

Rationale for the Scheme of Amalgamation :

The rationale for the Scheme of Amalgamation is as follows:

- (a) The Transferee Company and the Transferor Company have developed exceptional skills in banking business and housing finance business respectively. The Transferor Company has a wide range of home loan products with a specific rural focus. With a retail network of 195 (one hundred ninety five) branches, it has a presence in 11 States and 1 Union Territory in India with almost 50% (fifty percent) of the existing loan assets advanced in rural areas. The Transferee Company received a banking license in 2015 from the RBI. Its focus has been to meet the financial needs of people who are overlooked by the formal banking system. The Transferor Company and the Transferee Company therefore have significant complementarities and the consolidation of the two businesses carried on by them is strategic in nature and will generate significant business synergies. The amalgamation will result in enhancement of shareholders' value accruing from synergy of operations, new product development, integration of technology and information technology platforms, and also enable the Amalgamating Companies to further their socio-economic objectives. Thus, a combination of the Transferor Company and the Transferee Company will enhance the value propositions of the combined entity which would be able to leverage the complementarities of the Amalgamating Companies;
- (b) The amalgamation of the Transferor Company with the Transferee Company will enable the Transferee Company to build and strengthen its housing loan portfolio, and establish a strong customer base of affordable housing customers. The Transferee Company would benefit from the loan assets of the Transferor Company as the strong loan book of the Transferor Company will stand merged into the Transferee Company pursuant to the amalgamation. In addition, the amalgamation will not dilute the focus of the Transferee Company on predominantly Priority Sector Lending ("PSL") loans as majority portfolio of the Transferor Company is PSL eligible;
- (c) pooling of resources, creating better synergies, optimal utilisation of resources and greater economies of scale;
- (d) better administration and cost reduction (including reduction in administrative and other common costs);
- (e) while the Transferee Company has pan India presence in 34 States and Union Territories with a strong presence in east and north east part of India, the proposed amalgamation will enhance reach and distribution and help expand the geographic coverage for the combined entities;



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- (f) greater efficiency in cash management and unfettered access to cash flow generated by the combined business, which can be deployed more efficiently, to maximise shareholder value;
- (g) create value for stakeholders including respective shareholders, customers, lenders and employees as the combined business would benefit from increased scale, product diversification and expanded reach with increased ability to growth opportunities, higher cross selling opportunities to a larger base of customers, improvement in productivity and operational efficiencies amongst others;
- (h) provide material realisable cost and revenue synergies for the benefit of the Amalgamating Companies; and
- (i) optimal utilisation of resources and economies of scale resulting in improved efficiencies; it will help the Transferee Company to establish a strong customer base of affordable housing and scale up rural lending.

For, GRUH FINANCE LTD.

MARCUS LOBO
COMPANY SECRETARY

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