



Saffron Capital Advisors Private Limited

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CIN No. U67120MH2007PTC166711

Date: September 29, 2023

To,

The Audit Committee and the Board of Directors,

Khadim India Limited

7th Floor, Tower C, DLF IT Park,

08 Major Arterial Road, Block – AF,

New Town (Rajarhat), Kolkata – 700156

Dear Members of the Audit Committee and the Board of Directors,

1. Engagement Background

We understand that the Management of Khadim India Limited (“KIL” or the “Demerged Company”) is contemplating demerger of the Distribution Business of KIL and its transfer to and vesting into KSR Footwear Limited (“KFL” or “Resulting Company”) on a going concern basis pursuant to a Scheme of Arrangement between KIL and KFL and their respective shareholders and creditors under sections 230 to 232, 66 and other relevant provisions of the Companies Act, 2013 (‘the Act’).

The terms and conditions of the Proposed Demerger are more fully set out in the draft Scheme of Arrangement shared with us, the final version of which will be filed by the aforementioned companies with the appropriate authorities.

We understand that the fair share entitlement ratio thereof is based on the Share Entitlement Ratio Report dated September 29, 2023 issued by Mr. Vikram Kumar Singh, IBBI Registered Valuer, Registration No. IBBI/RV/06/2019/11320 (“Valuer”).

We, Saffron Capital Advisors Private Limited, a SEBI registered Category-I Merchant Banker, have been engaged by KIL to give a fairness opinion (“Opinion”) on Share Entitlement Ratio Report dated September 29, 2023 issued by Valuer.

2. Background of the companies and Rationale

Khadim India Limited (“Demerged Company”) is a public company incorporated on December 03, 1981 under the provisions of the Companies Act, 1956, having Corporate Identification No. (CIN): L19129WB1981PLC034337 and registered office at 7th Floor, Tower C, DLF IT Park, 08 Major Arterial Road, Block - AF, New Town (Rajarhat), Kolkata – 700156.

The Demerged Company has 2 (two) distinct businesses viz. (i) Retail Business and (ii) Distribution Business. The retail business operates through 848 retail stores (as on June 30, 2023) and caters to the



middle and upper middle-income consumers, while the distribution business operates through a wide network of 732 (as on June 30, 2023) distributors selling to multi-brand-outlets across India and caters to lower and middle-income consumers.

The equity shares of the Demerged Company are listed on BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE").

"Demerged Undertaking" shall mean the Company's distribution segment which provides branded and affordable footwear in the mass footwear category catering to lower- & middle - income consumers in Tier-I to Tier-III cities. The distribution business operates through a network of 732 distributors (as on June 30, 2023) selling to multi-brand-outlets across India. The distribution segment manufactures approximately 96% of the products of this category to have better control over quality, supply and cost.

KSR Footwear Limited ("Resulting Company") is a public company incorporated on August 22, 2023 under the provisions of the Companies Act, 2013 with an object to carry on the business of manufacturing and wholesaling of Footwear, having Corporate Identification No. - U46413WB2023PLC264443 and registered office at Flat No. 4A, 4th Floor, Kalyani Complex, P-22, Block-A, Bangur Avenue, North 24 Parganas - 700055.

The Resulting Company is a Wholly-owned Subsidiary of the Demerged Company. However, post the Scheme is effective, the existing paid up equity share capital of the Resulting company shall stand reduced and cancelled pursuant to section 66 and other applicable provisions of the Companies Act, 2013 and the Resulting Company will issue fresh equity shares to the shareholders of the Demerged Company. Accordingly, the shareholders of the Demerged Company, are and will upon demerger, be ultimate economic beneficial owners of the Resulting Company in the same proportion as they hold in the Demerged Company and the Resulting Company will reflect a mirror shareholding as that of the Demerged Company.

It has also been informed by the management that the equity shares of the "Resulting Company" will be listed on BSE and NSE pursuant to the Scheme.

We understand that the Appointed Date for the Proposed Demerger as per the draft Scheme shall be same date as the Effective Date or such other date as may be mutually agreed by the Companies.

We further understand that the Effective Date means the date which will be the first day of the month following the month in which parties mutually acknowledge in writing that all the conditions referred to in Clause 25.1 of the Scheme have occurred or have been fulfilled, obtained or waived, as applicable, in accordance with the Scheme.



3. Recommended Share Entitlement Ratio for the Proposed transaction

The Valuer has recommended the following share entitlement ratio for the Proposed Demerger:

1 (one) equity share of the face value of INR 10/- each fully paid-up of the Resulting Company for every 1 (one) equity share of face value INR 10/- each fully paid up held by equity shareholders of the Demerged Company.

We have relied upon the draft Scheme of Arrangement and taken the aforementioned (together with the other facts and assumptions set forth therein) into account while determining the meaning of "fairness", from a financial point of view, for the purposes of this Opinion.

4. Exclusions and Limitations

Our opinion and analysis are limited to the extent of review of the Share Entitlement Ratio Report by the Valuer and the Draft Scheme of Arrangement. In connection with the opinion, we have

- a) Reviewed the Draft Scheme of Arrangement.
- b) Share Entitlement Ratio Report dated September 29, 2023, issued by Valuer.
- c) Held discussions with the Valuer, in relation to the approach taken to valuation and the details of various methodologies utilized by them in preparing the Share Entitlement Ratio Report and recommendations.
- d) Reviewed such other information and explanations as we have required, and which have been provided by the management of KIL.

This opinion is intended only for the sole use and information of KIL and KFL, for the purpose of submission to the Stock exchanges under the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, obtaining judicial and regulatory approvals for the Proposed Demerger and for no other purpose. We are not responsible in any way to any person/party/statutory authority for any decision of such person or party or authority based on this opinion. Any person/party intending to provide finance or invest in the shares/business of either KIL and/or KFL or their subsidiaries /joint ventures/associates 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.

For the purpose of this assignment, Saffron has relied on the Share Entitlement Ratio Report for the Proposed demerger of Distribution Business of Khadim India Limited into KSR Footwear Limited and information and explanation provided to it, the accuracy whereof has not been evaluated by Saffron. Saffron's work does not constitute certification or due diligence of any past working results and Saffron has relied upon the information provided to it as set out in working results of the aforesaid reports.



Saffron has not carried out any physical verification of the assets and liabilities of the companies and takes no responsibility on the identification and availability of such assets and liabilities.

We hereby give our consent to present and disclose the Fairness Opinion in the general meetings of the shareholders of KIL and KFL and to the Registrar of Companies. Our opinion is not, nor should it be construed as our opining or certifying the compliance of the Proposed Demerger with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.

The information contained in this report is selective and is subject to updating, expansions, revisions and amendment, if any. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent. Recipients are advised to independently conduct their own investigation and analysis of the business of the Companies. The report has been prepared solely for the purpose of giving a fairness opinion on Share Entitlement Ratio Report issued for the Proposed Demerger of Distribution business of KIL into KFL and may not be applicable or referred to or quoted in any other context.

Our opinion is dependent on the information provided to us being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our assignment does not involve performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information used during the course of our work. As such we have not performed any audit, review or examinations of any of the historical or prospective information used and, therefore, do not express any opinion with regard to the same. In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to this date.

One should note that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. Moreover, in this case where the shares of the KFL are being issued as consideration to the shareholders of KIL, it is not the absolute valuation that is important for framing an opinion but the relative valuation of the KIL vis-a-vis shares of KFL. We have assumed that the Final Scheme of Arrangement will not differ in any material respect from the Draft Scheme of Arrangement shared with us.

We do not express any opinion as to any tax or other consequences that might arise from the Proposed Demerger on KIL, KFL and their respective shareholders, nor does our opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the respective companies have obtained such advice as they deemed necessary from qualified professionals. We have undertaken no independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims,



government investigation or other contingent liabilities to which KIL, KFL and/or their associates/ subsidiaries, are or may be a party.

The company has been provided with an opportunity to review the Draft Opinion as part of our standard practice to make sure that factual inaccuracy/omissions are avoided in our Final Opinion. Our Opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Proposed Demerger or any matter thereto.

5. Conclusion

Based on and subject to the foregoing, we are of the opinion that the share entitlement ratio of 1:1 as recommended by the valuer in the Share Entitlement Ratio Report dated September 29, 2023 is fair to the shareholders of KIL from the financial point of view.

For Saffron Capital Advisors Private Limited,


Sakshi Gupta
Head-Valuation

