

B S R & Associates LLP

ANNEXURE 2

Chartered Accountants

5th Floor, Lodha Excalibur,
Apollo Mills Compound
N. M. Joshi Marg, Mahalaxmi
Mumbai - 400 011
India

Telephone +91 (22) 4345 5300
Fax +91 (22) 4345 5399

17 February 2017

Board of Directors

Sundaram Finance Limited
21, Patullos Road,
Chennai 600 014
India

Sub: Report on share entitlement ratio for proposed reorganization exercise of Sundaram Finance Limited ("Report")

Dear Sirs,

We refer to the engagement letter wherein Sundaram Finance Limited ("SFL", or "You" or "Client") has engaged B S R & Associates LLP ("B S R" or "We") to recommend share entitlement ratio ("Share Entitlement Ratio") for the proposed reorganization exercise of Sundaram Finance Limited ("Engagement").

BACKGROUND

Sundaram Finance Limited ("SFL" or the "Client") was incorporated in 1954 and is headquartered in Chennai, Tamil Nadu. SFL is a public listed company and a non-banking finance company registered with the Reserve Bank of India and is primarily engaged in providing finance for purchase of commercial vehicles, cars, multi-utility vehicles, construction equipment, farm equipment and working capital. It is also engaged in the distribution of financial products like insurance, home loans, mutual funds, deposits, etc.

Sundaram Insurance Broking Services Limited ('SIBSL') is an unlisted public company and a wholly owned subsidiary of Sundaram Finance Limited, which was incorporated for engaging in the business of insurance broking for all kinds of insurable perils including life, medical and other forms general insurance.

Infreight Logistics Solutions Limited ('Infreight') is an unlisted public company and a wholly owned subsidiary of Sundaram Finance Limited which was engaged in logistics services and solutions.

Sundaram BPO India Limited ('Sundaram BPO') is an unlisted public company and a subsidiary of SFL. It is engaged in the business of carrying on business process outsourcing services, call centres, contact centres and other activities relating to information technology enabled services in areas of accounting, insurance, banking, human resources, health care, legal, telecom etc.



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For Sundaram Finance Limited


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Secretary & Compliance Officer



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Sundaram Finance Investments Limited ('SFIL' or "Resulting Company") is an unlisted public company and a wholly owned subsidiary of SFL, engaged in the business of making all types of investments.

The equity shares of SFL are listed on the National Stock Exchange of India Limited ("NSE"). The shareholding pattern of SFL, as on 16 February 2017, is set out below.

SFL Shareholding as on 16 February 2017	No of Shares [^]	% Holding
Promoter and Promoter Group	40,070,005	36.07%
Public	70,039,945	63.04%
Non Promoter-Non Public Group	993,910	0.89%
Total	111,103,860	100.00%

[^]Face value INR 10 each

Source: NSE and Management Information

SIBSL, Infreight and SFIL are wholly owned subsidiaries of SFL. Sundaram BPO is held by SFL and SFIL in 84:16 ratio.

The management of Sundaram Finance Limited ("Management") is considering an internal reorganization ("Proposed Transaction"). The Proposed Transaction, as per the draft scheme envisages the following:

- (a) Merger of SIBSL and Infreight with SFL.
- (b) Demerge of the shared services division of Sundaram BPO into SFL.
- (c) Demerger of non-core activities, i.e. training services, identified shared services including shared services vested from Sundaram BPO and all non-core investments of SFL ('SFL Demerged Undertaking'), into SFIL.

Pursuant to merger of SIBSL and Infreight with SFL, no shares will be issued since the entire share capital of SIBSL and Infreight is held by SFL. Further, no shares will be issued for demerger of shared services business of Sundaram BPO into SFL since the entire share capital of Sundaram BPO is held by SFL directly and indirectly through its wholly owned subsidiary, SFIL.

Upon demerger, transfer and vesting of SFL Demerged Undertaking by SFL to SFIL, shares of SFIL will be issued to the shareholders of SFL as consideration for the SFL Demerged Undertaking.

In this connection, Client wants B S R to recommend Share Entitlement Ratio for issue of shares by Sundaram Finance Investments Limited to the shareholders of Sundaram Finance Limited.

Share Entitlement Ratio is the number of shares of SFIL that a shareholder of SFL ("Transferor Company") would be entitled to receive in proportion to the existing

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For Sundaram Finance Limited

P. V. Srinivasan
Secretary & Compliance Officer



shareholding in SFL. The definition of SFL Demerged Undertaking as per the proposed Scheme provided to us is placed in Annexure 1.

SCOPE AND PURPOSE OF ENGAGEMENT

This Proposed Transaction is proposed under a composite scheme of arrangement (the "Scheme") under Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions. As per the Scheme, SFIL will issue its shares to the shareholders of SFL as consideration for the demerger of SFL Demerged Undertaking.

This Report is subject to the scope limitations, exclusions and disclaimers detailed hereinafter. As such the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

This Report is subject to the laws of India.

SOURCES OF INFORMATION

For the purposes of this exercise, we have,

- Considered the audited financial statements of SFL and SFIL for the year ended 31 March 2016 and the extracts of unaudited financial statements for the period ended 31 December 2016.
- Considered the number of equity shares of the Resulting Company proposed to be issued to the shareholders of SFL on the demerger of SFL Demerged Undertaking into the Resulting Company.
- Considered the Scheme for the demerger dated 17 February 2017
- Considered the existing shareholding pattern of SFL, SIBSL, Infreight, Sundaram BPO, and SFIL and the envisaged shareholding of SFIL and SFL.
- Held interviews and relied on representations from Management.
- Carried out such other analysis, reviews and inquires as we considered necessary.

SCOPE LIMITATIONS, EXCLUSIONS AND DISCLAIMERS

We have relied upon the information, data and explanations given to us by the Management for the purposes of concluding on the reasonableness of Share Entitlement Ratio in connection with Proposed Transaction. We have not carried out a due diligence or audit of SFL Demerged Undertaking or the parties to the Proposed Transaction nor have we independently investigated or otherwise verified the data provided. We do not express any form of assurance that the financial information or other information as provided by the Management is accurate.

Our conclusion assumes that SFL Demerged Undertaking and the parties to the Proposed Transaction comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that Demerged Undertakings are being managed in a competent and responsible manner. Further, except as specifically stated to the contrary,

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P.Viswanathan
Secretary & Compliance Officer



this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in unaudited carved out balance sheet of SFL Demerged Undertaking. Our conclusion on reasonableness of share Entitlement Ratio assumes that the assets and liabilities of SFL Demerged Undertaking remain intact as of the date of forming such opinion on Share Entitlement Ratio.

This Share Entitlement Ratio is essentially based on the information provided by the Management for which SFL accepts full responsibility. Our review and analysis have been limited to the above mentioned procedures and our analysis is subject to this limitation. Our reliance and use of this information provided by the Management should not be construed as expression of our opinion on it and we do not and will not accept any responsibility or liability for any inaccuracy in it.

The exercise of valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single share entitlement ratio. While we have concluded on the reasonableness of the Share Entitlement Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the same.

The decision to proceed on the Proposed Transaction as well as acceptance of the final Share Entitlement Ratio depends on the Management, which will be responsible for decisions associated with determination of the Share Entitlement Ratio and the factors other than our work will need to be taken into account in determining the same; these will include your own assessment and may include the input of other professional advisors.

We owe responsibility and are liable to only the Client which has retained us, under the terms of our engagement letter and nobody else.

In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Client, their directors, employees or agents. In no circumstances shall the liability of B S R & Associates LLP, its partners, directors or employees, relating to the services provided in connection with the engagement set out in this report exceed the amount paid to us in respect of the fees charged for these services.

SHARE ENTITLEMENT RATIO

As set out above,

- As on 16 February 2017, the issued, subscribed and paid up capital of SFL consists of 111,103,860 fully paid up equity shares of face value INR 10 each.

We understand that in consideration for the demerger of SFL Demerged Undertaking, the Management proposes to issue:



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For Sundaram Finance Limited


Praveenathan
Secretary & Compliance Officer



- a) 1 (One) equity share of face value INR 5 each of SFIL for every 1 (One) equity shares of face value INR 10 each held in Sundaram Finance Limited, being the consideration of the transfer and vesting of SFL Demerged Undertaking of Sundaram Finance Limited.

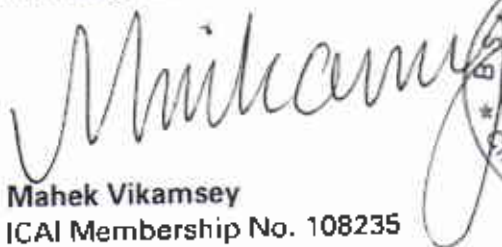
Based on the aforementioned and that upon demerger, the set of shareholders and holding proportion being proposed for SFIL is identical to that of SFL, the beneficial economic interest of SFL shareholders in SFIL will remain same at the time of demerger.

We believe that the above Share Entitlement Ratio is fair and reasonable considering that all the shareholders of SFL are and will, upon demerger, be the ultimate beneficial owners of SFIL and in the same ratio (inter se) as they hold shares in SFL, as on the record date to be decided by Management of SFL.

Our Report and Share Entitlement Ratio is based on the envisaged equity share capital structure of SFL and SFIL as mentioned above. Any variation in the equity capital structures of SFL and SFIL apart from the above mentioned proposed scheme may have an impact on the Share Entitlement Ratio.

Respectfully submitted,

For B S R & Associates LLP
Chartered Accountants
Firm Registration No. 116231W


Mahek Vikamsey
ICAI Membership No. 108235
Mumbai

17 February 2017



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For Sundaram Finance Limited


P. Viswanathan
Secretary & Compliance Officer



Annexure 1

“SFL Demerged Undertaking” shall mean the undertaking of SFL that is engaged in Non-Core Business and all related activities as a going concern and shall include (without limitation) the following:

- (a) All the assets and properties of SFL as on 1 April 2016 (“Appointed Date”) (hereinafter referred to as “the said assets”) pertaining to the SFL Demerged Undertaking;
- (b) All the debts, liabilities, duties and obligations including contingent liabilities of SFL pertaining to the SFL Demerged Undertaking;
- (c) Without prejudice to the generality of above, the SFL Demerged Undertaking may include the movable and immovable properties including land and building viz. (a) Land and Building at Kodaikanal forming part of Survey No. 98 and 98/3B (New Survey Nos. 9/3B1B and 98/3B1C) (b) Land and Building at Chamiers Road, Mylapore, Chennai - 600 028 forming part of Survey Nos. 3934,3935,3941,3942 and 3949 (c) Land and Building at Poonamalle Village, Sriperumbudur Taluk forming part of Survey Nos. 230, 232/1B2, 232/2, 264, 267/1 and 268; plant and machinery, equipment, furniture, fixtures, vehicles, leasehold assets and other properties, real, corporeal and incorporeal, in possession or reversion, present and contingent assets (whether tangible or intangible) of whatsoever nature, assets including cash in hand, bank balance (to the extent as may be required by the Board), investments viz. investments in (a) The Dunes Oman LLC (FZC); (b) Flometallic India Pvt Ltd; (c) Axles India Ltd; (d) Transenergy Ltd; (e) Sundaram Hydraulics Limited; (f) Sundaram Dynacast Private Limited; (g) Turbo Energy Private Limited; (h) India Motor Parts and Accessories Limited; (i) Sundaram Clayton Ltd; (j) Wheels India Limited; (k) Brakes India Private Limited; (l) Lucas-TVS Limited; (m) Delphi TVS Diesel Systems Limited; (n) TVS Investments Ltd; (o) Vishnu Forge Industries Limited; (p) Techtran Polylenses Limited; (q) Sundaram Business Services Limited; (r) Sundaram BPO India Limited], claims, powers, authorities, allotments, approvals, consents, letters of intent, registrations, licenses, contracts, agreements, engagements, arrangements, rights, credits, titles, interests, benefits, advantages, leasehold rights, sub-letting tenancy rights, with or without the consent of the landlord as may be required, goodwill, other intangibles, permits, authorizations, trademarks, trade names, labels, brands including patents, patent rights, copyrights, designs, and other industrial and intellectual properties and rights of any nature whatsoever including designs, know-how, domain names, or any applications for the above, assignments and grants in respect thereof, import quotas and other quota rights, right to use and avail of telephones, telex, facsimile and other communication facilities, connections, installations and equipment, utilities, electricity and electronic and all other services of every kind, nature and description whatsoever, provisions, funds, and benefits of all agreements, arrangements, deposits, advances, recoverables and receivables, whether from

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P. Viswanathan
Secretary & Compliance Officer



government, semi-government, local authorities or any other person including customers, contractors or other counter parties, etc., all earnest monies and/or deposits, privileges, liberties, easements, advantages, benefits, exemptions permissions, and approvals of whatsoever nature (including but not limited to benefits of tax relief including under the Income-tax Act, 1961 such as credit for advance tax, taxes deducted at source, minimum alternate tax etc., unutilised deposits or credits, benefits under the VAT/ Sales Tax law, VAT/ sales tax set off, unutilised deposits or credits, benefits of any unutilised MODVAT/CENVAT/Service tax credits, etc.) and wheresoever situate, belonging to or in the ownership, power or possession or control of or vested in or granted in favour of or enjoyed by the SFL Demerged Undertaking.

(d) all permanent employees and / or labour employed on contractual basis; engaged in or in relation to the SFL Demerged Undertaking as on the Effective Date;

(e) all records, files, papers, engineering and process information, computer programs, computer softwares, manuals, data catalogues, quotations, sales and advertising materials, records of standard operating procedures, list of present and former customers and suppliers, customers credit information, customers pricing information and other records, whether in physical form or electronic form in connection with or relating to the SFL Demerged Undertaking.

Explanation A: Whether any particular asset or employee should be included as asset or employee of the SFL Demerged Undertaking or otherwise shall be decided mutually by the Board of Directors or any committee thereof of SFL and the Resulting Company;

Explanation B: For the purpose of this Scheme, it is clarified that liabilities pertaining to the SFL Demerged Undertaking shall comprise of the following:

(a) The liabilities, which arise out of the activities or operations of SFL Demerged Undertaking

(b) Specific loans and borrowings raised, incurred and utilized solely for the activities or operation of the SFL Demerged Undertaking

(c) Liabilities other than those referred to in Sub-Clauses (a) and (b) above and not directly relatable to the Remaining Undertaking of SFL, being the amounts of general or multipurpose borrowings of SFL shall be allocated to the SFL Demerged Undertaking in the same proportion which the value of the assets transferred under this Clause bears to the total value of the assets of SFL immediately before giving effect to this Scheme. The parties shall mutually agree upon the identification of the liabilities to be transferred to the Resulting Company as liabilities pertaining to the SFL Demerged Undertaking.

Explanation C: Currently, all borrowings in SFL pertain / relate to the Core business.

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P. V. Venkatesh
Secretary & Compliance Officer



Any question that may arise as to whether a specified liability pertains or does not pertain to the SFL Demerged Undertaking or whether it arises out of the activities or operations of SFL Demerged Undertaking shall be decided by mutual agreement between the Board of Directors or any Committee thereof of **SFL and the Resulting Company.**

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P. Viswanathan
Secretary & Compliance Officer

