Tip Sons

October 12, 2018

The Board of Directors
Arman Financial Services Pvt. Ltd.
502-503, Sakar-III, Opposite Old High Court,
Off: Ashram Road,
Ahmedabad – 380014, Gujarat, India

Dear Sir / Madam,

Subject: Fairness Opinion on the Fair Share Exchange Ratio Report for the proposed Scheme of Arrangement of Arman Financial Services Ltd. ("Company" / "AFSL") under Sections 230 read with Section 66 of the Companies Act, 2013

We refer to the engagement letter dated September 1, 2018 between Arman Financial Services Ltd. (AFSL) and Tipsons Consultancy Services Private Limited (hereinafter referred to as "Tipsons`), whereby TCSPL has proposed and AFSL has accepted the terms of services to be provided by TCSPL to AFSL in relation to issue of Fairness Opinion Report for the proposed Scheme of Arrangement under Section 230 read with Section 66 of the Companies Act, 2013 for reorganization of the Company's Equity Share Capital by consolidation of equity shares of different classes i.e. Ordinary Equity and Class 'A' Equity.

1. BACKGROUND OF THE COMPANY

Arman Financial Services Limited

Arman Financial Services Ltd. (hereinafter referred to as "AFSL" or "Company"), was incorporated under the Companies Act, 1956 on 26th November, 1992. The Corporate Identification Number of the Company ("CIN") is L55910GJ1992PLC018623. The Registered Office of the Company is situated at 502-503, Sakar-III, Opposite Old High Court,
Off: Ashram Road, Ahmedabad – 380014, Gujarat. The Company's shares are listed on the BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"). The Company is RBI registered NBFC and is into providing finance mainly two-wheeler finance, micro-enterprise loans and group based microfinance.

The Equity Share Capital of the Company is divided into two parts: 57,47,824 Ordinary Equity and 12,04,474 Class 'A' Equity. As on September 30, 2018, 27.13% of Ordinary Equity of the Company and 100% of Class 'A' Equity of the Company were held by the Promoter and Promoter Group of the Company. The Ordinary Equity of the Company are listed on BSE and NSE. The Class 'A' Equity are not listed. The Company proposes to consolidate its Equity Share Capital.

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2. SCOPE AND PURPOSE OF THIS REPORT

- We understand that AFSL proposes for a Scheme of Arrangement pursuant to Sections 230, Section 66 and other relevant provisions of the Companies Act, 2013, as may be applicable, for reorganization of the Company's Equity Share Capital by consolidation of equity shares of different classes i.e. Ordinary Equity and Class 'A' Equity, by issuing fresh Ordinary Equity of the Company to the Shareholders holding 100% Class 'A' Equity in lieu of extinguishment of Class 'A' Equity. Such reduction of Class 'A' Equity Capital of the Company shall be in accordance with Section 230 read with Section 66 of the Companies Act. Such reduction shall take place at a discount of 35% on the valuation of Ordinary Equity, undertaken by an independent valuer.

- In this connection, the management of AFSL has engaged Tipsons to submit an opinion on the fairness of Share Exchange Ratio for issue of new Ordinary Equity in lieu of Class 'A' Equity of AFSPL, as per requirements of Securities and Exchange Board of India Circular No. CIR / CFD / DIL / 5 / 2013 dated February 04, 2013 read with Circular No. CIR / CFD / DIL / 8 / 2013 dated May 21, 2013 and Regulation 37 of SEBI (Listing Obligation & Disclosure Requirements) Regulations, 2014. Our scope of work includes commenting only on the fairness of Share Exchange ratio reported by the Independent Valuer.

- This report is subject to the above, limitations and disclaimers detailed hereinafter. As such the report is to be read in totality, not in parts and in conjunction with the relevant documents referred to herein. This report has been issued only for the purpose of facilitating the Scheme of Arrangement and should not be used for any other purpose.

3. SOURCE OF INFORMATION

While carrying out the assignment, we have considered the followings, as provided to us by AFSL;

- Draft Scheme of Arrangement
- Valuation Report issued by M/s S V Pujara & Co., Chartered Accountants, Ahmedabad
- Other relevant information, documents etc.

4. RATIONALE & BENEFITS OF THE SCHEME

- Class 'A' Equity is unlisted and is therefore not liquid. Due to this non-liquidity of Class 'A' Equity, the market capitalization of the Company is being calculated without taking into consideration a substantial portion of the Equity Share Capital, which is blocked in the form of Class 'A' Equity. Since the Class 'A' Equity is not listed, therefore its value is overlooked by the stock exchanges while calculating the market value of the Company, thereby reducing the Company's market capitalization value. The Company has, therefore, not been able to scale its business and unleash its full potential for growth and profitability. The true financial position of the Company would assist the Company to expand and grow its business activity and will provide a new avenue of growth. This, in turn, will enhance the value of its shareholders.

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- Due to absence of appropriate laws and guidelines for treatment of unlisted portion of the equity share capital (with differential rights), neither the stock exchanges, nor the potential investors take into account the value of Class 'A' Equity while determining the market valuation of the Company. Usually, a conservative view is taken and the value of the Company is determined by only considering the Ordinary Equity. If this Scheme is approved, the true financial position of the Company would be reflected which would benefit the shareholders, as their holding will yield better results.

- On implementation of the proposed Scheme, the dividend rights of the holders of the Ordinary Equity will increase, which will also increase the value of their shareholding and enable the Company to explore various opportunities to the benefit of the shareholders, as per the applicable provisions of the Act. Additionally, the surplus amount left after implementation of the Scheme will be credited to the Securities Premium of the Company, increasing its reserves and surplus. Consolidation of equity share capital of the Company pursuant to the proposed scheme will also increase the book value of the Equity Share Capital of the Company.

- The Scheme does not involve any financial outlay / outgo and therefore, would not affect the ability or liquidity of the Company to meet its obligations / commitments in the normal course of business. Post implementation of this Scheme, a fair value of the Company's Equity Shares will be ascertained and the Company's true financial position would be determined. Further, the Scheme would not in any way adversely affect the ordinary operations of the Company.

- There is no outflow of / payout of funds from the Company, under this Scheme and hence the interests of the creditors will not be adversely affected. Also, the Scheme will not have any impact on the employees / workers of the Company.

- The Scheme only involves consolidation of Ordinary Equity and Class 'A' Equity and issuance of fresh Ordinary Equity to the Specified Shareholder of Class 'A' Equity, and does not envisage transfer or vesting of any of the properties and/or liabilities of the Company to any person or entity. The Scheme also does not involve any conveyance or transfer of any property of the Company.

5. LIMITATIONS OF SCOPE AND REVIEW

- Our opinion and analysis is limited to the extent of review of documents as provided to us by AFSL and the Scheme of Arrangement approved by the Board of Directors of AFSL.

- We have relied upon the accuracy and completeness of all information and documents provided to us, without carrying out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We have not reviewed any financial forecasts relating to AFSL. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of AFSL. In particular, we do not express any opinion as to the value of any asset of AFSL, its subsidiaries, whether at current prices or in the future.

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- We do not express any opinion as to the price at which shares of AFSL may trade at any time, including subsequent to the date of this opinion. In rendering our opinion, we have assumed, that the Scheme of Arrangement will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary regulatory or third party approvals for the Scheme of Arrangement, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on AFSL and its subsidiaries and respective shareholders.

- We do not express any opinion as to any tax or other consequences that might arise from the Scheme of Arrangement of AFSL, nor does our opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the Company has obtained such advice as it deemed necessary from qualified professionals.

- We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof. Our opinion is specific as contemplated in the Scheme of Arrangement provided to us and is not valid for any other purpose.

- Our engagement and the opinion expressed herein are for the use of the Board of Directors of AFSL in connection with the Scheme of Arrangement and for none other. Neither Tipsons, nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the information and documents provided to us, based on which the opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.

- 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 Scheme of Arrangement, if required or any matter related thereto.

6. FAIR EXCHANGE RATIO REPORT

For issuing this report, we have referred the Valuation/Fair Share Exchange Ratio Report issued by M/s S V Pujara & Co., Chartered Accountants, Ahmedabad. The Valuer has considered the Market Approach and has ignored the Cost Approach and Income Approach for valuation of Ordinary Shares of AFSL.

Under the Market Approach, the Valuer has considered the Market Price Method considering pricing norms as per Regulation 164 of SEBI (ICDR) Regulations, 2018, assuming that by the time actual valuation as per the Regulation 164 shall be worked out, the SEBI (ICDR) Regulations 2018 would be in place.

AFSL being a listed company and the issue of new Ordinary shares will be issued to specific shareholder of Class 'A' Equity, therefore the Ordinary shares of AFSL shall be valued as per the pricing norms prescribed under Regulation 164 of SEBI (ICDR) Regulations, 2018, being higher of the followings;

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"(a) The average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twenty-six weeks preceding the relevant date; or

(b) The average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date."

The relevant date shall be the date 30 days prior to the date on which the meeting of the Shareholders will be held to consider the proposed scheme.

The valuation of DVR (i.e. Class A Equity Shares) of AFSL is derived after giving 35% discount to the Market Price of Ordinary Equity of AFSL. The discount of 35% is given due to lack of marketability (DVR being Unlisted) and Discount for lack of Voting Rights (i.e. control).

Further, for arriving at the discount of 35%, the Valuer has considered few companies namely Tata Motors, Future Enterprise, and Jain Irrigation, wherein their DVR shares are also listed along with the Ordinary shares. The market prices of DVRs are generally less than their Ordinary Share prices. The Valuer has considered the mean average for the yearly difference in prices of DVRs from Ordinary Shares for the year from 2011 to 2018 for such companies. The different weights are assigned to different companies and the weighted average of price difference (i.e. Discount) is arrived to be at 35.61% which is rounded-off to say 35%.

The Valuer has accordingly assigned 35% discount to the relevant value of Ordinary Equity of AFSL to be the value of DVR of AFSL, valued as per the pricing norms prescribed under Regulation 76 of the SEBI (ICDR) Regulations.

Therefore, the Valuer has given exchange ratio as 65 Ordinary Shares of Rs. 10/- each against every 100 DVR shares.

7. OPINION

On the basis of our Scope and Limitations mentioned in this report and considering the Fair Share Exchange Ratio Report, the Exchange ratio of 65 Ordinary Shares of Rs. 10/- each against every 100 DVR shares of AFSL, in our opinion is fair.

For, Tipsons Consultancy Services Pvt. Ltd.

Akothari

Avinash Kothari
Sr. Vice President

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