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Fairness Opinion

On

Scheme of Amalgamation of

Networth Insurance Broking Pvt. Ltd.,

Networth Softtech Ltd.,

Networth Wealth Solutions Ltd.,

Monarch Networth Comtrade Ltd.

(Transferor Companies)

With

Monarch Netwrorth Capital Limited

(Transferee Company)

And Their Respective Shareholders

(UNDER SECTION 230 to 232 OF COMPANIES ACT, 2013)

Prepared by:
ARIHANT Capital Markets Limited
Merchant Banking Division
Mumbai

February 12, 2018

The information contained herein is of a confidential nature and is intended for the exclusive use of the persons for whom it was prepared.

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1. Background

Monarch Networth Capital Limited ("MNCL" or "Transferee Company") is a company incorporated under the Companies Act, 1956 ("Companies Act" or "the Act") having its registered office at 901/902, 9th Floor, Atlanta Centre, Opp. Udyog Bhavan, Sonawala Road, Goregaon (East), Mumbai-400063. As reported by the Company, the equity shares of MNCL are listed at BSE Limited (**"BSE"**).

The transferee company is an active trading member of BSE Limited ("BSE"), National Stock Exchange of India Limited ("NSEIL") and Metropolitan Stock Exchange of India Limited ("MSEI"). It also acts as Depository Participants of CDSL and NSDL and also registered with Securities and Exchange Board of India ("SEBI") as a Category I Merchant Banker and also as a Research Analyst.

Networth Insurance Broking Private Limited ("**NIBPL**" or "**Transferor Company 1**") is a company incorporated under the provisions of Companies Act, 1956 having its registered office at 901/902, 9th Floor, Atlanta Centre, Opp. Udyog Bhavan, Sonawala Road, Goregaon (East), Mumbai-400063.

NIBPL is an unlisted wholly owned subsidiary ('**WOS**') of MNCL

Networth Softtech Limited ("**NSL**" or "**Transferor Company 2**") is a company incorporated under the provisions of Companies Act, 1956 having its registered office at 901/902, 9th Floor, Atlanta Centre, Opp. Udyog Bhavan, Sonawala Road, Goregaon (East), Mumbai-400063.

The Transferee Company holds 20.91 % of Issued, Subscribed and Paid up Equity Share Capital of the Transferor Company 2 (unlisted).

Networth Wealth Solutions Limited ("**NWSL**" or "**Transferor Company 3**") is a company incorporated under the provisions of Companies Act, 1956 having its registered office at 901/902, 9th Floor, Atlanta Centre, Opp. Udyog Bhavan, Sonawala Road, Goregaon (East), Mumbai-400063.

NWSL is an unlisted wholly owned subsidiary ('**WOS**') of MNCL.

Monarch Networth Comtrade Limited ("**MNCTL**" or "**Transferor Company 4**") is a company incorporated under the provisions of Companies Act, 1956 having its registered office at 901/902, 9th Floor, Atlanta Centre, Opp. Udyog Bhavan, Sonawala Road, Goregaon (East), Mumbai-400063.

The Transferee Company holds 99.96 % of Issued, Subscribed and Paid up Equity Share Capital of the Transferor Company 4 (unlisted).

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Aforesaid Transferor Company 1 to 4 are collectively referred to as "Transferor Companies."

As stated in the Scheme of Arrangement provided by the Transferee Company and the representations provided by the respective companies, the Transferor Companies are engaged in the same line of business field of insurance, equity & commodity broking, financial planning & advice, on-line trading & demat account services, other capital & commodity market products etc, further NSL is engaged into software development & services.

In order to give effect to the desired objective of amalgamation, the directors of MNCL and Transferor Companies decided to merge Transferor Companies with MNCL through a scheme of amalgamation pursuant to Sections 230 to 232 of the Companies Act 2013. As enumerated in the draft scheme of amalgamation provided to us, MNCL is expecting following significant benefits through the scheme of amalgamation:

- *Financial strength and flexibility for the Transferee Company, which would result in maximizing overall shareholder value.*
- *Achieve greater efficiencies in operations with optimum utilization of resources, better administration and reduced cost.*
- *Cost savings are expected to flow from more focused operational efforts, rationalization, standardization and simplification of business processes, productivity improvements, and the elimination of duplication, and optimum rationalization of administrative expenses and utilization of human resources.*
- *Greater efficiency in cash management of the amalgamated entity and pooling of cash flow generated by the combined entities which can be deployed more efficiently to fund organic and inorganic growth opportunities, to maximize shareholder value*
- *Improved organizational capability and leadership arising from pooling of financial, managerial and technical resources.*
- *Effective Margin Management to the clients of the Transferor and the Transferee Company.*

Towards this purpose, the Board of Directors of MNCL have provided us with a certified copy of the proposed scheme of amalgamation between Transferor Companies and Transferee Company which is scheduled to be considered and approved at their board meeting to be held on February 14, 2018. The proposed scheme of amalgamation will also be placed at the meeting of the Board of Directors of the NIBPL, NSL and NWSL and MNCTL.

2. Reference & Context

As the equity shares of MNCL are listed on BSE it is bound by the listing agreement and the provisions thereof as amended from time to time.

We are a SEBI registered Category I merchant banker and are not associated with MNCL as merchant banker / consultant save for this fairness opinion and are not their associate.

We have applied ourselves towards formation and expression of the opinion on the valuation of assets done by the valuer Mr. Uday Pasad, Proprietor of M/s. Uday Pasad & Associates, Chartered Accountants, Membership no: 046581, having their office at 6, Savitri Smruti , Pandit Malviya Road, Dombivali (East) Mumbai-421201; (**"valuer"**) dated February 12, 2018 in relation to this proposed scheme of amalgamation.

This Fairness Opinion is issued pursuant to Engagement Letter dated February 5, 2018 setting put the terms of services between ARIHANT and MNCL.

3. Proposed Transaction

MNCL proposes to amalgamate its identified subsidiaries/associate companies with itself. The proposed structure is as per the draft scheme of amalgamation provided to us by MNCL.

As per the scheme, all the shares held by the Transferee Company in the Transferor Companies, shall be cancelled and against the remaining shares, equity shares, would be issued to the shareholders (other than shares held by the Transferee Company) of the Transferor Companies, in accordance with the share exchange ratio as certified by the Valuer. Transferee Company, without further application, act or deed, shall issue and allot to each of the shareholders of "Transferor Companies" (other than the shares already held therein immediately before the amalgamation by Transferee Company, its Nominee or Subsidiary Company)

4. Engagement

We, Arihant Capital Markets Ltd., have been appointed to issue a fairness opinion in terms of sub Para 8(b) of Para I(A) of Annexure I of the SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015, SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 and SEBI Circular no. CFD/DIL3/CIR/2017/26 dated March 23, 2017, read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 on valuation of assets done by an independent valuer for the Transferor Company and Transferee Company pursuant to proposed scheme of amalgamation.

SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 provides that provisions of chapter VII of SEBI (ICDR) Regulations 2009 shall be followed in case of issuance of shares to a select group of shareholders or shareholders of unlisted companies pursuant to scheme of arrangement. SEBI Circular no. CFD/DIL3/CIR/2017/26 dated March 23, 2017 specifies the "relevant date" for the

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purpose of computing pricing shall be the date of Board meeting in which the draft Scheme is approved.

This Fairness Opinion is expressed solely with reference to requirements under aforementioned purpose; and scope of this assignment is restricted to opine about fairness of valuation already done by the valuer in relation to the proposed amalgamation transaction.

This opinion does not in any way constitute a recommendation by ARIHANT to any Shareholder as to whether such shareholder should approve or reject the proposed transaction, in cases where voting by public shareholders is warranted. We urge you to read this Fairness Opinion carefully and entirely.

We have been engaged by MNCL to issue a Fairness Opinion and will receive a fixed fee for rendering this Fairness Opinion, which is independent of the happening or otherwise of the proposed transaction.

This Fairness Opinion may be reproduced in the explanatory statement sent to the shareholders along with the notice of general meeting / postal ballot form, conducted to get approval for the proposed transaction, so long as the form of reproduction of the Fairness Opinion in such report and any description of or reference in such report to ARIHANT, is in a form acceptable to us.

The opinion is issued at the request of the Board of Directors of the Transferee Company who have engaged us and we owe the contractual responsibility to them and no body else. The opinion expressed in this report is non-binding and no claim of loss, damages, or liabilities arising out of acts of commission or omission done by third parties in relation to this transaction will lie against us.

There is no liability to any third party in relation to issuance of this Opinion and we shall not be answerable to any such third party. The Opinion when submitted to the Company will come under the ownership of the Company and the Company can use it only for the purposes for which it is issued. The permitted usage and sharing including the manner and mode of sharing of this Opinion will be strictly as permitted by the governing regulatory requirement. No selective sharing of this Opinion to any interested party whether or not a shareholder will be permitted unless an express regulatory order in this behalf is furnished.

The Company has agreed to furnish a certified copy of the Board approved scheme of amalgamation and also notify us in case of any modifications carried out in the proposed scheme already furnished to us.

Our current opinion is based on the assumption that the proposed scheme of amalgamation shared with us will be adopted by all the companies involved in transaction as such.

5. Basis of forming Opinion

5.1 Documents and Information Considered

For the purpose of providing our opinion, we have reviewed:

1. Certain publicly available business and financial information relating to MNCL, including the Annual Report for the financial year ending March 31, 2017.

2. Financials of the Transferee Company for the 9 Months period ending December 31, 2017 as submitted to stock exchanges

3. Management certified financials of the Transferor Companies for the 9 Months period ending December 31, 2017

4. Copy of the audited financials of the Transferor Companies for the year ended on March 31, 2017.

5. Copy of the proposed Scheme of Amalgamation to be approved by the Boards of Directors of the respective companies (certified to be true by MNCL).

6. Certified copy of the valuation report of the valuer Mr. Uday Pasad, Proprietor of M/s. Uday Pasad & Associates, Chartered Accountants, Membership no: 046581, dated February 12, 2018 on the valuation for the proposed scheme.

7. Pre-amalgamation shareholding pattern of Transferor Companies.

8. Pre and Post amalgamation shareholding pattern of the Transferee Company.

9. Performed such other financial reviews and analyses as ARIHANT, in its absolute discretion, deemed appropriate.

5.2 Assumptions and Limiting Conditions

ARIHANT has been engaged to provide standard services for the issuance of the Fairness Opinion and therefore have not performed any due diligence or audit of the information provided to us, nor have we made any independent valuation or appraisal of the assets or liabilities.

ARIHANT has assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, in written or verbal form, and has assumed that the same are not misleading and does not assume or accept any liability or responsibility for any independent verification or checking of such

information or any independent valuation or appraisal of any of the assets, operations or liabilities of MNCL or the Transferor Companies.

With respect to the financial valuation, ARIHANT has assumed that they have been reasonably prepared on bases reflecting the best available estimates and judgments of the management of the Company at that time and carefully considered by the Valuer, and that no event subsequent to this and undisclosed to ARIHANT has had a material effect on them. ARIHANT does not assume or accept liability or responsibility for (and expresses no view as to) the assumptions on which they are based.

In preparing this opinion, ARIHANT has received specific confirmation from management of MNCL that all the information the Company has provided to ARIHANT in relation to the engagement of ARIHANT is correct and complete and no information has been withheld that could have influenced the purport of this Fairness Opinion. This opinion is also subject to various assumptions in collection, usage and application of information applied by the Valuer. The Opinion is also subject to various undertakings, confirmations given by the Company to the Valuer and the same shall be deemed to be extended for this Opinion also.

ARIHANT's opinion is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to ARIHANT or used by it up to, the date hereof. This opinion exclusively focuses on the fairness, from a valuation point of view, of the shares / assets done by the valuer and does not address any other issues such as the underlying business decision to recommend the transaction or its commercial merits, which are matters solely for the Boards of Directors of MNCL and the Transferor Companies to address and further to be confirmed by the shareholders of both the companies, as may be required.

ARIHANT's formation of fairness opinion is based on information supplied by MNCL, its reprenstatives/consultants both in written and verbal form, representations and confirmations of its management on various issues and we have relied upon them as such without any independent verification and as such we do not hold ourselves liable if our opinion becomes flawed as a result of any shortcomings in such information, representations and confirmations given by MNCL.

In rendering this opinion, ARIHANT has not provided legal, regulatory, tax, accounting or actuarial advice and accordingly ARIHANT does not assume any responsibility or liability in respect thereof. Furthermore ARIHANT has assumed that the proposed transaction will be consummated on the terms and conditions as set out in the proposed Scheme of Amalgamation, without any material changes to, or waiver of, its terms or conditions.

6. Valuation Approaches and their Review

6.1. Overview

The formation of a fairness opinion is a complex process involving careful consideration and review of valuation methods, associated financial and other analyses, performed by the valuer. The selection and application of any or all of the generally accepted and commonly applied valuation methods to a particular circumstance is the discretion of the valuer, and hence, in arriving at its opinion, ARIHANT has made a qualitative assessment of the appropriateness of the method and subsequent application. Accordingly, ARIHANT believes that its analysis must be considered in its entirety and not based on any individual element or elements or without considering all associated narratives or descriptions of the analyses which could create a misleading or incomplete view of the comprehensive nature of the processes underlying its analyses and opinion.

6.2 Valuation

ARIHANT has reviewed the method of valuation adopted by the valuer. Their report states that since the Transferor Company 1 and Transferor Company 3 are wholly owned subsidiary of the Transferee Company, no shares are proposed to be issued by the Transferee Company as consideration for the proposed merger to Transferor Company 1 and Transferor Company 3.

While, 13 Equity shares of face value of Rs.10/- (Rupees Ten) each in Transferee Company for every 100 (One Hundred) Equity shares of Rs.10/- (Rupees Ten) each held in NSL/ Transferor Company No. 2 and 28 Equity shares of face value of Rs.10/- (Rupees Ten) each in Transferee Company for every 100 (One Hundred) Equity shares held in MNCTL/ Transferor Company No. 4 shall be issued as a consideration for the proposed merger.

The Valuer has valued the Transferee Company's shares on Market Price Method as on February 14, 2018 in accordance with SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017, and SEBI (Issue of Capital and Disclosure Requirements) Regulations as per the data available on BSE Limited.

The valuer has derived the Net Asset Valuation (on Book Value basis) of the Transferor Companies as on December 31, 2017. The Valuation report states that the although the Valuer has considered valuation multiples like EV/EBIDTA, EV/Sales, P/E etc. for transferor companies, no weight is assigned for these parameters by the Valuer. Valuer also states that since they were not provided with the financial projections of the companies, Discounted Cash Flow method has not been used.

Further, the Management Representation Letter(s) dated February 12, 2018 provided by NSL, MNCTL, NWSL and NIBPL states, *interalia*, that the recorded values of assets and liabilities stated in the provisional Balance Sheet of Transferor Companies as on 31.12.2017 reflect true and fair view of the state of affairs and no events/impairment of assets have taken place after the Balance Sheet date which have a material impact on the said values.

6.3 Analysis of the Valuation

In the role of merchant banker giving an opinion about fairness of the valuation (mentioned above) done by the valuer, we had to examine whether the basis of arriving at the above value and the valuation conclusion was fair. In the instant case, we performed certain procedures and made certain enquiries with the management of MNCL. Some of the procedures / activities performed and the findings are mentioned below:

- Noted that the scheme involves merger of 2 Wholly Owned Subsidiaries with its parent company wherein no shares will be issued by the Transferee Company to the shareholders of Transferor Company.
- Noted that 13 Equity shares of face value of Rs.10/- (Rupees Ten) each in Transferee Company for every 100 (One Hundred) Equity shares of Rs.10/- (Rupees Ten) each held in NSL and 28 Equity shares of face value of Rs.10/- (Rupees Ten) each in Transferee Company for every 100 (One Hundred) Equity shares held in MNCTL shall be issued as a consideration for the proposed merger.
- Noted that NSL's networth majorly comprises of deposit placed with a data management company pursuant to NSL's agreement with towards acquiring marketing rights of the products manufactured by the said company. Upon enquiry by us, management of NSL has specifically confirmed that the deposit is for genuine business purposes and that this deposit is 'good and recoverable'.
- As regards NSL, we note that MNCL holds 20.91% of the equity shares in NSL and one of the Promoter Group entities of MNCL, holds 4.18% in NSL. As per the scheme, shares will be issued by the Transferee Company to the shareholders holding 79.09% of shareholding of NSL. It has been confirmed by the management of MNCL that these shareholders are not related / associates of MNCL or its promoters, except for the entity holding 4.18% in NSL.
- The valuation methodology adopted for valuing MNCL is in accordance with SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017, and SEBI (Issue of Capital and Disclosure Requirements) Regulations. Since the shares of MNCL are publicly and frequently traded this seems fair.
- Noted the methodology of arriving at the Net Asset value on Book value basis of the Transferor Companies and the same seems appropriate. Also noted that no fixed assets are owned by the Transferor Companies that are required to be adjusted for the current market value.

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7. Opinion

Based upon and subject to the foregoing, we are of the opinion on the date hereof, that the valuation done by the valuer for the proposed scheme of amalgamation is fair.

For **Arihant Capital Markets Limited**
(Merchant Banking Division)

Authorized Signatory.
(SEBI REGN. No. INM 000011070)