotted (million)	11.4
Diluted no. of share outstanding	**609.9**
Weighted average exercise price	667.3
Cash infusion (₹ million)	**7,609.1**

Source: Management

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

Working Note 2.5: Computation of P/BV multiple and P/E multiple

Market Capitalization of the comparable companies is computed based on volume weighted average price of the comparable companies for 3 months ended 8 September 2017.

Currency: ₹mn	No of shares - 30 June 2017	Weighted Average Price	Market capitalisation	PAT-TTM 30 June 2017	Net worth - 30 June 2017	P/BV multiple	P/E multiple
Kotak Mahindra Bank	1,903.5	982.3	18,11,778.8	52,201.5	3,98,288.0	4.6	34.7
HDFC Bank	2,573.9	1,722.4	44,33,257.6	1,52,045.9	9,42,577.3	4.7	29.2
Average						**4.6**	**31.9**
Discount (Note A)						10.0%	10.0%
Multiple after discount						**4.2**	**28.7**

Note A: Discount to factor the application of current multiple at the end of 3 years for computing the terminal value on FY20 net worth and PAT

Working Note 2.6: Computation of discount rate

Cost of equity

Particulars	Notes	Value
Risk-free rate (%)	a	*6.5*
Beta	b	0.90
Equity market risk premium (%)	c	*7.0*
Cost of equity capital (%)		*12.8*

a. Based on current YTMs of Government Bonds with 10 year residual maturity (rounded).
b. Refer beta calculations below
c. Based on SRBC's understanding of the prevailing market risk premium in India.

Beta computation

Currency: ₹mn	Equity beta
Kotak Mahindra Bank Limited	0.97
HDFC Bank Limited	0.82
Average	**0.90**

Based on 3-Year daily betas ended 8 September 2017. Source: Capitalline

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

Working Note 3 – Computation of average market price of BFIL based on 3 months ended 8 September 2017

Date	Price-Open (Rs)	Price-High (Rs)	Price-Low (Rs)	Last Price (Rs)	Volume	No. of Trades	Net Turnover ('000)	Market Cap	NSE Close	Wt.Avg. Price
08-Sep-17	956.0	957.6	930.5	934.7	3005158	35282	28,30,127.29	1,29,110.10	9,934.80	941.76
07-Sep-17	955.1	966.8	941.4	945.6	3075633	42296	29,33,334.69	1,30,615.70	9,929.90	953.73
06-Sep-17	912.6	962.2	900.0	954.1	5177027	71959	48,50,765.33	1,31,782.90	9,916.20	936.98
05-Sep-17	914.5	928.7	912.0	923.4	2635700	46097	24,31,590.22	1,27,484.60	9,952.20	922.56
04-Sep-17	905.0	914.7	872.1	904.8	3025892	49131	27,22,023.84	1,24,916.70	9,912.85	899.58
01-Sep-17	884.0	918.0	880.1	906.3	2529544	39759	22,83,948.21	1,25,123.80	9,974.40	902.91
31-Aug-17	874.0	887.4	871.1	879.4	2642684	37815	23,22,019.08	1,21,403.10	9,917.90	878.66
30-Aug-17	869.9	884.5	865.7	878.1	1788030	37138	15,70,430.73	1,21,230.50	9,884.40	878.30
29-Aug-17	877.0	882.8	852.6	861.4	2338009	40472	20,30,767.20	1,18,918.00	9,796.05	868.59
28-Aug-17	884.3	896.5	880.0	887.7	2176979	44295	19,33,660.92	1,22,555.90	9,912.80	888.23
24-Aug-17	894.7	901.2	875.0	880.5	3283685	66289	29,16,577.06	1,21,554.90	9,857.05	888.20
23-Aug-17	856.6	892.0	855.9	888.2	2380476	41553	20,82,019.29	1,22,624.90	9,852.50	874.62
22-Aug-17	875.0	877.4	845.0	850.2	1910925	36384	16,41,411.59	1,17,378.60	9,765.55	858.96
21-Aug-17	875.1	893.0	860.8	867.6	3220147	56691	28,33,964.64	1,19,774.00	9,754.35	880.07
18-Aug-17	839.5	882.4	829.1	876.6	3001510	48461	25,64,204.40	1,21,023.40	9,837.40	854.30
17-Aug-17	827.0	851.5	823.0	847.7	2054763	57521	17,19,446.58	1,17,016.50	9,904.15	836.81
16-Aug-17	806.8	826.8	803.2	823.5	1493694	28890	12,20,789.22	1,13,669.00	9,897.30	817.30
14-Aug-17	793.0	807.7	792.7	802.8	1592887	38765	12,74,668.85	1,10,811.60	9,794.15	800.23
11-Aug-17	756.9	792.6	753.0	785.9	2126018	29853	16,51,628.54	1,08,485.60	9,710.80	776.86
10-Aug-17	792.1	807.2	761.8	780.3	2366053	32555	18,63,125.45	1,07,705.70	9,820.25	787.44
09-Aug-17	813.0	825.9	788.1	797.3	1455403	25068	11,77,663.40	1,10,059.30	9,908.05	809.17
08-Aug-17	832.4	835.9	813.0	816.0	1086457	22382	8,93,170.95	1,12,633.70	9,978.55	822.10
07-Aug-17	843.0	848.6	823.5	829.8	1118511	23279	9,38,697.30	1,14,545.60	10,057.40	839.24
04-Aug-17	817.7	843.0	811.1	840.5	1834609	32029	15,20,832.06	1,16,015.70	10,066.40	828.97
03-Aug-17	844.9	849.3	819.0	822.0	1644149	50131	13,69,527.98	1,13,468.90	10,013.65	832.97
02-Aug-17	854.6	855.2	838.5	842.1	1275155	21014	10,79,247.74	1,16,243.50	10,081.50	846.37
01-Aug-17	847.0	856.8	841.0	851.8	1300144	23246	11,04,838.01	1,17,582.50	10,114.65	849.78
31-Jul-17	853.3	861.9	840.2	844.8	2718509	51423	23,10,363.94	1,16,616.20	10,077.10	849.86
28-Jul-17	821.5	855.8	816.0	849.1	4756210	85581	39,80,559.26	1,17,202.90	10,014.50	836.92
27-Jul-17	796.0	832.8	795.9	818.5	8556576	113612	69,92,020.22	1,12,985.70	10,020.55	817.15
26-Jul-17	794.5	813.8	771.0	789.8	7844622	123447	62,62,029.38	1,09,017.10	10,020.65	798.26
25-Jul-17	786.5	797.0	782.0	793.3	1021328	18018	8,07,069.17	1,09,507.10	9,964.55	790.22
24-Jul-17	784.7	799.0	777.6	784.9	1330741	21866	10,49,633.41	1,08,340.70	9,966.40	788.76
21-Jul-17	781.0	791.0	768.8	781.0	1640138	27303	12,82,489.04	1,07,802.30	9,915.25	781.94
20-Jul-17	774.4	784.8	774.0	777.1	1353694	21803	10,56,065.45	1,07,263.10	9,873.30	780.14
19-Jul-17	788.0	790.0	770.0	772.6	4180203	37043	32,50,005.10	1,06,642.00	9,899.60	777.48
18-Jul-17	793.9	798.7	781.1	786.5	1877673	39216	14,83,817.82	1,08,560.60	9,827.15	790.24
17-Jul-17	795.0	805.5	781.1	798.8	2095284	31664	16,60,451.49	1,10,251.50	9,915.95	792.47
14-Jul-17	784.5	798.9	770.5	793.3	2368224	39021	18,63,991.90	1,09,499.20	9,886.35	787.08
13-Jul-17	769.1	788.9	766.0	786.4	3418865	50426	26,64,768.12	1,08,539.90	9,891.70	779.43
12-Jul-17	752.0	772.5	741.3	765.1	2511477	50232	19,00,546.14	1,05,606.80	9,816.10	756.74
11-Jul-17	769.0	774.7	746.7	751.4	3062438	69266	23,37,379.61	1,03,708.80	9,786.05	763.24
10-Jul-17	748.0	770.5	736.3	765.1	938306	16766	7,13,485.38	1,05,599.90	9,771.05	760.40
07-Jul-17	720.9	744.4	720.9	739.4	1955860	29158	14,38,917.12	1,02,059.40	9,665.80	735.70
06-Jul-17	744.2	748.0	723.0	724.9	1650502	25947	12,17,399.99	1,00,051.00	9,674.55	737.59
05-Jul-17	722.0	745.0	717.0	741.3	2860063	44778	20,91,819.55	1,02,321.60	9,637.60	731.39
04-Jul-17	720.0	733.9	716.2	719.0	2627247	49260	19,03,300.87	99,236.70	9,613.30	724.45
03-Jul-17	724.8	725.4	715.0	718.7	1491227	27814	10,73,518.87	99,195.30	9,615.00	719.89
30-Jun-17	708.8	726.0	702.1	720.7	2452148	40226	17,57,131.22	99,471.30	9,520.90	716.57
29-Jun-17	704.9	720.8	704.0	708.8	1915130	29447	13,63,106.83	97,835.70	9,504.10	711.76
28-Jun-17	701.2	709.0	698.0	704.2	1036526	18753	7,28,890.19	97,193.80	9,491.25	703.20
27-Jun-17	712.5	713.0	694.6	707.2	1545553	31402	10,85,435.76	97,614.80	9,511.40	702.30
23-Jun-17	721.1	723.0	702.6	711.5	2099658	31348	14,94,117.16	98,208.30	9,574.95	711.60
22-Jun-17	724.5	731.2	716.9	721.2	1820027	22396	13,20,934.46	99,547.20	9,630.00	725.78
21-Jun-17	725.0	733.0	715.1	719.7	1577869	25698	11,40,862.24	99,340.20	9,633.60	723.04
20-Jun-17	710.0	729.4	701.5	724.5	3257632	49219	23,43,249.43	1,00,002.70	9,653.50	719.31
19-Jun-17	719.0	719.0	702.6	707.1	1596187	40326	11,27,992.46	97,594.10	9,657.55	706.68
16-Jun-17	704.1	714.8	696.1	712.7	2217196	44068	15,67,196.18	98,367.10	9,588.05	706.84
15-Jun-17	691.0	708.4	691.0	703.4	2967640	47774	20,84,315.38	97,083.40	9,578.05	702.35
14-Jun-17	675.0	698.0	663.3	694.3	5046778	82137	34,25,215.32	95,806.50	9,618.15	678.69
13-Jun-17	692.1	701.5	675.2	677.6	4287510	62728	29,43,044.87	93,502.00	9,606.90	686.42
12-Jun-17	714.0	724.0	692.0	694.8	3983103	65775	28,03,517.02	95,875.50	9,616.40	703.85
09-Jun-17	739.3	741.4	727.0	731.0	1018346	22604	7,45,972.84	1,00,870.70	9,668.25	732.53
Average										**796.90**
Control repmium (Refer Note A on next page)										**20%**
Average (incldiuing control premium)										**956.28**

(Source: Capitaline)

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

Working Note 4 – Valuation of BFIL as per Discounted Cash Flows (DCF) method

While valuing BFIL as per DCF method, we have used 2 scenarios wherein the terminal value has been computed as per (a) Price to Book (P/BV) multiple and (b) Price to Earnings (P/E) multiples method. We have considered it appropriate to assign equal weights to both the methods. (refer Working Note 4.1 below)

Working Note 4.1: Valuation summary of BFIL as per DCF method

Currency: ₹mn	Notes	Weights (%)	Equity value
Equity value			
Discounted cash flows method - P/BV exit multiple	Working Note 4.2	*50.0*	1,18,908.1
Discounted cash flows method – P/E exit multiple	Working Note 4.3	*50.0*	1,81,633.3
Equity value			**1,50,270.7**
Diluted number of equity shares (in million)	Working Note 4.4		142.0
Value per equity share (₹ / share)			**1,057.9**
Add: Control Premium	A		20.0%
Value per equity share (₹ / share) (including control premium)			**1,269.45**

Note A: As informed to us by BFIL, we understand that this Transaction is in the nature of acquisition of BFIL by IBL. Typically acquisitions involve payment of control premium by the acquirer to the sellers of the target for getting control of the target. We have considered a control premium of 20%.

Working Note 4.2: Valuation of BFIL under DCF method – P/BV exit multiple

The estimated net worth of BFIL for FY20 has been considered based on actual net worth of BFIL as of 30 June 2017 and estimated PAT of BFIL till FY20 provided by various research analysts as sourced from Capital IQ and applied an exit P/BV multiple of the comparable companies to arrive at the terminal value. The terminal value has been discounted using an appropriate discount rate and the discount rate is adjusted to value the cash flows at endpoint of the measurement period.

Currency: ₹mn	Notes	FY18	FY19	FY20	Terminal value
Net worth		29,448.0	37,039.5	46,431.7	
Net worth as at 31 March 2020					**46,431.7**
Net cash flows		-	-	-	
Discount rate (%)	Working Note 4.5	18.1	18.1	18.1	
Present value factor- Year end discounting		0.92	0.78	0.66	
P/BV exit multiple	Working Note 4.6				3.8
Terminal value					**1,76,440.5**
Present value for explicit period					-
Present value of terminal period					1,16,505.0
Equity value					**1,16,505.0**
Add: Cash infusion on account of ESOP	Working Note 4.4				2,403.1
Equity value					**1,18,908.1**

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

Working Note 4.3: Valuation of BFIL under DCF method – P/E exit multiple

The estimated Profit after Tax (PAT) of BFIL for FY20 has been considered based on consensus estimates provided by various research analysts as sourced from Capital IQ and applied an exit P/E multiple of the comparable companies to arrive at the terminal value. The terminal value has been discounted using an appropriate discount rate and the discount rate is adjusted to value the cash flows at endpoint of the measurement period.

Currency: ₹mn	Notes	FY18	FY19	FY20	Terminal value
Profit after tax	A	4,877.9	7,591.6	9,392.2	
Net cash flows		-	-	-	**9,392.2**
Discount rate (%)	Working Note 4.5	18.1	18.1	18.1	
Present value factor- Year end discounting		0.92	0.78	0.66	
P/E exit multiple	Working Note 4.6				28.9
Terminal value					**2,71,434.3**
Present value for explicit period					-
Present value of terminal period					1,79,230.1
Equity value					**1,79,230.1**
Add: Cash infusion on account of ESOP	Working Note 4.4				2,403.1
Equity value					**1,81,633.3**

Working Note 4.4: Computation of diluted equity shares of BFIL as of 30 June 2017

Currency: ₹mn	Value
No of shares as at 30 June 2017	138.0
ESOPs issued but not allotted (million)	4.0
Diluted no. of share outstanding	**142.0**
Weighted average exercise price	597.7
Cash infusion (₹ million)	**2,403.1**

Source: Management

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants

Working Note 4.5: Computation of P/BV multiple and P/E multiple

Post demonetisation profitability of BFIL and its comparable companies has been affected and profit after tax of these companies for Trailing Twelve Months ("TTM") period ended 30 June 2017 doesn't reflect the normative earning capability of the companies. Hence in order to eliminate the impact of demonetisation and estimate stabilised P/BV multiple and P/E multiple, we have considered (i) TTM PAT ended 30 September 2016 and net worth as of 30 September 2016 of the comparable companies for deriving P/E and P/BV multiple and (ii) market capitalisation of the comparable companies based on volume weighted average for 3 months ended 8 November 2016 (i.e. last trading day before demonetisation announcement).

Currency: ₹mn	No of shares -30 Sep 2016	Weighted Average Price	Market capitalisation	PAT - TTM 30 Sep 2016	Net worth - 30 Sep 2016	P/BV multiple	P/E multiple
Equitas Holdings Limited	337.0	179.1	60,359.9	1,973.4	21,746.0	2.8	30.6
Satin Creditcare Network Limited	33.0	587.9	16,922.6	823.6	4,543.2	3.7	20.5
Ujjivan Financial Services Limited	118.5	442.1	52,379.6	2,478.7	16,867.9	3.1	21.1
Average						**3.2**	**24.1**
Premium (Note A)						20.0%	20.0%
Multiple after premium						**3.8**	**28.9**

Note A: Premium applied to factor the positioning of BFIL on key operating parameters and size of BFIL, net off the discount to factor the application of current multiple at the end of 3 years for computing the terminal value on FY20 net worth and PAT

Working Note 4.6: Computation of discount rate

Cost of equity

Particulars	Notes	Value
Risk-free rate (%)	a	*6.5*
Beta	b	1.65
Equity market risk premium (%)	c	*7.0*
Cost of equity capital (%)		*18.1*

a. Based on current YTMs of Government Bonds with 10 year residual maturity (rounded).
b. Refer beta calculations below.
c. Based on SRBC's understanding of the prevailing market risk premium in India.

Beta computation

Currency: ₹mn	Equity beta
Equitas Holdings Limited	1.41
Satin Creditcare Network Limited	1.57
Ujjivan Financial Services Limited	1.97
Average	**1.65**

Based on 3-Year daily betas ended 8 September 2017. Source: Capitalline

S. R. BATLIBOI & CO. LLP MUMBAI Chartered Accountants