

Date: 10 March 2023

To,  
The Board of Directors  
Algoquant Fintech Limited  
CIN: L4110GJ1962PLC136701  
R.O.: Unit No. 705  
7<sup>th</sup> floor of ISCON Elegance, developed at Plot no 24  
Pralhadnagar, Ahmedabad  
Gujarat- 380015

**Subject: Fairness Opinion on the fair equity entitlement ratio for the proposed Scheme of arrangement amongst Growth Securities Private Limited ("Demerged Company") and Algoquant Investments Private Limited ("Amalgamating Company") and Algoquant Fintech Limited ("Resulting Company" / "Amalgamated Company") and their respective shareholders and creditors (under sections 230 to 232 read with section 66 and other applicable sections and provisions of the Companies Act, 2013 read together with the rules made thereunder).**

Dear Sir / Ma'am,

This is in reference to our Engagement Letter dated **20 February 2023** and the Scope of Services contained in clause 2 therein, whereby **Algoquant Fintech Limited** (hereinafter referred to as "**AFL or the Transferee Company**") has requested Bank of Baroda Capital Markets Ltd. (hereinafter referred to as "**we, BOBCAPS or us**"), a SEBI registered category-1 merchant banker, to provide a fairness opinion on the fair equity entitlement ratio recommended by Manish Manwani, Registered Valuer (Securities or Financial Assets), IBBI Registration No.: IBBI/RV/03/2021/14113 for the captioned matter.

**1. Background of the Companies**

**a. Algoquant Fintech Limited:**

We understand, that the Transferee Company is a BSE listed Indian company (Script Code :- AQFINTECH | 505725 |), incorporated under the Companies Act, 1956 (as amended) on 25 January 1962, having its registered office at Unit No: 705, 07<sup>th</sup> Floor of ISCON Elegance, developed at Plot No. 24, Pralhadnagar Ahmedabad- 380015, Gujarat.

The Transferee Company, previously, was engaged in the business of metals trading, however, owing to certain past restructuring, at present the Company is engaged in trading of financial instruments using trading algorithms. As per Company's website, the Transferee Company prides itself in being one of the leaders in low risk arbitrage and high frequency trading in Indian capital markets.

The shareholding pattern of AFL, as at 31 December 2022, is delineated below:

BOB Capital Markets Ltd  
A wholly owned subsidiary of Bank of Baroda



Parinee Crescenzo  
1704, B Wing, 17<sup>th</sup> Floor  
Bandra Kurla Complex, G Block  
Bandra East, Mumbai 400 051  
Tel: +91 22 6138 9300

Particulars	INR
<b>Authorised Share Capital</b>	
1,15,00,000 equity shares of INR 2/- each	2,30,00,000
20,000 Redeemable Cumulative Preference Shares of INR. 100/- each	20,00,000
<b>Issued Subscribed and Paid Up</b>	
80,36,000 equity shares of INR 2/- each, fully paid up	1,60,72,000

The shareholding pattern of AFL in terms of % of shareholding, as at 31 December 2022, is tabulated below:

Sl. No.	Category of Shareholder	Nos. of Shares	% of Holdings
1	Promoters & Promoter Group*	52,96,075	65.90%
2	Public	27,39,925	34.10%
	<b>Total</b>	<b>80,36,000</b>	<b>100.00%</b>

\*The Promoters and Promoter Group comprises – Devansh Gupta, Dhruv Gupta, Algoquant Investments Private Limited (AIPL) & Algoquant Financials LL.P.

**b. Algoquant Investments Private Limited (hereinafter referred to as 'AIPL' or 'the Transferor Company' or, Amalgamating company)**

We understand, that the Transferor Company is a private limited company incorporated under the provisions of the Companies Act, 1956 (as amended) on 28 February 1983, having its registered office at 705, Iscon Elegance, S.G Highway, Satelite Prahlad Nagar Ahmedabad – 380 015, Gujarat.

The Transferor /Amalgamating Company is engaged in undertaking investments in securities of group companies (not being banking or insurance business in contravention of Banking Regulations Act 1949 or Insurance Act, 1938). The Amalgamating Company is the holding company of Amalgamated Company and holds 51.92% shareholding in the Amalgamated Company and qualifies as a shareholder under promoter and promoter group.

Presently, entire 100% shareholding in the Transferor Company is held by Algoquant Financials LLP.

The shareholding pattern of AIPL, as at 31 December 2022, is delineated below:

Particulars	INR
<b>Authorised Share Capital</b>	
1,00,000 equity shares of INR 100/- each	1,00,00,000
<b>Issued Subscribed and Paid Up</b>	
52,746 equity shares of INR 100/- each, fully paid up	52,74,600

The shareholding pattern of AIPL in terms of % of shareholding, as at 31 December 2022, is tabulated below:

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Name of the Shareholders	Nos. of Shares	% of Holdings
Algoquant Financials LLP	52,745	100.00%
Devansh Gupta (as a nominee of Algoquant Financials LLP)	1	0.00%
<b>Total</b>	<b>52,746</b>	<b>100.00%</b>

**c. Growth Securities Private Limited (hereinafter referred to as 'GSPL' or 'Demerged Company')**

We understand, that the Demerged Company is a private limited company, incorporated under the Companies Act, 1956 (as amended) on 19 July 1996, having its registered office at Unit No. 503A-B, 504 A-B, 5th Floor, Tower A WTC Block No. 51, Road 5E, Zone-5, GIFT City Gandhinagar - 382 355, Gujarat. The Corporate Identity Number ("CIN") of the Demerged Company is U74899GJ1996PTC119714.

The Demerged Company is engaged in two businesses, namely:

- (i) Commercial exploitation of real estate, wherein it leases properties and earns rentals thereon (Real Estate Business), and
- (ii) Stock broking business wherein it operates as stock broker having memberships of:
  - National Stock Exchange of India Limited ("NSE"), - (Trading Member)
  - BSE Limited ("BSE"), - (Trading Member)
  - Multi Commodity Exchange of India Limited ("MCX"), - (Trading Member)
  - NSE Clearing Limited ("NCL"), - Self-Clearing Membership
  - Indian Clearing Corporation Limited ("ICCL"), - Clearing /Self-Clearing Membership
  - Depository Participant with Central Depository Services Limited ("CDSL"),

The Demerged Company also acts as mutual fund distributor – registered with AMFI (Association of Mutual Fund in India), a service provider and offers an IT enabled trading platform to its clients (collectively referred to as "Stock Broking Business"). At, entire 100% shareholding in the Demerged Company is held by Individual Promoters (hereinafter collectively referred to as "GSPL Promoters").

The shareholding pattern of GSPL, as at 31 December 2022, is delineated below:

Particulars	INR
<b>Authorised Share Capital</b>	
10,00,000 equity shares of INR 10/- each	1,00,00,000
<b>Issued Subscribed and Paid Up</b>	
3,00,000 equity shares of INR 10/- each, fully paid up	3,00,00,000

The shareholding pattern of GSPL in terms of % of shareholding, as at 31 December 2022, is tabulated below:

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Sl. No.	Name of the Shareholders	Nos. of Shares	% of Holdings
1	Dhruv Gupta	2,57,400	85.80%
2	Devansh Gupta	42,600	14.20%
	<b>Total</b>	<b>3,00,000</b>	<b>100.00%</b>

## 2. Scope and the Purpose of this Report

We understand that the respective Board of Directors of the 3 (three) participating companies are proposing a scheme of arrangement (“hereinafter referred to as **“the Scheme”**”), under sections 230 to 232 read with section 66 and other applicable sections and provisions of the Companies Act, 2013 read together with the Rules & Regulations made thereunder) and further read together with the applicable framework and regulations as are provided and governed by the Securities and Exchange Board of India, in each case, as amended from time to time and as may be applicable, for:

- (a) Demerger of the Stock Broking, Self-Clearing Membership / Clearing Membership and Depository Participant Business Undertaking (as more elaborately aforesaid defined) of the “Demerged Company and vesting of the same with and into the Transferee Company on a going concern basis; and
- (b) Amalgamation of the Transferor Company into and with the Transferee Company and subsequent automatic dissolution of Transferor Company.

As per the salient features of the Scheme, respective equity shareholders of each of the 3 companies shall be issued the equity shares of the Transferee Company.

In this regard AFL has appointed BOBCAPS, to provide a fairness opinion on the fair equity share entitlement ratio recommended by the Registered Valuer for the Scheme and other information provided by AFL.

Hence, the scope of our services is to issue a fairness opinion on the fair equity share entitlement ratio recommended by the Registered Valuer for the Scheme.

Accordingly, this report (**referred to as “Report”**) is our deliverable in respect of the abovementioned engagement pursuant to the provisions of SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665, dated 23 November 2021, as amended from time-to-time, wherein a listed company is required to submit a fairness opinion by a SEBI registered merchant banker on the valuation of shares done by a registered valuer to the Stock Exchanges.

This Report is subject to the scope, assumptions, exclusions, limitations, and disclaimers detailed hereinafter. As such this Report is to be read in entirety and not in parts or sub-parts, in relation to the relevant documents referred to therein.



This Report is issued only for the purpose of facilitating the proposed Scheme and should not be used for any other purpose whatsoever.

**3. Sources of Information**

- (a) Draft and the Final reports issued by the Registered Valuer report titled - "Recommendation of (i) Fair equity share entitlement ratio for the proposed demerger of 'the Stock Broking, Self-Clearing Membership/ Clearing Membership and Depository Participant' business of Growth Securities Private Limited into Algoquant Fintech Limited; (ii) Fair equity share entitlement ratio for proposed amalgamation of Algoquant Investments Private Limited with Algoquant Fintech Limited", dated 09 March 2023
- (b) The Concept note and background information on the proposed Scheme prepared by M/s Transaction Square
- (c) The Draft Scheme of arrangement between the 3 companies issued by the AFL management
- (d) Chartered documents of AFL, AIPL and GSPL respectively
- (e) Audited financial statements accounts of AFL, AIPL and GSPL for the financial years - 2020, 2021, 2022
- (f) Limited review financial accounts of AFL as on 31 December 2022, and the audited financial accounts of AIPL and GSPL as at 31 December 2022, respectively
- (g) Income Tax returns of AFL, AIPL and GSPL for the assessment years - 2021, 2022, 2022, respectively
- (h) Carved out financial statements of GSPL as at 31 December 2022 and summary financial projections
- (i) Certain other information / explanation provided by the representatives of the 3 companies, through meetings and write-ups for the purpose of this engagement
- (j) Information available in public domain

**4. Our Approach**

We have obtained the Registered Valuer's report and workings and had time-to-time interaction with the Registered Valuer about the methodologies adopted, assumptions used underlying the valuation analysis. Additionally, we have followed the following approach for providing the fairness opinion:

- (a) Requested and received financial and qualitative information
- (b) Obtained data available in public domain
- (c) Interacted and held discussions (physically/remotely) with the management to:
  - Understand the business and the factors affective the performance of the business – earnings generating capacity including the SWOT analysis and the rationale of the proposed Scheme
- (d) Undertook industry analysis to:
  - Research publicly available market data including macro-economic factors and industry trends that may affect the valuation



- Analyse key trends and valuation multiples affecting the stock broking industry using public domain and the proprietary data-base subscribed by us
- (e) Selected internationally accepted valuation methodology/(ies) considered appropriate by us.

## 5. Assumptions and Limitations

In giving our opinion, we have essentially relied on the valuation report of Registered Valuer dated 09 March 2023 and upon the assessment given by the AFL management on the commercial merits of the proposed Scheme, including that the said merger is in the best interest of all the 3 companies and its shareholders as a whole. It should be further noted that we have only examined the fairness of the fair equity entitlement ratio for the proposed Scheme and have not examined any other matter including the economic rationale of the Scheme per se or accounting or tax matters involved in the proposed Scheme.

For the purpose of this fairness opinion, we have not carried out any due diligence or independent verification or validation of information provided to establish its accuracy or sufficiency. We have not conducted any independent appraisal of any assets or liabilities of APL, AIPL and GSPL.

The fairness opinion obtained herein is not intended to represent fairness opinion at any other date other than the report date, i.e. 10 March 2023. We have no obligation to update this Report.

This Report, its content and the results herein are specific to (i) the purpose of fairness opinion agreed as per the terms of our engagement, (ii) the report date and (iii) based on the audited financials statements of AIPL and GSPL as on 31 December 2022 and limited review financial results of AFL as on 31 December 2022. We have been informed that the business activities of all the 3 entities are carried in the ordinary course of business starting from 31 December 2022 till the date of issuance of this Report i.e. 10 March 2023. We are given to understand that no unusual changes have taken place in their respective operations between the dates mentioned in this paragraph.

The fairness opinion of this nature is contingent on various factors – stock price movements, those impacted by prevailing market trends in general and industry trends in particular. These factors, collectively or independently, can have an effect on the information made available to us, as of the date hereof. Events occurring after the date hereof may affect this Report and the underlying assumptions used in preparing it and we do not assume any obligation to update, revise and reaffirm this Report.

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Internally prepared financial statements including management accounts, financial projections and other pertinent information were provided by the management and have been accepted without further verification as correctly reflecting the results of operations, financial and business conditions of the 3 companies. These assumptions require exercise of judgment and are subject to uncertainties.

While we have reviewed the assumptions for reasonableness and discussed the same with management, there can be no assurance that the assumptions are accurate. Subsequent events or circumstances that could affect the conclusions set forth in the Report include, without limitation, adverse changes in industry performance or market conditions and changes to the business, financial condition and results of operations of the Company. We have relied upon the representations that the information provided to it is accurate and complete in all material respects. While all public information (including industry and statistical information) was obtained from sources we believe are reliable, We makes no representation as to the accuracy or completeness thereof, and we have relied upon such public information without further verification. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections. Our fairness opinion further assumes that the assets and liabilities of all the 3 companies, reflected in their respective balance sheets remain intact as of the report date. The Report has not taken into consideration, the legal land title verification and compliance with local laws, litigations and contingent liabilities which are not disclosed in the audited and unaudited balance sheets of the respective companies.

This opinion should not be construed, to be investment advice in any manner whatsoever. Furthermore, no opinion, counsel or interpretation is intended in matters that require legal, accounting, or other appropriate professional advice. It is assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources.

Neither this Report nor its contents may be rendered to quoted in any registrations statement, prospectus, offering memorandum, annual report, loan agreement, or documents given to third parties, other than in connection with the proposed Scheme, without our prior written consent. Additionally, this Report, does not in any way indicate that price at which the Transferee Company's shares will trade at, once the Scheme gets successfully implemented. 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 Scheme or any matter related thereto.

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In rendering our opinion, we have assumed that the 3 companies comply fully with the relevant laws and regulations applicable in all these areas of operations, and that they are being managed in the competent and reasonable manner. Furthermore, it is assumed that the scheme 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, no delay, limitations, restrictions or condition will be imposed that would have an adverse effect on the Company.

Providing fairness opinion is not a precise science and the conclusions arrived in many cases will, of necessity, be subjective and will be dependent upon the exercise of independent judgement. In the ultimate analysis, our opinion will have to be tempered by the exercise of judicious discretion and judgement taking into account all the relevant factors. There is, therefore, not a single undisputed share entitlement ratio, which can be computed. While we have relied on the entitlement ratio computed by the Registered Valuer on the information made available to us and within the scope and constraints of our engagement, others may have a different opinion to the fair share-entitlement ratio of equity shares of these 3 companies. The final responsibility of using the share-entitlement ratio at which the Scheme shall be implemented will be that of the Board of Directors of the 3 companies who must take into account factors such as their own assessment of the Scheme and the inputs of other advisors, if any.

Our work does not constitute an audit or certification of the financial statements of the company/(ies) / business, and accordingly, we do not express any opinion on the accuracy of any financial information referred to in the Report. Valuation analysis and its results are specific to the purpose of valuation. It may not be valid for any other purpose or as at any other date. If there were any omissions, inaccuracies or misrepresentations of the information provided by the management, it may have a material effect on our findings.

In the ordinary course of business BOBCAPS, its parent Bank of Baroda, other group entities, associated and affiliates (**hereinafter collectively referred to as "BOB"**) is engaged in securities trading, securities brokerage and investment activities, as well as, rendering providing investment banking and investment advisory services. In ordinary course of its trading, brokerage and financing activities, any member of BOB group may at anytime hold long or short positions, and may trade or otherwise effect transactions, for its own account or for the accounts of its customers, in debt or equity securities or senior loans of any company that may be involved in the proposed Scheme. However, for the purpose of this engagement, we have notified all AFL in the "Grey list" and refrained all the directors, employees, agents, etc. of BOB

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in buy/selling any scripts of AFL till the successful implementation of the Scheme or any date which the management of APL may notify to us, whichever is earlier.

We are under no obligation to update, revise or reaffirm our opinion.

The fee for our services is not contingent upon the results of the proposed Scheme.

This opinion is subject to laws of India.

**6. Share-entitlement ratio and conclusion**

Based on our independent calculation and on consideration of relevant factors and circumstances, we believe that the fair equity share entitlement ratio as recommended by the Registered Valuer, as stated in our opinion is fair to the equity shareholders of AFL, GSPL and AIPL. Accordingly, the share-entitlement ratio under the proposed Scheme shall be as follows:

**(1) For the proposed demerger of demerged undertaking of GSPL into AFL:**

727 (Seven Hundred Twenty Seven) equity shares of AFL of INR. 2.00/- each, fully paid-up for every 100 (One Hundred) equity shares of GSPL of INR 10.00/- each, fully paid-up.

**(2) For the proposed amalgamation of AIPL with AFL:**

8,278 (Eight Thousand Two Hundred Seventy Eight) equity shares of AFL of INR. 2.00/- each, fully paid-up for every 100 (One Hundred) equity shares of AIPL of INR 100.00/- each, fully paid-up.

Sincerely,

For **BOB Capital markets Limited**

  


Ankur Wahal  
Senior Vice President and territory Head – North India  
New Delhi