

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF ADITYA BIRLA FINANCE LIMITED IN ACCORDANCE WITH SECTION 232(2)(C) OF THE COMPANIES ACT, 2013 AND CIRCULAR NO. SEBI/HO/DDHS/DDHS_DIV1/P/CIR/2022/0000000103 DATED JULY 29, 2022 AS AMENDED FROM TIME TO TIME, ISSUED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA (“SEBI CIRCULAR ON NCDs”), AT ITS MEETING HELD ON MARCH 11, 2024 IN MUMBAI ON THE SCHEME OF AMALGAMATION OF ADITYA BIRLA FINANCE LIMITED WITH ADITYA BIRLA CAPITAL LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

1. Background

- 1.1. The Board of Directors of Aditya Birla Finance Limited (“**Board**”) at its meeting held on March 11, 2024 have approved the Scheme of Amalgamation of Aditya Birla Finance Limited (“**Company**” or “**Amalgamating Company**”) with Aditya Birla Capital Limited (“**Amalgamated Company**”) and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“**Act**”) (“**Scheme**”).
- 1.2. The Amalgamating Company is a wholly owned subsidiary of Amalgamated Company.
- 1.3. The registered office of the Amalgamating Company and of the Amalgamated Company is located in Veraval, Gujarat. Accordingly, the Scheme will be filed with Ahmedabad Bench of the National Company Law Tribunal for its approval.
- 1.4. Pursuant to Section 232(2)(c) of the Act, the Board of the Company is required to adopt a report explaining the effect of the Scheme of Amalgamation on each class of shareholders, key managerial personnel (“**KMPs**”), promoters and non-promoter shareholders of the Company laying out in particular the share swap ratio and specifying any special valuation difficulties and the same is required to be circulated as part of the notice of the meeting(s) of the shareholders and creditors (if any) to be held for the purpose of approving the Scheme.
- 1.5. Pursuant to Paragraph 2(d) of Part I (A) of Annexure XII-A of the SEBI Circular No. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000103 dated July 29, 2022, as amended from time to time (“**SEBI Circular on NCDs**”), the Board of the Company is required to recommend 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**”) and also required to comment on impact of the Scheme on the holder of NCDs, safeguards for the protection of the holders of NCDs and exit offer to the dissenting holders of NCD, if any.
- 1.6. This report of the Board is accordingly being made in pursuance to the requirements of Section 232(2)(c) of the Act and SEBI Circular on NCDs.

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care.finance@adityabirlacapital.com | <https://finance.adityabirlacapital.com>**Registered Office:**Indian Rayon Compound,
Veraval, Gujarat - 362 266

CIN: U65990GJ1991PLC064603

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- 1.7. Under the Scheme, it is proposed to amalgamate the Amalgamating Company with the Amalgamated Company. The Appointed Date for the Scheme is April 1, 2024.
- 1.8. **Documents placed before the Board**

The following documents were, *inter alia*, presented before the Board:

- (a) Draft Scheme;
- (b) Valuation Report dated March 11, 2024 issued by M/s. Bansi S. Mehta Valuers LLP (IBBI Registration No. IBBI/RV-E/06/2022/172), Registered Valuer ("**Valuation Report**"), in connection with the NCDs of the Amalgamating Company;
- (c) Fairness Opinion Report dated March 11, 2024 issued by Inga Ventures Private Limited (Registration No. INM4012698), an Independent SEBI registered Category – I Merchant Banker ("**Fairness Opinion**"), in connection with the NCDs of the Amalgamating Company; and
- (d) Draft Statutory Auditors' certificate of M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101248W/W-100022), the Statutory Auditors of the Amalgamated Company, confirming (i) the payment/repayment capability of the Amalgamated Company against outstanding listed NCDs of the Amalgamating Company; and (ii) the accounting treatment prescribed in the Scheme is in compliance with the accounting standards prescribed under section 133 of the Companies Act and other generally accepted accounting principles;
- (e) Draft Statutory Auditor certificate of M/s. MSKA and Associates, Chartered Accountants (Firm Registration No. 105047W) and Singhi & Co., Chartered Accountants (Firm Registration No. 302049E), the joint Statutory Auditors of the Amalgamating Company, confirming the accounting treatment prescribed in the Scheme is in compliance with the accounting standards prescribed under section 133 of the Companies Act and other generally accepted accounting principles; and
- (f) Report dated March 11, 2024 of the Audit Committee of the Company recommending the Scheme.

2. Need for the amalgamation and rationale of the Scheme

The Amalgamating Company and the Amalgamated Company form part of the Aditya Birla group. The Amalgamating Company, a wholly owned subsidiary of the Amalgamated Company is engaged in the business of lending and distribution of financial products. With the objective of simplifying the group structure, it is proposed to consolidate the Amalgamating Company with the Amalgamated Company, its holding company.

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The rationale for, and the benefits of, the amalgamation of the Amalgamating Company into and with the Amalgamated Company, are *inter alia* as follows:

- (i) rationalisation and simplification of structure by reducing the number of legal entities;
- (ii) to achieve optimal and efficient utilization of capital, enhance operational and management efficiencies;
- (iii) the Amalgamated Company, being an operating company would have direct access to capital, thereby creating a unified larger entity with greater financial strength and flexibility;
- (iv) consolidation of the business, leading to synergies of operations and resulting in the expansion and long-term sustainable growth, which will enhance value for various stakeholders of the Amalgamated Company;
- (v) seamless implementation of policy changes, reduction in the multiplicity of legal and regulatory compliances and costs rationalization resulting in improvement in shareholder returns;
- (vi) pooling of knowledge and expertise of both the Parties and align with the business plans to meet long-term objectives; and
- (vii) ensuring on-going compliance with the Scale Based Regulations applicable to NBFCs, as notified by the RBI.

Upon the effectiveness of the amalgamation, the Amalgamated Company would, *inter alia*, be engaged into the following businesses (i) lending business (NBFC business of erstwhile Amalgamating Company and housing finance business through its 100% subsidiary) and (ii) various non-lending financial services and ancillary businesses, directly and indirectly, through subsidiaries/associates.

Accordingly, the Scheme is in the interest of all the companies involved and their respective stakeholders.

3. Valuation Report

- 3.1. Since the Amalgamating Company is a wholly owned subsidiary of the Amalgamated Company, upon the Scheme becoming effective, the shares held by the Amalgamated Company in the Amalgamating Company will stand cancelled and no consideration shall be issued by the Amalgamated Company.
- 3.2. There will be no change in the terms and conditions of the NCDs of the Amalgamating Company. Pursuant to the Scheme, the NCD holders of the Amalgamating Company will continue to hold the NCDs of the Amalgamated Company, without any interruption, on the same terms, including the coupon rate, the tenure, the redemption price, quantum, and the nature of security, ISIN, etc. A copy of valuation report issued by M/s. Bansi S. Mehta Valuers LLP, Registered Valuer, dated March 11, 2024 confirming the above, is obtained by the Amalgamated Company and the Amalgamating Company.

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3.3. No special valuation difficulties were reported.

4. **Effect of the Scheme on the stakeholders**

4.1. Shareholders (Promoter and Non-Promoter)

- a) The Amalgamating Company is a wholly-owned subsidiary of the Amalgamated Company; Upon the Scheme becoming effective, the shares held by the Amalgamated Company in the Amalgamating Company will stand cancelled and no consideration shall be issued by the Amalgamated Company.
- b) The Scheme is expected to have several benefits for the Company as indicated in the rationale of the Scheme and is expected to be in the best interest of the Amalgamated Company and shareholders of the Amalgamated Company;
- c) There will be no change in the economic interest of the shareholders and shareholding pattern of the Amalgamated Company, before and after Scheme; and
- d) Upon the Scheme becoming effective, the Amalgamating Company shall be dissolved without being wound up.

4.2. Key Managerial Personnel ("KMP")

The KMPs of the Amalgamating Company shall become employees of the Amalgamated Company without any interruption in their service.

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 and their directorship, if any, in the Amalgamating Company.

5. **Impact of the scheme on the holders of NCDs, safeguards for the protection of holders of NCDs and no exit offer to holders of NCDs**

- 5.1. Pursuant to this Scheme, there will be no change in terms and conditions of the Non-Convertible Debentures ("NCDs") of the Amalgamating Company. The NCDs of the Amalgamating Company shall become NCDs of the Amalgamated Company pursuant to this Scheme. It is clarified that NCDs of the Amalgamating Company, as on the Record Date, shall stand vested in or be deemed to have been vested in and shall be exercised by or against the Amalgamated Company on the same terms and conditions as if it was the issuer of such NCDs pursuant to this Scheme.

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- 5.2. Safeguards for the protection of holders of NCDs: Pursuant to the Scheme, the NCDs of the Amalgamating Company shall be vested with the Amalgamated Company on same terms, including the coupon rate, tenure, ISIN, redemption price, quantum, and nature of security. Therefore, the Scheme will not have any adverse impact on the holders of the NCDs of the Amalgamating Company and thus adequately safeguarding the interest of the holders of the NCDs of the Amalgamating Company.
- 5.3. No exit offer to NCDs holders of the Amalgamating Company: Since the Scheme is between the wholly owned subsidiary and the holding company and envisages that the NCDs holders of the Amalgamating Company will become holders of NCDs of the Amalgamated Company, no exit offer is required.
- 5.4. The holders of NCDs of the Amalgamating Company whose names are recorded in the relevant registers of the Amalgamating Company on the Record Date, if any, or their legal heirs, executors or administrators or (in case of a corporate entity) its successors, shall continue to hold the same number of NCDs in the Amalgamated Company as held by such NCD holder respectively in the Amalgamating Company and on the same terms and conditions.
- 6. Adoption of the Report by the Directors**
- 6.1. The Report of the Audit Committee, Valuation Report, the Fairness Opinion and draft certificates of the respective Statutory Auditors of the Amalgamated Company and the Amalgamating Company have been taken on record by the Board, and the Board has come to the conclusion that:
- a) the Scheme is fair and reasonable to shareholders / KMPs/ employees of the Amalgamating Company; and
 - b) the Scheme is fair and not detrimental to the NCD holders of the Amalgamating Company.
 - c) there shall be no prejudice caused to them in any manner by the Scheme.
- 6.2. The Board or any duly authorised committee / person authorized by the Board is entitled to make relevant modifications to this Report, if required and such modifications or amendments shall have deemed to form part of the report.


Rakesh Singh
Managing Director & CEO
DIN: 07006067
Place: Mumbai
Date: March 11, 2024

