

REPORT OF THE AUDIT COMMITTEE OF TRUCAP FINANCE LIMITED (FORMERLY DHANVARSHA FINVEST LIMITED) RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN EXCLUSIVE LEASING AND FINANCE PRIVATE LIMITED AND TRUCAP FINANCE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

MEMBERS PRESENT:

Sr. No.	Name	Designation
1.	Mr. Krishipal Raghuvanshi	Chairperson of the Audit Committee
2.	Mr. Rajiv Kapoor	Member of the Audit Committee

Other invitees and advisors / consultants were present at the meeting along with Mr. Rohanjeet Singh Juneja, Managing Director & Chief Executive Officer, Mr. Sanjay Kukreja, Chief Financial Officer and Ms. Sonal Sharma, Company Secretary & Compliance Officer of the Company at the meeting.

1. Background of the proposed Scheme of Arrangement:

- 1.1 A meeting of the Audit Committee ("Audit Committee") of TruCap Finance Limited was held on December 19, 2022, inter-alia, to consider and, if thought fit, to recommend to the Board of Directors of the Company, the proposed Scheme of Arrangement between Exclusive Leasing and Finance Private Limited and TruCap Finance Limited and their respective Shareholders and Creditors.

The Scheme of Arrangement is framed in terms of the provisions of Sections 230 & 232, Section 66 and 52 and other applicable provisions of the Companies Act, 2013, read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, and other applicable rules made thereunder, as amended and modified from time to time ("Act"), together with Sections 2(1B) and 2(19AA) of the Income Tax Act, 1961 and the Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, issued by Securities and Exchange Board of India ("SEBI Scheme Circular"), as amended, and other applicable provisions, if any.

The Scheme of Arrangement ("Scheme") provides for:

- i. Demerger of retail MSME lending business (comprising of Secured Business loans, gold loans, light commercial vehicle etc.) along with the assets and liabilities pertaining to the retail MSME lending business ("Retail MSME Lending Business/Demerger Undertaking") of Exclusive Leasing and Finance Private Limited ("Demerged Company") into TruCap Finance Limited ("Resulting Company"); and
- ii. Various other matters incidental, consequential or otherwise integrally connected with the aforesaid demerger.

In terms of the SEBI Scheme Circular, a report from the Audit Committee is required recommending the draft Scheme, taking into consideration, inter alia, the Valuation Report (as defined hereinafter), and commenting on the need for de-merger, the rationale of the Scheme, Impact of the Scheme on the Shareholders, cost benefit analysis of the Scheme and synergies of business of the entities involved in the Scheme ("Report"). This Report from the Audit Committee is made to comply with the requirements of the SEBI Scheme Circular.




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1.2 The Salient features of the Scheme:

The Scheme of Arrangement, Inter-alia, provides the following:

- i. Upon the scheme becoming effective, all assets and liabilities including Income Tax and all other statutory liabilities, if any, along with the net-worth of the Demerged Undertaking of Exclusive Leasing and Finance Private Limited will be transferred to and will vest in TruCap Finance Limited on a going concern basis.
- ii. Upon the scheme becoming effective, all the employees of the Demerged Company employed in the activities relating to the Demerged Undertaking, and in service on the effective date, if any, shall become the employees of the Resulting Company on and from such date without any break or interruption in service and upon terms and conditions not less favorable than those applicable to them in the Demerged Undertaking of the Demerged Company.
- iii. Appointed Date for the Scheme will be April 01, 2023, or such other date as may be decided by the Board of Directors of the Demerged Company and the Resulting Company with the approval of the Hon'ble NCLT; or such other date as the Hon'ble NCLT or any other competent authority may approve.
- iv. Share Exchange Ratio for Demerger:

953 (Nine Hundred and Fifty-Three) fully paid-up equity shares of the face value of Rs.2/- (Rupees Two only) each in Resulting Company for every 711 (Seven Hundred and Eleven) fully paid-up shares of ₹ 10/- (Rupees Ten only) held in the Demerged Company.
- v. Fractional entitlements arising out of the aforesaid exchange process, if any, shall be aggregated and held by a trust, nominated by the Board of Directors of the Resulting Company for this purpose. The aforesaid Trust will sell such shares in the open market within a period of 90 days from the date of allotment of shares pursuant to the Scheme. Net Sale Proceeds [after deducting applicable taxes and expenses incurred in this regard] will be distributed among the eligible Shareholders of the Demerged Company in proportion to their respective Fractional Entitlements. The Resulting Company will submit to the Designated Stock Exchange, a report from its Audit Committee and the Independent Directors certifying that the Company has compensated the eligible shareholders against their respective fractional entitlements, within a period of seven days of compensating the Shareholders.
- vi. BSE Limited will act as the Designated Stock Exchange for the purpose of the Scheme of Arrangement.
- vii. The Scheme shall be effective subject to the following:
 - a. Approval of the Scheme by BSE Limited and the Securities and Exchange Board of India ("SEBI"), pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as amended, and SEBI Scheme Circular, and the Reserve Bank of India (RBI), if any.
 - b. Approval of the Scheme by the requisite majorities of Shareholders and/or Creditors of each of the Scheme entities as may be directed by the Hon'ble NCLT.



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- c. Approval of the Scheme by the public shareholders through e-voting in terms of Para 'A' '10(a)' of Part-I of the SEBI Scheme Circular.
 - d. Sanction of the Scheme by the Hon'ble NCLT having jurisdiction over the entities entering into the Scheme.
- viii. Filing of the certified copies of the order(s) from the respective Hon'ble NCLT(s) sanctioning the Scheme with the respective Jurisdictional Registrar of Companies by the entities entering into the Scheme.
- a. The proposed demerger of the Demerged Undertaking of Exclusive Leasing and Finance Private Limited into TruCap Finance Limited would result in business synergies, pooling of the resources of these Companies thereby enabling the Resulting Company to achieve inorganic growth.
 - b. The proposed demerger of the Demerged Undertaking of the Demerged Company will provide the Resulting Company access to a large and unique client base, specifically in Delhi NCR, Punjab and Haryana thereby also enabling geographical diversification of the portfolio of the Resulting Company and strengthens its leadership position in the MSME lending market.
 - c. With the business synergies, the Resulting Company would be able to utilize its resources at an optimum level and would give benefit of economies of scale resulting in improved efficiencies. It will help the Resulting Company to establish a strong customer base of affordable MSME Lending.
 - d. The consolidation of the Retail Lending Business with the Resulting Company would enable the Demerged Company to focus on its wholesale lending and fee-based activity business.
 - e. The Resulting Company will have stronger financials encompassed with higher turnovers and better margins.
 - f. The Demerged Company has a strong presence in Northern India. Whereas the Resulting Company has an extensive branch network in Western and Central India apart from having a presence in National Capital Region. The proposed demerger will enable the Resulting Company to extend its business to new geographical areas and customer base. The Scheme will enable the Resulting Company to further build up its lending portfolio and have better growth opportunities. It will also act as a hedging strategy against the business uncertainties with more diversified customer base and geographical area of operations.
 - g. The proposed Scheme of Arrangement will impart better management focus, will facilitate administrative convenience and will ensure optimum utilization of manpower and various other resources by these companies.
 - h. The proposed demerger will provide scope for independent expansion of various businesses. It will strengthen, consolidate and stabilize the business of these companies and will facilitate further expansion and growth of their business.
 - i. Upon Scheme becoming effective, the Resulting Company will be able to augment its resources at better terms.

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- j. The proposed demerger will have beneficial impact on the Demerged Company and the Resulting Company, their employees, shareholders and other stakeholders and all concerned.
- k. The Demerged Company and Resulting Company would have its own management teams, Board of Directors, who can chart out their own independent strategies to maximize value creation for their respective stakeholders. The demerger shall enable enhanced focus to the operations of the Demerged Undertaking by the Resulting Company and the remaining business by the Demerged Company.
- l. With the proposed demerger, the Demerged Undertaking, would create value to various stakeholders including shareholders, creditors, customers, and employees of the Resulting Company.
- m. With a view to achieve greater management focus and keeping in mind the paramount and overall interest of the shareholders, the Board of Directors of the Demerged Company and the Resulting Company considered that a Scheme of Arrangement for Demerger would be the most appropriate methodology.
- n. The Scheme of Arrangement is proposed for the aforesaid reasons. The Board of Directors of the Demerged Company and the Resulting Company are of the opinion that the proposed Scheme is in the best interest of these companies, their Shareholders and other stakeholders.
- o. Appointed Date for the Scheme will be April 01, 2023, or such other date as the Hon'ble NCLT or any other competent authority may approve.
- p. Share Exchange Ratio for Demerger:

Upon the Scheme becoming effective, the Resulting Company will issue 953 (Nine Hundred and Fifty Three) Equity Shares of ₹2 each, credited as fully paid up, to the Equity Shareholders of the Demerged Company for every 711 (Seven Hundred and Eleven) Equity Shares of ₹10 each held in the Demerged Company - Exclusive Leasing and Finance Private Limited.

- 1.3 The Equity Shares of the Company are listed on BSE Limited. The Company will be filing the Scheme along with necessary information/documents with BSE Limited for their approval under Regulation 37 of the Listing Regulations.
- 1.4 The Report of the Audit Committee is made to comply with the requirements of SEBI Scheme Circular, after considering the following:
 - i. Draft Scheme of Arrangement, duly initialed by the Company Secretary of the Company for the purpose of identification.
 - ii. The Report on Valuation of Shares & Share Exchange Ratio dated December 19, 2022, issued by Mr. Abhinav Agarwal, CorpValuers, Registered with Insolvency and Bankruptcy Board of India (IBBI) vide Registration No. IBBI/RV/06/2019/12564, to the Resulting Company, stipulating, inter-alia the methodology adopted, the valuation arrived at and share exchange ratio recommended for the proposed demerger ("Valuation Report").
 - iii. Fairness Opinion Report dated December 19, 2022 on the Report on valuation of shares and share exchange ratio issued by Sundae Capital Advisors Private Limited, a SEBI Registered Category 1 Merchant Banker bearing registration



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number: INM000012494 providing its opinion on the fairness of the share exchange ratio recommended in the Valuation Report ("Fairness Opinion").

- iv. Draft Certificate, in the prescribed format, by the Statutory Auditors of the Resulting Company - TruCap Finance Limited under the Scheme pursuant to Para 'A' '5' of Part-I of the SEBI Scheme Circular to the effect that the accounting treatment contained in the Scheme is in compliance with all the Accounting Standards specified by the Central Government under Section 133 of the Companies Act, 2013, read with the rules framed thereunder and other Generally Accepted Accounting Principles.
- v. Pre and Post Scheme Shareholding Pattern of the Resulting Company.
- vi. Audited Financial Statements of the Demerged Company for the financial years ended 31st March 2020, 31st March 2021, 31st March, 2022 and for the half year ended 30th September, 2022.
- vii. Audited Financial Statements of the Resulting Company for the financial years ended 31st March 2020, 31st March 2021, 31st March, 2022 and Un-Audited Financial Statements (subjected to the limited review by the Statutory Auditors) of the Resulting Company for the half year ended 30th September, 2022.

2. Detailed Rationale of the Scheme

Exclusive Leasing and Finance Private Limited is a professionally managed and board governed organization having its registered office in New Delhi and Corporate Office in Jalandhar, Punjab. It is registered with the RBI as a non-deposit accepting Non-Banking Finance Company (NBFC-ND) and engaged in lending and financing business and providing fee-based activities and has two primary segments-Retail Lending Business and wholesale lending. The wholesale segment mainly consists of loans to NBFCs which will continue to remain in EZ Capital and not be part of TruCap. The details of Retail MSME Lending Business are as follows:

Secured Business Loans: The company provide four variant of secured business loans:

- a. EZ loan - Traditional loan for renovation, construction, MSME empowerment & business expansion for Micro Enterprises. Loan size of Rs. 1-20 lakhs with LTV up to 65% and ROI between 16%-26%.
- b. EZ Saral: Simple and hassle-free loan up to Rs. 4 lacs on the most recent sale deed to serve meet immediate needs - Tenure of 36 months to 84 months with rates of 18%-26%.
- c. EZ ISHI Loan - Empowering Women entrepreneurs to expand their business/ micro units. Special rates are offered to women entrepreneurs which is usually 2-3% lower than other products offered by the company.
- d. EZ-Udariyan - This product is intended to meet the needs of students who want to study abroad and require funds to pay tuition fees.

Gold Loans:

Loans of between 50k-20 lakhs originated with co-lending partners. Max LTV of 75% given to small business entrepreneurs for working capital requirements.

Commercial Light Vehicle & Auto Loans:

EZ provides loans to purchasers of used commercial vehicles, including operators of small CV fleets, market load operators and first-time buyers.



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The Company's focus is to deliver a simple, convenient and loan disbursement process. We assist truck drivers and owners in purchasing used light commercial vehicle to support operational activities.

Loan amount of INR 1 lakh or INR 10 lakh, with tenure of 24-48 months with ROI between 16%-24%

TruCap Finance Limited (formerly known as Dhanvarsha Finvest Limited) is a professionally managed and board governed organization having its registered office in Mumbai. It is an innovative sourcing and technology enabled financial services company that aims to provide credit solutions to India's large underbanked and underserved micro and small businesses and consumers. It is registered with the RBI as NBFC-ND and engaged in retail MSME lending, gold loans, etc. The Resulting Company has an extensive branch network in Western and Central India apart from having a presence in National Capital Region.

The respective managements of the Demerged Company and Resulting Company propose to consolidate the retail MSME lending businesses of both the companies into the Resulting Company-TruCap Finance Limited by way of demerger of the Retail MSME Lending Business/ Demerged Undertaking of Demerged Company into the Resulting Company.

Following some of the specific advantages of the proposed demerger of Demerged Undertaking of Exclusive Leasing and Finance Private Limited into TruCap Finance Limited:

- a. The proposed demerger of the Demerged Undertaking of Exclusive Leasing and Finance Private Limited into TruCap Finance Limited would result in business synergy, pooling of the resources of these Companies and would enable the Resulting Company to achieve inorganic growth.
- b. The proposed demerger of the Demerged Undertaking of the Demerged Company will provide the Resulting Company access to a large and unique client base, specifically in Delhi NCR, Punjab and Haryana thereby also enabling geographical diversification of the portfolio of the Resulting Company and strengthens its leadership position in the MSME lending market.
- c. With the business synergies, the Resulting Company would be able to utilize its resources at an optimum level and would give benefit of economies of scale resulting in improved efficiencies. It will help the Resulting Company to establish a strong customer base of affordable MSME Lending.
- d. The consolidation of the Demerged Undertaking with the Resulting Company would enable the Demerged Company to focus on its wholesale lending and fee-based activity business. The proposed demerger will provide scope for independent expansion of various businesses. It will strengthen, consolidate and stabilize the business of these Companies and will facilitate further expansion and growth of their business.
- e. The Resulting Company will have stronger financials encompassed with higher turnovers and better margins.
- f. The Demerged Company has a strong presence in Northern India. Whereas the Resulting Company has an extensive branch network in Western and Central India apart from having a presence in National Capital Region. The proposed demerger will enable the Resulting Company to extend its business to new geographical areas and customer base. The Scheme will enable the Resulting Company to further build up its lending portfolio and have better growth opportunities. It will also act as a hedging strategy against the business uncertainties with more diversified customer base and geographical area of operations.
- g. The proposed Scheme of Arrangement will impart better management focus, will facilitate administrative convenience and will ensure optimum utilization of manpower and various other resources by these Companies.
- h. Post Scheme, the Resulting Company will be able to augment its resources at better terms.

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- i. The proposed demerger will have beneficial impact on the Demerged Company and the Resulting Company, their employees, shareholders and other stakeholders and all concerned.
- j. The Demerged Company and Resulting Company would have its own management teams, Board of Directors, who can chart out their own independent strategies to maximise value creation for their respective stakeholders.

The Scheme of Arrangement is proposed for the aforesaid reasons. The Board of Directors of the Demerged Company and the Resulting Company are of the opinion that the proposed Scheme is in the best interest of these companies, their shareholders and other stakeholders.

3. The Audit Committee reviewed and noted the Share Exchange Ratio recommended in the Valuation Report and confirmed the following exchange ratio for demerger:

Upon Scheme becoming effective, the Resulting Company- TruCap Finance Limited will issue will issue 953 (Nine Hundred and Fifty Three) Equity Shares of ₹2 each, credited as fully paid up, to the Equity Shareholders of the Demerged Company for every 711 (Seven Hundred and Eleven) Equity Shares of ₹10 each held in the Demerged Company - Exclusive Leasing and Finance Private Limited.

4. The Audit Committee reviewed and confirmed the accounting treatment in the Scheme which has been certified by the respective Statutory Auditors of the companies in the Scheme.

Pursuant to the Scheme, demerger of the Demerged Undertaking of the Demerged Company into the Resulting Company will be accounted for by the Demerged Company and the Resulting Company in its/their respective books of accounts in accordance with the applicable provisions of the Companies Act, 2013, Accounting Standards prescribed under Section 133 of the Companies Act, 2013, and Generally Accepted Accounting Principles in India (Indian GAAP), as the case may be. Para 3.1 of Part 3 of the Scheme details out the accounting treatment for demerger.

5. The Fairness Opinion confirmed that the Share Exchange Ratio as recommended by the Registered Valuer, is fair and reasonable.

6. **Impact of the Scheme on the Shareholders:**

The proposed demerger will enable the Resulting Company to extend its business to new geographical areas and customer base. The Scheme will enable the Resulting Company to further build up its lending portfolio and have better growth opportunities.

The Audit Committee also noted that the Scheme is subject to the majority approval of the public shareholders of the Company. The Audit Committee was of the opinion that the Scheme is not detrimental to the interests of the shareholders of the Company.

7. **Cost benefit analysis of the Scheme:**

The consideration (as defined in the Scheme) represents a fair value of the business as substantiated by the fair equity shares exchange ratio recommended in the Valuation Report and Fairness Opinion obtained by the Company in relation to the demerger. The Scheme would entail some costs towards implementation. However, the benefits of the Scheme over a longer period are expected to far outweigh such costs for the stakeholders of the Scheme entities.



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8. Synergies of business of the entities involved in the Scheme:


The synergies of business of the entities involved in the Scheme are set out in Point 2 above.

9. Recommendations of the Audit Committee:

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme of Arrangement, Equity Share Exchange Ratio/Valuation Report, Fairness Opinion, Detailed Rationale of the Scheme, Accounting Treatment for the Scheme, Impact of the Scheme on the Shareholders and other stakeholders and cost benefit analysis of the Scheme and the specific matters mentioned above, recommends the draft Scheme of Arrangement for favorable consideration by the Board of Directors of the Company, the Stock Exchange(s), SEBI and other applicable regulatory authorities.

This report of the Audit Committee has been made to comply with the requirements of the SEBI Scheme Circular after considering the necessary documents.

By Order of the Audit Committee of
TruCap Finance Limited


Chairman of the Audit Committee



Date: December 19, 2022

Place: Mumbai

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