



REPORT ADOPTED BY THE BOARD OF DIRECTORS OF PIRAMAL ENTERPRISES LIMITED (“COMPANY” OR “PEL”) IN ACCORDANCE WITH SECTION 232(2)(C) OF THE COMPANIES ACT, 2013 AND CIRCULAR NO. SEBI/HO/DDHS/PoD1/P/CIR/2023/108 DATED 29 JULY 2022 (UPDATED AS ON 30 JUNE 2023) ISSUED BY THE SECURITIES EXCHANGE BOARD OF INDIA, AT ITS MEETING HELD ON 8 MAY 2024 AT MUMBAI

1. Overview

- 1.1. The board of directors of the Company (“**Board**”) at its meeting held on 8 May 2024 have approved the proposed composite scheme of arrangement amongst the Company, Piramal Capital & Housing Finance Limited (“**PCHFL**”) and their respective shareholders and creditors (“**Scheme**”) 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, if any, 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, 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) (“**SEBI Debt Circular**”) 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. The Scheme, *inter alia*, provides for:
- the amalgamation of the Company with PCFHL (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 Reserve Bank of India (“**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;
 - adjustment of debit balance of amalgamation adjustment reserve account in the books of PCHFL; and
 - various other matters consequential or otherwise integrally connected therewith.
- 1.3. The Scheme was recommended for approval by the Audit Committee and Committee of Independent Directors of the Company at their respective meetings held on 8 May 2024. Based on the recommendation of the Audit Committee and the Committee of Independent Directors, the Board at its meeting held on 8 May 2024, *inter alia*, approved the draft Scheme subject to the sanction of the jurisdictional National Company Law Tribunal (“**NCLT**”) and receipt of necessary approvals from BSE Limited, National Stock Exchange of India Limited (collectively, the “**Stock Exchanges**”), SEBI, RBI, the shareholders and creditors, as may be directed by the NCLT and any other regulatory/ governmental authorities or person, as may be applicable.



Piramal Enterprises Limited

CIN: L24110MH1947PLC005719

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- 1.4. Pursuant to the Section 232(2)(c) of the Act, the Board is required to adopt a report explaining the effect of the Scheme on each class of shareholders (promoter and non-promoter shareholders) and key managerial personnel, of the Company setting out, *inter alia*, the share exchange ratio, specifying any special valuation difficulties. Further, pursuant Paragraph 2(d) of Part I(A) of Annexure XII-A of the SEBI Debt Circular, the Board is required to adopt a report recommending the draft Scheme, taking into consideration, *inter alia*, the valuation report and ensuring that the Scheme is not detrimental to the holders of the non-convertible debentures (“NCDs”). Further, the report is also required to comment on the impact of the Scheme on the holders of NCDs, safeguards for the protection of the holders of NCDs, and exit offer to the dissenting holders of the NCDs, if any.
- 1.5. Accordingly, this report of the Board (“**Report**”) is made in compliance with the aforesaid requirements.
- 1.6. The appointed date for the Scheme is 1 April 2024.

2. Documents placed before the Board

- 2.1. For the purpose of making this Report, the Board 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) providing their opinion on the fairness of the recommendations made in the Valuation Reports;
 - (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 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;
 - (e) Reports of the Audit Committee and Committee of Independent Directors of the Company dated 8 May 2024 respectively recommending the draft Scheme;
 - (f) Draft of the Compliance Reports as prescribed by the SEBI to be filed with the Stock Exchanges; and

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- (g) Other presentations, reports, documents and information furnished to the Board, pertaining to the draft Scheme.

3. **Background of the Scheme**

- 3.1. 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 directors of PCHFL has approved the conversion of PCHFL from an HFC to Non-Banking Financial 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.
- 3.2. 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.
- 3.3. Accordingly, the Company and PCHFL have proposed to enter into the Scheme. The Scheme, *inter alia*, provides for (i) the amalgamation of the Company with PCHFL, (ii) adjustment of debit balance of amalgamation adjustment reserve account in the books of PCHFL, and (iii) various other matters consequential or otherwise integrally connected therewith.

4. **Rationale of the Scheme**

- 4.1. 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.
- 4.2. Further, as per the Scale Based Regulations, PCHFL is required to be listed prior to 30 September 2025.
- 4.3. Accordingly, the Company and PCHFL are now proposing to enter into a composite scheme of arrangement whereby the Company will amalgamate with PCHFL.
- 4.4. 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.
- 4.5. 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:

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- (a) 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.
 - (b) 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.
 - (c) 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.
- 4.6. 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.
- 4.7. 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.
- 4.8. 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.
- 4.9. 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.
- 4.10. 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.
- 4.11. 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. Effect of the Scheme on the stakeholders

- 5.1. Shareholders (Promoter and Non-Promoter)

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- (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.
- (e) Accordingly, the Scheme will have no adverse effect on the shareholders of the Company due to the amalgamation.

5.2. Key Managerial Personnel

- (a) The existing key managerial personnel (“KMPs”) of the Company will remain engaged with PCHFL without interruption of their service. However, their role(s)/ function(s)/ responsibilities may undergo change pursuant to business and organization requirements /needs.
- (b) None of the KMPs of the Company have any interest in the Scheme except to the extent of the equity shares held by them/ their relatives in the Company.



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5.3. Holders of NCDs

- (a) Effect and impact on the NCD holders and safeguards for the protection of the NCD holders:
- (i) Pursuant to the Scheme, the NCDs issued by the Company shall become NCDs of PCHFL on the same terms and conditions and without any change in structure, except to the extent modified under the provisions of this Scheme and all rights, powers, duties and obligations in relation thereto shall be and stand transferred to and vested in and be deemed to have been transferred to and vested in and shall be exercised by or against PCHFL as if it were the issuer of such NCDs, so transferred and vested.
 - (ii) The holders of the NCDs issued by the Company, or their legal heirs, executors or administrators or (in case of a corporate entity) its successors, shall continue holding the same number of NCDs and on the same terms and conditions in PCHFL as held by such holder in the Company.
 - (iii) The NCDs issued by the Company which stand transferred to PCHFL shall be listed and admitted to trading on the debt segment of the relevant Stock Exchanges.
 - (iv) Accordingly, the Scheme will have no adverse effect on the holders of the NCDs issued by the Company and thus adequately safeguards interests of the holders of the NCDs.
- (b) Exit offer to the dissenting holders of the NCDs of the Company

Given that pursuant to the Scheme, the holders of NCDs issued by the Company would become holders of NCDs issued by PCHFL on the same terms and conditions, no exit offer is required.

6. Valuation Reports

- 6.1. The Board noted that the share exchange ratio is as recommended in the Valuation Reports.
- 6.2. No special valuation difficulties were reported.

7. Adoption of the Report by the Board

- 7.1. After noting and taking into consideration the information set forth in this Report and that the post-Scheme shareholding pattern of PCHFL will be the same as the pre-Scheme shareholding pattern of the Company, the Board has arrived at the conclusion that the Scheme is fair, reasonable and not detrimental to the shareholders (promoters and non-promoter shareholders), KMPs, and NCD holders of the Company and that there shall be no prejudice caused to them in any manner by the Scheme. Accordingly, the Board has adopted this Report.



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7.2. The Board or any duly authorised committee/ person by the Board is entitled to make relevant modifications to this Report, if required and such modifications or amendments shall be deemed to form part of this Report.

For and on behalf of the Board



Ajay G. Piramal
Chairman (Whole-Time Director)
DIN: 00028116
Date: 08.05.2024
Place: Mumbai

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