

November 15, 2022

MCAPL: MUM: 2022-23: 0131

To,
Purple Finance Limited
Room No. 11, 1st Floor,
Indu Chamber, 349/353,
Samuel Street,
Vadgadi, Masjid Bunder (West),
Mumbai- 400 003

Sub: Fairness Opinion Certificate on the Valuation of Shares in the matter of proposed Scheme of Merger by Absorption ("Scheme") of Canopy Finance Limited ("Transferor Company"/" ("FL") with Purple Finance Limited ("Transferee Company"/" ("PFL") and their respective shareholders and creditors under Section 230 to 232 and other applicable provisions of the Companies Act, 2013.

Dear Sir/Madam,

The Board of Directors of Purple Finance Limited ("Transferee Company" / "PFL") has appointed us for handling certain matters including issuance of Fairness Opinion Certificate on the Share Exchange Ratio recommended by Mr. Bhavesh M Rathod, Registered Valuer having IBBI Registration Number IBBI/RV/06/2019/10708 (hereinafter referred to as "the Valuer") for the proposed Scheme of Merger by Absorption ("Scheme") of Canopy Finance Limited ("Transferor Company"/ "CFL") with Purple Finance Limited ("Transferee Company"/ "PFL") ("the Proposed Transaction").

## 1. BACKGROUND:

- 1.1 The Board of Directors of both the Companies have considered proposal for Merger by Absorption of CFL with PFL and as a consideration for the Proposed Transaction, equity shareholders of CFL will be issued equity shares of PFL.
- 1.2 In this regard, Mr. Bhavesh M Rathod Registered Valuer having IBBI Registration Number IBBI/RV/06/2019/10708 was appointed to carry out the valuation with a view to recommend an exchange ratio of shares in the event of above-mentioned Merger by Absorption.
- 1.3 We have been appointed by the Board of Directors of Purple Finance Limited ("Transferee Company" / "PFL") to give Fairness Opinion on the Share Exchange Ratio recommended by the Valuer.
- 1.4 The Appointed Date of the Scheme is 1<sup>st</sup> October, 2022 and Effective date is the last of the dates on which the certified copies of the Order(s) of the Adjudicating Body, are filed with the Registrar of Companies, Mumbai by the Transferor and Transferee Company.
- Our scope of work includes commenting only on the fairness of the Share Exchange Ratio recommended by the Valuers from financial point of view and not on the fairness or economic rationale of the Proposed Transaction per se. This opinion does not address any other aspects or implications related to the Proposed Transaction or any other transactions and also does not address the relative merits of the Merger by Absorption as compared to alternative transactions or strategies that might be available.
- 1.6 The information contained herein and our certificate is confidential. It is intended only for the sole use of captioned purpose including for the purpose of obtaining requisite approvals as per SEBI (LODR) Regulations, 2015 and Companies Act, 2013.

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CIN No : U67190MH2008PTC181996 GSTIN/UIN : 27AAFCM5379J1ZY



## 2. COMPANY PROFILE:

2.1 Canopy Finance Limited ("CFL"), the Transferor Company having CIN: L65910MH1981PLC380399 having its registered office at 301, Corporate Arena Off, Aarey Piramal X Road, 3rd Floor, Behind Mahindra Gardens, Goregaon West, Mumbai - 400 062. The Equity Shares of the Company are listed on BSE Limited ("BSE") and The Calcutta Stock Exchange Limited ("CSE").

CFL is a Non-Banking Financial Company registered with Reserve Bank of India having Registration Number N-13.02430 and is inter-alia engaged in the business of lending money or financing Industrial Enterprises by way of making loans and advances or by subscribing to their Capital Structure.

Purple Finance Limited ("PFL"), the Transferee Company having CIN: U67120MH1993PLC075037 is 2.2 having its registered office at Room No. 11, 1st Floor, Indu Chamber, 349/353, Samuel Street, Vadgadi, Masjid Bunder (West), Mumbai- 400 003. The Equity Shares of PFL are not listed on any Stock

PFL a Non-Banking Financial Company registered with Reserve Bank of India having Registration Number 13.01268 dated July 20, 1999 and is inter-alia currently engaged in the business of offering small secured business loans across India predominantly in tier III & tier IV cities.

## 3. SOURCE OF INFORMATION

For the purpose of the valuation, we have relied upon the following source of information provided by the

- Memorandum and Articles of Association; (i)
- Audited Financial Statements of half year ended September 30, 2022 along with Independent (ii) Auditor's Report and Audited Financial Statements for the year ended March 31, 2022, March 31, 2021 and March 31, 2020 of the Transferor Company;
- Audited Financial Statements of half year ended September 30, 2022 along with Independent Auditor's Report and Audited Financial Statements for the year ended March 31, 2022, March 31, 2021 and March 31, 2020 of the Transferee Company;
- Copy of Valuation Report dated November 14, 2022 issued by Mr. Bhavesh M Rathod Registered (iv) Valuer, having IBBI Registration Number IBBI/RV/06/2019/10708 Registered Valuer having IBBI
- Draft Scheme of Arrangement; and
- Brief overview and the operations of the companies.
- (vii) Discussion with the Valuer

## 4. PROCEDURES PERFORMED:

For arriving at the fairness opinion, we have performed the following procedures:

- Analysis of the audited financial statements of the Specified Companies for the year ending March 31, 2020 to March 31, 2022 and Audited Financial Statements of half year ended September 30, 2022;
- Considered Report of the Valuer for recommendation of the Share Exchange Ratio; Considered Draft Scheme;
- Considered Equity share capital of the Specified Companies as at the Report date;

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- Discussions with the Valuers regarding the valuation approach and methodology adopted, key
- Performed such other analyses and considered such other information and factors that we deemed

# 5. EXCLUSIONS AND LIMITATIONS

- 3.1 Conclusions reached by us are dependent on the information provided to us being complete & 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 did not involve us 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. 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 the date of our certificate.
- 3.2 This certificate is prepared with a limited purpose/scope as identified/stated earlier and will be confidential being for use only to whom it is issued. It must not be copied, disclosed or circulated in any correspondence or discussions with any person, except to whom it is issued and to those who are involved in this transaction

# 6. VALUATION METHODOLOGY ADOPTED BY THE VALUER

In arriving at the relative value of the equity shares for the companies in the Merger by Absorption 4.1 ("Scheme") of Canopy Finance Limited ("Transferor Company"/ "CFL") with Purple Finance Limited ("Transferee Company" / "PFL") and their respective shareholders and creditors the Valuer have determined the values independently and has considered the methods relevant and applicable as mentioned

## **Canopy Finance Limited**

Asset Approach: The Asset Approach is not adopted as this methodology will not capture

Income Approach: Canopy Finance Limited is a listed company and since the information related to future financial projections of the Company is price sensitive in nature, we were not provided with the financial projections of these Companies by the Management. We have therefore not used DCF method to determine the fair value of the equity shares of CFL.

o Market Approach: Canopy Finance Limited being a listed Company & frequently traded on BSE Limited, hence the valuer has considered valuation a per regulation 164 of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 to arrive at fair value of equity shares. **Purple Finance Limited** 

Asset Approach: The Asset Approach is not adopted by the Valuer as this methodology will not capture the future cash flow of the company.

Income Approach: Purple Finance Limited is a profit-making company and generates surplus cash. Going forward as well, PFL is expected to make profits and generate surplus cash in future. The Valuer has therefore used DCF method to determine the fair value of the equity shares of PFL. The valuation is done by a IBBI Registered Valuer.

Market Approach: The company is not Listed on any Stock exchange in India, hence this

- 4.2 Accordingly, for the purpose of working out of share exchange swap ratio for merger: 4.2.1
- The Fair Valuation of shares of the Transferor Company i.e. CFL determined on the basis of the abovementioned methods has arrived at Rs. 35.73/- per equity share.

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4.2.2 The Fair Valuation of shares of the Transferee Company i.e. PFL determined on the basis of above mentioned methods has arrived at Rs. 36.14/- per equity share.

### 7. CONCLUSION

We have reviewed the methodology as mentioned above adopted by the Valuer for arriving at the fair valuation of the equity shares of Companies and also reviewed the working and underlining assumptions adopted to arrive at the values under each of the above approaches, for the purposes of recommending a ratio of entitlement/ exchange.

On the basis of the foregoing points, we are of the opinion that the valuation done by Mr. Bhavesh M Rathod Registered Valuer, having IBBI Registration Number IBBI/RV/06/2019/10708 is fair & reasonable for the proposed share exchange ratio (Rounded Off) of 1 (one) equity shares of Face Value of ₹10/- each of PFL for every 1 equity shares of Face Value of ₹10/- each held in CFL.

Thanking you,

For Mark Corporate Advisors Private Limited

Rajendra Kanoongo Jt. Managing Director

Place: Mumbai