

December 6, 2022

To,

**The Board of Directors,  
IIFL Securities Limited**  
IIFL House, Sun Infotech Park,  
Road No.16, Plot No-23, MIDC,  
Thane Industrial Estate,  
Thane 400 064

We understand that IIFL Securities Limited (referred to as “Demerged Company” or “IIFL Securities”) is currently evaluating to transfer its Online Retail Trading Business (“Demerged Undertaking”) to “5paisa Capital Limited” (“5 Paisa” or “Resulting Company”) (“Proposed Transaction”).

The “Online Retail Trading Business” means Broking business of IIFL Securities which predominantly involves retail individual investors undertaking trading and investment activities through online broking platform including DIY customers which is proposed to be demerged to the Resulting Company under the Scheme.

In connection with the above, IIFL Securities has appointed GT Valuation Advisors Private Limited (referred to as “Valuer” or “GT India”) to prepare a valuation report for swap ratio for the Online Retail Trading Business as of September 30, 2022 (the “Valuer Report”).

In this connection, IIFL Securities India has appointed ICICI Securities Limited to render its professional services by way of a fairness opinion as to whether the swap ratio for the proposed transaction, as recommended by the Valuer in their report dated December 06, 2022, is fair and reasonable.

This report is intended only for the sole use and information of Demerged Company, and only in connection with the Proposed Transaction. We are not responsible in any way to any other person / party for any decision of such person or party based on this report. Any person / party intending to provide finance / invest in the shares / business of any of the Companies or their subsidiaries/joint ventures/associates shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is hereby notified that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the Proposed Transaction as aforesaid can be done only with our prior permission in writing. Notwithstanding any of the foregoing, we acknowledge and agree that (i) this report may be shared by or on behalf of Demerged Company to the extent as may be required, with the relevant stock exchanges, advisors to the relevant companies that are involved in the Proposed Transaction, as well as with statutory authorities, and (ii) Demerged Company may, at its sole discretion, disclose this report to its shareholders, and (iii) Company, members of its group of companies, its directors, officers, employees,

SEBI Registration : INM000011179  
CIN No.: L67120MH1995PLC086241

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agents and consultants as may be required or may deem it appropriate to disclose or deliver (as appropriate) the existence or content (including without limitation, the nature of ICICI Securities' role in connection with the Proposed Transaction) of this report to governmental or regulatory authorities and agencies or to third parties in connection with the Proposed Transaction and/or in connection with any actual or threatened dispute or proceedings in any jurisdiction, and ICICI Securities expressly authorizes any such disclosure or delivery.

We understand that the Valuer has concluded under the Valuer Report that the Swap Ratio for the Business transfer as of 30<sup>th</sup> September 2022 shall be 1 share of 5paise Capital Limited issued for every 50 shares of IIFL Securities.

We have used different valuation methodologies for evaluating the Demerged Undertaking and the Resulting Company as illustrated in Annexure 1.

In reaching our Opinion, we have, among other things:

- (a) Reviewed and analyzed the financial statements of IIFL Securities for the financial years ended 31<sup>st</sup> March 2020, 31<sup>st</sup> March 2021, 31<sup>st</sup> March 2022 and six months ended 30<sup>th</sup> September, 2022;
- (b) Reviewed and analyzed the financial statements in relation to the Online Retail Trading Business for the financial years ended 31<sup>st</sup> March 2020, 31<sup>st</sup> March 2021, 31<sup>st</sup> March 2022 and six months ended 30<sup>th</sup> September, 2022 and yearly projections for the period from Financial year 2023 to 2028;
- (c) Reviewed and analyzed the financial statements in relation to 5paise Capital Limited for the financial years ended 31<sup>st</sup> March 2020, 31<sup>st</sup> March 2021, 31<sup>st</sup> March 2022 and six months ended 30<sup>th</sup> September, 2022 and yearly projections for the period from Financial year 2023 to 2028
- (d) Held discussions with the management of IIFL Securities on the business and operations of the Online Retail Trading Business and on rationale and assumptions considered in preparing the financial projections in relation to the Business;
- (e) Discussed with the senior management of IIFL Securities, the financial and operation consequences of the Proposed Transaction
- (f) Discussed, reviewed and validated the valuation methods used, valuation and swap ratio proposed by the Valuer
- (g) Considered information, discussions (including verbal) and documents as provided by Company as well as the Valuer for the purpose of this engagement;
- (h) Considered the Risk free rate of return (used in the calculation of cost of equity) and the Equity Risk Premium of the market from Bloomberg;
- (i) Arrived at Beta from the analysis of the Comparable Companies; and
- (j) Performed such other work we judged necessary to develop our valuation conclusions

Our report is subject to the scope limitations 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.

Our work does not constitute an audit, due diligence or certification of the historical financial statements in relation to IIFL Securities including the working results of the Company or its business referred to in this report. Accordingly, we are unable to and do not express an opinion on the accuracy of any financial information referred to in this report.

Our analysis and results are specific to the purpose of the exercise of the provision this report and its contents. It may not be valid for any other purpose or if provided on behalf of any other entity.

Our analysis and results are also specific to the date of this report and based on information provided to us up to 6<sup>th</sup> December, 2022. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

In the course of the present exercise, we were provided with both written and verbal information, including financial data. The terms of our engagement were such that we were entitled to rely upon the information provided by the Demerged Company without detailed inquiry. With respect to the financial forecasts, we have assumed that they have been reasonably prepared based on the best currently available estimates and good faith judgments of the management as to the future financial performance. Also, we understand that the Demerged Company's management has not omitted any relevant and material factors for the purposes of the work which we have undertaken in connection with this report. Accordingly, we shall have no obligation to verify the accuracy or completeness of any such information or express any opinion or offer any form of assurance regarding the accuracy or completeness of such information and shall not assume any liability therefor. We assume no responsibility whatsoever for any errors in the above information furnished by the Demerged Company and their impact on the present exercise.

We express no opinion whatever and make no recommendation at all to Demerged Company underlying its decision to affect the Proposed Transaction. We also express no opinion and accordingly accept no responsibility or as to the prices at which the equity shares of Demerged Company will trade following the announcement of the Proposed Transaction or as to the financial performance of Demerged Company following the consummation of the Proposed Transaction.

No investigation of the Demerged Company's claim to title of assets has been made for the purpose of this exercise and the Demerged Company's claim to such rights has been assumed to be valid. Therefore, no responsibility whatsoever is assumed for matters of a legal nature. Our report is not and should not be construed as our opinion or certifying the compliance of the Proposed Transaction with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such Proposed Transaction.

We have not conducted or provided an analysis of due diligence or appraisal of the assets and liabilities of the Demerged Company.

In the ordinary course of business, ICICI Securities Limited and its affiliates is engaged in securities trading, securities brokerage and investment activities, as well as providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of ICICI Securities Limited may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the Proposed Transaction.

In the circumstances, having regard to all relevant factors and on the basis of information and explanations given to us, we are of the opinion on the date hereof, that the swap ratio for the identified business as of 30<sup>th</sup> September 2022, as recommended by the Valuer in the Valuation Report, is fair and reasonable.

Yours faithfully,  
**For ICICI Securities Limited,**



Deepak Mor  
Vice President  
Investment Banking  
ICICI Securities  
Mumbai

Date: December 06, 2022

## Annexure 1 - Valuation Methodology

### For Demerged Undertaking

Discounted Cash Flow Method under the Income Approach would be used to value Identified Business

- The DCF method takes into account the specific strength of the business to be valued and represents the expected performance of the business based on its projections including the incremental working capital and capital expenditure requirement to achieve the projections. In the current case, the value of the business would be reflected in its future earnings potential.
- Hence, DCF Method under the income approach has been considered as an appropriate method for the present valuation exercise.

Comparable Company Multiple under the Market Approach would also be used to value Identified Business.

Considering the listed history of the almost similar businesses, we can use this method to value the business basis its current and future performance as compared to the listed peers.

### For Resulting Company

Discounted Cash Flow Method under the Income Approach would be used to value the Resulting Company

- The DCF method takes into account the specific strength of the Company to be valued and represents the expected performance of the Company based on its projections including the incremental working capital and capital expenditure requirement to achieve the projections. In the current case, the value of the Company would be reflected in its future earnings potential.
- Hence, DCF Method under the income approach has been considered as an appropriate method for the present valuation exercise.
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Market Price Method under the Market Approach would also be used to value the Resulting Company

Considering the listed history of the Company, we can use this method to value the Company basis its trading history. We have considered the higher of the 10 trading session closing average & 90 trading session closing average.

We have also validated the derived valuation for the Resulting Company on the basis of Comparable Company Multiple (Revenue Multiple) and the past share transactions in the Company.