

**REPORT OF THE AUDIT COMMITTEE OF CREDITACCESS GRAMEEN LIMITED (THE "COMPANY")  
HELD ON NOVEMBER 27, 2019 AT 8.30 AM AT THE LEELA PALACE, ADYAR SEAFACE, MRC  
NAGAR, CHENNAI 600028 RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION  
AMONGST THE COMPANY, MADURA MICRO FINANCE LIMITED AND THEIR RESPECTIVE  
SHAREHOLDERS AND CREDITORS**

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Members present

Mr. R Prabha	Independent Director & Chairman
Mr. George Joseph	Independent Director & Member
Mr. Paolo Brichetti	Nominee Director & Member
Mr. Massimo Vita	Nominee Director & Member

Also present

Mr. Anal Kumar Jain	Independent Director
Mr. Manoj Kumar	Independent Director
Mr. Sumit Kumar	Independent Director
Mr. Udaya Kumar Hebbar	Managing Director & CEO
Mr. B R Diwakar	Director – Finance & CFO
Mr. Anshul Sharan	Chief Risk Officer
Mr. Syam Kumar R	Company Secretary
Ms. Darshana Kothari	Assistant General Manager - Secretarial
Mr. Gururaj Rao	Chief Audit Officer

By Invitation:

Spark Capital  
Cyril Amarchand Mangaldas  
BSR & Associates LLP  
Systematix Corporate Services Limited

**Background of the Proposed Scheme of Arrangement**

A meeting of the Audit Committee of CreditAccess Grameen Limited the ("**Company**") and such committee the "**Committee**") was held on November 27, 2019 to consider and if thought fit, recommend to the Board of Directors of the Company (the "**Board**"), the proposed scheme of amalgamation amongst CreditAcces Grameen Limited ("**Company**"), Madura Micro Finance Limited ("**MMFL**") and their respective shareholders and creditors ("**Scheme**") which provides for the amalgamation of MMFL into the Company under Sections 230-232 and other applicable provisions of the Companies Act, 2013 (the "**Act**").

The Scheme involves the amalgamation of MMFL into the Company. The shareholders of MMFL as on the record date (which will be specified subsequently by the Board) shall be issued 158 equity shares of Rs. 10 each by the Company for every 100 equity shares of Rs. 10 each held in MMFL.

In terms of circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 issued by the Securities and Exchange Board of India ("**SEBI**" and such circular the "**SEBI Circular**"), a report from the Committee is required recommending the draft Scheme under the Act, taking into consideration,



amongst other matters, the Valuation Report (*as defined hereinafter*). This report of the Committee is made in order to comply with the requirements of the SEBI Circular.

This report is made by the Committee after perusing amongst other things, the following documents:

- (i) Draft Scheme;
- (ii) Valuation report dated November 27, 2019 issued by BSR & Associates LLP, an independent chartered accountant, describing the methodology adopted by them in arriving at the share exchange ratio ("**Valuation Report**");
- (iii) Fairness opinion dated November 27, 2019 issued by Systematix Corporate Services Limited, an independent SEBI Registered Merchant Banker, providing the fairness opinion on the share exchange ratio recommended in the Valuation Report ("**Fairness Opinion**");
- (iv) Management presentations indicating the commercial rationale of the transactions involving MMFL and the Company and the commercial negotiations with MMFL and its shareholders - that the deal was finalized for 875 Crore and hence the corresponding exchange ratio worked out at 158 equity shares of CAGL for every 100 equity shares of MMFL.
- (v) Draft certificate from S.R Batliboi & Co LLP, the statutory auditor of the Company certifying that the accounting treatment in the draft Scheme is in accordance with the accounting standards and applicable law; and
- (vi) Undertaking from S.R Batliboi & Co LLP, the statutory auditor of the Company certifying the non-applicability of Paragraph I(A)(9)(b) of the SEBI Circular.

#### **1. Rationale of the Proposed Scheme of Amalgamation**

The Audit Committee was informed that following the completion of the purchase of certain shares of MMFL, the Company proposes to amalgamate (the "**Amalgamation**") MMFL into the Company by way of the Scheme. Upon the effectiveness of the Scheme, in consideration of the transfer of and vesting of the undertaking of MMFL, the Company would issue and allot equity shares to the then shareholders of MMFL as per the share entitlement ratio to be approved by the Board.

The Audit Committee was further informed that the salient features of the proposed Scheme, are:

- (i) the appointed date for the Amalgamation in terms of the Scheme is the opening of business on March 2, 2020 or such other date as may be identified by the Company and approved by the relevant benches of the National Company Law Tribunal ("**NCLT**").
- (ii) the effective date for the Amalgamation in terms of the draft Scheme is the date on which the last of the conditions in the Scheme are fulfilled. These conditions are:
  - (a) the Scheme being approved by the respective requisite majorities of the shareholders and creditors (where applicable) of the Company and MMFL as required under the Act, subject to any dispensation that may be granted by the NCLT;
  - (b) the Scheme being sanctioned by the NCLT in terms of Sections 230 to 232 and other applicable provisions of the Act;

- (c) the BSE Limited and the National Stock Exchange of India Limited issuing their observation/ no-objection letters and SEBI issuing its comments on the Scheme under the SEBI Circular;
  - (d) the certified copies of the orders of the NCLT(s) being filed with the Registrar of Companies; and
  - (e) receipt of the consents which are mutually identified by the Company and MMFL as being necessary to effect the transaction.
- (iii) upon effectiveness of the Scheme and with effect from the appointed date, the undertaking of MMFL will be transferred to and vested in the Company as a going concern without any further act, instrument or deed, so as to become the undertaking of the Company.
  - (iv) in consideration of the transfer of and vesting of the Undertaking of MMFL in CAGL and in terms of the Scheme, CAGL is required to issue and allot equity shares to the equity shareholders of MMFL as of a record date (to be determined subsequently by the Board), as per the share entitlement ratio to be approved by the Board.
  - (v) equity shares of the Company issued to shareholders of MMFL pursuant to the Scheme shall, subject to receipt of necessary approvals, be listed and admitted to trading on the Stock Exchanges.

BSR & Associates LLP, Chartered Accountants, made a presentation to the Audit Committee explaining the methodology adopted in arriving at the share exchange ratio in respect of the Scheme. Upon completion of the presentation, a sealed envelope containing the Valuation Report was handed over to the Chairman of the Audit Committee. The envelope was then un-sealed and the share exchange ratio in respect of the shares to be allotted pursuant to the Scheme, was read out to the Committee.

The Committee reviewed and noted the Valuation Report, including the following recommendation:

"The Equity share exchange ratio for amalgamation of MMFL into CAGL at 157 (One fifty-Seven only) equity shares of CAGL of Rs. 10 each fully paid-up for 100 (One Hundred only) equity shares of MMFL of Rs. 10 each fully paid up "

The Committee reviewed and noted that the Fairness Opinion confirmed that the share exchange ratio is fair, from a financial point of view.

Mr. Udaya Kumar Hebbar, Managing Director & CEO, presented to the Audit Committee the rationale and the benefits of the proposed transaction, key financial and other indicators. The Audit Committee discussed and noted the rationale and the benefits of the Scheme, which *inter alia*, are as follows:

- (i) The Amalgamation will provide CAGL access to a large and unique client base of MMFL, specifically in Tamil Nadu;
- (ii) The Amalgamation would result in the geographical diversification of the portfolio of CAGL and strengthens its leadership position in the microfinance market. The combined portfolio would approximately be Rs. 10,000 crores, with approximately 37 lakh borrowers and more





than 1,300 branches spread across 13 states and 1 union territory in India (as of September 30, 2019);

- (iii) The Amalgamation would create value to various stakeholders including shareholders, creditors, customers, and employees as the combined business would benefit from increased scale, wider product diversification, focused growth, stronger balance sheet and the ability to drive synergies across revenue opportunities, operating efficiencies and cost savings through economies of scale amongst others;
- (iv) MMFL is at the forefront of technology integration in business and data analytics and the Amalgamation would result in CAGL benefiting from the business and data analytics strengths of MMFL;
- (v) The Amalgamation would provide greater strength and efficiency in management and access to greater cash flow which can be deployed to efficiently fund growth; and
- (vi) CAGL can leverage MMFL's loan book, and CAGL's low cost of borrowing can potentially enable repricing of liabilities of MMFL, generating higher spreads for the combined organization.

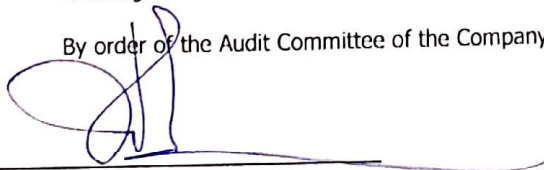
Mr. Udaya Kumar Hebbar, Managing Director & CEO and Mr. B.R Diwakar, Director – Finance & CFO in their presentations, indicated the commercial rationale of the transactions involving MMFL and the Company and recommended that taking into account the Valuation Report and commercial negotiations with MMFL and its shareholders, it was proposed to undertake the Amalgamation at a share exchange ratio of 158 (One fifty-Eight only) equity shares of CAGL of Rs. 10 each fully paid-up for 100 (One Hundred only) equity shares of MMFL of Rs. 10 each fully paid up.

The Chairman also placed before the Committee the Auditors certificate to the effect that the accounting treatment contained in the draft Scheme is in compliance with all the accounting standards and applicable law.

## **2. Recommendation of the Audit Committee**

In light of the aforesaid, the Committee taking into consideration the Valuation Report and the Fairness Opinion and the management presentation (suggesting that a share exchange ratio of 158 (One Fifty-Eight only) equity shares of CAGL of Rs. 10 each fully paid-up for 100 (One Hundred only) equity shares of MMFL of Rs. 10 each fully paid up) unanimously recommended the draft Scheme, to the Board for its approval and for favourable consideration by the BSE Limited, National Stock Exchange of India Limited and the Securities and Exchange Board of India.

By order of the Audit Committee of the Company



R Prabha

### **Chairman of the Audit Committee**

Place: Chennai

Date: November 27, 2019