

20 January 2019

To,

The Board of Directors,  
Srei Infrastructure Finance Limited  
86C Topsia Road South,  
Vishwakarma Building,  
Kolkata 700046

**Sub: Fairness opinion on the Share Entitlement Ratio for the Composite Scheme of Arrangement and Amalgamation amongst Srei Infrastructure Finance Limited, SREI Equipment Finance Limited, SREI Asset Reconstruction Private Limited and Their Respective Shareholders and Creditors ("Proposed Restructuring")**

This opinion is issued pursuant to the terms of our engagement letter with Srei Infrastructure ("SIFL"), SREI Equipment Finance Limited ("SEFL") and SREI Asset Reconstruction Private Limited ("SARPL") (herein after together to be referred as "Company") dated 18 January 2019, under the terms of which Company has requested ICICI Securities ("I-Sec") to provide a fairness opinion on the Share Entitlement Ratio for Step 3 (as illustrated further) of the Proposed Restructuring.

**BACKGROUND, PURPOSE AND USE OF THIS REPORT**

We understand that Company is contemplating a group restructuring pursuant to the Composite Scheme of Amalgamation ("Scheme") to re - organize and segregate its businesses, undertakings and investments into a new entity namely SREI Asset Reconstruction Private Limited in a manner that allows it to impart greater focus on each of its business lines.

The Proposed Restructuring is to be effected through Composite Scheme of Arrangement and Amalgamation pursuant to the provisions of Section 230 to 232 and other applicable provisions of the Companies Act, 2013

We understand that the Appointed Date for the Proposed Restructuring is 31<sup>st</sup> March 2017 and the Effective Date as defined in the Scheme.

For the aforesaid purpose, the management of SIFL has appointed M/s Sharp and Tannan, Chartered Accountants ("STC") (referred as "Valuer") to prepare a report recommending Share Entitlement Ratio ("Share Entitlement Report"), to be placed before the audit committees/Board of Directors of Company, as per the requirement of SEBI (the "Valuer Report").

Member of National Stock Exchange of India Ltd. & Bombay Stock Exchange Ltd.  
Capital Market : NSE Regn. No. INB 230773037, BSE Regn. No. INB 011286854  
Futures & Options : NSE Regn. No. INF 230773037, BSE Regn. No. INF 010773035  
Currency Derivatives : NSE Regn. No. INE 230773037  
CIN No.: L67120MH1955PLC086241

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In this connection we have been requested by Company to render our professional services by way of a fairness opinion on Share Entitlement Ratio for Step 3 (illustrated further in the report) of the Proposed Restructuring to the Board of Directors of SIFL through audit committee of the board as to whether the Share Entitlement Ratio for Step 3 (illustrated further in the report) of the Proposed Restructuring, as recommended by the Valuer, in their Share Entitlement Report dated 19 January 2019 and based on the valuation analysis carried out by them, which forms the basis for the Proposed Restructuring as per the aforesaid Scheme is fair and reasonable.

This report is intended only for the sole use and information of Company and only in connection with the Proposed Restructuring including for the purpose of obtaining judicial and regulatory approvals for the Proposed Restructuring. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein. 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 mentioned here or their subsidiaries / joint ventures / associates / affiliates 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 Restructuring as aforesaid can be done only with our prior permission in writing. We acknowledge that this report will be shared to the extent as may be required, with the relevant National Company Law Tribunal, stock exchanges, advisors of the Company in relation to the Scheme, as well as with the statutory authorities. The report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

#### **BRIEF BACKGROUND OF THE COMPANIES FORMING PART OF THE PROPOSED RESTRUCTURING**

- **SREI Infrastructure Finance Limited**
  - SIFL, a public company incorporated under the provisions of the Companies Act, 1956, is a Systemically Important Non-deposit Taking Non-Banking Financial Company ("NBFC-ND-SI") registered with the Reserve Bank of India under the category "Infrastructure Finance Company".
  - SIFL is a financial services conglomerate offering infrastructure project financing, fee based advisory and development services, infrastructure equipment financing, alternative investment fund services, capital market and insurance broking services by itself and through its various subsidiaries. The equity shares of the SIFL are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") in India. The promoter and the promoter group of SIFL owns 60.8% of paid-up outstanding equity shares though 305,868,559 shares and balance 197,217,774 shares is held by public shareholders as of 30th September 2018. SIFL had reported



consolidated total income and profit after tax of INR 52,618.7 million and INR 3,845.5 million respectively for the year ended 31st March 2018.

- The distinct units of SIFL's diversified business activities are the following:
  - Leasing Business ("SIFL Leasing Business") - In this business, the ownership of the asset remains with lessor (SIFL), while it permits the lessee (user) to use an asset. This type of lease typically spans a portion of the asset's useful life, and the lessor retains the residual risk of the asset.
  - Equipment Rental Business ("SIFL Rental Business") - Equipment Rental Business of SIFL shall mean rental business undertaken through Quippo Oil and Gas Infrastructure Limited ("QOGIL"). SIFL holds equity shares and Redeemable Cumulative Optionally Convertible Preference Shares of QOGIL.
  - Equipment Finance Business ("SIFL Equipment Finance Business") - In this business, the financing is provided to borrower either for purchase of large assets/equipment or against security of such assets/equipment. Here, the ownership of assets/equipment remains with the borrowers. SIFL Equipment Finance Business provides funding majorly for wind infrastructure and other large assets/equipment.
  - Infrastructure Finance - SIFL provides financial products and services for customers engaged in infrastructure development and construction, with focus on power, road, telecom, port, oil and gas and special economic zone sectors in India with a medium to long term perspective.
  - Other businesses and investments in the infrastructure sector including infrastructure finance, advisory comprising all the infrastructure financing activities and project advisory services.
  - SIFL Leasing Business and SIFL Equipment Finance Business hereinafter together referred to as "SIFL Undertaking".

The capital structure of SIFL as on 31st March 2018 is as under:

A. Authorised Share Capital	Amount in Rs Lacs
1,000,000,000 Equity shares of Rs. 10 each	1,00,000
50,000,000 Preference shares of Rs. 10 each	50,000
<b>Total</b>	<b>1,50,000</b>
B. Issued, Subscribed and fully paid-up Share Capital	Amount in Rs Lacs
Issued and subscribed - 503,559,160 Equity shares of Rs. 10 each	50,356
Fully Paid-up - 503,086,333 Equity shares of Rs. 10 each	50,309
Forfeited Shares - 472,827	15
<b>Total</b>	<b>50,324</b>

Thereafter, there has been no change in authorised, issued, subscribed and paid up share capital of SIFL. As on date, the promoters hold 305,868,559 shares (60.8%) of SIFL and the balance 197,217,774 shares (39.2%) is held by the public.

- **SREI Equipment Finance Limited ("SEFL")**
  - SEFL, a wholly owned subsidiary of SIFL, is a public company incorporated under the provisions of the Companies Act, 1956. It is engaged in providing equipment



financing and lease to companies operating in the construction, mining, technology and solutions, healthcare, ports and railways, oil and gas, agriculture and transportation sectors. Its financial products comprise loans, leases, rentals and fee-based services. The equity shares of SEFL are not listed on any stock exchange. SEFL had reported consolidated total income and profit after tax of INR 33,209.1 million and INR 2,634.9 million respectively for the year ended 31st March 2018.

- SEFL is engaged majorly in the following business activities :
  - Leasing Business (“SEFL Leasing Business”): In this business, the ownership of the asset remains with lessor (SEFL), while it permits the lessee (user) to use an asset. This type of lease typically spans a portion of the asset’s useful life, and the lessor retains the residual risk of the asset.
  - Equipment Finance Business (“SEFL Equipment Finance Business”): In this business, the financing is provided to borrower for the purchase of equipment, against security of the asset. Here, the ownership of asset remains with the borrower. SEFL Equipment Finance Business provides funding for construction, mining and allied equipment, farm equipment, IT equipment, medical equipment etc.

SEFL Leasing Business and SEFL Equipment Finance Business hereinafter together referred to as “SEFL Undertakings”.

The capital structure of SEFL as on 31st March 2018 is as under:

<b>C. Authorised Share Capital</b>	<b>Amount in Rs Lacs</b>
500,000,000 Equity shares of Rs. 10 each	50,000
50,000,000 Preference shares of Rs. 10 each	50,000
<b>Total</b>	<b>1,00,000</b>
<b>D. Issued, Subscribed and fully paid-up Share Capital</b>	<b>Amount in Rs Lacs</b>
Issued and subscribed - 59,660,000 Equity shares of Rs. 10 each	5,966
<b>Total</b>	<b>5,966</b>

Thereafter, there has been no change in authorised, issued, subscribed and paid up share capital of SEFL. As on date, SEFL is a wholly owned subsidiary of SIFL with SIFL (along with its 6 nominees) holds 59,660,000 shares Equity shares of face value Rs. 10.

- **SREI Asset Reconstruction Pvt. Ltd. (“SARPL”)**

SARPL is a private company limited by shares incorporated on 30th June, 2014 under the provisions of the Companies Act, 2013. SARPL was incorporated to engage in the business of asset reconstruction, acquisition and/or securitization of any or all financial assets, property or secured assets, of any nature. The registered office of SARPL is situated at Vishwakarma 86C, Topsia Road (South), Kolkata -700046. As on

31st March, 2018 SIFL along with its nominee(s) hold the entire equity share capital of SARPL.

The capital structure of SARPL as on 31st March 2018 is as under:

E. Authorised Share Capital	Amount in Rs Lacs
3,000,000 Equity shares of Rs. 10 each	300
Total	300
F. Issued and paid-up Share Capital	Amount in Rs Lacs
Issued- 100,000 Equity shares of Rs. 10 each	10
Subscribed and Paid-up - 100,000 Equity shares of Rs. 10 each	10
Total	10

Thereafter, there has been no change in authorised, issued, subscribed and paid up share capital of SARPL. As on date, SARPL is a wholly owned subsidiary of SIFL with SIFL (along with its nominee(s)) holds 100,000 Equity shares of face value Rs. 10.

#### PROPOSED RESTRUCTURING

The Proposed Restructuring as per the Draft Scheme of Arrangement would be implemented through the following steps:

**Step 1** - Demerger of SEFL Leasing Business ("Demerged Undertaking 1") from SEFL into SARPL on a going concern basis with effect from the proposed Appointed Date.

**Step 2** - Amalgamation of SEFL post Step 1 ("Residual SEFL") with the holding company, SIFL with effect from the proposed Appointed Date.

**Step 3** - Demerger of SIFL Undertakings, Residual SEFL and Equipment Rental Business of SIFL (together referred to as "Demerged Undertaking 2") from SIFL into SARPL with effect from the proposed Appointed Date

The Scheme and the Valuer's Share Entitlement Report dated 19 January 2019, propose the following Share Entitlement Ratio for Step 3:

- In consideration of all relevant factors and circumstances, the management proposed Share Entitlement Ratio in consideration for demerger of the Demerged undertaking 2 to be as follows:  
**1 (one) equity share of SARPL of INR 10/- each fully paid up for every 5 (five) equity shares of SIFL of INR 10/- each fully paid up**

#### SOURCES OF INFORMATION

In arriving at our opinion set forth below, we have relied on:



- (a) Draft Composite Scheme of Arrangement and Amalgamation amongst SIFL, SEFL, SARPL and Their Respective Shareholders and Creditors
- (b) Share Entitlement Report dated 19 January 2019 issued by the Sharp & Tannan (Valuer)
- (c) Existing Share Capital Structure of SIFL, SEFL & SARPL from public filings
- (d) Annual Reports of SIFL, SEFL & SARPL for FY 2017-18
- (e) Audit Report and Financials of SARPL for FY2016-17.
- (f) Discussions (including oral) with management of SIFL, SEFL & SARPL regarding the Proposed Restructuring
- (g) Discussions (including oral) and documents as provided by Valuer for the purpose of this engagement.

#### **SCOPE LIMITATIONS**

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.

We express no opinion whatever and make no recommendation at all to SIFL, SEFL and SARPL underlying its decision to effect the Proposed Restructuring or as to how the holders of equity shares or preference shares or secured or unsecured creditors of the Company should vote at their respective meetings held in connection with the Proposed Restructuring. We do not express and should not be deemed to have expressed any views on any other term of the Proposed Restructuring. We also express no opinion and accordingly accept no responsibility or as to the prices at which the equity shares of SIFL will trade following the announcement of the Proposed Restructuring or as to the financial performance of the Company following the consummation of the Proposed Restructuring

We express no opinion and hence accept no responsibility and liability for the valuation for all or any steps of the scheme referred to in this report. We have relied fully on the Share Entitlement Report dated 19 January 2019, issued by the Valuer

Our work does not constitute our role in drafting of the Scheme, advising on any other matter including economic rationale for the Proposed Restructuring per se or accounting, legal or tax matters involved in the Proposed Restructuring

Our work does not constitute an audit, due diligence or certification of the historical financial statements in relation to the Company including the working results of the Company or its businesses 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. We express no opinion on the achievability of the forecasts by the Company

Our work does not and nor should it be construed as our opining or certifying the compliance of the Proposed Restructuring with the provisions of any law / standards including companies, foreign exchange regulatory, securities market, accounting and



taxation (including transfer pricing) laws / standards or as regards any legal, accounting or taxation implications or issues arising from such Proposed Restructuring.

Our analysis and results are specific to the purpose of the exercise of giving our fairness opinion on the Share Entitlement Ratio for Step 3 of the Proposed Restructuring. 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 as at 20 January, 2019. An exercise of this nature involves consideration of various factors. This report is issued on the understanding that the Company has drawn our attention to all the matters, which they are aware of concerning the financial position of the Company, their businesses, and any other matter, which may have an impact on our opinion, on the Share Entitlement Ratio of Step 3 for the Proposed Restructuring, including any significant changes that have taken place or are likely to take place in the financial position of the Company or their businesses subsequent to the proposed Appointed Date for the Proposed Restructuring. 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 Company and/or Valuer without any inquiry. With respect to the financial forecasts relating to the Company, 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 of the Company. Also, we understand that the Company 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 thereof. We assume no responsibility whatsoever for any errors in the above information furnished by the Company and their impact on the present exercise.

No investigation of the Company claim to title of assets has been made for the purpose of this exercise and the Company claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances, if any, against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility whatsoever is assumed for matters of a legal nature. Our report is not and should not be construed as our opining or certifying the compliance of the Proposed Restructuring 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 Restructuring.

We have not conducted or provided an analysis of due diligence or appraisal of the assets and liabilities of the Company and have wholly relied on information provided by the Company and/or Valuer in that regard.



We have relied on the share capital structure for SIFL, SEFL & SARPL provided by the company and available in the public domain. This report is only valid as far as there are no changes in the share capital structure and/or further issuances of equity of any form. We have been informed by the Company that any such issuance post the date of issuance of this report will require amendments to the Scheme making the present Scheme and hence this report null and void.

Whilst all reasonable care has been taken to ensure that the factual statements in the Report are accurate, neither us, 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 have assumed that the Company complies fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Company will be managed in a competent and responsible manner. Further, except 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 recorded in the audited / unaudited balance sheets of the Company / their holding / subsidiary / associates / joint ventures / investee companies, if any.

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, based solely on generally available public information, in debt or equity securities or senior loans of any company that may be involved in the Proposed Restructuring.

#### **RATIONALE & CONCLUSION**

Based on our examination of the Share Entitlement Report, such other information/ representations provided to us by the Company and subject to scope limitations as mentioned hereinabove and to the best of our knowledge and belief, we are of the opinion on the date hereof, that the proposed Share Entitlement Ratio for Step 3 of the Proposed Restructuring i.e. issue of 1 (one) equity share of SARPL of INR 10/- each fully paid up for, every 5 (five) equity shares held in SIFL of INR 10/- each fully paid up as recommended by Valuer, which forms the basis for the Proposed Restructuring is fair and reasonable, considering that all the shareholders of SIFL are and will, upon Proposed Restructuring, be the ultimate beneficial owners of SARPL in the same ratio as they hold shares in SIFL.



Yours faithfully,  
For ICICI Securities Limited,

*P. Kandori*

PRITISH KANDORI  
EVP

Date: 20 Jan 2019

Place: Mumbai