

**Report of the Committee of Independent Directors of Equitas Small Finance Bank Limited recommending the draft Scheme of Amalgamation between Equitas Holdings Limited, Equitas Small Finance Bank Limited and their respective shareholders and creditors**

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**1. Background**

- 1.1 A Meeting of the Committee of Independent Directors (“the Committee”) was held on March 21, 2022 through video conferencing to consider and if thought fit, recommend the proposed Scheme of Amalgamation (hereinafter referred to as “the Scheme”) to be entered between Equitas Holdings Limited (“EHL/Promoter/Transferor Company”), Equitas Small Finance Bank Limited (“ESFBL/Bank/Transferee Company”) and their respective shareholders under the provisions of Section 230 to 232 and other applicable provisions of the Companies Act, 2013 (“the Act”) and the Rules made thereunder and other regulatory guidelines.
- 1.2 This report of Committee of Independent Directors is made in accordance with the SEBI Master Circular bearing number SEBI/ HO/ CFD/ DIL1/ CIR/ P/ 2020/ 249 dated December 22, 2020 consolidating SEBI Circulars dated March 10, 2017, March 23, 2017, May 26, 2017, September 21, 2017, January 3, 2018, September 12, 2019 and November 3, 2020 and as amended further vide SEBI Circulars dated November 16, 2021, November 18, 2021 and March 01, 2022 (collectively referred to as “SEBI Circulars”) read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”). The following were presented for consideration of the Committee:
- A draft of the proposed Scheme
  - Valuation Report dated March 21, 2022 issued by Independent Valuers viz., M/s BDO Valuation Advisory LLP providing the share valuation of EHL and ESFBL.
  - Fairness Opinion dated March 21, 2022 issued by IIFL Securities Limited, a SEBI Registered Category I Merchant Bankers;
  - Presentations, documents and information related to the Scheme
  - Management’s note recommending the Scheme
- 1.3 The Scheme is proposed to take effect from the Appointed Date (as defined in the Scheme) but shall be operative from the Effective Date (as defined in the Scheme).
- 1.4 The Scheme is conditional upon and subject to
- the sanction or approval under Applicable Law or any other Appropriate Authority, agency or department concerned being obtained and granted in respect of any of the matters in respect of which such sanction or approval is required.
  - The Scheme being approved by the stock exchanges and the SEBI.
  - The Scheme being approved by the RBI as per Applicable Laws. The sanction by the NCLT to the Scheme is subject to the RBI



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certifying, in exercise of its powers conferred under Section 44B(1) of the Banking Regulation Act, 1949 if applicable, that the Scheme is not incapable of being worked and as not being detrimental to the interests of the depositors of ESFBL.

- d. The Scheme being agreed to by the respective requisite majorities of the shareholders and creditors of ESFBL and the public shareholders and creditors of EHL as the NCLT may direct and the sanction of the NCLT being accorded to the Scheme. EHL and ESFBL shall provide electronic voting facility to its public shareholders and the Scheme shall be acted upon only if the votes cast by the public shareholders in favour of the Scheme are more than the number of votes cast by the public shareholders against it.

## 2 Need for the Scheme:

- a. As per the conditions laid down in the Small Finance Bank license issued by RBI and the Guidelines for Licensing of 'Small Finance Banks' in the Private Sector dated November 27, 2014 ("SFB Licensing Guidelines"), the promoter's shareholding in small finance bank has to be reduced to 40% within a period of 5 years from the date of commencement of business of the bank. Accordingly, EHL, as the promoter of ESFBL, is required to reduce its stake to 40% within a period of 5 (five) years from the date of commencement of business of the bank (i.e., before September 04, 2021).
- b. The SFB Licensing Guidelines read with Clarification issued by RBI on January 1, 2015 to the queries on SFB Licensing Guidelines ("RBI Clarification"), permits a promoter to exit or to cease after lock-in period of five years, subject to the RBI's regulatory and supervisory comfort and SEBI Regulations in this regard. The RBI also issued guidelines for on-tap Licensing of Small Finance Banks in Private Sector according to which a promoter can exit from the Small Finance Bank after completing the lock in period of five years with the approval from Reserve Bank of India.
- c. In accordance with the SFB Licensing Guidelines read with RBI Clarification, the Scheme of Amalgamation contemplates amalgamation of EHL with ESFBL and issue of shares of ESFBL to the shareholders of EHL as of the Record Date in the manner set out in the Scheme in order to comply with the above directives of the RBI in a manner that is in the best interests of all the stakeholders of EHL and ESFBL.

## 3 Rationale for the Scheme:

- 3.1 As part of the conditions laid down in the small finance bank licence referenced Licence No. MUM: 119 dated June 30, 2016 issued by the



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RBI and the Guidelines for Licensing of 'Small Finance Banks' in the Private Sector dated November 27, 2014, the RBI had directed that

- a. The equity shares of ESFBL should be listed on recognized stock exchange(s) in India within a time period of 3 (three) years from the date the net worth of ESFBL reaches INR 500 crores (i.e., by September 04, 2019, since ESFBL commenced banking operations with a net worth of more than INR 500 crores); and
  - b. If the promoter of ESFBL, i.e., EHL holds more than 40% (forty percent) of equity shares in ESFBL, then EHL should reduce its stake in ESFBL to 40% (forty percent) within a period of 5 (five) years from the date of commencement of business of the bank (i.e., up to September 04, 2021).
- 3.2 The directive of the RBI as mentioned under Clause 3.1.a was acted upon by the Bank by way of Initial Public Offering and the Bank fulfilled the condition of listing of its shares on the Stock Exchanges with effect from November 2, 2020 only.
- 3.3 The Scheme seeks to achieve the requirement of dilution of promoter shareholding in ESFBL, in a manner that is in the best interests of and without being prejudicial to EHL, ESFBL, the shareholders of EHL or any other stakeholders.
- 3.4 Further, as per the SFB Licensing Guidelines read with RBI Clarification, a promoter can exit from the Small Finance Bank after completing the lock-in period of five years with the approval from RBI and subject to applicable SEBI Regulations.

#### 4 Synergies

- 4.1 The proposed restructuring will lead to simplification of group structure, elimination of duplication and multiplicity of compliance requirements.
- 4.2 *Pooling of financial, managerial and technical resources, expertise, skills and capabilities* would aid in optimization of resources, efficiencies and reduction of administrative and operational costs.
- 4.3 The proposed amalgamation will pave way for creation of stronger platform for growth and allow greater business focus by getting regulatory compliances completed. It also helps in creation of enhanced value to the stakeholders of ESFBL including the prospective stakeholders.

#### 5 Impact of the Scheme on the shareholders:

The Share Exchange ratio is believed to be fair to public shareholders of both EHL and ESFBL.



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## 6 Cost benefit analysis of the Scheme:

Keeping in view, the synergies as referred under Clause 4 above, the Committee of Independent Directors is of the view that benefits resulting from amalgamation would exceed costs, consequently resulting in increased productivity and efficiency and enhancement of stakeholder value. The Scheme would also help in complying with basic requirements of RBI SFB Licensing Guidelines sans timelines.

## 7 Recommendation of the Committee of Independent Directors:

The Committee of Independent Directors reviewed the draft Scheme of Amalgamation, Valuation Report, Fairness Opinion and other documents along with the observations/comments connected thereto as placed before the Committee and noted that the proposed Scheme contemplates to achieve *inter-alia* the following:

- Achieve satisfaction and requirements of the conditions laid down by RBI in the SFB Licensing Guidelines and the subsequent clarifications, thereby ensuring continuity of the business of ESFBL.
- The manner in which the Share Exchange Ratio under the Scheme has been arrived at is found to be fair to the shareholders of ESFBL.
- The Scheme will lead to simplification of group structure, elimination of duplication and multiplicity of compliance requirements
- The Scheme is not in any manner prejudicial or against public interest and would, on the contrary, serve the interest of all shareholders, depositors, creditors and stakeholders given that the Scheme ensures meeting the basic requirements sans the timelines, of the conditions prescribed by RBI required for continued banking operations.
- The Scheme is not in any manner detrimental to the interests of shareholders of the Bank.
- Upon the Scheme becoming effective and after cancellation of the options granted by the Transferor Company to the Eligible Employees under the EHL ESOP Scheme, the fresh options shall be granted by the Transferee Company to the Eligible Employees on the basis of the Share Exchange Ratio (i.e. for every 100 options held by an Eligible Employee in the Transferor Company, such Eligible Employee will be conferred 231 options in the Transferee Company which shall entitle him to acquire 231 equity shares in the Transferee Company), such that the Eligible Employee shall, as option holders of the Transferee Company, enjoy the same economic benefit as they would have received under the EHL ESOP Scheme.



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Based on foregoing paragraphs, the Committee of Independent Directors recommends the Scheme for favourable consideration of the Board of Directors of the Bank.

**By the order of the Committee of Independent Directors  
For Equitas Small Finance Bank Limited**



**Ramesh Rangan  
Chairman, Committee of Independent Directors  
DIN: 07586413**

**Date: March 21, 2022  
Place: Chennai**



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**Report of the Audit Committee of Equitas Small Finance Bank Limited, recommending the draft Scheme of Amalgamation between Equitas Holdings Limited, Equitas Small Finance Bank Limited and their respective shareholders and creditors**

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**1. Background**

- 1.1 A Meeting of the Audit Committee ("the Committee") was held on March 21, 2022 through video conferencing to consider and if thought fit, recommend the proposed Scheme of Amalgamation (hereinafter referred to as "the Scheme") to be entered between Equitas Holdings Limited ("EHL/Promoter/Transferor Company"), Equitas Small Finance Bank Limited ("ESFBL/Bank/Transferee Company") and their respective shareholders under the provisions of Section 230 to 232 of the Companies Act, 2013 ("the Act") and the Rules made thereunder and other regulatory guidelines.
- 1.2 This report of Audit Committee is made in accordance with the SEBI Master Circular bearing number SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 consolidating SEBI Circulars dated March 10, 2017, March 23, 2017, May 26, 2017, September 21, 2017, January 3, 2018, September 12, 2019 and November 3, 2020 and as amended further vide SEBI Circulars dated November 16, 2021, November 18, 2021 and March 01, 2022 (collectively referred to as "SEBI Circulars") read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"). In accordance with the SEBI Circular, the following were presented for consideration of the Committee:
- A draft of the proposed Scheme
  - Valuation Report dated March 21, 2022 issued by Independent Valuers viz., M/s BDO Valuation Advisory LLP providing the share valuation of EHL and ESFBL.
  - Fairness Opinion dated March 21, 2022 issued by IIFL Securities Limited, a SEBI Registered Category I Merchant Bankers;
  - Certificate dated March 21, 2022 from the Joint Statutory Auditors certifying that the accounting treatment provided in the Scheme is in conformity with the applicable accounting standards and regulations issued by the respective sector regulator i.e., RBI with respect to accounting.
  - Presentations, documents and information related to the Scheme
  - Management's note recommending the scheme
- 1.3 The Scheme is proposed to take effect from the Appointed Date (as defined in the Scheme) but shall be operative from the Effective Date (as defined in the Scheme).
- 1.4 The Scheme is conditional upon and subject to



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- a. the sanction or approval under Applicable Law or any other Appropriate Authority, agency or department concerned being obtained and granted in respect of any of the matters in respect of which such sanction or approval is required.
- b. The Scheme being approved by the stock exchanges and the SEBI.
- c. The Scheme being approved by the RBI as per Applicable Laws. The sanction by the NCLT to the Scheme is subject to the RBI certifying, in exercise of its powers conferred under Section 44B(1) of the Banking Regulation Act, 1949 if applicable, that the Scheme is not incapable of being worked and as not being detrimental to the interests of the depositors of ESFBL.
- d. The Scheme being agreed to by the respective requisite majorities of the shareholders and creditors of ESFBL and the public shareholders and creditors of EHL as the NCLT may direct and the sanction of the NCLT being accorded to the Scheme. EHL and ESFBL shall provide electronic voting facility to its public shareholders and the Scheme shall be acted upon only if the votes cast by the public shareholders in favour of the Scheme are more than the number of votes cast by the public shareholders against it.

## 2 Need for the Scheme:

- a. As per the conditions laid down in the small finance bank license issued by RBI and the Guidelines for Licensing of 'Small Finance Banks' in the Private Sector dated November 27, 2014, the promoter's shareholding in small finance bank has to be reduced to 40% within a period of 5 years from the date of commencement of business of the bank. Accordingly, EHL, as the promoter of ESFBL, is required to reduce its stake to 40% within a period of 5 (five) years from the date of commencement of business of the bank (i.e., before September 04, 2021).
- b. The SFB Licensing Guidelines read with Clarification issued by RBI on January 1, 2015 to the queries on SFB Licensing Guidelines ("RBI Clarification"), permits a promoter to exit or to cease after lock-in period of five years, subject to the RBI's regulatory and supervisory comfort and SEBI Regulations in this regard. The RBI also issued guidelines for on-tap Licensing of Small Finance Banks in Private Sector according to which a promoter can exit from the Small Finance Bank after completing the lock in period of five years with the approval from Reserve Bank of India.
- c. In accordance with the SFB Licensing Guidelines read with RBI Clarification, the Scheme of Amalgamation contemplates amalgamation of EHL with ESFBL and issue of shares of ESFBL to the shareholders of EHL as of the Record Date in the manner set out in the Scheme in order to comply with the above directives of the RBI in a manner that is in the best interests of all the stakeholders of EHL and ESFBL.



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### 3 Rationale for the Scheme:

- 3.1 As part of the conditions laid down in the small finance bank licence referenced Licence No. MUM: 119 dated June 30, 2016 issued by the RBI and the Guidelines for Licensing of 'Small Finance Banks' in the Private Sector dated November 27, 2014, the RBI had directed that
- a. The equity shares of ESFBL should be listed on recognized stock exchange(s) in India within a time period of 3 (three) years from the date the net worth of ESFBL reaches INR 500 crores (i.e., by September 04, 2019, since ESFBL commenced banking operations with a net worth of more than INR 500 crores); and
  - b. If the promoter of ESFBL, i.e., EHL holds more than 40% (forty percent) of equity shares in ESFBL, then EHL should reduce its stake in ESFBL to 40% (forty percent) within a period of 5 (five) years from the date of commencement of business of the bank (i.e., up to September 04, 2021).
- 3.2 The directive of the RBI as mentioned under Clause 3.1.a was acted upon by the Bank by way of Initial Public Offering and the Bank fulfilled the condition of listing of its shares on the Stock Exchanges with effect from November 2, 2020 only.
- 3.3 The Scheme seeks to achieve the requirement of dilution of promoter shareholding in ESFBL in a manner that is in the best interests of and without being prejudicial to EHL, ESFBL, the shareholders of EHL or any other stakeholders.
- 3.4 Further, as per the SFB Licensing Guidelines read with RBI Clarification, a promoter can exit from the Small Finance Bank after completing the lock-in period of five years with the approval from RBI and subject to applicable SEBI Regulations.

### 4 Synergies

- 4.1 The proposed restructuring will lead to simplification of group structure, elimination of duplication and multiplicity of compliance requirements.
- 4.2 Pooling of financial, managerial and technical resources, expertise, skills and capabilities would aid in optimization of resources, efficiencies and reduction of administrative and operational costs.
- 4.3 The proposed amalgamation will pave way for creation of stronger platform for growth and allow greater business focus by getting regulatory compliances completed. It also helps in creation of enhanced value to the stakeholders of ESFBL including the prospective stakeholders.



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**5 Impact of the Scheme on the shareholders:**

The Share Exchange ratio is believed to be fair to public shareholders of both EHL and ESFBL.

**6 Cost benefit analysis of the Scheme:**

Keeping in view, the synergies as referred under Clause 4 above, the Audit Committee is of the view that benefits resulting from amalgamation would exceed costs, consequently resulting in increased productivity and efficiency and enhancement of stakeholder value. The Scheme would also help in complying with basic requirements of RBI SFB Licensing Guidelines sans timelines.

**7 Recommendation of Audit Committee:**

The Audit Committee reviewed the draft Scheme of Amalgamation, Valuation Report, Fairness Opinion, Certificate from Auditors along with the observations/comments connected thereto and other documents as placed before the Committee and noted that the proposed Scheme contemplates to achieve *inter-alia* the following:

- Achieve satisfaction and requirements of the conditions laid down by RBI in the SFB Licensing Guidelines and the subsequent clarifications thereby ensuring continuity of the business of ESFBL.
- The manner in which the Share Exchange Ratio under the Scheme has been arrived at is found to be fair to the shareholders of ESFBL.
- The Scheme will lead to simplification of group structure, elimination of duplication and multiplicity of compliance requirements
- The Scheme is not in any manner prejudicial or against public interest and would, on the contrary, serve the interest of all shareholders, depositors, creditors and stakeholders given that the Scheme ensures meeting the basic requirements sans timelines, of the conditions prescribed by RBI required for uninterrupted banking operations.
- The accounting treatment contemplated in the Scheme for the proposed amalgamation is in accordance with the applicable accounting standards and regulations issued by the respective sector regulator i.e., RBI with respect to accounting.
- Upon the Scheme becoming effective and after cancellation of the options granted by the Transferor Company to the Eligible Employees under the EHL ESOP Scheme, the fresh options shall be granted by the Transferee Company to the Eligible Employees on the basis of the Share Exchange Ratio (i.e. for every 100 options held by an Eligible Employee in the Transferor Company, such Eligible Employee will be conferred 231 options



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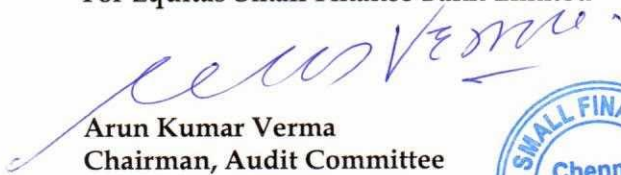
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in the Transferee Company which shall entitle him to acquire 231 equity shares in the Transferee Company), such that the Eligible Employee shall, as option holders of the Transferee Company, enjoy the same economic benefit as they would have received under the EHL ESOP Scheme.

Based on the foregoing paragraphs, the Audit Committee recommends the draft Scheme for favourable consideration of the Board of Directors of the Bank.

**By the order of the Audit Committee  
For Equitas Small Finance Bank Limited**



**Arun Kumar Verma**  
Chairman, Audit Committee  
DIN: 03220124



**Date: March 21, 2022**



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**CERTIFIED TRUE COPY OF RESOLUTION PASSED BY THE BOARD OF DIRECTORS OF EQUITAS SMALL FINANCE BANK LIMITED ON MARCH 21, 2022.**

**RESOLVED that** pursuant to the provisions of Sections 230 to 232 and other applicable provisions, if any, of the Companies Act, 2013, SEBI regulations and enabling provisions of the Memorandum of Association of the Bank and subject to the approval of Reserve Bank of India, the members, creditors and approval by the National Company Law Tribunal ( NCLT) Chennai bench and other requisite approvals, sanctions, consents and observations, if any, unanimous approval of the Board of Directors be and is hereby accorded to the Scheme of Amalgamation between Equitas Holdings Limited (EHL) with Equitas Small Finance Bank Limited (ESFBL) and their respective shareholders ("Scheme"), as circulated and placed before the Meeting, subject to modifications, if any , as may be imposed by any regulatory authority or the shareholders of the Bank or the NCLT.

**RESOLVED FURTHER** that the Appointed Date for the Scheme shall be the Effective Date, or such other date as determined by the Board of ESFBL to comply with the approvals/directions from the regulatory and statutory authorities or such other date as NCLT may direct.

**RESOLVED FURTHER** that for the purpose of Scheme, the Board hereby take on record, valuation report dated March 21, 2022 of BDO Valuation Advisory LLP, being the Registered valuer for the purpose of the Scheme, and approve the Share Exchange Ratio as under.

*Each of the equity shareholders of EHL as on the Record Date defined in the Scheme, without any further application or deed, shall be allotted 231 Equity Shares of Rs.10/- each credited as fully paid up of the Bank in respect of every 100 Equity Shares of Rs.10/- each fully paid up held by them in EHL.*

**RESOLVED FURTHER** that the Fairness Opinion on the share exchange ratio dated March 21, 2022 given by M/s IIFL Securities Limited (IIFL), Category -I Merchant Banker, as placed before the Board be is hereby taken on record.

**RESOLVED FURTHER** that the certificate issued by the M/s T R Chadha & Co LLP and M / s Varma & Varma, Chartered Accountants, Joint Statutory Auditors of the Bank, to the effect that the proposed accounting treatment specified in the draft scheme is in compliance with applicable Accounting Standards specified in section 133 of Companies Act 2013 as placed before the Board be and is hereby taken on record.

**RESOLVED FURTHER** that report of Committee of Independent Directors dated March 21, 2022 recommending the draft scheme, taking into consideration, inter alia, the valuation report, fairness opinion and confirming that the Scheme is not detrimental to the interest of the shareholders as placed before the Board be and is hereby taken on record.

**RESOLVED FURTHER** that report of the Audit Committee dated March 21, 2022 recommending the draft scheme, taking into consideration, inter alia, the valuation report, fairness opinion and the aforesaid certificate from Joint Statutory Auditors as placed before the Board be and is hereby taken on record.



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**RESOLVED FURTHER** that the Bank hereby chooses the National Stock Exchange of India limited (NSE) as the designated stock exchange for the purpose of coordinating with Securities and Exchange Board of the India ("SEBI") in connection with the aforesaid scheme.

**RESOLVED FURTHER** that the MD & CEO, CFO and the CS be and are hereby severally authorized to:

- i. To make modifications, amendments, revisions, edits and all other actions as may be required to finalize the scheme.
- ii. To file necessary applications with the Central/State Government, Securities and Exchange Board of India ("SEBI"), Stock Exchanges or any Authority or agency and to obtain sanction or approval to any provisions of the Scheme or giving effect thereto;
- iii. To file all necessary applications, petitions with the NCLT for directions to hold or to exempt the holding of meetings of the shareholders and / or creditors and or such other classes as may be concerned with the scheme and where necessary to take steps to convene and hold such meetings as per the directions of the NCLT and all other activities to give effect to the scheme;
- iv. Take all steps as may be required, including, without limitation for obtaining approvals and/or consents of the shareholders, creditors, banks, financial institutions and other regulatory authorities or entities or agencies as may be required from time to time in that behalf;
- v. Give such directions as they may consider necessary to settle any question or difficulty arising under the Scheme or in regard to and of the meaning or interpretation of the Scheme or implementation thereof or in any manner whatsoever connected therewith or to review the position relating to the satisfaction of various conditions of the Scheme and if necessary, to waive any of those (to the extent permissible under the law);
- vi. Take all such actions and steps in the above matter, as may be required from time to time to give effect to the above resolution including making necessary changes, corrections or amendments to the Scheme as may be suggested by the Board, advocates, RBI, NCLT or such other statutory authority or persons as may be required by law and resolving the difficulties, if any, as and when required.

**RESOLVED FURTHER** that the copies of the foregoing resolutions certified to be true copies by any of the above mentioned authorized persons be furnished to all concerned as may be necessary and they be requested to act thereon.

////Certified True Copy////  
For Equitas Small Finance Bank Limited



Sampathkumar K R  
Company Secretary  
Membership No A27466



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**2820913**





**CERTIFIED TRUE COPY OF RESOLUTION PASSED BY THE BOARD OF DIRECTORS OF  
EQUITAS HOLDINGS LIMITED ON MARCH 21, 2022**

**RESOLVED** that pursuant to the provisions of Sections 230 to 232 and other applicable provisions, if any, of the Companies Act, 2013, SEBI regulations and enabling provisions of the Memorandum of Association of the Company and subject to the approval of Reserve Bank of India, the members, creditors and approval by the National Company Law Tribunal (NCLT) Chennai bench and other requisite approvals, sanctions, consents and observations, if any, unanimous approval of the Board of Directors be and is hereby accorded to the Scheme of Amalgamation between Equitas Holdings Limited (EHL) with Equitas Small Finance Bank Limited (ESFBL) and their respective shareholders ("Scheme"), as circulated and placed before the Meeting, subject to modifications, if any, as may be imposed by any regulatory authority or the shareholders of the Company or the NCLT.

**RESOLVED FURTHER** that the Appointed Date for the Scheme shall be the Effective Date, or such other date as determined by the Board of ESFBL to comply with the approvals/directions from the regulatory and statutory authorities or such other date as NCLT may direct.

**RESOLVED FURTHER** that for the purpose of Scheme, the Board does hereby take on record the valuation report dated March 21, 2022 issued by Mr Raghuraman Krishna Iyer, Registered Valuer for the purpose of the Scheme and approve the share exchange ratio as under.

*Each of the equity shareholders of EHL as on the Record Date defined in the Scheme, without any further application or deed, shall be allotted 231 Equity Shares of Rs.10/- each credited as fully paid up of the Bank in respect of every 100 Equity Shares of Rs.10/- each fully paid up held by them in EHL.*

**RESOLVED FURTHER** that the Fairness Opinion on the share exchange ratio dated March 21, 2022 given by M/s JM Financial Limited (JM), Category -I Merchant Banker, as placed before the Board be is hereby taken on record.

**RESOLVED FURTHER** that the certificate issued by M/s V Sankar Aiyer & Co, Chartered Accountants, Statutory Auditors, to the effect that the proposed accounting treatment specified in the draft Scheme is in compliance with applicable Accounting Standards specified in section 133 of Companies Act 2013 and other applicable provisions, if any, as placed before the Board be and is hereby taken on record.

**RESOLVED FURTHER** that the report of Committee of Independent Directors dated March 21, 2022 recommending the draft scheme, taking into consideration, *inter alia*, the valuation report, fairness opinion and confirming that the Scheme is not detrimental to the interest of the shareholders as placed before the Board be and is hereby taken on record.

**RESOLVED FURTHER** that the report of the Audit Committee dated March 21, 2022 recommending the draft scheme, taking into consideration, *inter alia*, the valuation report, fairness opinion and the aforesaid certificate from Statutory Auditors as placed before the Board be and is hereby taken on record.



**EQUITAS HOLDINGS LIMITED**





**Report of the Audit Committee of Equitas Holdings Limited recommending the draft Scheme of Amalgamation between Equitas Holdings Limited, Equitas Small Finance Bank Limited and their respective shareholders**

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**1. Background**

- 1.1 A Meeting of the Audit Committee ("the Committee") was held on March 21, 2022 through video conferencing to consider and if thought fit, recommend the proposed Scheme of Amalgamation (hereinafter referred to as "the Scheme") to be entered between Equitas Holdings Limited ("EHL/ Company/Transferor Company"), Equitas Small Finance Bank Limited ("ESFBL/Bank/Transferee Company") and their respective shareholders under the provisions of Section 230 to 232 and other applicable provisions of the Companies Act, 2013 ("the Act") and the Rules made thereunder and other regulatory guidelines.
- 1.2 This report of Audit Committee is made in accordance with the SEBI Master Circular bearing number SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 consolidating SEBI Circulars dated March 10, 2017, March 23, 2017, May 26, 2017, September 21, 2017, January 3, 2018, September 12, 2019 and November 3, 2020 (collectively referred to as "SEBI Circulars") read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"). In accordance with the SEBI Circular, the following were presented for consideration of the Committee:
- A draft of the proposed Scheme
  - Valuation Report dated March 21, 2022 issued by Mr Raghuraman Krishna Iyer, Independent Valuer providing the share valuation of EHL and ESFBL.
  - Fairness Opinion dated March 21, 2022 issued by JM Financial Limited, a SEBI Registered Category I Merchant Bankers.
  - Certificate dated March 21, 2022 from M/s V Sankar Aiyer & Co, Statutory Auditors certifying that the accounting treatment provided in the Scheme is in conformity with the applicable accounting standards.
  - Presentations, documents and information related to the Scheme
  - Management's note recommending the scheme
- 1.3 The Scheme is proposed to take effect from the Appointed Date (as defined in the Scheme) but shall be operative from the Effective Date (as defined in the Scheme).

**EQUITAS HOLDINGS LIMITED**





1.4 This Scheme is conditional upon and subject to

- a. the sanction or approval under Applicable Law or any other Appropriate Authority, agency or department concerned being obtained and granted in respect of any of the matters in respect of which such sanction or approval is required.
- b. The Scheme being approved by the stock exchanges and the SEBI.
- c. The Scheme being approved by the RBI as per Applicable Laws. The sanction by the NCLT to the Scheme is subject to the RBI certifying, in exercise of its powers conferred under Section 44B(1) of the Banking Regulation Act, 1949, if applicable, that the Scheme is not incapable of being worked and as not being detrimental to the interests of the depositors of ESFBL.
- d. The Scheme being agreed to by the respective requisite majorities of the shareholders and creditors of EHL and the public shareholders and creditors of ESFBL as the NCLT may direct and the sanction of the NCLT being accorded to the Scheme. EHL and ESFBL shall provide electronic voting facility to its public shareholders and the Scheme shall be acted upon only if the votes cast by the shareholders in favour of the Scheme are more than the number of votes cast by the shareholders against it.

**2 Need for the Scheme:**

- 2.1 As per the conditions laid down in the small finance bank license issued by RBI and the Guidelines for Licensing of 'Small Finance Banks' in the Private Sector dated November 27, 2014 ("SFB Licensing Guidelines"), the promoter's shareholding in small finance bank has to be reduced to 40% within a period of 5 years from the date of commencement of business of the bank. Accordingly, EHL, as the promoter of ESFBL, is required to reduce its stake to 40% (forty percent) in ESFBL by September 04, 2021).
- 2.2 The SFB Licensing Guidelines read with Clarification issued by RBI on January 1, 2015 to the queries on SFB Licensing Guidelines ("RBI Clarification"), permits a promoter to exit or to cease after lock-in period of five years, subject to the RBI's regulatory and supervisory comfort and SEBI Regulations in this regard. The RBI also issued guidelines for on-tap Licensing of Small Finance Banks in Private Sector according to which a promoter can exit from the Small Finance Bank after completing the lock in period of five years with the approval from Reserve Bank of India. Further, the RBI had constituted an Internal Working Group ("IWG") on June 12, 2020 to review the extant ownership guidelines and corporate structure for Indian private sector banks. One of the key recommendations of the IWG is that the Banks which are currently held by Non-operating Financial Holding Companies may be allowed to exit from such a structure if they do not have other group entities in the fold.

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2.3 In accordance with the SFB Licensing Guidelines read with RBI Clarification, the Scheme of Amalgamation contemplates amalgamation of EHL with ESFBL and issue of shares of ESFBL to the shareholders of EHL as of the Record Date in the manner set out in the Scheme in order to comply with the above directives of the RBI in a manner that is in the best interests of all the stakeholders of EHL and ESFBL.

### 3 Rationale for the Scheme:

3.1 As part of the conditions laid down in the small finance bank licence referenced Licence No. MUM: 119 dated June 30, 2016 issued by the RBI and the Guidelines for Licensing of 'Small Finance Banks' in the Private Sector dated November 27, 2014, the RBI had directed that

3.1.1 The equity shares of ESFBL should be listed on recognized stock exchange(s) in India within a time period of 3 (three) years from the date the net worth of ESFBL reaches INR 500 crores (i.e., by September 04, 2019, since ESFBL commenced banking operations with a net worth of more than INR 500 crores); and

3.1.2 If EHL, being Promoter of the Bank, holds more than 40% (forty percent) of equity shares in ESFBL, then EHL should reduce its stake in ESFBL to 40% (forty percent) within a period of 5 (five) years from the date of commencement of business of the bank (i.e., up to September 04, 2021).

3.2 The directive of the RBI as mentioned under Clause 3.1.1 was complied by the Bank by way of Initial Public Offering and shares were listed on the Stock Exchanges on November 2, 2020.

3.3 The Scheme seeks to achieve compliance with the directive of the RBI as mentioned under Clause 3.1.2 by EHL in a manner that is in the best interests of and without being prejudicial to EHL, ESFBL, the shareholders of EHL or any other stakeholders.

3.4 Further, as per the SFB Licensing Guidelines read with RBI Clarification, a promoter can exit from the Small Finance Bank after completing the lock-in period of five years with the approval from RBI and subject to applicable SEBI Regulations.



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## 4 Synergies

- 4.1 The proposed restructuring will lead to simplification of group structure, elimination of duplication and multiplicity of compliance requirements.
- 4.2 Pooling of financial, managerial and technical resources, expertise, skills and capabilities would aid in optimization of resources, efficiencies and reduction of administrative and operational costs.
- 4.3 The proposed amalgamation will pave way for creation of stronger platform for growth and allow greater business focus for the Bank by getting regulatory compliances completed. It also helps in creation of enhanced value to the stakeholders of ESFBL including the prospective stakeholders.

## 5 Impact of the Scheme on the shareholders:

- 5.1 The Scheme provides all public shareholders of EHL with direct shareholding in ESFBL thereby helping them to unlock value to their investments in the business of ESFBL, which is currently held through EHL. Consequently, the shareholders of EHL can take independent decisions with respect to their holdings in ESFBL without being constrained to hold an investment in EHL to be able to derive value of benefit from ESFBL's business.
- 5.2 Currently, the combined market value of shares of EHL are at a discount to the combined market value of shares of ESFBL. On the amalgamation coming into effect, EHL shareholders will be getting ESFBL shares on the agreed swap ratio. The value of ESFBL shares so issued to EHL shareholders are likely to be higher than the current market value of shares of EHL.
- 5.3 The Scheme also ensures that there is no dilution of value to public shareholders of EHL in the process of amalgamation in accordance with this Scheme.
- 5.4 There is no likelihood that the interests of any shareholder of EHL would be prejudiced as a result of the Scheme. The Scheme will not impose any additional burden on the members of EHL.
- 5.5 The combined shareholding of all EHL shareholders in the Bank would be 71.28% as against 74.59% held by EHL in the Bank as on date.

## 6 Cost benefit analysis of the Scheme:

The Scheme provides all public shareholders of EHL with direct shareholding in ESFBL thereby helping them to unlock value to their investments in the business of ESFBL, which is currently held through EHL. Consequently, the shareholders of EHL can take independent decisions with respect to their holdings in ESFBL without being

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constrained to hold an investment in EHL to be able to derive value of benefit from ESFBL's business. As per the Scheme, the cost and expenses in relation to or in connection with the Scheme shall be borne by the Bank.

**7 Recommendation of Audit Committee:**

The Audit Committee has reviewed the draft Scheme of Amalgamation, Valuation Report, Fairness Opinion, Certificate from Auditors along with the observations/comments connected thereto and other documents as placed before the Committee and noted that the proposed Scheme contemplates to achieve *inter-alia* the following:

- Achieve satisfaction and compliance of the conditions laid down by RBI thereby ensuring continuity of the business of ESFBL which is also in accordance with the SFB Licensing Guidelines read with RBI clarification.
- Provides shareholders of EHL with direct shareholding in ESFBL thereby helping them to unlock value to their investments in the business of ESFBL, which is currently held through EHL. Consequently, the shareholders of EHL can take independent decisions with respect to their holdings in EHL and ESFBL without being constrained to hold an investment in EHL to be able to derive value of benefit from ESFBL's business.
- The manner in which the Share Exchange Ratio under the Scheme has been fixed and found it to be fair to the shareholders of EHL.
- There is no accounting implication, arising out of the Scheme, in the standalone books / financial statements of EHL.
- The Scheme will lead to simplification of group structure, elimination of duplication and multiplicity of compliance requirements.
- The Scheme is not in any manner prejudicial or against public interest and would, on the contrary, serve the interest of all the stakeholders of EHL.
- Upon the Scheme becoming effective and after cancellation of the options granted by the Transferor Company to the Eligible Employees under the EHL ESOP Scheme, the fresh options shall be granted by the Transferee Company to the Eligible Employees on the basis of the Share Exchange Ratio (i.e. for every 100 options held by an Eligible Employee in the Transferor Company, such Eligible Employee will be conferred 231 options in the Transferee Company which shall entitle him to acquire 231 equity shares in the Transferee Company), such that the Eligible Employee shall, as option holders of the Transferee Company,

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enjoy the same economic benefit as they would have received under the EHL ESOP Scheme.

The Audit Committee on the basis of its evaluation of the Valuation Report, Fairness Opinion, Certificate from Auditors, presentation and documents related to the Scheme and the management's recommendations on the Scheme and its independent judgement, approves and recommends the draft Scheme for favourable consideration of the Board of Directors of the Company.

**By the order of the Audit Committee of the Board  
For Equitas Holdings Limited**

**Viswanatha Prasad S  
Chairman, Audit Committee  
DIN: 00574928**



**Date: March 21, 2022**

**EQUITAS HOLDINGS LIMITED**






**RESOLVED FURTHER** that the Company hereby chooses National Stock Exchange of India limited (NSE) as the designated stock exchange for the purpose of co-ordinating with Securities and Exchange Board of the India ("SEBI") in connection with the aforesaid Scheme.

**RESOLVED FURTHER** that the CEO, CFO and CS be and are hereby severally authorized to:

- (i) To make modifications, amendments, revisions, edits and all other actions as may be required to finalize the scheme.
- (ii) To file necessary applications with the Central/State Government, Securities and Exchange Board of India ("SEBI"), Stock Exchanges or any Authority or agency and to obtain sanction or approval to any provisions of the Scheme or giving effect thereto.
- (iii) To file all necessary applications, petitions with the NCLT for directions to hold or to exempt the holding of meetings of the shareholders and / or creditors and or such other classes as may be concerned with the scheme and where necessary to take steps to convene and hold such meetings as per the directions of the NCLT and all other activities to give effect to the scheme.
- (iv) Take all steps as may be required, including, without limitation for obtaining approvals and/or consents of the shareholders, creditors, banks, financial institutions and other regulatory authorities or entities or agencies as may be required from time to time in that behalf;
- (v) Give such directions as they may consider necessary to settle any question or difficulty arising under the Scheme or in regard to and of the meaning or interpretation of the Scheme or implementation thereof or in any manner whatsoever connected therewith or to review the position relating to the satisfaction of various conditions of the Scheme and if necessary, to waive any of those (to the extent permissible under the law);
- (vi) Take all such actions and steps in the above matter, as may be required from time to time to give effect to the above resolution including making necessary changes, corrections or amendments to the Scheme as may be suggested by the Board, advocates, RBI, NCLT or such other statutory authority or persons as may be required by law and resolving the difficulties, if any, as and when required.

**RESOLVED FURTHER** that the copies of the foregoing resolutions certified to be true copies by any of the above mentioned authorized persons be furnished to all concerned as may be necessary and they be requested to act thereon.

**///Certified True Copy///  
For Equitas Holdings Limited**

  
**Deepti R  
Company Secretary  
A35488**



**EQUITAS HOLDINGS LIMITED**



**Report of the Committee of Independent Directors of Equitas Holdings Limited recommending the draft scheme of amalgamation between Equitas Holdings Limited, Equitas Small Finance Bank Limited and their respective shareholders**

---

**1. Background**

- 1.1 A Meeting of the Committee of Independent Directors ("the Committee") was held on March 21, 2022 through video conferencing to consider and if thought fit, recommend the proposed Scheme of Amalgamation (hereinafter referred to as "the Scheme") to be entered between Equitas Holdings Limited ("EHL/ Company"), Equitas Small Finance Bank Limited ("ESFBL/Bank") and their respective shareholders under the provisions of Section 230 to 232 and other applicable provisions of the Companies Act, 2013 ("the Act") and the Rules made thereunder and other regulatory guidelines.
- 1.2 This report of Committee of Independent Directors is made in accordance with the SEBI Master Circular bearing number SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 consolidating SEBI Circulars dated March 10, 2017, March 23, 2017, May 26, 2017, September 21, 2017, January 3, 2018, September 12, 2019 and November 3, 2020 (collectively referred to as "SEBI Circulars") read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"). In accordance with the SEBI Circular, the following were presented for consideration of the Committee:
- A draft of the proposed Scheme
  - Valuation Report dated March 21, 2022 issued by Mr Raghuraman Krishna Iyer providing the share valuation of EHL and ESFBL.
  - Fairness Opinion dated March 21, 2022 issued by JM Financial Limited, a SEBI Registered Category I Merchant Bankers;
  - Presentations, documents and information related to the Scheme
  - Management's note recommending the scheme
- 1.3 The Scheme is proposed to take effect from the Appointed Date (as defined in the Scheme) and operative from the Effective Date (as defined in the Scheme).
- 1.4 This Scheme is conditional upon and subject to
- the sanction or approval under Applicable Law or any other Appropriate Authority, agency or department concerned being obtained and granted in respect of any of the matters in respect of which such sanction or approval is required.
  - The Scheme being approved by the stock exchanges and the SEBI.
  - The Scheme being approved by the RBI as per Applicable Laws. The sanction by the NCLT to the Scheme is subject to the RBI certifying, in exercise of its powers conferred under Section 44B(1) of the BR Act, if applicable, that the Scheme is not incapable of being worked and as not being detrimental to the interests of the depositors of ESFBL.

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- d. The Scheme being agreed to by the respective requisite majorities of the shareholders and creditors of EHL and the public shareholders and creditors of ESFBL as the NCLT may direct and the sanction of the NCLT being accorded to the Scheme. EHL and ESFBL shall provide electronic voting facility to its public shareholders and the Scheme shall be acted upon only if the votes cast by the shareholders in favour of the Scheme are more than the number of votes cast by the shareholders against it.

## 2. Need for the Scheme:

- 2.1 As per the conditions laid down in the small finance bank license issued by RBI and the Guidelines for Licensing of 'Small Finance Banks' in the Private Sector dated November 27, 2014 ("SFB Licensing Guidelines"), the promoter's shareholding in small finance bank has to be reduced to 40% within a period of 5 years from the date of commencement of business of the bank. Accordingly, EHL, as the promoter of ESFBL, is required to reduce its stake to 40% (forty percent) in ESFBL by September 04, 2021).
- 2.2 The SFB Licensing Guidelines read with Clarification issued by RBI on January 1, 2015 to the queries on SFB Licensing Guidelines ("RBI Clarification"), permits a promoter to exit or to cease after lock-in period of five years, subject to the RBI's regulatory and supervisory comfort and SEBI Regulations in this regard. The RBI also issued guidelines for on-tap Licensing of Small Finance Banks in Private Sector according to which a promoter can exit from the Small Finance Bank after completing the lock in period of five years with the approval from Reserve Bank of India. Further, the RBI had constituted an Internal Working Group ("IWG") on June 12, 2020 to review the extant ownership guidelines and corporate structure for Indian private sector banks. One of the key recommendations of the IWG is that the Banks which are currently held by Non-operating Financial Holding Companies may be allowed to exit from such a structure if they do not have other group entities in the fold.
- 2.3 In accordance with the SFB Licensing Guidelines read with RBI Clarification, the Scheme of Amalgamation contemplates amalgamation of EHL with ESFBL and issue of shares of ESFBL to the shareholders of EHL as of the Record Date in the manner set out in the Scheme in order to comply with the above directives of the RBI in a manner that is in the best interests of all the stakeholders of EHL and ESFBL.

## 3. Rationale for the Scheme:

- 3.1 As part of the conditions laid down in the small finance bank licence referenced Licence No. MUM: 119 dated June 30, 2016 issued by the RBI and the Guidelines for Licensing of 'Small Finance Banks' in the Private Sector dated November 27, 2014, the RBI had directed that

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3.1.1 The equity shares of ESFBL should be listed on recognized stock exchange(s) in India within a time period of 3 (three) years from the date the net worth of ESFBL reaches INR 500 crores (i.e., by September 04, 2019, since ESFBL commenced banking operations with a net worth of more than INR 500 crores); and

3.1.2 If EHL, being Promoter of the Bank, holds more than 40% (forty percent) of equity shares in ESFBL, then EHL should reduce its stake in ESFBL to 40% (forty percent) within a period of 5 (five) years from the date of commencement of business of the bank (i.e., up to September 04, 2021).

3.2 The directive of the RBI as mentioned under Clause 3.1.1 was complied by the Bank by way of Initial Public Offering and shares were listed on the Stock Exchanges on November 2, 2020.

3.3 The Scheme seeks to achieve compliance with the directive of the RBI as mentioned under Clause 3.1.2 by EHL in a manner that is in the best interests of and without being prejudicial to EHL, ESFBL, the shareholders of EHL or any other stakeholders.

3.4 Further, as per the SFB Licensing Guidelines read with RBI Clarification, a promotor can exit from the Small Finance Bank after completing the lock-in period of five years with the approval from RBI and subject to applicable SEBI Regulations.

#### 4 Synergies

4.1 The proposed restructuring will lead to simplification of group structure, elimination of duplication and multiplicity of compliance requirements.

4.2 Pooling of financial, managerial and technical resources, expertise, skills and capabilities would aid in optimization of resources, efficiencies and reduction of administrative and operational costs.

4.3 The proposed amalgamation will pave way for creation of stronger platform for growth and allow greater business focus for the Bank by getting regulatory compliances completed. It also helps in creation of enhanced value to the stakeholders of ESFBL including the prospective stakeholders.

#### 5 Impact of the Scheme on the shareholders:

5.1 The Scheme provides all public shareholders of EHL with direct shareholding in ESFBL thereby helping them to unlock value to their investments in the business of ESFBL, which is currently held through EHL. Consequently, the shareholders of EHL can take independent decisions with respect to their holdings in ESFBL without being constrained to hold an investment in EHL to be able to derive value of benefit from ESFBL's business.

5.2 Currently, the combined market value of shares of EHL are at a discount to the combined market value of shares of ESFBL. On the

### EQUITAS HOLDINGS LIMITED





amalgamation coming into effect, EHL shareholders will be getting ESFBL shares on the agreed swap ratio. The value of ESFBL shares so issued to EHL shareholders are likely to be higher than the current market value of shares of EHL.

- 5.3 The Scheme also ensures that there is no dilution of value to public shareholders of EHL in the process of amalgamation in accordance with this Scheme.
- 5.4 There is no likelihood that the interests of any shareholders or creditors or employees of EHL would be prejudiced as a result of the Scheme. The Scheme will not impose any additional burden on the members of EHL.
- 5.5 The combined shareholding of all EHL shareholders in the Bank would be 71.28% as against 74.59% held by EHL in the Bank as on date.

## 6 Cost benefit analysis of the Scheme:

The Scheme provides all public shareholders of EHL with direct shareholding in ESFBL thereby helping them to unlock value to their investments in the business of ESFBL, which is currently held through EHL. Consequently, the shareholders of EHL can take independent decisions with respect to their holdings in ESFBL without being constrained to hold an investment in EHL to be able to derive value of benefit from ESFBL's business. As per the Scheme, the cost and expenses in relation to or in connection with the Scheme shall be borne by the Bank.

## 7 Recommendation of the Committee of Independent Directors:

The Committee of Independent Directors has reviewed the draft Scheme of Amalgamation, Valuation Report, Fairness Opinion, Certificate from Auditors along with the observations/comments connected thereto and other documents as placed before the Committee and noted that the proposed Scheme contemplates to achieve *inter-alia* the following:

- Achieve satisfaction and compliance of the conditions laid down by RBI thereby ensuring continuity of the business of ESFBL which is also in accordance with the SFB Licensing Guidelines read with RBI clarification.
- Provides shareholders of EHL with direct shareholding in ESFBL thereby helping them to unlock value to their investments in the business of ESFBL, which is currently held through EHL. Consequently, the shareholders of EHL can take independent decisions with respect to their holdings in EHL and ESFBL without being constrained to hold an investment in EHL to be able to derive value of benefit from ESFBL's business.
- The manner in which the Share Exchange Ratio under the Scheme has been fixed and found it to be fair to the shareholders of EHL.

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- The Scheme will lead to simplification of group structure, elimination of duplication and multiplicity of compliance requirements.
- The Scheme is not in any manner prejudicial or against public interest and would, on the contrary, serve the interest of all the stakeholders of EHL.
- Upon the Scheme becoming effective and after cancellation of the options granted by the Transferor Company to the Eligible Employees under the EHL ESOP Scheme, the fresh options shall be granted by the Transferee Company to the Eligible Employees on the basis of the Share Exchange Ratio (i.e. for every 100 options held by an Eligible Employee in the Transferor Company, such Eligible Employee will be conferred 231 options in the Transferee Company which shall entitle him to acquire 231 equity shares in the Transferee Company), such that the Eligible Employee shall, as option holders of the Transferee Company, enjoy the same economic benefit as they would have received under the EHL ESOP Scheme.

The Committee of Independent Directors on the basis of its evaluation of the valuation report, fairness opinion, presentations and documents related to the Scheme and the management recommendations on the Scheme and its independent judgement and taking into consideration, *inter-alia* that the Scheme is not detrimental to the interest of any shareholder or creditor or employee of the Company, approves and recommends the draft Scheme for favourable consideration of the Board of Directors of the Company.

**By the order of the Committee of Independent Directors  
For Equitas Holdings Limited**



**Viswanatha Prasad S  
Chairman, Committee of Independent Directors  
DIN: 00574928**

**Date: March 21, 2022**

## **EQUITAS HOLDINGS LIMITED**