B S R & Associates LLP

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27 November 2019

The Board of Directors
CreditAccess Grameen Limited
New No. 49 (Old No725), 46th Cross, 8th Block, Jayanagar, (Next to Rajalakshmi Kalayana Mantap)
Bengaluru KA-560071

The Board of Directors
Madura Micro Finance Ltd.
36, 2nd Main Road, Kasturba Nagar,
Adyar, Chennai - 600020

Sub: Recommendation of equity share exchange ratio for the proposed amalgamation of Madura Micro Finance Limited with CreditAccess Grameen Limited

Dear Sirs,

We refer to our engagement letter dated 22 November 2019 whereby CreditAccess Grameen Limited ("CAGL") and Madura Micro Finance Limited ("MMFL") (together referred to as "Clients", the "Companies", "Businesses" or "You") have jointly requested B S R & Associates LLP ("BSR") to recommend an equity share exchange ratio in connection with the proposed amalgamation of MMFL with CAGL.

BSR hereinafter is referred to as "Valuer" or "we" or "us" and in this Valuation Report.

SCOPE AND PURPOSE OF THE VALUATION REPORT

We understand that the management of the Companies (hereinafter referred to as "the Management") are contemplating the amalgamation of MMFL with CAGL under a Scheme of Amalgamation under the provisions of Sections 230-232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013. Under the proposed Scheme of Amalgamation, as consideration for the amalgamation of MMFL into CAGL, the shareholders of MMFL will be issued equity shares of CAGL ("Transaction").

BSR has been requested by the Board of Directors/ Audit Committee of the Companies to submit a letter recommending an equity share exchange ratio, as on the date of this report, in connection with the Transaction. This valuation report ("Valuation Report") may be placed before the audit committee, as per SEBI Circular CFD/DIL3/CIR/2017/21 dated 10 March 2017 and the circular no. CFD/DIL3/CIR/2017/26 dated 23 March 2017. We understand that this Valuation Report will be used by the Clients for the above mentioned purpose only and, to the extent mandatorily required under applicable laws of India, may be produced before judicial, regulatory or government authorities, in connection with the Transaction.

We understand that the appointed date for the amalgamation as per the draft scheme shall be 02 March 2020.

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The scope of our services is to conduct a relative valuation (and not absolute) of the equity shares of CAGL and MMFL to arrive at the equity share exchange ratio of CAGL and MMFL ("Equity Share Exchange Ratio") for the proposed amalgamation in accordance with generally accepted professional standards.

This Valuation Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such the Valuation Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with preparing this Valuation Report, we have received the following information from the Management of the Companies ("Management"):

- Audited financial statements of the Companies and their subsidiaries for FY17, FY18 and FY19 ("Historical period");
- Provisional financial statements for the year-to-date period ended 30 September 2019
- Interviews and discussions with the Management to augment our knowledge of the operations of the Companies;
- Draft Scheme of Amalgamation dated 20 November 2019 ("Scheme");
- Shareholding pattern of the Companies as at 30 September 2019;
- Other information, explanations and representations that were required and provided by the Management;
- For our analysis, we have relied on published and secondary sources of data, whether or not made available by the Clients. We have not independently verified the accuracy or timeliness of the same; and
- Such other analysis, review and enquiries, as we considered necessary.

We have taken into consideration the current market parameters in our analysis and have made adjustments for additional facts made known to us till the date of our Valuation Report. Further, we have been informed that all material information impacting the Companies have been disclosed to us. The Management has further confirmed to us that there are no unusual/ abnormal events in the Companies since the last audited accounts till the Valuation Report date materially impacting their operating/ financial performance.

The Companies have been provided with the opportunity to review the draft Valuation Report (excluding the recommended Equity Share Exchange Ratio) as part of our standard practice to make sure that factual inaccuracies/ omissions are avoided in our final report.

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SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The service does not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This Valuation Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; and (ii) the date of this Valuation Report and (iii) the latest available financial statements of the Companies and other information provided by the Management or taken from public sources till 26 November 2019.

A valuation of this nature is necessarily based on (a) prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on and (b) the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this Valuation Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Valuation Report.

The ultimate analysis will have to be influenced by the exercise of judicious discretion by the Valuer and judgment taking into accounts all the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions.

The recommendation(s) rendered in this Valuation Report only represent our recommendation(s) based upon information received by the Companies till 26 November 2019 and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). Further, the determination of Equity Share Exchange Ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single Equity Share Exchange Ratio. While we have provided our recommendation of the Equity Share Exchange Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the Equity Share Exchange Ratio of the equity shares of CAGL and MMFL. You acknowledge and agree that you have the final responsibility for the determination of the Equity Share Exchange Ratio at which the proposed amalgamation shall take place and factors other than our Valuation Report will need to be taken into account in determining the Equity Share Exchange Ratio; these will include your own assessment of the Transaction and may include the input of other professional advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, technical, financial and operating data. In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this

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Valuation Report and (ii) the accuracy of information made available to us by the Companies. We have not carried out a due diligence or audit of the Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided. We are not legal or regulatory advisors with respect to legal and regulatory matters for the Transaction. We do not express any form of assurance that the financial information or other information as prepared and provided by the Companies is accurate. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.

Our conclusions are based on these assumptions and information given by/ on behalf of the Companies. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/ results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and its impact on the Valuation Report. Also, we assume no responsibility for technical information (if any) furnished by the Companies. However, nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Valuation Report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their directors, employees or agents. In no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this Valuation Report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

The Valuation Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the specified Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Valuation 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 period balance sheet of the Companies. Our conclusion of value assumes that the assets and liabilities of the Companies, reflected in their respective latest balance sheets remain intact as of the Valuation Report date.

This Valuation Report does not address the relative merits of the Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

No investigation of the Companies' claim to title of assets has been made for the purpose of this Valuation Report and the Companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans

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disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature. The fee for the Engagement is not contingent upon the results of the Valuation Report.

We owe responsibility to the Audit Committee/ Board of Directors of CAGL and MMFL which have retained us, and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of the other. We do not accept any liability to any third party in relation to the issue of this Valuation Report. This Valuation Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose. It is understood that this analysis does not represent a fairness opinion.

This Valuation Report is subject to the laws of India.

Neither the Valuation Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement. Further, it cannot be used for purpose other than in connection with the Transaction, without our prior consent. In addition, this Valuation Report does not in any manner address the prices at which equity shares will trade following consummation of the Transaction and we express no opinion or recommendation as to how the shareholders of either Company should vote at any shareholders' meeting(s) to be held in connection with the Transaction.

BACKGROUND OF THE COMPANIES

CreditAccess Grameen Limited (CAGL)

CAGL was founded in 1999 and is based in Banglore, India. CAGL operates as a Non-Banking Financial Company: Micro Finance Institution ("NBFC-MFI") providing loans for women from poor and low income households in India. CAGL offers microcredit loans for income generation, home improvement, emergency, and family welfare to support their enhanced credit needs for their business.

CAGL is listed on the National Stock Exchange ("NSE") and Bombay Stock Exchange ("BSE"). The issued, subscribed and paid up equity share capital of CAGL as at 30 September 2019 is INR 1,438 million consisting of 143,796,038 equity shares of face value of INR 10 each. The shareholding pattern of CAGL as on Valuation Report date is as follows:

Category	No of Shares	% shareholding
Promoter & Promoter Group	115,109,028	80.05
Public	28,687,010	19.95
Total	**143,796,038**	**100.0**

Source: Management information

Madura Micro Finance Limited (MMFL)

MMFL was incorporated in 2005 and is based in Chennai, India. MMFL operates as a NBFC-MFI in India. MMFL offers group loans, including entry level and activity term loans and women's self-help group loans, as well as individual loans primarily for retailers with small shops.

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The issued, subscribed and paid up equity share capital of MMFL as at 30 September is INR 72 million consisting of 7,194,761 equity shares of face value of INR 10 each. The shareholding pattern of MMFL as on Valuation Report date is as follows:

Category	No of Shares	% shareholding
Ms. Tara Thiagarajan	2,330,574	32.4
A V Thomas and Co Ltd	1,159,435	16.1
Midland Rubber & Produce Company Ltd	1,159,436	16.1
Employees' Welfare Trust	364,917	5.1
Elevar Equity Mauritius	865,916	12.0
Mr. M Narayanan	373,516	5.2
Others	940,967	13.1
Total	**7,194,761**	**100.0**

Source: Management information

APPROACH & METHODOLOGY - BASIS OF TRANSACTION

The Transaction contemplates amalgamation of MMFL with CAGL. Arriving at the Equity Share Exchange Ratio for the proposed amalgamation of the above mentioned companies would require determining the value of MMFL in terms of the value of the equity shares of CAGL. These values are to be determined independently but on a relative basis, and without considering the proposed Transaction.

There are several commonly used and accepted methods for determining the value of the equity shares of a company, which have been considered in the present case by Valuer independently, to the extent relevant and applicable, including:

1. Market Price method
2. Comparable companies (CoCo) Method
3. Comparable Transaction (CoTrans) Method
4. Discounted Cash Flows method

It should be understood 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, the conditions and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.

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

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adopted for a transaction of a similar nature, regulatory guidelines and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

The valuation methodologies used by BSR to arrive at the value attributable to the equity shareholders of MMFL and CAGL are discussed hereunder.

Market approach

The market approach assumes that companies operating in the same industry will share similar characteristics and the company values will correlate to those characteristics. Therefore, a comparison of the subject company to similar companies whose financial information is publicly available may provide a reasonable basis to estimate the subject company's value. There are three forms of the Market Approach – Market Price Method, the Comparable Companies approach and the Comparable Transactions approach.

Market Price Method

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in. Further, in the case of a transaction, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

In the present case, the equity shares of CAGL are listed on BSE and NSE and there are regular transactions in its equity shares with reasonable volume. In the circumstances and considering the allotment of shares pursuant to a scheme to the sharehlders of an unlisted company by a listed company, the share price of CAGL has been considered as suggested in regulation 164 of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. Accordingly, higher of the below two methods has been taken for determining the value of CAGL under the market price methodology:

a) Average of the weekly high and low of the volume weighted average price during the last twenty six weeks preceding the Valuation Report date; and
b) Average of the weekly high and low of the volume weighted average price during the two weeks preceding the Valuation Report date.

Comparable Companies (CoCo) Method

Under Comparable Companies Method, the value of shares/ business of a company is determined based on market multiples of publicly traded comparable companies. Although no two companies are entirely alike, the companies selected as comparable companies should be engaged in the same or a similar line of business as the subject company. The appropriate multiple is generally based on the performance of listed companies with similar business models and size.

We have considered listed comparable companies in the NBFC–MFI space having similar business characteristics with MMFL. Accordingly, we have used weighted average Price to Book value (P/ BV) multiple to arrive at the valuation of MMFL.

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Comparable Transaction (CoTrans) Method

Under Comparable Transaction Method, the value of shares/ business of a company is determined based on market multiples of publicly disclosed transactions in the similar space as that of the subject company. Multiples are generally based on data from recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

Based on our analysis of the NBFC – MFI space, we could note fair amount of transactions in various MFI's in India. Thus, for the purpose of valuation of MMFL, we have analysed and considered the P/BV multiple of suitable comparable transactions.

Income Approach - Discounted Cash Flows ("DCF") Method

Discounted Cash Flow Method (DCF) is a form of the income approach that is commonly used across the industries. Under the DCF approach, forecast cash flows are discounted back to the present date, generating a net present value for the cash flow stream of the business.

The Clients have not provided any detailed forecast business plan for their respective companies for our analysis. Also, in case of NBFC's, capital equates to both debt and equity and that debt is considered akin to raw material used in day to day activities. Further, NBFC's reinvestment is towards regulatory and human capital rather than the traditional property, plant and equipment. Thus, in view of lack of reliable forecast business plan as well challenges in adopting the DCF method, we have not considered the DCF method for our analysis.

Net Asset Value (NAV) Method

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.

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. 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. Further, given the stage of operations of the Companies, comparable transactions at above the reported book value, we have not used the NAV method for valuation.

BASIS OF EQUITY SHARE EXCHANGE RATIO

The basis of amalgamation of MMFL into CAGL 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 an Equity Share Exchange Ratio of equity shares, it is necessary to arrive at a single value for the equity shares of CAGL and MMFL. It is however important to note that in doing so we are not attempting to arrive at the absolute equity values of the Companies but at their relative values to facilitate the determination of a fair Equity Share Exchange Ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

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The Equity Share Exchange Ratio has been arrived at on the basis of a relative equity valuation of the Companies based on the various approaches/ methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Businesses, having regard to information base, key underlying assumptions and limitations.

As considered appropriate, we have independently applied methodologies discussed above and arrived at the value per share of the Companies. We have independently assigned appropriate weightage to the value per share of CAGL and MMFL, arrived using the Market Price, Comparable Companies - P/BV multiple and Comparable Transactions - P/BV multiple, to arrive at the value per equity share of CAGL and MMFL. Further, to arrive at the consensus on the equity share exchange ratio for the proposed amalgamation, suitable minor adjustments/ rounding off have been done.

Computation of the Share Exchange Ratio:

Valuation Approach	CAGL		MMFL	
	Value per Share (INR)	Weightage	Value per Share (INR)	Weightage
Market Approach				
a) Market Price Method	770.5	100%	n/a	0%
b) CoCo Method	n/a	0%	1,169	50%
c) CoTrans Method	n/a	0%	1,247	50%
Income Approach	n/a	0%	n/a	0%
Asset Approach	n/a	0%	n/a	0%
Relative Value per share	**770.5**	**100%**	**1,208**	**100%**
Exchange Ratio (Rounded off)		**1.57**		

Source: BSR analysis

In view of the above, and on consideration of the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the Equity Share Exchange Ratio for amalgamation of MMFL into CAGL -

at 157 (One Fifty Seven Only) equity shares of CAGL of INR 10 each fully paid up for 100 (One Hundred Only) equity shares of MMFL of INR 10 each fully paid up.

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Our Valuation Report and Equity Share Exchange Ratio is based on the current equity share capital structure of CAGL and MMFL as mentioned earlier in this Report. Any variation in the equity capital of CAGL and MMFL may have material impact on the share exchange ratio.

Respectfully submitted.

For B S R & Associates LLP
Chartered Accountants
Firm Registration No: 116231W

Mahek Vikamsey
Partner
Membership No: 108235
UDIN: 19108235AAAAAW5884

Date: 27 November 2019

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