SUMAN KUMAR VERMA
REGISTERED VALUER

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New Delhi-110045

13th May 2022

STRICTLY PRIVATE & CONFIDENTIAL

To,

The Board of Directors,

Edelweiss Securities Limited

Edelweiss House, Off. C.S.T. Road, Kalina, Mumbai 400 098

The Board of Directors,

Edelweiss Financial Services Limited

Edelweiss House, Off. C.S.T. Road, Kalina, Mumbai 400 098

Subject: Recommendation of share entitlement ratio for proposed demerger of the entire undertaking of Edelweiss Financial Securities Limited ('EFSL') pertaining to the Wealth Management Business from EFSL into Edelweiss Securities Limited

Dear Sir/Madam,

CONTEXT AND PURPOSE

We understand that the Managements of the above companies are contemplating a Scheme of Arrangement under Sections 230 to 232 of the Companies Act, 2013, (the "Scheme") wherein you require determination of the share entitlement ratio for the proposed demerger of the entire undertaking of Edelweiss Financial Securities Limited ('EFSL' or 'Demerged Company') pertaining to the Wealth Management Business ('Demerged Undertaking') from EFSL into Edelweiss Securities Limited ('ESL' or 'Resulting Company') ('Transaction' or 'Demerger'). ESL and EFSL are jointly referred to as the 'Companies'.

ESL will issue its equity shares to the shareholders of EFSL as consideration for the proposed Demerger. Further, equity share capital of the Resulting Company to the extent held by the Demerged Company, shall stand cancelled. The Appointed Date for this Demerger will be the date as specified in the Scheme.

In this regard, Suman Kumar Verma, Registered Valuer with IBBI Registration Number IBBI/RV/05/2019/12376 ('SKV' or the 'Valuer' or 'I' or 'We' or 'Suman Verma' or 'Suman Kumar Verma') has been appointed by the Companies to recommend the fair share entitlement ratio of equity shares for the proposed Demerger of the Demerged Undertaking from EFSL into ESL. The scope of our services is to conduct a valuation and recommend the fair equity share entitlement ratio ('Share Entitlement Ratio') for the proposed Demerger of the Demerged Undertaking from EFSL into ESL. This report is our deliverable to the same.

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The Share Entitlement Ratio has been recommended for the consideration of the Board of Directors (including Audit Committee and Committee of Independent Directors, as applicable) of the Companies, in accordance with the applicable relevant laws, rules and regulations. The report will be placed before the Audit Committee, Committee of Independent Directors and the Board of Directors of EFSL and ESL, as per the relevant laws as applicable, and to the extent mandatorily required under applicable laws of India, this report may be produced before the judicial, regulatory and government authorities, courts, tribunals, stock exchanges, shareholders and other persons in connection with the Demerger.

This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein. The Valuation Date for this report is 13 May 2022.

This report is structured under the following broad heads:

- Background of Companies and Corporate Overview
- Shareholding Pattern
- Information sources
- Procedures followed
- Valuation Approaches and Methodologies
- Share Entitlement Ratio
- Caveats, Limitations and Disclaimers

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BACKGROUND OF COMPANIES AND CORPORATE OVERVIEW

Edelweiss Financial Services Limited is a public limited company incorporated under the provisions of the Companies Act, 1956. The Demerged Company is principally engaged in providing investment advisory services, merchant banking services (registered with SEBI i.e. Securities and Exchange Board of India), investment banking services and holding company activities comprising of development, managerial and financial support to the business of its subsidiaries. The equity shares of the Demerged Company are listed on the National Stock Exchange of India Limited ('NSE') and BSE Limited ('BSE').

Edelweiss Securities Limited is a public limited company incorporated under the provisions of the Companies Act, 1956. The Resulting Company is principally engaged in the business of providing stock broking services and is registered with SEBI as a stock broker and also providing the research analysis services to its clients.

SHAREHOLDING PATTERN

The issued and subscribed equity share capital of ESL as on 10 May 2022 is as follows:

Shareholding Pattern	No. of shares	% Share Holding
Edelweiss Financial Services Limited	10,512,660	30.00%
Edel Finance Company Limited	1,834,455	5.23%
PAGAC Ecstasy Pte. Ltd (PAGAC)	19,392,064	55.34%
Nominees of PAGAC	4	0.00%
Edel Land Limited*	2,987,740	8.53%
Asia Pragati Strategic Investment Fund	315,277	0.90%
Total	**35,042,200**	**100%**

** Currently held by EFSL. Submitted for prior approval of stock exchanges for transfer*

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The issued and subscribed equity share capital of EFSL as at 31st March 2022 is consisting of 943,097,965 equity shares of face value of INR 1/- each. The shareholding pattern is as follows:

Shareholding Pattern as on 31st March 2022	No. of shares	% Share Holding
Promoter & Promoter Group	307,684,490	32.63%
Public	590,516,695	62.61%
Shares held by Employee Trust	44,896,780	4.76%
Total	**943,097,965**	**100%**

INFORMATION SOURCES

In connection with this valuation exercise, we have considered, amongst others, the following information as received from the Managements and gathered from public domain:

- Standalone and Consolidated Audited financial statements of ESL for the 3 years ended 31 March 2019, 31st March 2020, 31st March 2021 and for the nine months period ended 31 December 2021.
- Carved-out financial statements of the Demerged Undertaking for the 2 years ended 31 March 2020 and 31 March 2021 and for the nine months period ended 31 December 2021
- Latest shareholding details of EFSL and ESL
- Financial estimates of the Demerged Undertaking and ESL providing estimates of projected income statement, cash flow and balance sheet, including underlying assumptions, which the management believes to be their best estimate as to the operating results for certain future years ('Management Projections').
- Draft Scheme of Arrangement ('Scheme' or 'Scheme of Arrangement');
- General market data, including economic, governmental and industry information from the Managements and from information as available in the public domain
- Analyses of other facts and data considered pertinent to arrive at a conclusion of Share Entitlement Ratios;
- Such other data, analysis, reviews and inquiries, as we considered necessary.

We have held discussions with the Management of Companies to understand the information and we have also obtained explanations and other additional information considered necessary for our exercise. The Companies have been provided with the opportunity to review the draft report (excluding the recommended Share Entitlement Ratio) as part of our standard practice to ensure that any factual omission or inaccuracy is avoided in the final signed report.

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PROCEDURES FOLLOWED

We have undertaken the following procedures covering our valuation exercise for the said valuation and recommendation of Share Entitlement Ratio:

- Requested and received the relevant data (including the relevant financials and qualitative data) from the Managements of EFSL and ESL;
- Discussions with the Managements on understanding of the businesses and fundamental factors that affect the earnings capacity of the businesses including historical performance, future plans and prospects, etc.
- Analysis and review of the historical financials and of the financial projections as provided to us including projected income statement, cash flow and balance sheets ("Management Projections"), along with a discussion on the underlying assumptions which were based on Management's best estimate for the explicit forecast period;
- Discussions with the Managements to obtain an understanding on the historical financial data and relevant assumptions considered to prepare such Management Projections;
- Analysis of market data and industry information available in public domain which could affect the valuation;
- Strengths, Weakness, Opportunity and Threat analysis of the industry and of ESL/Demerged Undertaking
- Selection of valuation approaches and valuation methodologies as considered appropriate by us
- Analysis of other relevant facts and data, including consideration of the ICAI Valuation Standards, 2018 issued by The Institute of Chartered Accountants of India
- Computation of relative values to arrive at valuation conclusion and to determine the fair equity share entitlement ratio
- Prepared and issued this valuation report as required under the applicable laws.

VALUATION APPROACHES AND METHODOLOGIES

Arriving at the fair equity share entitlement ratio for the said valuation purpose would require determining the fair value of the Demerged Undertaking and fair value of the equity shares of ESL. These values are to be determined independently but on a relative basis, and without considering the proposed transaction, to arrive at the share entitlement ratio.

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 transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner.

The three main approaches of valuation are the market approach, income approach and asset approach. There are several commonly used and accepted methods including those

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set out in the ICAI valuation standards, within the asset approach, income approach and market approach, for determining the relative fair value of the Demerged Undertaking and ESL, which can be considered in the present case, to the extent relevant and applicable, to arrive at the Share Entitlement Ratio for the purpose of demerger, as mentioned above.

Asset Approach

The Asset approach focuses on the net worth or net assets of a company or business. In the Net Assets Value (NAV) method, widely used under the Asset approach, the assets and liabilities are considered as stated in the financial statements either on book value basis or realizable value basis or fair value basis. The NAV method does not capture the future earnings capacity of the business/company. A Scheme of Arrangement would normally be proceeded with on the assumption that the Companies/businesses would continue as going concerns and an actual realization of the operating assets is not contemplated. In such a going concern scenario, the relative earning power and future wealth generating capability of the business/company is of importance for the determination of the share entitlement ratio and the values arrived at on the net asset basis may not be relevant. Accordingly, the Asset Approach has not been adopted for this valuation.

Income Approach

The income approach can be considered for valuation under "Going Concern" premise. The Income approach focuses on the income generated by the business/company as well as its future earning capability. The Income approach to valuation includes methods such as Discounted Cash Flow (DCF) Method.

Under the DCF method, the projected free cash flows from subject assets/businesses after considering fund requirements for projected capital expenditure, working capital and taxes are discounted at the Cost of Equity (CoE) if free cash flows to equity are being considered. The sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business. This is adjusted with value of surplus cash, net debt or debt like items and other assets/liabilities, if any, to arrive at equity value.

We have used DCF method and have adopted Income Approach for this valuation exercise.

Market Approach

It is a valuation approach that uses prices and other relevant information generated by market transactions involving identical or similar or comparable assets, liabilities or a group of assets and liabilities such as business.

The market price of equity shares as quoted on a stock exchange is normally considered as the value of the business 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. The equity shares of ESL are however not quoted (ie not traded) on stock

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exchanges. Under the Comparable Companies' Multiple ('CCM') method of valuation within the Market Approach, value of the business of a company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed comparable companies or from comparable transactions. There are no listed companies that are directly comparable to ESL/Demerged Undertaking nor we could find any transactions involving companies that can be considered as directly comparable to ESL/Demerged Undertaking considering the profile, size and nature of operations of ESL/Demerged Undertaking. Further, the transaction multiples may also include acquirer specified considerations, synergy benefits, control premium and minority adjustments. Also, the equity shares of ESL are not traded or quoted on stock exchanges and there is no listing or trading in Demerged Undertaking on stock exchanges separately (as it is only a part of EFSL). We have hence not adopted the Market Approach for the present valuation exercise.

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SHARE ENTITLEMENT RATIO

The share entitlement ratio has been arrived at on the basis of a valuation (on a per share basis) of the Demerged Undertaking and ESL based on the various approaches and methodologies as explained herein earlier and various qualitative factors relevant to each business and the business dynamics and growth potentials of the businesses of the Companies/businesses, having regard to information base, key underlying assumptions and limitations.

The basis of Demerger of the Demerged Undertaking from EFSL into ESL has been determined after taking into consideration all the factors and methodologies discussed above. In the ultimate analysis, it is essential to arrive at a single value while considering the different applicable methodologies of valuation. The valuation attempts at arriving at the relative value of the Demerged Undertaking and ESL to determine the share entitlement ratio.

Computation of Fair Share Entitlement Ratio:

Valuation Approach	Demerged Undertaking		ESL	
	Value per Share (INR)	Weight	Value per Share (INR)	Weight
Asset Approach*	NA	NA	NA	NA
Income Approach	13.88	100%	1,243.32	100%
Market Approach**	NA	NA	NA	NA
Relative Value Per Share	**13.88**	**100%**	**1,243.32**	**100%**
Fair Equity Share Entitlement Ratio (rounded off) (A)	***0.011164000338***			
Number of equity shares of EFSL considered (B)	***94,30,97,965***			
Equity shares of ESL to be issued to the shareholders of EFSL (A) x (B)	***1,05,28,746***			

NA = Not applied/Not Applicable

**Since the business of ESL and Demerged Undertaking are intended to be continued on a 'going concern basis' and there is no intention to dispose off the assets, therefore the Asset Approach is not adopted for the present valuation exercise*

***There are no listed companies that are directly comparable to ESL/Demerged Undertaking nor we could find any transactions involving companies that can be considered as directly comparable to ESL/Demerged Undertaking considering the profile, size and nature of operations of ESL/Demerged Undertaking. Further, the transaction multiples may also include acquirer specified considerations, synergy benefits, control premium and minority adjustments. Also, the equity shares of ESL are not traded or quoted on stock exchanges and there is no listing or trading in Demerged Undertaking on stock exchanges separately (as it is only a part of EFSL). We have hence not adopted the Market Approach for the present valuation exercise*

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Share Entitlement Ratio Recommendation:

1,05,28,746 fully paid up equity shares of INR 10 (Indian Rupees Ten) each of the Resulting Company, credited as fully paid up, to the equity shareholders of the Demerged Company.

As consideration for the Demerger, the Resulting Company shall issue and allot to the shareholders of the Demerged Company whose name is recorded in the register of members/ records of the depository as members of the Demerged Company as on the Record Date (as defined in the Scheme), in each case, in proportion to the number of equity shares held by the shareholders in the Demerged Company 1,05,28,746 (One Crore Five Lakhs Twenty Eight Thousand Seven Hundred and Forty Six) fully paid up equity shares of INR 10/- each (Indian Rupees Ten each) of the Resulting Company, credited as fully paid up, to the equity shareholders of the Demerged Company.

We certify that the abovementioned consideration for the proposed Scheme is fair.

CAVEATS, LIMITATIONS, DISCLAIMERS AND CONFIRMATIONS

We have no present or prospective contemplated financial interest in the Companies and we have no personal interest with respect to the Promoters and Board of Directors of the Companies. We have no bias/prejudice with respect to any matter that is the subject of the valuation report. The fee for the valuation engagement is not contingent upon the results reported and no way influenced the results of our valuation analysis. No special valuation difficulties were reported or encountered by us in conducting this valuation.

Any discrepancy in any table between the total and sum of the amounts listed are due to rounding-off.

An analysis of such 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 of this report.

We have adopted Relative Value as the valuation base and Going Concern value as the premise of value. While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with the generally accepted auditing standards. We have placed reliance on various information provided by the Management of ESL and EFSL and their respective authorized representatives. Our reliance is based on the completeness and accuracy of the facts provided; which if not entirely complete or accurate, should be communicated to us immediately, as the inaccuracy or incompleteness could have a material impact on our findings. We further assume that the Managements of the Companies have brought to our attention all material transactions, events or any other factor having an impact on the share entitlement ratio.

This document has been prepared solely for the purposes stated herein and should not be relied upon for any other purpose. This document is strictly confidential and (save to the extent required by applicable law and / or regulation) must not be released to any third party without our express written consent which is at our sole discretion.

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This document has been prepared solely for the purpose of assisting the Management of the Companies, under consideration, in assessing the share entitlement ratio.

By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. This report is subject to the laws of India and should be used in connection with the Scheme.

We confirm that the Audited financials of last 3 years (financials not being older than 6 months) of the unlisted company (ie ESL) involved in the Scheme of Arrangement has been considered appropriately for preparation of this report and especially under Income Approach.

In accordance with requirements of valuation standards, we have analyzed the projections for reasonableness and also satisfied ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement. We affirm that information provided and assumptions used by the Managements in developing the projections have been appropriately reviewed and appropriate enquiries have been made regarding the basis of key assumptions in the context of the current valuation exercise.

We affirm that information provided was adequate and we were provided with adequate time for carrying out the valuation.

Yours faithfully,

Suman Kumar Verma
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Registered Valuer-SFA

Suman Kumar Verma

Registered Valuer (Securities or Financial Assets)

IBBI Registration No.: IBBI/RV/05/2019/12376

Date: 13 May 2022

Place: Delhi

UDIN: **2228453A1MG8S3MPE8**