

REPORT ADOPTED BY THE COMMITTEE OF THE INDEPENDENT DIRECTORS OF PIRAMAL ENTERPRISES LIMITED RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT AMONGST PIRAMAL ENTERPRISES LIMITED (“COMPANY” OR “PEL”), PIRAMAL CAPITAL & HOUSING FINANCE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HELD ON 8 MAY 2024 AT MUMBAI

DIRECTORS PRESENT:

Mr. Gautam Doshi	: Chairman
Mr. Kunal Bahl	: Independent Director
Ms. Anjali Bansal	: Independent Director
Mr. Puneet Dalmia	: Independent Director
Mr. Rajiv Mehrishi	: Independent Director
Mr. Suhail Nathani	: Independent Director

The Independent Directors of the Company unanimously elected Mr. Gautam Doshi as the Chairman of the Meeting.

1. Overview

- 1.1. A meeting of the Committee of Independent Directors of the Company (“Committee”) was held on 8 May 2024 to consider and, if thought fit, recommend to the board of directors (“Board”) of the Company, the composite scheme of arrangement (“Scheme”) amongst the Company, Piramal Capital & Housing Finance Limited (“PCHFL”) and their respective shareholders and creditors on the terms and conditions as set out in the Scheme pursuant to the provisions of Sections 230 to 232 read with Section 52, Section 66 and other applicable provisions of the Companies Act, 2013 (“Act”), read with the Companies (Compromise, Arrangements and Amalgamations) Rules, 2016, Section 2(1B) of the Income Tax Act, 1961, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the master circular issued by the Securities and Exchange Board of India (“SEBI”) bearing reference number SEBI/HO/CFD/POD- 2/P/CIR/2023/93 dated 20 June 2023 (“SEBI Scheme Circular”), the master circular issued by SEBI bearing reference number SEBI/HO/DDHS/PoD1/P/CIR/2023/108 dated 29 July 2022 (updated as on 30 June 2023) and any other applicable provisions of any other law for the time being in force (including any statutory modification(s), amendments thereto, or re-enactment thereof, for the time being in force).
- 1.2. In accordance with the provisions of the SEBI Scheme Circular and directions issued by BSE Limited and the National Stock Exchange of India Limited (collectively, the “Stock Exchanges”) in connection with scheme of arrangements, a report from the Committee recommending the draft Scheme, is required taking into consideration *inter alia*, that the Scheme is not detrimental to the shareholders (“Report”).
- 1.3. This Report is made in compliance with the applicable provisions of the SEBI Scheme Circular, as amended from time to time.

Piramal Enterprises Limited

CIN: L2410MH1947PLC005719

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- 1.4. The implementation of the Scheme is subject to the: (i) receipt of approval from the Board of the Company and PCHFL; (ii) sanction of the jurisdictional National Company Law Tribunal (“NCLT”); and (iii) receipt of necessary approvals from the Stock Exchanges, SEBI, Reserve Bank of India (“RBI”), the shareholders and creditors, as may be directed by the NCLT and any other regulatory/ governmental authorities, as may be applicable.

2. Documents placed before the Committee

- 2.1. For the purpose of making this Report, the Committee has considered and taken on record the following documents:

- (a) Draft Scheme;
- (b) Valuation reports dated 8 May 2024 submitted by Bansi S. Mehta Valuers LLP, (Registered Valuer, Registration No. IBBI/RV-E/06/2022/172) (“**Valuation Reports**”) recommending the share exchange ratio in connection with the Scheme;
- (c) Fairness opinion dated 8 May 2024 issued by Axis Capital Limited, an independent SEBI Registered merchant banker (SEBI Registration No. INM000012029) and fairness opinion dated 8 May 2024 issued by PL Capital Markets Private Limited, an independent SEBI Registered merchant banker (SEBI Registration No. INM000011237) (“**Fairness Opinions**”) providing their opinion on the fairness of the recommendations made in the Valuation Reports; and
- (d) Auditors certificate dated 8 May 2024 issued by Suresh Surana & Associates LLP (Firm Registration No. 121750W/ W-100010) and Bagaria & Co. LLP (Firm Registration Number 113447W/W-100019), the joint statutory auditors of the Company, certifying that the accounting treatment contained in the draft Scheme is in compliance, *inter alia*, with all the applicable accounting standards specified by the Central Government under Section 133 of the Act and other generally accepted accounting principles.

3. Salient features of the Scheme

- 3.1. The Committee noted that the Scheme, *inter alia*, provides for:

- (a) the amalgamation of the Company with PCHFL (the wholly owned subsidiary of the Company) and dissolution of the Company without winding up, and the consequent issuance of equity shares and, subject to receipt of approval from the RBI, non-convertible non-cumulative non-participating redeemable preference shares (“**NCRPS**”) of PCHFL to the shareholders of the Company as set out in the Scheme;
- (b) adjustment of debit balance of amalgamation adjustment reserve account in the books of PCHFL; and
- (c) various other matters consequential or otherwise integrally connected therewith.

- 3.2. The Appointed Date for the Scheme is 1 April 2024.

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- 3.3. The Effective Date (*as defined in the Scheme*) for the Scheme would be the last date as notified by the Boards of the Company and PCHFL, on which all conditions precedent specified in the Scheme have been fulfilled, completed or waived, as applicable, as determined by the Boards of the Company and PCHFL.
- 3.4. The shares issued and allotted pursuant to the Scheme, shall be listed and admitted to trading on the Stock Exchanges after obtaining the requisite approvals.
- 3.5. Upon the Scheme becoming effective, and as an integral part of the Scheme, the entire paid-up shareholding of PCHFL held by the Company shall stand cancelled and the Company and PCHFL shall not be required to comply with the provisions of Section 66 of the Act or any other applicable provisions.

4. Details of the Scheme

4.1. Background of the Scheme and need for the amalgamation

- (a) Pursuant to the audited financial statements for the financial year ended 31 March 2024, PCHFL does not meet the requisite Principal Business Criteria (“**PBC Criteria**”) prescribed by the RBI under the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, to continue operating as a housing finance company (“**HFC**”). Accordingly, the Board of PCHFL has approved the conversion of PCHFL from an HFC to Non-Banking Finance Company - Investment and Credit Company (“**NBFC-ICC**”) and PCHFL is in the process of making an application to the RBI for such conversion. Upon receipt of the NBFC-ICC license, there will be 2 (two) distinct NBFC-ICCs in the group, and as such the RBI may not permit the group to have 2 (two) NBFC-ICCs.
- (b) Further, as per the RBI’s (NBFC – Scale Based Regulation) Master Directions, 2023 (“**Scale Based Regulations**”), all NBFCs identified as upper layer NBFCs are mandatorily required to be listed within 3 (three) years of being identified as an upper layer NBFC. PCHFL has been identified as an upper layer NBFC, and accordingly, is required to be listed prior to 30 September 2025 as per the Scale Based Regulations.
- (c) Accordingly, the Company and PCHFL have proposed to enter into the Scheme.

4.1. Rationale of the Scheme

- (a) Pursuant to the audited financial statements for the financial year ended 31 March 2024, PCHFL does not meet the requisite PBC Criteria to continue operating as an HFC. PCHFL is in the process of making an application to the RBI for conversion of its HFC license to an NBFC-ICC license. Upon receipt of the said license, PCHFL will operate as an NBFC-ICC resulting in 2 (two) distinct NBFC-ICCs in the group (i.e. the Company and PCHFL), and as such the RBI may not permit the group having two NBFC-ICCs.
- (b) Further, as per the Scale Based Regulations, PCHFL is required to be listed prior to 30 September 2025.

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- (c) Accordingly, the Company and PCHFL are now proposing to enter into a composite scheme of arrangement whereby the Company will amalgamate with PCHFL.
- (d) Upon the Scheme becoming effective, the Company will amalgamate with PCHFL, and PCHFL will be listed on a recognised stock exchange thereby ensuring compliance with applicable RBI regulations.
- (e) The amalgamation of the Company with PCHFL would be a seamless transition, as PCHFL has significantly larger scale of operations and wider geographical presence, as compared to the Company. This is evident given that:
 - (i) PCHFL's interest income and assets under management ("AUM") constitute 79.9% and 77.2% of the Company and PCHFL's aggregate interest income and AUM, respectively.
 - (ii) PCHFL originates almost the entire credit portfolio of the Company and PCHFL through its wide network which constitutes 99% of the overall network. PCHFL also houses more than 95% of the aggregate employees of the Company and PCHFL.
 - (iii) The amalgamation of the Company with PCHFL would entail lesser disruptions in the retail lending business of PCHFL. This approach would also substantially reduce the administrative and operational challenges that would arise in otherwise consolidating the infrastructure and assets of both companies, given the extensive scale of operations of PCHFL.
- (f) The amalgamation would lead to optimisation in supervisory and management overlap, minimisation of regulatory and legal compliances with respect to business registrations and labour laws.
- (g) The amalgamation would result in having a unified approach to customer interactions, as well as lender engagement under a single platform which would further simplify operations, thereby enhancing customer and lender servicing experiences.
- (h) The unification of businesses would result in the consolidation of financial, managerial, technical, and human resources, thereby creating a stronger base for future growth and stakeholder value accretion.
- (i) The creation of a larger consolidated financial services entity will enable such entity to deliver an increased range of financial products to a broader customer base. Further, PCHFL would, subsequent to the amalgamation, benefit from economies of scale and operational efficiencies, leading to revenue and cost synergies.
- (j) An enhanced consolidated balance sheet would also bring efficiency with respect to the merged entity's treasury operations, thereby helping in the overall liability management of the organization.

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- (k) The amalgamation will result in the shareholders of the Company having direct ownership in one single listed entity, which houses all the operations, profits, and in-effect the entire value of the lending business under one roof.

Based on the aforesaid considerations, the proposed amalgamation is expected to enhance optimisation of the capital structure, comply with applicable regulatory requirements, and maximise shareholders' value.

5. Scheme not detrimental to shareholders of the Company

- (a) Upon the Scheme becoming effective, in consideration of the transfer and vesting of the Company in PCHFL, PCHFL shall issue the following shares to the shareholders of the Company in the manner set out in the Scheme:
- (i) For every 1 (one) equity share having face value of INR 2 (Indian Rupees Two only) of the Company, 1 (one) equity share having face value of INR 2 (Indian Rupees Two only) of PCHFL shall be allotted to the shareholders of the Company; and
- (ii) Subject to receipt of approval from the RBI for: (a) issuance of NCRPS to the non-resident shareholders of the Company; or (b) if RBI approval as requested pursuant to (a) is not received, appointment of a category – I merchant banker/ appropriate SEBI registered intermediary to hold and sell the NCRPS on behalf of the non-resident shareholders of the Company and dispose the sale proceeds in the manner set out in the Scheme, for every 1 (one) equity share having face value of INR 2 (Indian Rupees Two only) of the Company, 1 (one) NCRPS having face value of INR 67 (Indian Rupees Sixty Seven only) of PCHFL shall be allotted to the shareholders of the Company.
- (b) The equity shares and, subject to receipt of RBI approval, NCRPS issued and allotted by PCHFL to the shareholders of the Company as consideration for the amalgamation shall be listed and admitted to trading on the Stock Exchanges after obtaining the requisite approvals.
- (c) Further, upon the Scheme coming into effect, the existing shareholding of the Company in PCHFL shall stand cancelled and extinguished without any further act, instrument or deed.
- (d) The Scheme is expected to have several benefits for the Company as indicated in the rationale of the Scheme and is expected to be beneficial to the shareholders of the Company as it would enhance optimization of the capital structure, provide an opportunity for growth and value creation thereby leading to maximization of value and returns to the shareholders.

Thus, the Independent Directors of the Company are of the opinion that the Scheme will have no adverse effect on the shareholders of the Company and the Scheme is not detrimental to shareholders of the Company.

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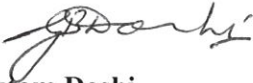
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6. Recommendations of the Committee

- 6.1. After noting and taking into consideration the terms of the draft Scheme, the Valuation Reports, Fairness Opinions, need for the amalgamation, rationale of the Scheme and that the post-Scheme shareholding pattern of PCHFL will be the same as the pre-Scheme shareholding pattern of the Company, the Committee arrived at the conclusion that the Scheme would not be detrimental to the shareholders of the Company, and recommended the draft Scheme for favourable consideration and approval by the Board, Stock Exchanges, SEBI, NCLT, RBI and other appropriate authorities.

For and on behalf of the Committee of Independent Directors of the Company



Gautam Doshi

Chairman of the Committee of Independent Directors

DIN: 00004612

Date: 08.05.2024

Place: Mumbai

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