

HARIBHAKTI & CO. LLP

Chartered Accountants

Strictly Private and Confidential

Ref: LM-422/19A/LM

31st October 2014

Mr. K. R. Phanindra
Chief Operating Officer
Atlas Documentary Facilitators
Company Pvt. Ltd
29 A, Narayan Properties,
1st Floor, Building A,
Chandivali, Off Saki Naka,
Andheri East,
Mumbai - 400072

Mr. A. Sethuraman
Chief Operating Officer
HBL Global Private Limited
Kamla Mills Compound,
Senapati Bapat Marg,
Lower Parel,
Mumbai - 400013

Mr. Haren Parekh
Head Finance
HDB Financial Services
Limited
Ground Floor,
Madhusudan Estate,
Pandurang Budhkar Marg,
Lower Parel
Mumbai - 400013

Re: Recommendation of fair exchange ratio for the proposed merger of Atlas Documentary Facilitators Company Pvt. Ltd and HBL Global Pvt. Limited into HDB Financial Services Ltd

Dear Sirs,

We, Haribhakti & Co. LLP ("H&Co."), have been appointed vide letter dated 1st September 2014 to determine the share exchange ratio for the proposed merger of Atlas Documentary Facilitators Company Pvt. Ltd ("ADFC") and HBL Global Pvt. Ltd ("HGPL") into HDB Financial Services Ltd ("HDBFSL") pursuant to the proposed composite scheme of arrangement and amalgamation between ADFC, HGPL and HDBFSL and their respective shareholders and creditors under section 391 to 394 of the Companies Act, 1956 ("the Scheme"). We are pleased to present herewith our report on the same.

1. Purpose of Valuation

- 1.1. Atlas Documentary Facilitators Company Private Limited ("ADFC" or "the Company") is an affiliate of HDFC Bank Ltd. ("HDFC Bank") and was established in the year 1998. ADFC provides captive processing support to HDFC Bank in the areas of transaction processing; broadly covering functions of Retail Assets & Liabilities, Corporate Operations such as Clearing, Trade Finance, Cash Management Services, Treasury Operations, Depository Services and other areas of the bank which require large volume transaction processing capability.
- 1.2. HBL Global Private Limited ("HGPL") is a subsidiary of ADFC which acts as a Direct Selling Agent ("DSA") for HDFC Bank products.
- 1.3. HDBFSL is a subsidiary company of HDFC Bank Ltd. HDBFSL operates as a non banking financial company that caters to the needs of market and provides various financial services in India. HDBFSL operates in two lines of businesses viz. Lending and Collections BPO. HDBFSL offers



Haribhakti & Co. LLP, Chartered Accountants (converted on 17th June, 2014 from a firm Haribhakti & Co. FRN: 103523W)
701, Sena Business Park, Andheri-Kurla Road, Andheri (E), Mumbai - 400 059, India Tel: 91 22 66729999 Fax: +91 22 6672 9777
Registered offices: 42, Free Press House, 215, Nariman Point, Mumbai 400021, India.
Other offices: Ahmedabad, Bengaluru, Chennai, Coimbatore, Hyderabad, Kolkata, New Delhi, Pune.

HARIBHAKTI & CO. LLP

Chartered Accountants

secured loans against securities, gold, Employee Stock Option Plan ("ESOPs") and shares, property, commercial vehicles, construction equipments and car loans and unsecured loans including business and personal loans.

- 1.4. We understand that the management of HDBFSL, ADFC and HGPL (together referred to as "the Companies"), are proposing to merge ADFC and HGPL into HDBFSL ("Proposed Merger").
- 1.5. In this regards, Haribhakti & Co. LLP ("H&Co.") have been appointed to determine the share exchange ratio for the proposed merger of ADFC and HGPL into HDBFSL for the Proposed Merger.

2. Sources of Information

- 2.1. For the purpose of undertaking this valuation exercise, we have relied on the following sources of information:
 - a) Audited financial statements of ADFC for the financial years ended 31st March 2011, 2012, 2013 and 2014;
 - b) Audited financial statements of HGPL for the financial years ended 31st March 2011, 2012, 2013 and 2014;
 - c) Audited financial statements of HDBFSL for the financial years ended 31st March 2011, 2012, 2013 and 2014;
 - d) Standalone financial statements of ADFC, HGPL and HDBFSL for the three months period ended 30th June 2013 and 30th June 2014;
 - e) Projected profit and loss account of ADFC for the financial years ending 31st March 2015 to 31st March 2016;
 - f) Projected financial statements of HGPL for the financial years ending 31st March 2015 and 31st March 2016;
 - g) Relevant data and information provided to us by the representatives of ADFC, HGPL and HDBFSL either in written or oral form or in form of soft copy;
 - h) Discussions with the representatives of ADFC, HGPL and HDBFSL regarding the past & current performance of the Companies respectively.
 - i) Information provided by leading database sources, market research reports and other published data.
 - j) Management Representation Letter dated 30th October 2014.



HARIBHAKTI & CO. LLP

Chartered Accountants

3. Exclusions and Limitations

- 3.1. Our report is subject to the limitations detailed hereinafter. This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- 3.2. This report and the information contained herein are absolutely confidential and are intended for the use of management and representatives of the Companies for providing select information and only in connection with the purpose mentioned above. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without our written consent. In the event, the Companies or their management or their representatives intends to extend the use of this report beyond the purpose mentioned earlier in the report, with or without our consent, we will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report.
- 3.3. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the Companies or any of its subsidiaries or associated companies and have considered them at the value as disclosed by the Companies in their regulatory filings or in submissions, oral or written, made to us.
- 3.4. In rendering this report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.
- 3.5. This report is based on the information received from the sources mentioned herein and discussions with the representatives of the Companies. We have assumed that no information has been withheld that could have influenced the purpose of our report.
- 3.6. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the Companies. Nothing has come to our knowledge to indicate that the material provided to us was mis-stated or incorrect or would not afford reasonable grounds upon which to base our report.
- 3.7. During the course of our work, we may have relied upon business projections based on the assumptions made by the management and representatives of the Companies. As these assumptions require the exercise of judgment and are subject to uncertainties, there can be no assurance that these assumptions are accurate.



Strictly Private and Confidential

HARIBHAKTI & CO. LLP

Chartered Accountants

- 3.8. For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.
- 3.9. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of our report or by virtue of fact that the details provided to us are incorrect or inaccurate.
- 3.10. We had circulated the draft deliverable to the management and representatives of the Companies to receive a confirmation on the factual data mentioned in this report. Accordingly, we have received the confirmation and incorporated the changes suggested, if any.
- 3.11. Further, this report is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us upto, the date hereof. Subsequent developments in the aforementioned conditions may affect this report and the assumptions made in preparing this report and we shall not be obliged to update, revise or reaffirm this report if the information provided to us changes.
- 3.12. We have arrived at an indicative value based on our analysis. Any transaction price may however be significantly different and would depend on the negotiating ability and motivations of the respective buyers and sellers in the transaction.
- 3.13. Valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different value on this business.
- 3.14. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations taking into consideration the economic, social and market patterns existing at that point in time but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event will occur or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates and the variations may be material.
- 3.15. Whilst all reasonable care has been taken to ensure that the factual statements in the report are accurate, neither ourselves, nor any of our partners, officers or employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report. We are not liable to any party in relation to the issue of this report.
- 3.16. In the particular circumstances of this case, our liability, if any (in contract or under statute or otherwise) for any economic loss or damage arising out of or in connection with this



Strictly Private and Confidential

HARIBHAKTI & CO. LLP

Chartered Accountants

engagement, howsoever the loss or damage caused, shall be limited to the amount of fees actually received by us from the Companies, as laid out in the engagement letter, for such valuation work.

4. Brief Background of the Companies:

ADFC:-

- 4.1. ADFC, an associated company of HDFC Bank Limited, provides specialized services relating to back office processing and manpower support. ADFC was setup in the year 1998 to provide processing support to HDFC Bank Limited in the areas of retail liabilities, retail assets, credit cards processing, cheque clearing, cash management services, depository services, etc. where large volume transaction processing capability was required.
- 4.2. ADFC has obtained ISO Quality certification for some of the major processes which are migrated from HDFC Bank Limited.
- 4.3. The issued, subscribed and paid-up equity share capital of ADFC as at 30th June 2014 stood at INR 4.5 mn comprising of 450,180 equity shares of INR 10 each.
- 4.4. Shareholding pattern of ADFC:

S. No.	List of shareholders	Nos of shares	Percentage of holding
1	HDFC Bank Ltd	130,500	28.99%
2	HDB Employees Welfare Trust	67,500	14.99%
3	ADFC Employees Welfare Trust	114,750	25.49%
4	Others	137,430	30.53%
Total		450,180	100.00%

HGPL:-

- 4.5. HGPL is a subsidiary of ADFC. HGPL is a marketing arm of HDFC Bank Limited which looks after marketing of all products of bank like savings account, current account, personal loans, vehicle loans, credit cards, home loans etc.,
- 4.6. The issued, subscribed and paid-up equity share capital of HGPL as at 30th June 2014 stood at INR 102,000 comprising of 10,200 equity shares of INR 10 each.
- 4.7. Shareholding pattern of HGPL:

S. No.	List of shareholders	Nos of shares	Percentage of holding
1	Atlas Documentary Facilitators Company Pvt. Ltd	10,000	98.04%
2	Others	200	1.96%
Total		10,200	100.00%



Strictly Private and Confidential

HARIBHAKTI & CO. LLP

Chartered Accountants

HDBFSL:-

- 4.8. HDBFSL is a subsidiary company of HDFC Bank Ltd. HDBFSL operates as a non banking financial company that caters to the needs of market and provides various financial services in India.
- 4.9. HDBFSL operates in two lines of businesses viz. Lending and Collections BPO (Business Process Outsourcing). HDBFSL offers secured loans against securities, gold, ESOPs and shares, property, commercial vehicles, construction equipments and car loans and unsecured loans including business and personal loans.
- 4.10. The issued, subscribed and paid-up equity share capital of HDBFSL as at 30th June 2014 stood at INR 5,137.5 mn comprising of 513,750,219 equity shares of INR 10 each.
- 4.11. Shareholding pattern of HDBFSL:

S. No.	List of shareholders	Nos of shares	Percentage of holding
1	HDFC Bank Ltd	500,000,000	97.32%
2	Others	13,750,219	2.68%
Total		513,750,219	100%

5. Valuation Approach

- 5.1. The Proposed Merger scheme contemplates the merger of the Companies pursuant to the scheme of Amalgamation under sections 391 to 394 of the Companies Act, 1956. Arriving at the fair equity share exchange ratio for the proposed merger of ADFC and HGPL into HDBFSL would require determining the relative values of each company. These values are to be determined independently but on a relative basis, and without considering the effect of the Proposed Merger.
- 5.2. It is pertinent to note 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, and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.
- 5.3. 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 based on our previous experience of assignments of a similar nature.
- 5.4. The cut-off date for the valuation exercise has been considered as at 30th June 2014.



Strictly Private and Confidential

HARIBHAKTI & CO. LLP

Chartered Accountants

5.5. There are three generally accepted approaches to valuation:

- "Cost" approach
- "Income" approach
- "Market" approach

Cost Approach

- 5.6. The cost approach focuses on the net worth or net assets of a company. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" or where the assets base dominates earnings capability.
- 5.7. 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. 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 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 is of importance to the basis of amalgamation, with the values arrived at on the net asset basis being of limited relevance.
- 5.8. We have computed the Net Asset Value of equity shares of the Companies. We have considered the balance sheets of the Companies as of 30th June 2014. The total value for equity shareholders is then divided by the current number of equity shares of the respective companies in order to work out the value per equity share of the Companies.

Income Approach

- 5.9. The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow (DCF) Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

Discounted Cash Flow (DCF) Method

- 5.10. Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both, the owners and creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by the Weighted Average Cost of Capital (WACC). The WACC, based on an optimal vis-à-vis actual capital structure, is an appropriate rate of discount to calculate the present value of the future cash flows as it considers equity-debt risk by incorporating debt-equity ratio of the firm.



HARIBHAKTI & CO. LLP

Chartered Accountants

- 5.11. The perpetuity (terminal) value is calculated based on the business' potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies an expected constant level of growth for perpetuity in the cash flows over the last year of the forecast period.
- 5.12. The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business' future operations.
- 5.13. The Enterprise Value (aggregate of the present value of explicit period and terminal period cash flows) so derived, is further adjusted for the borrowings, cash, non-operating assets/liabilities (e.g fair value of investments in subsidiaries/associates/mutual funds, value of surplus assets, any contingent liability, etc.) and preference shareholders liability, if any, to arrive at value to the owners of the business.
- 5.14. In absence of sufficient projections of all the Companies, we have not considered DCF Method for valuation of the Companies.

Market Approach

- 5.15. Under the Market approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors' perception about the true worth of the company.

Market Price ("MP") Method

- 5.16. Under the "Market" Approach, the market price of an equity share as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded.
- 5.17. Currently, the equity shares of the Companies are not listed on any recognized stock exchange in India. Hence, we are not able to apply the MP method in the current case.

Comparable Companies Multiples ("CCM") Method

- 5.18. The value is determined on the basis of multiples derived from valuations of comparable companies, as manifest in the stock market valuations of listed companies.
- 5.19. This valuation is based on principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.
- 5.20. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.
- 5.21. We have used the Profitability/Income based valuation multiple of comparable listed companies for ADFC and HGPL. However, we have used asset based valuation multiple of comparable listed companies for HDBFSL.



HARIBHAKTI & CO. LLP

Chartered Accountants

- 5.22. To arrive at the total value available to the equity shareholders of each of the companies, value arrived above under CCM method for the companies is adjusted for the borrowings, non-operating assets/liabilities (e.g fair value of investments in subsidiaries/ associates/mutual funds, value of surplus assets, any contingent liability, etc.) and preference shareholders liability, if any. The total value for equity shareholders is then divided by the total number of equity shares in order to work out the value per equity share of the companies.
- 5.23. The valuation exercise involves selecting a method suitable for the purpose of valuation, by exercise of judgment by the valuer, based on the facts and circumstances as applicable to the business of the company to be valued.

Comparable Transactions Multiples ("CTM") Method

- 5.24. Under the CTM Method, the value is determined on the basis of multiples derived from valuations of similar transactions in the industry. Relevant multiples have to be chosen carefully and adjusted for differences between the circumstances. Few of such multiples are EV/ EBITDA multiple and EV/ Revenue multiple.
- 5.25. We have conducted a search for a suitable comparable transactions multiple. However, in the absence of any exact comparable transactions and on account of lack of information available in relation to the transactions, we are unable to use the CTM method for the Proposed Merger.

6. Basis of Amalgamation:-

- 6.1. The basis of merger of ADFC and HGPL into HDBFSL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above methodologies, for the purposes of recommending a fair exchange ratio of equity shares it is necessary to arrive at a single value for the shares of ADFC, HGPL and HDBFSL. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values of ADFC, HGPL and HDBFSL but at their relative values to facilitate the determination of a fair exchange ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.
- 6.2. We have used the NAV method with lower weightage for valuing the Companies as it reflects the minimum value of the Companies.
- 6.3. We have used the CCM method for valuing the Companies as there are comparable companies whose equity shares are listed and frequently traded.
- 6.4. We have assigned appropriate weightage to values arrived under NAV method and values arrived at using the CCM for the Companies.
- 6.5. In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuers and judgment taking into account 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



HARIBHAKTI & CO. LLP

Chartered Accountants

not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognised in judicial decisions.

- 6.6. Since ADFC, being one of the shareholders of HGPL, is proposing to merge with HDBFSL under the Scheme, the value of those shares have been factored into while arriving at the swap ratio for shareholders of ADFC.
- 6.7. The fair exchange ratio of equity shares of ADFC & HDBFSL and HGPL & HDBFSL have been arrived on the basis of a relative equity valuation for ADFC, HGPL and HDBFSL based on the various methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations.
- 6.8. In the light of the above, and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion a fair ratio of exchange

in the event of merger of ADFC with HDBFSL would be:

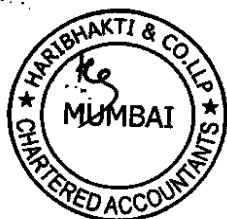
18.0 equity shares of HDBFSL of INR 10/- each fully paid up for every 1 (one) equity share of ADFC of INR 10/- each fully paid up.

in the event of merger of HGPL with HDBFSL would be:

111.2 equity shares of HDBFSL of INR 10/- each fully paid up for every 1 (one) equity share of HGPL of INR 10/- each fully paid up.

Impact of Proposed Rights Issue of HDBFSL:-

- 6.9. In the Board Resolution passed by HDBFSL on 16th October 2014, we understand that HDBFSL has proposed to raise further capital of INR 12,045 mn by way of a rights issue of not more than 185.3 mn equity shares at INR 65 to the existing equity shareholders and ESOP holders of HDBFSL in the ratio of 9 (nine) equity shares for every 25 (twenty-five) equity shares held by the existing shareholders and ESOP holders.



This space is intentionally left blank

HARIBHAKTI & CO. LLP

Chartered Accountants

- 6.10. Assuming that the right issue of 185.3 mn equity shares is fully subscribed, in our opinion the fair ratio of exchange

in the event of merger of ADFC with HDBFSL would be:

17.6 equity shares of HDBFSL of INR 10/- each fully paid up for every 1 (one) equity share of ADFC of INR 10 each/- fully paid up.

in the event of merger of HGPL with HDBFSL would be:

109.1 equity shares of HDBFSL of INR 10/- each fully paid up for every 1 (one) equity share of HGPL of INR 10/- each fully paid up.

Yours faithfully,

For and on behalf of
Haribhakti & Co. LLP
Chartered Accountants



Sumant Sakhardande
Partner

M. No.: 34828



HARIBHAKTI & CO. LLP

Chartered Accountants

Strictly Private and Confidential

Ref: LM-422/19B/LM

31st October 2014

Mr. K. R. Phanindra

Chief Operating Officer

Atlas Documentary Facilitators
Company Pvt. Ltd

29 A, Narayan Properties,

1st Floor, Building A,

Chandivali, Off Saki Naka,

Andheri East,

Mumbai - 400072

Mr. A. Sethuraman

Chief Operating Officer

HBL Global Private Limited

Kamla Mills Compound,

Senapati Bapat Marg,

Lower Parel,

Mumbai - 400013

Mr. Haren Parekh

Head Finance

HDB Financial Services
Limited

Ground Floor,

Madhusudan Estate,

Pandurang Budhkar Marg,

Lower Parel

Mumbai - 400013

Re: Recommendation of share exchange ratio for the proposed merger of Atlas Documentary Facilitators Company Pvt. Ltd and HBL Global Pvt. Limited into HDB Financial Services Ltd

Dear Sirs,

We, Haribhakti & Co. LLP ("H&Co."), have been appointed vide letter dated 1st September 2014 to determine the share exchange ratio for the proposed merger of Atlas Documentary Facilitators Company Pvt. Ltd ("ADFC") and HBL Global Pvt. Ltd ("HGPL") into HDB Financial Services Ltd ("HDBFSL") pursuant to the proposed composite scheme of arrangement and amalgamation between ADFC, HGPL and HDBFSL and their respective shareholders and creditors under section 391 to 394 of the Companies Act, 1956 ("the Scheme"), as set out in our valuation report dated 31st October 2014, (Reference No.: LM-422/19A/LM) was arrived at by us. .

As requested by you, we enclose along with this letter, herewith, the annexures showing the valuation workings of ADFC, HGPL and HDBFSL, which, inter alia, have formed the basis for our arriving at recommendation of share exchange ratio for the proposed amalgamation, as set out in our valuation report dated 31st October 2014, Reference No.: LM-422/19A/LM):

- Share exchange ratio for the merger of ADFC & HGPL into HDBFSL (before rights issue of HDBFSL [Annexure I]
- Share exchange ratio for the merger of ADFC & HGPL into HDBFSL (after rights issue of HDBFSL [Annexure II]
- Summary of valuation of HDBFSL [Annexure III]
- Summary of valuation of HDBFSL [Annexure III(A)]
- Summary of valuation of ADFC [Annexure IV]



Haribhakti & Co. LLP, Chartered Accountants (converted on 17th June, 2014 from a firm Haribhakti & Co. FRN: 103523W)
701, 1st Floor, Business Park, Andheri-Kurla Road, Andheri (E), Mumbai - 400 059, India Tel: 91 22 66729999 Fax: +91 22 6672 9777
Registered offices: 42, Free Press House, 215, Nariman Point, Mumbai 400021, India.
Other offices: Ahmedabad, Bengaluru, Chennai, Coimbatore, Hyderabad, Kolkata, New Delhi, Pune.

HARIBHAKTI & CO. LLP

Chartered Accountants

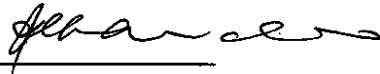
- Summary of valuation of HGPL [Annexure V]
- Valuation of HDBFSL (before rights issue of HDBFSL) as per Net Asset Value ("NAV") method [Annexure VI]
- Valuation of HDBFSL (after rights issue of HDBFSL) as per NAV method [Annexure VI(A)]
- Valuation of HDBFSL (before rights issue of HDBFSL) as per Comparable Companies Multiple ("CCM") method [Annexure VII]
- Valuation of HDBFSL (after rights issue of HDBFSL) as per CCM method [Annexure VII(A)]
- Valuation of ADFC as per NAV method [Annexure VIII]
- Valuation of ADFC as per CCM method [Annexure IX]
- Valuation of HGPL as per NAV method [Annexure X]
- Valuation of HGPL as per CCM method [Annexure XI]

Yours faithfully,

For and on behalf of

Haribhakti & Co. LLP

Chartered Accountants



Sumant Sakhardande

Partner

M. No.: 34828



HARIBHAKTI & CO. LLP

Chartered Accountants

Annexure I: Summary - Share exchange ratio (before rights issue of HDBFSL)

	HBDFSL	W ^[1]	ADFC	W	HBL Global	W
Equity Value						
NAV	17,093,067,189	1	665,773,070	1	95,397,641	1
CCM	38,326,629,867	2	402,762,173	2	55,375,911	2
Weighted Equity Value (Refer Annexure)	31,248,775,641 III		490,432,472 IV		68,716,487 V	
Total Number of shares/Diluted shares ^[2]	515,901,919		450,180		10,200	
Value per share (INR)	61		1,089		6,737	
Share Exchange Ratio			18.0		111.2	

^[1] Weights

^[2] Dilutive shares of HDBFSL for options issued to employees

Annexure II: Summary - Share exchange ratio (after rights issue of HDBFSL)

	HBDFSL	W ^[1]	ADFC	W	HBL Global	W
Equity Value						
NAV	29,137,567,189	1	665,773,070	1	95,397,641	1
CCM	50,371,129,867	2	402,762,173	2	55,375,911	2
Weighted Equity Value (Refer Annexure)	43,293,275,641 III(A)		490,432,472 IV		68,716,487 V	
Total Number of shares/Diluted shares ^[2]	701,201,919		450,180		10,200	
Value per share (INR)	62		1,089		6,737	
Share Exchange Ratio			17.6		109.1	

^[1] Weights

^[2] Dilutive shares of HDBFSL for options issued to employees



HARIBHAKTI & CO. LLP

Chartered Accountants

Annexure III: Valuation Summary - HDBFSL (before rights issue of HDBFSL)

INR mn			
Methodology	Equity Value	Weights	Comments
NAV	17,093	1.00	Refer Annexure VI
CCM	38,327	2.00	Refer Annexure VII
Weighted Equity Value	31,249		

Annexure III(A): Valuation Summary - HDBFSL (after rights issue of HDBFSL)

INR mn			
Methodology	Equity Value	Weights	Comments
NAV	29,138	1.00	Refer Annexure VI(A)
CCM	50,371	2.00	Refer Annexure VII(A)
Weighted Equity Value	43,293		

Annexure IV: Valuation Summary - ADFC

INR mn			
Methodology	Equity Value	Weights	Comments
NAV	666	1.00	Refer Annexure VIII
CCM	403	2.00	Refer Annexure IX
Weighted Equity Value	490		

Annexure V: Valuation Summary - HGPL

INR mn			
Methodology	Equity Value	Weights	Comments
NAV	95	1.00	Refer Annexure X
CCM	55	2.00	Refer Annexure XI
Weighted Equity Value	69		



Strictly Private and Confidential

HARIBHAKTI & CO. LLP

Chartered Accountants

Annexure VI: HDBFSL - NAV before rights issue

As at 30 th June 2014	INR mn
Particulars	Amount
Assets	
Net Block	404
Investments	23
Inventory	-
Sundry Debtors	144,953
Cash	474
Loans and Advances	62
Other Current Assets	185
Other Non-Current Assets	-
Total Current Assets	145,675
Advance from Customers	-
Sundry Creditors	175
Other Current Liabilities	42,064
Total Current Liabilities	42,239
Net Current Assets	103,436
Total Assets	103,862
Liabilities	
Debt	87,608
DTL	(733)
Total Liabilities	86,875
Networth	16,987
Add: Cash on exercise of Options	106
Networth	17,093

Annexure VI(A): HDBFSL - NAV after rights issue

As at 30 th June 2014	INR mn
Particulars	Amount
Assets	
Net Block	404
Investments	23
Inventory	-
Sundry Debtors	144,953
Cash	474
Loans and Advances	62
Other Current Assets	185
Other Non-Current Assets	-
Total Current Assets	145,675
Advance from Customers	-
Sundry Creditors	175
Other Current Liabilities	42,064
Total Current Liabilities	42,239
Net Current Assets	103,436
Total Assets	103,862
Liabilities	
Debt	87,608
DTL	(733)
Total Liabilities	86,875
Networth	16,987
Add: Cash on exercise of Options	106
Add: Cash on right issue	12,045
Networth	29,138

Annexure VII: HDBFSL - CCM (P/BV multiple) before rights issue

	INR mn
Year ended	Jun-14
Book Value	16,987
Price to Book Value	2.25
Equity Value	38,221
Add: Cash on exercise of Options	106
Equity Value	38,327

Annexure VII(A): HDBFSL - CCM (P/BV multiple) after rights issue

	INR mn
Year ended	Jun-14
Book Value	16,987
Price to Book Value	2.25
Equity Value	38,221
Add: Cash on exercise of Options	106
Add: Cash on right issue	12,045
Equity Value	50,371



HARIBHAKTI & CO. LLP

Chartered Accountants

Annexure VIII: ADFC - NAV

As at 30 th June 2014	INR mn
Particulars	Amount
Assets	
Net Block	11
Fair valuation of Investment in	
HBL Global	67
Sundry Debtors	264
Cash	421
Loans and Advances	0.2
Other Current Assets	401
Other Non-Current Assets	5
Total Current Assets	1,091
Sundry Creditors	9
Provisions	409
Other Current Liabilities	144
Total Current Liabilities	563
Net Current Assets	528
Total Assets	607
Liabilities	
DTL	(59)
Total Liabilities	(59)
Networth	666

Annexure IX: ADFC - CCM (P/E Multiple)

	INR mn
Year ended	Jun-14
Sales	3,946
Maintainable PAT Margins	1.00%
Maintainable PAT	39
PV Factor	1.00
PV of PAT	39
P/E Multiple	8.50
Equity Value	335
Fair valuation of Investment in	
HBL Global	67
Equity Value	403



HARIBHAKTI & CO. LLP

Chartered Accountants

Annexure X: HGPL - NAV

As at 30 th June 2014	INR mn
Particulars	Amount
Assets	
Net Block	140
Investments	1
Inventory	
Sundry Debtors	509
Cash	57
Loans and Advances	52
Other Current Assets	154
Total Current Assets	772
Other Current Liabilities	861
Total Current Liabilities	861
Net Current Assets	(88)
Total Assets	53
Liabilities	
DTL	(43)
Total Liabilities	(43)
Networth	95

Annexure XI: HGPL - CCM (P/E)

	INR mn
Year ended	Jun-14
Sales	4,430
Maintainable PAT Margins	0.20%
Maintainable PAT	9
PV Factor	1.00
PV of PAT	9
P/E Multiple	6.25
Equity Value	55

