REPORT ON

RECOMMENDATION 01

FAIR RATIO OF ENTITLEMENT

FOR THE

NON-CONVERTIBLE DEBENTURE HOLDERS

OF ADITYA BIRLA FINANCE LIMITED

ON PROPOSED AMALGAMATION

OF

ADITYA BIRLA FINANCE LIMITED

WITH

ADITYA BIRLA CAPITAL LIMITED

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1. Glossary

Abbreviation	Definition / reference to term/entity etc.
ESOPs	Employee Stock Option Plan
ICAI	Institute of Chartered Accountants of India
IVS	ICAI Valuation Standards
NBFC	Non-Banking Finance Company
NCD or NCDs	Non-Convertible Debentures
NCD Holders	NCD Holders of WOS
Managements	Management of Aditya Birla Capital Limited and Aditya Birla Finance Limited
RBI	Reserve Bank of India
SEBI	Securities and Exchange Board of India
SEBI Master Circular – Debt	SEBI Circular No. SEBI/HO/DDHS/PoD1/P/CIR/2023/108 dated July 29, 2022, as amended from time to time
Amalgamating Company	Aditya Birla Finance Limited
Amalgamated Company	Aditya Birla Capital Limited
Hold Co or Holding Company	Aditya Birla Capital Limited
WOS or Wholly owned subsidiary	Aditya Birla Finance Limited
Scheme	Scheme of amalgamation of the Amalgamating Company with the Amalgamated Company under section 230-232 of Companies Act, 2013, including rules and regulations made thereunder

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2. Introduction

2.1 There is a proposal before the Boards of Directors of Aditya Birla Finance Limited and Aditya Birla Capital Limited, collectively referred to as the Companies, to merge Aditya Birla Finance Limited, being a WOS of the Amalgamated Company , under a scheme of amalgamation under section 230-232 of Companies Act, 2013, including rules and regulations made thereunder. Upon the merger equity shares of the Amalgamating Company would stand cancelled.

Further, in connection with the Proposed Amalgamation, the NCD holders of the Amalgamating Company will become NCD holders of the Amalgamated Company with exactly the same terms.

Considering the above, we have been appointed by the Managements of the Amalgamating Company and the Amalgamated Company vide engagement letter dated February 26, 2024 to recommend fair ratio of entitlement of NCDs to be vested in the Amalgamated Company for the NCD holders of the Amalgamating Company pursuant to the Proposed Merger. This report ("Report") sets out the findings of our exercise.

2.2 Brief Profile of the Companies:

- **Profile of the Amalgamating Company**

Aditya Birla Finance Limited is incorporated under the Companies Act, 1956 with corporate identity number: U65990GJ1991PLC064603 and has its registered office at Indian Rayon Compound, Veraval – 362 266, Gujarat, India. The Amalgamating Company is a wholly owned subsidiary of the Amalgamated Company. The Amalgamating Company is registered with Reserve Bank of India (RBI) as non-deposit taking systematically important Non - Banking Financial Company (NBFC - ICC) The Amalgamating Company, inter alia, is offering end-to-end lending, financing and distributing financial products to retail, High Net-worth Individuals (HNI), ultra HNI, micro, small and medium enterprises (MSME), small and medium enterprises (SME) and corporate customers across India. The Amalgamating Company is also engaged in the business of distribution of financial products such as mutual funds, insurance products, etc.

The NCDs of the Amalgamating Company are listed on BSE and NSE.

Shareholding pattern of the Amalgamating Company

The Authorised, issued, subscribed and paid-up share capital of Transferor as at Report date is as follows:

SHARE CAPITAL	AMOUNT (INR in Lakhs)
Authorised:	
12,700,00,000 Equity Shares of Rs. 10 each	1,27,000
1,00,00,00,000 Preference Shares of Rs. 10 each	1,00,000
1,00,00,000 8% Compulsory Convertible Cumulative Preference Shares of Rs. 10 each	1,000
Total	2,28,000

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Issued, Subscribed and fully paid up: 68,93,96,930 Equity Shares of Rs. 10 each	68,940

Source: Management

The foregoing share capital is held as follows:

Particulars	Number of Shares Held	Percentage of Shareholding
Promoter: Aditya Birla Capital Limited along with its nominees	68,93,96,930	100%
Total	68,93,96,930	100%

- **Profile of the Amalgamated Company**

Aditya Birla Capital Limited is incorporated under the Companies Act, 1956 with corporate identity number: L67120GJ2007PLC058890 and has its registered office at Indian Rayon Compound, Veraval – 362 266, Gujarat, India. The equity shares of the Amalgamated Company are listed on BSE Limited and National Stock Exchange of India Limited and the global depository shares of the Amalgamated Company are listed on the Luxembourg Stock Exchange. The Amalgamated Company is a systemically important non-deposit taking core investment company (NBFC-CIC) registered with the RBI in terms of the certificate of registration issued by the RBI., The Amalgamated Company is -presently a core investment company and through its subsidiaries and associate companies is offering end-to-end investing and financing solutions to a wide range of customers across the country. The Amalgamated Company's product portfolio meets the varied financial requirements of a wide range of customers, such as the salaried and self-employed individuals, HNIs, ultra HNIs, micro-enterprises, SME, and large and mid-corporates and has business interests including that of non-banking financial institution, housing finance, asset management, brokerage, wealth services life and health insurance through its subsidiaries/ associate companies across India.

- **Shareholding pattern of the Amalgamated Company**

The Authorised, issued, subscribed and paid-up share capital of the Amalgamated Company as at Report date is as follows:

SHARE CAPITAL	AMOUNT (INR in crore)
Authorised: 4,00,00,00,000 Equity Shares of Rs. 10 each	4,000
Total	**4,000**
Issued, Subscribed and fully paid up: 2,60,00,21,884 Equity Shares of Rs.10 each	**2,600.02**

Source: Management

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The foregoing share capital is held as follows:

Particulars	Number of Shares Held	Percentage of Shareholding
Promoter & Group	1,79,30,54,883	68.96
Public	80,69,67,001	31.04
Total	2,60,00,21,884	100.00

It is understood that above NCDs of the Transferor Company are listed on the stock exchanges.

3. Data obtained

3.1 We have called for and obtained such data, information, etc. as were necessary for the purpose of this assignment, which has been, as far as possible, made available to us by the Managements. **Appendix A** hereto broadly summarizes the data obtained.

3.2 For the purpose of this assignment, we have relied on such data summarized in the said Appendix and other related information and explanations provided to us in this regard.

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4. Consideration of Factors for recommendation of fair ratio of entitlement for NCDs

For the purpose of arriving at the fair ratio of entitlement for the NCDs under the Proposed Merger, we have examined, considered and placed reliance on various details, data, documents, accounts, statements furnished and explanations and information given to us and have proceeded to find out the ratio on a consideration of the following factors :

- The Proposed Merger contemplates the merger of the Amalgamating Company with the Amalgamated Company.
- Pursuant to the Scheme, the NCDs of the Amalgamating Company shall be vested to the Amalgamated Company on same terms, including the coupon rate, tenure, ISIN, redemption price, quantum, and nature of security. It may be noted that these would also be listed NCDs.
- Further, it is understood from the Managements that the credit ratings of existing NCDs of the Amalgamating Company and the NCDs of the Amalgamated Company will be identical.
- In view of the above, the economic interest of the NCD holders of the Amalgamating Company would remain unchanged in the Amalgamated Company.
- It may be noted that the Institute of Chartered Accountants of India (ICAI) on June 10, 2018 has issued the ICAI Valuation Standards effective for all the valuation reports issued on or after July 1, 2018. However, in the current case, the economic interest of the NCD holders of the Amalgamating Company would remain unchanged in the Amalgamated Company considering the terms, entitlement and credit rating of the NCDs remaining the same. Hence, there is no change in the value of NCDs pursuant to their vesting in the Amalgamated Company.

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5. Conclusion

In view of the above, the economic interest of the NCD holders of the Amalgamating Company would remain unchanged in the Amalgamated Company. Hence, based on the foregoing considerations and steps followed, in our opinion the fair ratio of entitlement for NCDs would be as follows:

> *For every 1 (One) NCD of the Amalgamating Company 1 (one) NCD of the Amalgamated Company of equivalent face and paid-up value, coupon rate, tenure, redemption price and quantum and nature of security offered etc.*

Computation of Fair Ratio of Entitlement

	ABFL		ABCL	
	Value per NCD	**Weight**	**Value per NCD**	**Weight**
Asset Approach	NA	-	NA	-
Income Approach	NA	-	NA	-
Market Approach	NA	-	NA	-
Relative Value per NCD	**NA**		**NA**	
Exchange Ratio			**NA**	

NA – Not applicable

As explained above, we have not applied any of the valuation methods to arrive at value per NCD, since the NCD holders of the Amalgamating Company would hold same instruments in the Amalgamated Company and there will be no change on the value of the NCD. Hence, computation of fair /relative value per NCD is not relevant.

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6. Limitations and Disclaimers

6.1 The Report is to be read in totality and not in parts.

6.2 The valuation is based on the information furnished to us being complete and accurate in all material respect. In no event, we shall be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or willful default on part of the companies, their directors, employee or agents.

6.3 We have relied on the written representations from the Managements that the information contained in this report is materially accurate and complete in the manner of its portrayal and therefore forms a reliable basis for the valuation.

6.4 The information presented in this report does not reflect the outcome of any financial due diligence procedures. The reader is cautioned that the outcome of that process could change the information herein and, therefore, the valuation materially.

6.5 Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, review or examination of any of the historical or prospective information used and therefore, we do not express any opinion with regard to the same.

6.6 The Report is meant for the specific purpose mentioned herein and should not be used for any purpose other than the purpose mentioned herein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.

6.7 No investigation of the Company's claim to the title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature. The report is not, nor should it be construed, as our opining or certifying the compliance with the provisions of any law including company and taxation laws or as regards any legal, accounting or taxation implications or issues.

6.8 The valuation is based on the market conditions and the regulatory environment that existed at the Valuation Date. However, changes to the same in the future could impact the companies and the industry they operate in, which may impact our valuation. 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.

6.9 We have no obligation to update this Report because of events or transactions occurring subsequent to the date of this Report.

6.10 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 Report Date; (iii) audited financials for the year ended March 31,2023 and limited reviewed financials for nine months period ended December 31, 2023

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for WOS and Hold Co (iv) other information obtained by us from time to time (v) accuracy of information in public domain with respect to comparable companies including financial information. We have been informed that the business activities of the Companies have been carried out in the normal and ordinary course between December 31, 2023 and the Report date and that no material changes have occurred in their respective operations and financial position between December 31, 2023 and the Report date.

6.11 The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all their areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, 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 disclosed in the audited/ unaudited balance sheets of the Companies, if any, provided to us.

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

6.13 The valuation analysis and result are governed by concept of materiality.

6.14 It has been assumed that the required and relevant policies and practices have been adopted by the Companies and would be continued in the future.

6.15 The fee for the engagement is not contingent upon the results reported.

6.16 We have also relied on data from external sources to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.

6.17 Any person/ party intending to provide finance/ invest in the shares/ businesses of the companies/ their Holdco companies/ subsidiaries/ joint ventures/ associates/ investee/ group 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. If any person/ party (other than the Client) chooses to place reliance upon any matters included in the Report, they shall do so at their own risk and without recourse to us.

6.18 We have not carried out any physical verification of the assets and liabilities of the Companies and take no responsibility for the identification of such assets and liabilities.

6.19 This Report is subject to the laws of India.

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6.20 In addition, this Report does not in any manner address the price at which equity shares of the Amalgamated Company shall trade following announcement of the proposed Transaction and we express no opinion or recommendation as to how the shareholders of either of the Companies should vote at any shareholders' meeting(s) to be held in connection with the proposed Arrangement. Our Report and opinion/ valuation analysis contained herein is not to be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities.

6.21 Any discrepancies in any table / annexure between the total and the sums of the amounts listed are due to rounding-off.

6.22 Disclosure Of RV Interest or Conflict, If Any And Other Affirmative Statements

We do not have any financial interest in the Companies, nor do we have any conflict of interest in carrying out this valuation.

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7. Gratitude

We are grateful to the Managements for making information and particulars available to us, often at a short notice, without which this assignment would not have been concluded in a time-bound manner.

For **Bansi S. Mehta Valuers LLP**
Registered Valuer
IBBI Registration Number: IBBI/RV–E/06/2022/172

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DRUSHTI DESAI
IBBI Registration Number: IBBI/RV/06/2019/10666
Partner
Place: Mumbai

Date: March 11, 2024
UDIN: 24102062BKEUBS4402

Appendix A: Broad Summary Of Data Obtained

From the Managements:

1. Credit rating report of existing NCDs of the Amalgamating Company;
2. Credit rating report of Amalgamated Company.
3. Terms of existing NCDs of the Amalgamating Company
4. Limited Reviewed Financials of the Amalgamated Company and the Amalgamating Company for the period ended December 31, 2023.
5. Audited Financial Statements of the Amalgamating Company and the Amalgamated Company for the year ended March 31, 2023.
6. Draft Scheme of Arrangement for the Proposed Merger.
7. Other relevant information.
8. Answers to specific questions and issues raised by us after examining the foregoing data.

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