



**REPORT ON THE RECOMMENDATION OF THE AUDIT COMMITTEE
("COMMITTEE") OF BANDHAN BANK LIMITED ON THE DRAFT SCHEME OF
AMALGAMATION OF GRUH FINANCE LIMITED WITH BANDHAN BANK
LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

SCHEME OF AMALGAMATION

1. GRUH Finance Limited ("**Transferor Company**") is a public limited company incorporated under the Companies Act, 1956 and has its registered office at "GRUH", Netaji Marg, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad 380 006. The Transferor Company is engaged in the business of providing home loans and is registered with the National Housing Bank as a housing finance company.
2. Bandhan Bank Limited ("**Transferee Company**") is a public limited company incorporated under the Companies Act, 2013 is a public limited company incorporated under the Companies Act, 2013] and has its registered office at DN-32, Sector V, Salt Lake, Kolkata 700091. The Transferee Company is in the business of providing banking services. The Transferee Company is licensed as a banking company under the provisions of the Banking Regulation Act, 1949.
3. A meeting of the Audit Committee of the Transferee Company was held on January 7, 2019 to consider and recommend the proposed composite scheme of amalgamation of the Transferor Company into and with the Transferee Company under Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions, if any, under applicable law ("**Scheme**") involving the amalgamation of the Transferor Company into and with the Transferee Company, with effect from January 1, 2019 or such other date as may mutually agreed between the Transferor Company and the Transferee Company ("**Appointed Date**") ("**Proposed Amalgamation**"), subject to the approval of the Reserve Bank of India, National Stock Exchange of India Limited ("**NSE**") and BSE Limited ("**BSE**") (NSE and BSE collectively referred to as the "**Stock Exchanges**"), the Securities and Exchange Board of India ("**SEBI**"), the Competition Commission of India, ("**CCI**") the National Housing Bank, ("**NHB**") the National Company Law Tribunal ("**NCLT**") bench at Kolkata and Ahmedabad and such other regulatory authorities, as may be applicable.
4. This report of the Audit Committee is made in order to comply with the requirements of Securities and Exchange Board of India ("**SEBI**") Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 as amended from time to time ("**SEBI Circular**").
5. The Committee noted the rationale of the Proposed Amalgamation and the summary of the Scheme from the presentation made before the Committee. The Committee also noted the key financial diligence findings and the key legal diligence findings tabled before the Committee.





6. The sealed envelope handed over by SRB & Associates, ICAI Firm Registration Number: 310009E and Desai Haribhakti & Co., ICAI Firm Registration Number: 323806E, the independent chartered accountants appointed by the Transferee Company and the Transferor Company, containing a copy of the valuation report prepared by them, was un-sealed and the share exchange ratio was read out to the Committee. The Independent Chartered Accountants then made a presentation to the Committee explaining the methodology adopted by them in arriving at the share exchange ratio. Then Kotak Mahindra Capital Company Limited, merchant bankers, also made a presentation to the Committee on the valuation of assets / shares done by the valuer.
7. The following documents were placed before the Audit Committee:
 - a) The draft Scheme;
 - b) The draft merger cooperation agreement to be executed between the Transferor Company and the Transferee Company to provide for the manner of effecting the Proposed Amalgamation;
 - c) Valuation report dated January 7, 2019 issued by SRB & Associates and Desai Haribhakti & Co., independent chartered accountants ("**Valuation Report**");
 - d) Fairness opinion dated January 7, 2019 from Kotak Mahindra Capital Company Limited, merchant banker;
 - e) The draft of the certification to be issued by S.R. Batliboi & Associates LLP, the statutory auditor certifying that the accounting treatment contained in the Scheme is in compliance with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under Section 133 of the Companies Act, 2013 (the "Act") read together with paragraph 7 of the Companies (Accounts) Rules, 2014 as amended from time to time, the Banking Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India to the extent applicable, and other generally accepted accounting principles and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and circulars issued there under;
 - f) The draft of the management undertaking to be issued by the Transferee Company in relation to the non-applicability of paragraph I.A.9(b) of Annexure I of the SEBI Circular;
 - g) The draft of the certification to be issued by S.R. Batliboi & Associates LLP, the statutory auditor in relation to the non-applicability of paragraph I.A.9(b) of Annexure I of the SEBI Circular; and
 - h) Other presentations, reports, documents and information furnished before the Committee.
8. The salient features of the Proposed Amalgamation are as follows:
 - a) Amendment of Clause V of the memorandum of association of the Transferee Company;
 - b) Amalgamation of the Transferor Company into and with the Transferee Company in accordance with Section 2(1B) of the Income Tax Act, 1961, and the dissolution without winding up of the Transferor Company with effect from the Appointed Date;





- c) Issuance of equity shares by the Transferee Company to the shareholders of the Transferor Company, based on the share exchange ratio recommended by the valuers;
- d) Transfer of the authorised share capital of the Transferor Company to the Transferee Company; and
- e) The grant of stock options by the Transferee Company to the employees of the Transferor Company in lieu of the outstanding employee stock options of the Transferor Company held by such employees, upon their transfer to the Transferee Company, as set out in the Scheme.

9. The Audit Committee reviewed the Valuation Report and noted the valuation and the recommended share exchange ratio for the Proposed Amalgamation ("**Share Exchange Ratio**") as under:

In consideration for the Proposed Amalgamation, the Transferee Company shall issue and allot fully paid up equity shares to all the equity shareholders of the Transferor Company in the following ratio:

For every 1000 fully paid up equity shares of face value of INR 2 each held in the Transferor Company as on the Record Date (as defined in the Scheme), the equity shareholders of the Transferor Company shall be issued 568 equity shares of face value of INR 10 each credited as fully paid up in the Transferee Company.

10. Further, the Fairness Opinion confirmed that the Share Exchange Ratio in the Valuation Report is fair to the shareholders of the Transferee Company.
11. The equity shares that will be issued to the shareholders of the Transferee Company pursuant to the Proposed Amalgamation are proposed to be listed on the Stock Exchanges.

12. Recommendation of the Audit Committee

The Audit Committee recommends the draft Scheme to be effective from the Appointed Date, after taking into consideration the Valuation Report and the Share Exchange Ratio, to the Board of Directors of the Transferee Company, which the Board may take into consideration for determining its recommendation regarding the draft Scheme to the shareholders of the Transferee Company and creditors of the Transferee Company (as may be applicable) for their consideration and approval.

**Certified True Copy
For Bandhan Bank Limited**

**Indranil Banerjee
Company Secretary
M. No. F9917**

