

REPORT OF THE BOARD OF DIRECTORS OF INCRED FINANCIAL SERVICES LIMITED ON THE COMPOSITE SCHEME OF AMALGAMATION AND ARRANGEMENT BETWEEN INCRED FINANCIAL SERVICES LIMITED, BEE FINANCE LIMITED, KKR CAPITAL MARKETS INDIA PRIVATE LIMITED, KKR INDIA FINANCIAL SERVICES LIMITED AND THEIR RESPECTIVE SHAREHOLDERS PURSUANT TO THE PROVISIONS OF SECTION 232(2)(C) OF THE COMPANIES ACT 2013

1. Background:

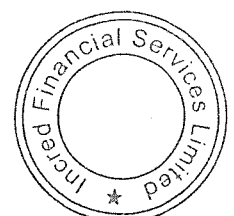
- 1.1 A meeting of the Board of Directors ('Board') of InCred Financial Services Limited was held on Friday, 3 September 2021 to consider and recommend the proposed Composite Scheme of Arrangement between Bee Finance Limited ("**Transferor Company**"), KKR Capital Markets India Private Limited ("**Transferee Company**"), InCred Financial Services Limited ("**Demerged Company**" or "**the Company**"), KKR India Financial Services Limited ("**Resulting Company**") and their respective shareholders under Sections 230 to 232 read with Sections 66 and 234 and other applicable provisions of the Companies Act, 2013, as applicable ("**Scheme**").
- 1.2 In terms of Section 232(2)(c) of the Companies Act, 2013, a report from the Board of the Company explaining the effect of the compromise on each class of shareholders, key managerial personnel, promoters, and non-promoter shareholders has to be appended with the notice of the meeting of shareholders, creditors and debenture holders. Further, the said report has to specify any special valuation difficulties, if any in the valuation. This report of the Board is made in order to comply with the requirements of Section 232(2)(c) of Companies Act, 2013. Capitalised terms used herein but not defined shall have the meaning ascribed to it in the Scheme.
- 1.3 While deliberating on the Scheme, the Board had, *inter-alia*, considered and took on record following necessary documents ('Documents'):
- Draft composite scheme of arrangement between the Transferor Company, the Transferee Company, the Demerged Company and the Resulting Company and their respective shareholders;
 - Valuation report dated 3 September 2021 issued by from C A Vikrant Jain (Registration No. IBBI/RV/05/2018/10204) ("**Valuation Report**"); and
 - Certificate dated 3 September 2021 issued by S.R. Batliboi & Associates LLP, Chartered Accountants, Statutory Auditors of the Demerged Company on the accounting treatment contemplated under the Scheme.

INCRED FINANCIAL SERVICES LIMITED

Corporate Office:
Unit No. 1203, 12th floor, B wing,
The Capital, Plot No C-70, G Block,
Bandra Kurla Complex, Mumbai,
Maharashtra, India, 400051

Registered Office:
Unit No. 1203, 12th floor, B wing,
The Capital, Plot No C-70, G Block,
Bandra Kurla Complex, Mumbai,
Maharashtra, India, 400051

CIN: U74899MH1991PLC340312
Email: care@incred.com
Contact: 1800-102-2192
Website-www.incred.com



2. Background to the Proposed Scheme:

This Scheme is presented under Sections 230 to 232 read with Section 234, Section 66 and other applicable provisions of the Companies Act, 2013 and rules and regulations made thereunder, as may be applicable, for (a) the merger of the Transferor Company with the Transferee Company, and (b) the transfer and vesting of the Incred Demerged Undertaking (as defined under the Scheme) of the Demerged Company ("**Demerged Undertaking**") into the Resulting Company on a going concern basis and consequent reduction of share capital of the Demerged Company and subject to such other approvals / permissions, as may be required under the applicable laws and regulations. In addition, this Scheme also provides for various other matters consequential or otherwise integrally connected herewith *inter alia* change of name, combining of authorised share capital and alteration of memorandum of association and articles of association.

Rationale of the Scheme

Demerger of the Demerged Undertaking of the Demerged Company to the Resulting Company pursuant to this Scheme shall, *inter alia*, result in following benefits:

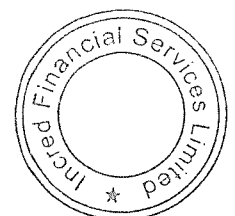
- a. To consolidate the non-banking financing business related to retail and SME lending and ancillary financing activities undertaken by the Demerged Company with the non-banking financing business of the Resulting Company to achieve greater economies of scale, operational rationalization and organizational efficiency, wider market reach and customer base, pooling of knowledge and expertise, and to reduce redundant costs.
- b. To aid in future growth of the Demerged Undertaking by leveraging on the strength and capabilities of the Resulting Company.
- c. To allow the Demerged Company to focus on the Remaining Business and grow these businesses independently.
- d. To aim towards creation of a single unified entity with a wider and stronger capital and asset base, having greater capacity for conducting its operations more efficiently and competitively.
- e. To enable access to business relationships and other intangible benefits that the Transferee Company and the Resulting Company have built over decades.
- f. The Demerged Undertaking and the non-banking financing business of the Resulting Company have significant complementarities and the consolidation of the businesses carried on by them is strategic in nature and will generate significant business synergies thereby enhancing stakeholders' value.

INCRD FINANCIAL SERVICES LIMITED

Corporate Office:
Unit No. 1203, 12th floor, B wing,
The Capital, Plot No C-70, G Block,
Bandra Kurla Complex, Mumbai,
Maharashtra, India, 400051

Registered Office:
Unit No. 1203, 12th floor, B wing,
The Capital, Plot No C-70, G Block,
Bandra Kurla Complex, Mumbai,
Maharashtra, India, 400051

CIN: U74899MH1991PLC340312
Email: care@incred.com
Contact: 1800-102-2192
Website-www.incred.com



- g. To allow the shareholders of the Demerged Company to own and participate in the merchant banking and investment advisory, investment management as well as finance arrangement services business of Transferee Company and to grow this business in future.

Merger of the Transferor Company with the Transferee Company pursuant to this Scheme shall, *inter alia*, result in following benefits:

- a. The merger of the Transferor Company, a major shareholder in the Demerged Company, with the Transferee Company is proposed to streamline the post scheme shareholding structure of the Transferee Company by reducing the number of layers of shareholding, and thereby optimising value to the shareholders.

3. Valuation

The Valuation Report have been obtained from C A Vikrant Jain (Registration No. IBBI/RV/05/2018/10204). The valuations have been arrived at based on the various methodologies explained in the Valuation Report and various qualitative factors relevant to the business and the business dynamics and growth potentials of the business, having regard to information base, key underlying assumptions and limitations.

The Valuation Report states that:

- a. the share entitlement ratio for the proposed demerger of the Demerged Undertaking of the Demerged Company into the Resulting Company would be as follows:

194 (One hundred and ninety four) fully paid-up CCPS of Transferee Company of INR 10 (Ten) each for every 100 (One hundred) fully paid-up equity shares of INR 10 (Ten) each and for every 100 (One hundred) fully paid-up preference shares (which is convertible into equity shares in the ratio of 1:1 as per existing terms) of INR 10 (Ten) each of Demerged Company.

Further, the terms of the CCPS shall be as provided under Schedule I of the Scheme.

- b. the share exchange ratio for the proposed merger of the Transferor Company with the Transferee Company would be as follows:

4,500 (Four thousand and five hundred) fully paid-up CCPS of Transferee Company of INR 10 (Ten) each for every 1 (One) share of Transferor Company of USD 1 (One US Dollar) each fully paid up.

Further, the terms of the CCPS shall be as provided under Schedule I of the Scheme.

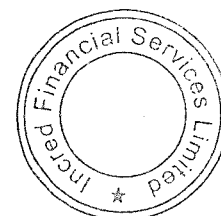
No specific valuation difficulties were reported by the valuers.

INCREC FINANCIAL SERVICES LIMITED

Corporate Office:
Unit No. 1203, 12th floor, B wing,
The Capital, Plot No C-70, G Block,
Bandra Kurla Complex, Mumbai,
Maharashtra, India, 400051

Registered Office:
Unit No. 1203, 12th floor, B wing,
The Capital, Plot No C-70, G Block,
Bandra Kurla Complex, Mumbai,
Maharashtra, India, 400051

CIN: U74899MH1991PLC340312
Email: care@incred.com
Contact: 1800-102-2192
Website-www.incred.com



4. **Effect of the arrangement on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders of the Company**

Effect of the Scheme on shareholders (promoter and non-promoter shareholders):

Upon the effectiveness of the Scheme and in consideration of transfer and vesting of the InCred Demerged Undertaking of the Demerged Company in the Resulting Company, the Transferee Company shall issue and allot CCPS credited as fully paid-up to the shareholders (excluding the Transferee Company itself) of the Demerged Company holding fully paid-up equity shares and preference shares, as the case may be, and whose name appear in the register of members of the Demerged Company as on the Record Date in the following proportion:

194 (One hundred and ninety four) fully paid-up CCPS of Transferee Company of INR 10 (Ten) each for every 100 (One hundred) fully paid-up equity shares of INR 10 (Ten) each and for every 100 (One hundred) fully paid-up preference shares (which is convertible into equity shares in the ratio of 1:1 as per existing terms) of INR 10 (Ten) each of Demerged Company.

Further, the Scheme contemplates reduction of share capital of the Demerged Company (in the manner as set out under the Scheme) consequent to the transfer and vesting of the InCred Demerged Undertaking of the Demerged Company in the Resulting Company.

Effect of the Scheme on key managerial personnel:

Under Clause 19 of the Scheme, upon the Scheme becoming effective, all employees of the Demerged Company in relation to the InCred Demerged Undertaking (i.e. permanent and contract employees, staff and workmen of the Demerged Company engaged in its Retail NBFC Business as identified by the Board of Directors of the Demerged Company) shall become employees of the Resulting Company, on terms and conditions no less favourable than those on which they are engaged by the Demerged Company as on the Effective Date. Additionally, such employees would also be given employee stock options in the Transferee Company (parent entity of the Resulting Company) under the KCM ESOP Plan (in the manner as set out under the Scheme), at no less favourable terms than employee stock options granted by the Demerged Company under the InCred ESOP Scheme.

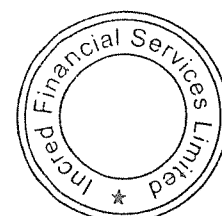
Given that, upon the Scheme becoming effective, the substantial undertaking of the Demerged company is being transferred to the Resulting Company, the existing key managerial personnel may or may not continue to be associated with the Demerged Company as decided by the Board of Directors of the Demerged Company.

INCREC FINANCIAL SERVICES LIMITED

Corporate Office:
Unit No. 1203, 12th floor, B wing,
The Capital, Plot No C-70, G Block,
Bandra Kurla Complex, Mumbai,
Maharashtra, India, 400051

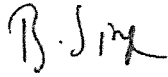
Registered Office:
Unit No. 1203, 12th floor, B wing,
The Capital, Plot No C-70, G Block,
Bandra Kurla Complex, Mumbai,
Maharashtra, India, 400051

CIN: U74899MH1991PLC340312
Email: care@incred.com
Contact: 1800-102-2192
Website-www.incred.com



In the opinion of the Board, the Scheme will be of advantage and beneficial to the Company, its shareholders and other stakeholders and the terms thereof are fair and reasonable.

**For and on behalf of
InCred Financial Services Limited**



**Bhupinder Singh
Wholtime Director & CEO
DIN No: 07342318**



**Date: September 3, 2021
Place: Mumbai**

INCREC FINANCIAL SERVICES LIMITED

Corporate Office:
Unit No. 1203, 12th floor, B wing,
The Capital, Plot No C-70, G Block,
Bandra Kurla Complex, Mumbai,
Maharashtra, India, 400051

Registered Office:
Unit No. 1203, 12th floor, B wing,
The Capital, Plot No C-70, G Block,
Bandra Kurla Complex, Mumbai,
Maharashtra, India, 400051

CIN: U74899MH1991PLC340312
Email: care@incred.com
Contact: 1800-102-2192
Website-www.incred.com