

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF UJJIVAN FINANCIAL SERVICES LIMITED BY WAY OF RESOLUTION PASSED AT THEIR MEETING HELD ON OCTOBER 14, 2022, EXPLAINING THE EFFECT OF THE SCHEME OF AMALGAMATION ON EQUITY SHAREHOLDERS, KEY MANAGERIAL PERSONNEL, PROMOTERS, AND NON-PROMOTER SHAREHOLDERS, AND EMPLOYEES

1. Background

- 1.1. This report is made and adopted in order to comply with the requirement of Section 232 (2) (c) of the Companies Act, 2013 (“Act”), in connection with proposed amalgamation of Ujjivan Financial Services India Limited (“**Transferor Company**” or “**Company**”) into and with Ujjivan Small Finance Bank Limited (“**Transferee Company**”).
- 1.2. In relation to the proposed amalgamation, a Scheme of Amalgamation (“**Scheme**”) under the provisions of Sections 230-232 and other applicable provisions of the Act, read with applicable provisions of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 and the SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/665 dated November 23, 2021 was proposed. The said Scheme was placed for consideration of the Board of Directors at a meeting held on October 14, 2022 and was duly approved at such meeting, based on the recommendations received from the Audit Committee and Committee of Independent Directors.
- 1.3. The Transferee Company is functioning as a small finance bank (**SFB**) and was issued a license in this regard by the Reserve Bank of India (“**RBI**”) on November 11, 2016. As per the conditions laid in the said license read with RBI Guidelines for Licensing of ‘Small Finance Banks’ in the Private Sector dated November 27, 2014 and the RBI Guidelines for ‘on-tap’ Licensing of ‘Small Finance Banks’ in Private Sector dated December 5, 2019, the promoter of SFB was required to reduce its equity stake in SFB to 40%, then to 30%, and then to 26% within a period of 5 (five) years, 10 (ten) years and 12 (twelve) years respectively, from commencement of operations of SFB. Subsequently, certain recommendations including *inter alia* with respect to the dilution of promoter shareholding were made in a report dated November 20, 2020, by the Internal Working Group (IWG) which was constituted by the RBI to review the extant guidelines on ownership and corporate structure for Indian private sector banks. The RBI vide its press release dated November 26, 2021, has *inter alia* accepted IWG’s recommendation with respect to dilution aspects of promoter shareholding in the private sector banks and clarified that the submission of a dilution schedule shall be mandatory.
- 1.4. Accordingly, the proposed amalgamation among other business objectives and benefits (as indicated in the Scheme) would enable the Transferee Company to ensure the aforesaid compliance. In proceeding with this approach, the Transferee Company and Transferor Company, have *inter alia*, resorted to:
- the RBI clarification dated January 1, 2015, which provides that promoter can exist or cease to be a promoter after completing lock-in period of five years, subject to the RBI’s regulatory and supervisory comfort and Regulations of Securities and Exchange Board of India (“**SEBI**”); and
 - RBI letter dated July 9, 2021, issued to the ‘Association of Small Finance Banks of India’, which allows reverse merger of holding company with the SFB subject to RBI approval.
- 1.5. This report explains the effect of amalgamation on each class of shareholders, key managerial personnel (“**KMPs**”), promoters and non-promoter shareholders, and employees of the Transferor Company.

2. Effect of the Scheme on each class of shareholders (Promoter and Non-Promoter Shareholders) and KMPs of Transferor Company

2.1. Effect of the Scheme on Shareholders (Promoter and Non-Promoter Shareholders)

- The Transferor Company does not have any promoter and its entire paid-up share capital (comprising only of one class of equity shares) is held by non-promoters / public shareholders.



- (ii) Upon coming into effect of this Scheme, in consideration of the amalgamation, the Transferee Company would issue and allot to the shareholders of the Transferor Company whose names are recorded in the register of members of the Transferor Company on the Record Date (as defined in the Scheme), 116 (One hundred and Sixteen) equity shares of the face value of Rs. 10 (Rupees ten) each of Transferee Company, credited as fully paid-up, for every 10 (ten) equity shares of the face value of Rs. 10 (Rupees ten) each fully paid-up held by such member in the Transferor Company (“Share Exchange Ratio”).
- (iii) The Transferor Company does not have its own operations and derives its value predominantly from its investments in the Transferee Company, and therefore, pursuant to the Scheme coming into effect, the public shareholders of the Transferor Company would benefit by directly holding shares in the Transferee Company and derive value from the business of Transferee Company directly.
- (iv) Further, the Transferor Company is the promoter and holding company of the Transferee Company and holds 1,440,036,800 equity shares (representing 73.68% of the total paid-up equity share capital) of the Transferee Company. The remaining 514,467,881 equity shares (representing 26.32% of the total paid-up equity share capital) of the Transferee Company are held by the non-promoter / public shareholders.
- (v) Besides this, the Transferor Company holds 200,000,000 11% Preference Shares (Perpetual Non-Cumulative Non-Convertible) (representing 100% of the total paid-up preference share capital) of Transferee Company.
- (vi) Upon the Scheme becoming effective, the Transferor Company shall stand dissolved without being wound up. Consequently, upon the Scheme becoming effective, 1,440,036,800 equity shares held by the Transferor Company and 200,000,000 preference shares held by the Transferor Company in the Transferee Company shall stand cancelled and extinguished.
- (vii) Pursuant to cancellation of equity shares and preference shares held by the Transferor Company in the Transferee Company (as referred at s.no. 2.1. (vi) above) and issuance and allotment of fresh equity shares of Transferee Company to the shareholders of the Transferor Company (as referred at s.no. 2.1. (ii) above), 100% percent equity shareholding of the Transferee Company would be held by the public shareholders, with no person acting as ‘promoter’ in the Transferee Company.

2.2. Effect of the Scheme on Employees and KMPs:

- (i) Upon the Scheme becoming effective and with effect from the Appointed Date (as defined in the Scheme), all staff and employees of the Transferor Company who are in such employment as on the Effective Date (as defined in the Scheme) shall become, and be deemed to have become, the staff and employees of the Transferee Company, without any break or interruption in their services and on the same terms and conditions (and which are commercially not less favourable than those) on which they are engaged by the Transferor Company as on the Effective Date.
- (ii) Further, the Transferor Company has issued stock options to Eligible Employees (as defined under the Scheme) under Transferor Company Option Scheme (as defined in the Scheme). Upon the Scheme becoming effective, the stock options granted by the Transferor Company to Eligible Employees under Transferor Company Option Scheme, would be cancelled and extinguished. Upon cancellation of said stock options, the fresh stock options shall be granted by the Transferee Company to the Eligible Employees on the basis of the Share Exchange Ratio. Accordingly, the employees of the Transferor Company would suffer no loss or would not be adversely affected, since they would be issued fresh stock options of Transferee Company against cancellation of stock options issued to them by the Transferor Company.
- (iii) Upon the Scheme becoming effective, the Transferor Company shall stand dissolved without being wound up. Consequently, the KMPs of the Transferor Company shall cease to hold such KMP position, and they shall become, and deemed to have become, the employees of the Transferee Company, without any break or interruption in their services, on the same terms and conditions (and which are commercially not less favourable than those) on which they are engaged by the Transferor Company as on the Effective Date.

For Ujjivan Financial Services Limited



Samit Ghosh
Non-Executive Director - Chairman

