*Privileged and Confidential*
*May 29, 2024*

**STRICTLY CONFIDENTIAL**

Dear Shareholder,

**Subject: Proposed Initial Public Offer of Equity Shares of Hero FinCorp Limited ("Company")**

This is to intimate you that pursuant to a resolution passed by the board of directors of the Company on May 29, 2024, the Company is considering an initial public offering of its equity shares ("**Equity Shares**"), which shall comprise a fresh issue of Equity Shares ("**Fresh Issue**") and an offer for sale of Equity Shares by certain existing shareholder(s) of the Company ("**Offer for Sale**" or "**OFS**", and such shareholder(s), the "**Selling Shareholder(s)**"), subject to compliance with certain conditions including as set out herein below, pursuant to which the Equity Shares would be listed on one or more recognized stock exchanges in India ("**Proposed IPO**" or "**Offer**").

The Proposed IPO will be undertaken in accordance with applicable law, including the Companies Act, 2013 and the rules issued thereunder, each as amended (collectively, "**Companies Act**"), and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("**SEBI ICDR Regulations**"), and in consultation with the book running lead managers ("**BRLMs**") and other advisors appointed for the Proposed IPO. In relation to the Proposed IPO, the Company is required to file a draft red herring prospectus ("**DRHP**") with the Securities and Exchange Board of India (the "**SEBI**") and the relevant stock exchanges in India (the "**Stock Exchanges**"), and subsequently file a red herring prospectus (the "**RHP**") and a prospectus ("**Prospectus**" and collectively with the DRHP and RHP, the "**Offer Documents**") with the Registrar of Companies, Delhi and Haryana at New Delhi (the "**RoC**") and thereafter, with SEBI and the Stock Exchanges in accordance with the Companies Act, SEBI ICDR Regulations and other applicable laws.

***Participation in the Offer for Sale***

In order to participate in the Offer for Sale as a Selling Shareholder, you will be required to comply with certain requirements and undertake certain activities in accordance with the SEBI ICDR Regulations and the Companies Act. Some key considerations are set out below, for your reference.

(i) *Eligibility of Equity Shares*: The Equity Shares offered in the Offer for Sale ("**Offered Shares**"):

  (a) should be fully paid-up,

  (b) should have been held by you for a continuous period of at least one year prior to filing of the DRHP with SEBI for the Proposed IPO, which is currently expected to be around July, 2024.

  Equity Shares issued pursuant to a bonus issue, if any (in the last one year before DRHP filing) would also be eligible for the OFS subject to (i) such Equity Shares being issued out of free reserves and share premium existing in the books of accounts as at the end of the financial year preceding the financial year in which the DRHP is filed with SEBI, (ii) such Equity Shares not being issued by utilization of revaluation reserves or unrealized profits of the Company;

  Equity Shares received on conversion or exchange of fully paid-up compulsorily convertible securities, the holding period of such convertible securities, including depository receipts, as well as that of the resultant Equity Shares shall together be considered for the purpose of calculation of the one-year holding period. Such holding period of one year shall be required to be complied with at the time of filing of the DRHP. Please note that a full disclosure of the terms of conversion or exchange is required to be made in the Offer Documents.

  (c) should not be subject to any restraining order of any court or tribunal, any charge, lien, pledge, encumbrance or transfer restriction of any kind whatsoever, including any 'lock-in' (other than any arrangement entered into with the BRLMs for the purpose of the Proposed IPO.

(ii) *Other eligibility conditions*: In order to participate in the Offer as a Selling Shareholder, you should not be debarred from accessing the capital markets or prohibited from buying, selling or dealing in securities under any order or direction passed by SEBI or any securities market regulator in any other jurisdiction or any other authority/court. Further, your holding of the Equity Shares should be in compliance of the

Companies (Significant Beneficial Owners) Rules, 2018, as amended. Further, the following conditions as specified in Regulation 8A of the SEBI ICDR Regulations will have to be complied with:

(a) In the event the Equity Shares offered for sale held by you, individually or with persons acting in concert, are more than twenty per cent of pre-issue shareholding of the Company based, on a fully diluted basis, the portion of offered shares shall not exceed more than fifty per cent of your pre-issue shareholding of the Company, on a fully diluted basis;

(b) In the event the Equity Shares offered for sale held by you, individually or with persons acting in concert, are less than twenty per cent of pre-issue shareholding of the issuer based on fully diluted basis, the portion of offered shares shall not exceed more than ten per cent of pre-issue shareholding of the Company, on a fully diluted basis;

Provided that for shareholder(s) holding, individually or with persons acting in concert, more than twenty per cent of pre-issue shareholding of the Company, on a fully diluted basis, provisions of lock-in as specified under Regulation 17 of the SEBI ICDR Regulations shall be applicable, and relaxation from lock-in as provided under Regulation 17(c) of the SEBI ICDR Regulations shall not be applicable.

(iii) *Additional considerations:*

a) Should you choose to participate in the OFS, you will be required to share expenses for the Proposed IPO on a pro rata basis for your respective portion of the Offer for Sale, in accordance with applicable law and such expenses shall be deducted from the proceeds of the Offer to be disbursed to Selling Shareholders and the Company;

b) Further, as a Selling Shareholder, you will also be liable under Companies Act and other applicable law for disclosures made in the Offer Documents with respect to yourself or your Offered Shares;

c) As a Selling Shareholder, you will also be required to enter into agreements including the offer agreement, registrar agreement, syndicate agreement, share escrow agreement, cash escrow agreement and underwriting agreement (either directly or pursuant to a power of attorney) with BRLMs and other intermediaries where you will have to provide customary representations, warranties and indemnities, in accordance with applicable law.

d) Further, if you choose to participate in the OFS, you will also be required to furnish a certificate to the BRLMs containing certain confirmations and undertakings in relation to yourself and your Offered Shares, and as part of such documentation you will be required to give customary representations, warranties and confirmations including,

- on your eligibility to participate in the Proposed IPO as mentioned in (ii) above;

- that you have not been declared as a wilful defaulter or a fraudulent borrower by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters or fraudulent borrowers issued by the Reserve Bank of India; and

- that you have not been declared as a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018, as amended.

We would advise you to seek your own legal and tax advice to make a decision to participate as a Selling Shareholder in the Proposed IPO and neither the Company nor the BRLMs will be responsible for your decision.

Additionally, you should not be required to seek any approval from any regulatory or statutory authority to sell the Offered Shares in the Offer for Sale. However, if any approval from any third parties is required to be obtained, it shall be obtained by you and a copy thereof shall be sent to the Company by e-mail, speed post or courier and the Company or the BRLMs will not be liable for delays in receipt of such approvals whether for postal delays or any other reasons.

The Equity Shares shall be sold in the Offer at the Offer price to be determined through the book building process prescribed under the SEBI ICDR Regulations and as shall be duly specified in the Prospectus. Your Offered Shares will be deposited in an escrow account, prior to the filing of the DRHP or RHP, as maybe advised by the Company, in consultation with the BRLMs, until the completion of the Proposed IPO or withdrawal thereof. If you are a non-resident Selling Shareholder, there may be additional approval requirements pursuant to applicable foreign exchange regulations for the deposit of Equity Shares in an escrow account. Once the Equity Shares offered by you are deposited in an escrow account for the Proposed IPO, you will be unable to sell those shares or create any lien, pledge or any other encumbrance, as long as such shares are held in the escrow account.

Please note that the Equity Shares offered by you are required to be held in dematerialized form prior to the date to be specified for the deposit of such shares in an escrow account and continue to be held in dematerialized form till the date of allotment and transfer in the Proposed IPO. Further, there is no assurance that the Equity Shares offered by you will be sold in the Proposed IPO and accordingly, any of your Offered Shares which remain unsold in the Offer, will be credited back into your demat account, in accordance with the relevant agreement and applicable law.

You will be required to appoint a legal counsel and such legal counsel will provide customary opinions to the BRLMs.

(iv) *Decision making*: The Board or any committee duly constituted by the Board is typically entitled to take all decisions in relation to the Proposed IPO in accordance with the Articles of Association and the shareholders' agreements of the Company, the Companies Act, the SEBI ICDR Regulations and other applicable laws. The Company reserves the right, at its sole discretion, to modify or vary the terms and conditions of the participation of such Shareholder in the Offer for Sale, including where any relevant approvals are not obtained in a timely manner or at all. The Offer size, including the Offer for Sale and the respective allocation of the Offer for Sale portion amongst the Selling Shareholders, and other terms of the Offer will be finalised before the filing of the DRHP, to the extent required, by the Board of Directors or any committee thereof, in consultation with the BRLMs. Please note that between the DRHP and RHP, any change in OFS size will only be permitted with the consent of the Company. The Company shall take various decisions and actions in relation to the Offer in its sole discretion, in consultation with certain or all of the Selling Shareholders and BRLMs, including the timing and the steps required to be undertaken as part of the Offer, appointment of various intermediaries, finalisation of the price band for the Offer, the Offer price, allocation and allotment of the Equity Shares, or withdrawal of the Offer, each in accordance with the SEBI ICDR Regulations, other applicable laws and the agreement(s) executed between the Company, the BRLMs, Offer Documents and transaction agreement(s) entered into for purposes of the Offer ("**Transaction Agreements**"). You may, in your sole discretion, participate in the Offer by offering either all or a part of the Equity Shares held by you (which are eligible to be offered in the Offer) in the Offer for Sale, subject to applicable law. However, please note that the size of the Offer for Sale component is subject to final approval of the Board. We wish to inform you that the Offer for Sale component has to be finalised before filing the DRHP with SEBI. The price band for the Offer will be determined at a later stage prior to the Offer opening for subscription (there will be a public advertisement at least 2 (two) working days prior to issue opening giving such price band), in accordance with the SEBI ICDR Regulations, at which point the Selling Shareholders will be aware of such price band.

In the event you are interested in participating in the Proposed IPO, please indicate your intention to participate, along with your name, address, number of Equity Shares held as on date, DP/Client ID, PAN No., telephone number and email ID, through an e-mail addressed to Mr. Shivendra Suman , Head – Compliance & Company Secretary, at investors@herofincorp.com on or before 6.00 p.m. on June 13, 2024 and in the form annexed as **Annexure A** of this E-mail/letter.

In case you need any further clarification / assistance in relation to your participation in the Offer, you may contact the following:

Mr. Shivendra Suman,
Head – Compliance & Company Secretary,
34, Community Centre, Basant Lok, Vasant Vihar, New Delhi – 110057
Phone No.: 011-49487150
Email Id: investors@herofincorp.com

Please note that in the case of any joint ownership over Equity Shares that are proposed to be sold in the Offer for Sale, the consent of all joint owners is required for participation in the IPO.

A detailed docket of the applicable conditions, requirements and activities to be undertaken by a Selling Shareholder offering their shares in the Proposed IPO will be shared separately, at the appropriate stage, with the shareholders who express their intention to participate. Please also note that if you become a Selling Shareholder in the Offer, you shall not be able to submit bid applications in the Proposed IPO as an investor.

In the event the Company does not receive an intimation from you within the above timeline, it shall be presumed that you are not interested in participating in the Proposed IPO.

Further, if the Equity Shares held by you are in physical form, you are requested to initiate the process of converting such Equity Shares into dematerialized form immediately. In the event that the Equity Shares held by you are in physical form and are not dematerialized prior to the date to be specified for the deposit of such shares in an escrow account, then the said Equity Shares will not be allowed to be tendered in the IPO.

***Obligations as a shareholder of the Company in relation to the Proposed IPO***

Please note that, irrespective of your eligibility to participate in the OFS, or participation in the OFS, you will, as a shareholder of the Company, be subject to the following:

(i) *Lock-in:* All Pre-IPO Equity Shares held by you will be locked-in for a period of six months from the date of allotment or such other minimum lock-in period (subject to certain conditions and exceptions, including an exemption for lock-in of shares allotted to the employees of the Company under an employee stock option plan, whether or not they are current employees of the Company) in accordance with applicable regulations under the SEBI ICDR Regulations. However, in the event of an Offer for Sale, any Equity Shares sold in the Proposed IPO as part of such Offer for Sale will not be subject to lock-in;

(ii) *Publicity restrictions:* You will be required to comply with the publicity restrictions applicable to public offerings. A copy of the publicity memorandum setting out such restrictions is attached hereto annexed as **Annexure B**.

Please note that the Company is in the process of determining its status under The Investment Company Act of 1940 ("**40 Act**"). Once the Company completes its analysis, and if necessary, it may reach out to you to update a questionnaire related to the 40 Act.

The Company also reserves the right to settle all questions, difficulties or doubts that may arise in regard to the Proposed IPO process generally and the Offer for Sale process specifically, and to take all incidental and ancillary steps in this connection. Further, the Company may reserve the right to not proceed with the Proposed IPO for any reason whatsoever.

Please also note that the Company may continue to engage with you on various other aspects related to the Proposed IPO, including amendment(s) to the existing shareholders agreements and to the Articles of Association, and other actions as may be required.

This e-mail/letter does not create any obligation on: (a) the Company to undertake the Proposed IPO within any specific time period, or at all, or (b) the promoter(s) of the Company or any other Shareholders to participate in the Offer for Sale.

If you choose to participate in the Offer for Sale, you will be subject to all statutory liabilities that Shareholders in transactions of such nature may be subject to in accordance with applicable law.

Further, please note that this E-mail/letter is being dispatched to only those Shareholders whose names appear in the register of members/register of beneficial owners of the Company, as on May 24, 2024.

Please consider this communication in its entirety, including the Proposed IPO, strictly confidential and do not disclose these contents to any third parties. Please note that as a shareholder, you are requested to take note of the above and act accordingly.

Yours faithfully,

For and on behalf of **Hero FinCorp Limited**

Mr. Shivendra Suman
Head – Compliance & Company Secretary

**KINDLY NOTE THAT THE PROPOSED IPO WILL BE UNDERTAKEN BY THE COMPANY AND THE SELLING SHAREHOLDERS SUBJECT TO MARKET CONDITIONS, OTHER COMMERCIAL CONSIDERATIONS AND RECEIPT OF REGULATORY AND OTHER APPROVALS, INCLUDING OBSERVATIONS FROM SEBI. ACCORDINGLY, IT CANNOT BE GUARANTEED BY THE COMPANY THAT THE PROPOSED IPO WILL HAPPEN/ TAKE PLACE IN A TIMELY MANNER OR AT ALL.**

THIS COMMUNICATION IS PREPARED BY THE COMPANY FOR THE EXCLUSIVE USE OF THE ADDRESSEE, AND MAY NOT BE DISTRIBUTED OR USED WITHOUT THE EXPRESS CONSENT OF THE COMPANY FOR ANY PURPOSE OTHER THAN AS DISCLOSED ABOVE. THIS COMMUNICATION MAY NOT BE COPIED, DISTRIBUTED, REPRODUCED OR PASSED ON, DIRECTLY OR INDIRECTLY, IN WHOLE OR IN PART, OR DISCLOSED BY OR PUBLISHED IN WHOLE OR IN PART, FOR ANY PURPOSE OR UNDER ANY CIRCUMSTANCES. IF YOU HAVE RECEIVED THIS COMMUNICATION INADVERTENTLY, PLEASE CONTACT THE SENDER IMMEDIATELY AND DELETE OR DESTROY THIS COMMUNICATION, WHETHER IN ELECTRONIC OR HARD COPY. THIS COMMUNICATION IS FOR INFORMATION PURPOSES ONLY. THIS COMMUNICATION IS NOT INTENDED TO BE A PROSPECTUS OR AN OFFER DOCUMENT UNDER THE APPLICABLE LAWS OF ANY JURISDICTION, INCLUDING INDIA.

RECIPIENTS OF THE COMMUNICATION RESIDENT IN JURISDICTIONS OUTSIDE INDIA SHOULD INFORM THEMSELVES OF AND COMPLY WITH ALL APPLICABLE LEGAL REQUIREMENTS.

NEITHER THIS COMMUNICATION NOR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THIS COMMUNICATION SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE COMPANY OR THE BRLMS, OR ANY OF THEIR AFFILIATES, TO ANY OF THE SELLING SHAREHOLDERS TO OFFER THEIR EQUITY SHARES IN THE OFFER FOR SALE. YOUR PARTICIPATION IN THE OFFER DOES NOT CREATE ANY OBLIGATION ON THE COMPANY OR THE BRLMS TO PURCHASE ANY EQUITY SHARES.

THE SELLING SHAREHOLDERS MUST RELY ON THEIR OWN TAX, FINANCIAL AND LEGAL ADVISORS, IN RELATION TO THEIR PARTICIPATION IN THE OFFER. THE COMPANY, BRLMS AND THEIR RESPECTIVE, AFFILIATES, LEGAL COUNSEL AND OTHER PROFESSIONAL ADVISORS SHALL NOT BE RESPONSIBLE OR LIABLE TO THE SELLING SHAREHOLDERS OR TO ANY OTHER PERSONS IN RELATION TO THE OFFER FOR SALE, INCLUDING IN RELATION TO ANY BAD FAITH, NEGLIGENCE, FRAUD, DEFAULT OR MISCONDUCT BY ANY SELLING SHAREHOLDERS

NO COMMUNICATION AND NO INFORMATION IN RESPECT OF THIS TRANSACTION MAY BE DISTRIBUTED TO THE PUBLIC IN ANY JURISDICTION WHERE A REGISTRATION OR APPROVAL IS REQUIRED. NO STEPS HAVE BEEN OR WILL BE TAKEN IN ANY JURISDICTION WHERE SUCH STEPS WOULD BE REQUIRED (OTHER THAN INDIA). THE ISSUE, SUBSCRIPTION FOR OR PURCHASE OF EQUITY SHARES MAY BE SUBJECT TO SPECIFIC LEGAL OR REGULATORY RESTRICTIONS IN CERTAIN JURISDICTIONS. HERO FINCORP LIMITED ASSUMES NO RESPONSIBILITY FOR ANY VIOLATION OF ANY SUCH RESTRICTIONS BY ANY PERSON.

THIS COMMUNICATION DOES NOT CONSTITUTE OR FORM A PART OF ANY OFFER OR INVITATION OR SOLICITATION TO PURCHASE OR SUBSCRIBE FOR SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE DISTRIBUTION OF THIS COMMUNICATION IN CERTAIN COUNTRIES MAY CONSTITUTE A BREACH OF APPLICABLE LAW. THIS COMMUNICATION MAY NOT BE PUBLISHED, FORWARDED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OR IN ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE EQUITY SHARES OFFERED IN THE OFFER HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") OR ANY OTHER APPLICABLE LAW OF THE UNITED STATES AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE EQUITY SHARES ARE BEING OFFERED AND SOLD (A) WITHIN THE UNITED STATES ONLY TO PERSONS REASONABLY BELIEVED TO BE "QUALIFIED INSTITUTIONAL BUYERS" ("**U.S. QIBS**") (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) IN TRANSACTIONS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, AND (B) OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS AS DEFINED IN AND IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT AND THE APPLICABLE LAWS OF THE JURISDICTION WHERE THOSE OFFERS AND SALES OCCUR.

THE EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED, LISTED OR OTHERWISE QUALIFIED IN ANY OTHER JURISDICTION OUTSIDE INDIA AND MAY NOT BE OFFERED OR SOLD, AND BIDS MAY NOT BE MADE BY PERSONS IN ANY SUCH JURISDICTION EXCEPT IN COMPLIANCE WITH THE APPLICABLE LAWS OF SUCH JURISDICTION.

**ANNEXURE A**

To,

Hero FinCorp Limited

Dear Madam/ Sir,

**Subject: Proposed initial public offering of the equity shares (the "Equity Shares") of Hero FinCorp Limited (the "Company")**

This is in relation to your E-mail/letter dated May 29, 2024 ("**Letter**") in relation to the Proposed IPO. We/I would like to inform you that we/I are/am interested in participating in the Offer for Sale, in the event undertaken by the Company. We/I hereby acknowledge the contents of, and accept all terms and conditions set out in, the Letter. We/I hereby confirm compliance with the eligibility conditions prescribed under applicable law and referred to in the Letter. Kindly send us/me the detailed set of instructions and documents as indicated in your Letter so that we/I can take appropriate steps to participate in the Offer for Sale. Further, please see below my details, as required:

- Name: [●]
- Address: [●]
- DP/ Client ID: [●]
- PAN: [●]
- Telephone No.: [●]
- Email ID: [●]
- Number of Equity Shares held as on date: [●]
- Number of convertible securities held as on date*: [●]
- Number of Equity Shares proposed to be sold as part of the Offer*: [●]

* *Depending upon the final conversion price determined in accordance with the relevant agreement on or around the updated draft red herring prospectus, if there is any change in the number of resultant Equity Shares allotted to shareholders holding convertible securities, these shareholders may be permitted to change the number of Equity Shares proposed to be sold as part of the Offer, subject to applicable law and approval of the Company.*

Capitalised terms not specifically defined in this letter shall have the same meanings ascribed to such terms in the Letter. This letter may be shared by the Company with, and relied upon, by any representatives and professional advisors of the Company, as well as any regulatory or statutory authority as required under applicable law.

Signature: ________________________

Name: [●]

Date: [●]

## ANNEXURE- B

### Publicity Guidelines

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