

# CANOPY FINANCE LIMITED

CIN: L65910MH1981PLC380399

Registered Office: 301 Corporate Arena Off, Aarey Piramal X Road, Behind Mahindra Gardens,  
Goregaon West, Mumbai-400062

Ph: 9867309169/022-67585876

Website: [www.canopyfinance.org](http://www.canopyfinance.org)

Email Id: [info@canopyfinance.org](mailto:info@canopyfinance.org)

## REPORT OF THE AUDIT COMMITTEE OF CANOPY FINANCE LIMITED RECOMMENDING THE SCHEME OF MERGER BY ABSORPTION OF CANOPY FINANCE LIMITED ("THE TRANSFEROR COMPANY"/ "THE COMPANY"/ "CFL") AND PURPLE FINANCE LIMITED ("THE TRANSFEREE COMPANY"/ "PFL") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

### Members Present:

Mrs. Manisha Agarwal	Chairman of the Audit Committee
Mr. Anish Kumar Kumar	Member of the Audit Committee
Mr. Varun Newatia	Member of the Audit Committee

### In Attendance:

Ms. Priyanka Agarwal	Company Secretary
----------------------	-------------------

## 1. BACKGROUND

- 1.1. A meeting of the Audit Committee ("Committee") of Canopy Finance Limited was held on November 15, 2022 to consider and, if thought fit, recommend to the Board of Directors of the Company, the proposed Scheme of Merger by Absorption of Canopy Finance Limited ("the Transferor Company"/ "the Company"/ "CFL") and Purple Finance Limited ("the Transferee Company"/ "PFL") and their respective shareholders and creditors as per section 230 to 232 of the Companies Act, 2013.
- 1.2. Canopy Finance Limited ("CFL"), the Transferor Company having CIN: L65910MH1981PLC380399 is having its registered office at 301, Corporate Arena Off, Aarey Piramal X Road, 3<sup>rd</sup> Floor, Behind Mahindra Gardens, Goregaon West, Mumbai - 400 062. The Equity Shares of the Company are listed on BSE Limited ("BSE") and The Calcutta Stock Exchange Limited ("CSE").
- 1.3. Purple Finance Limited ("PFL"), the Transferee Company having CIN: U67120MH1993PLC075037 is having its registered office at Room No. 11, 1<sup>st</sup> Floor, Indu Chamber, 349/353, Samuel Street, Vadgadi, Masjid Bunder (West), Mumbai- 400 003. The Equity Shares of PFL are not listed on any Stock Exchanges.
- 1.4. The proposed Scheme provides for Merger by Absorption of Canopy Finance Limited by Purple Finance Limited
- 1.5. The Scheme is subject to receipt of approvals of Board of Directors, shareholders and creditors of companies involved and approval of other regulatory authorities as may be required, including those of BSE Limited ("BSE"), Calcutta Stock Exchange

# CANOPY FINANCE LIMITED

CIN: L65910MH1981PLC380399

Registered Office: 301 Corporate Arena Off, Aarey Piralal X Road, Behind Mahindra Gardens,  
Goregaon West, Mumbai-400062

Ph: 9867309169/022-67585876

Website: [www.canopyfinance.org](http://www.canopyfinance.org)

Email Id: [info@canopyfinance.org](mailto:info@canopyfinance.org)

Limited ("CSE"), Securities and Exchange Board of India ("SEBI"), Reserve Bank of India ("RBI") and the NCLT, Mumbai.

- 1.6. This report of the Committee is made in order to comply with the requirements the Master circular being circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 including amendments thereof ("SEBI Circulars") and after considering the following documents that were placed before the Committee:
- i. The Draft Scheme of Arrangement;
  - ii. Certificate issued by M/s. SDG & CO, Chartered Accountants, the Statutory Auditors of the Company, pursuant Part- 1 paragraph A.5 as per Annexure I of the SEBI Circular, confirming that the accounting treatment contained in the Scheme is in compliance with all the applicable accounting standard specified by the Central Government under section 133 of Companies Act, 2013 and other Generally accepted Accounting Principles;
  - iii. Valuation Report dated November 14, 2022, issued by Mr. Bhavesh M. Rathod, (Registered Valuer- Securities or Financial Assets) IBBI Registration No. IBBI/RV/06/2019/10708 ("**Registered Valuer**") in relation to the shares to be issued by the PFL to the Shareholders of the CFL pursuant to the Scheme;
  - iv. Fairness Opinion Report dated November 15, 2022 issued by Mark Corporate Advisors Private Limited, SEBI Registered Merchant Banker on the said Valuation Report;
  - v. Audited Half-yearly Financial Statements dated September 30, 2022 along with the Auditor's Report and Audited Financial Statements for the year ended March 31, 2022, March 31, 2021 and March 31, 2020 of the Transferor Company;
  - vi. Audited Half-yearly Financial Statements dated September 30, 2022 along with the Auditor's Report and Audited Financial Statements for the year ended March 31, 2022, March 31, 2021 and March 31, 2020 of the Transferee Company;
  - vii. Pre and Post Scheme Shareholding Pattern of the Transferor Company and the Transferee Company.

# CANOPY FINANCE LIMITED

CIN: L65910MH1981PLC380399

Registered Office: 301 Corporate Arena Off, Aarey Pirkamal X Road, Behind Mahindra Gardens,  
Goregaon West, Mumbai-400062

Ph: 9867309169/022-67585876  
Website: [www.canopyfinance.org](http://www.canopyfinance.org)  
Email Id: [info@canopyfinance.org](mailto:info@canopyfinance.org)

## 2. PROPOSED SCHEME OF MERGER BY ABSORPTION

### 2.1 The Salient features of the Scheme:

The Scheme of arrangement, inter- alia, provides the following:

- i. The Appointed Date of the Scheme is 1<sup>st</sup> October, 2022 and Effective date is the last of the dates on which the certified copies of the Order(s) of the Adjudicating Body, are filed with the Registrar of Companies, Mumbai by the Transferor and Transferee Company.
- ii. The entire assets, liabilities, Investments, business and undertaking (including, the Transferor Undertaking) of CFL shall, with effect from the Appointed Date and without any further act or deed, be and the same shall stand transferred to and vested in or deemed to have been transferred to or vested in PFL, as a going concern, pursuant to the provisions of Sections 230 to 232 of the Companies Act, 2013.
- iii. Upon the Scheme coming into effect and without any further act or deed on the part of PFL, PFL will, in consideration of transfer and vesting of CFL into PFL in terms of this Scheme, issue and allot 1,05,93,001 (One Crore Five Lacs Ninety Three Thousand and One) Equity Shares of Rs. 10/- each credited as fully paid-up in the capital of PFL to the Equity Shareholders of CFL for every 1 (One) Equity Share of the Face value of Rs. 10/- each held by the shareholders of CFL ("New Shares Entitlement Ratio"). The New Shares will be issued in the New Shares Entitlement Ratio to registered fully paid-up equity shareholders of CFL whose names are recorded in the register of equity shareholders of CFL on the Record Date.
- iv. Subsequent to the sanction of the Scheme, PFL will make an application for listing of its equity shares, including, the New Shares on the stock exchange in which the shares of CFL are listed, in pursuance to the relevant regulations including, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 including any amendments.
- v. Upon the Scheme coming into effect, CFL shall, without any further act or deed, stand dissolved without winding up. The name of CFL shall be struck off from the

# CANOPY FINANCE LIMITED

CIN: L65910MH1981PLC380399

Registered Office: 301 Corporate Arena Off, Aarey Piralal X Road, Behind Mahindra Gardens,  
Goregaon West, Mumbai-400062

Ph: 9867309169/022-67585876

Website: [www.canopyfinance.org](http://www.canopyfinance.org)

Email Id: [info@canopyfinance.org](mailto:info@canopyfinance.org)

records of the Registrar of Companies, Mumbai and PFL shall make necessary filings in this regard.

- vi. Upon the Scheme coming into effect, CFL shall also surrender its RBI license.
- vii. The Promoter of CFL and PFL will jointly control PFL.

## 2.2 Need and Rationale of the Scheme of Merger by Absorption:

The Audit Committee noted the rationale and need of Scheme of Merger by Absorption of CFL by PFL as under:

- CFL and PFL are largely engaged in the same line of business activities. The proposed merger will enable the integration of the business activities of the Transferor Company ("CFL") with the Transferee Company ("PFL").
- Economies of scale will play a bigger role as the consolidated entity's operational efficiency will increase, which will in turn allow the merged entity to compete on a larger scale in the industry, thus benefiting the merged entity and the shareholders.
- The combined Network of both the entities will enable the merged entity with more negotiation power for debt finance considering its size and financial strength further the merged entity will have option of equity raising.
- This merger will provide an opportunity to leverage assets and build a stronger sustainable business. It will provide an opportunity to fully leverage stronger network capabilities, experience, expertise and infrastructure of both the companies and thus increased ability for promotion of business activities as well as for fund raising as may be required for business development.
- This merger will result in business synergy, pooling of physical, financial and human resource of these Companies for the most beneficial utilization of these resources in the combined entity.
- The merger will result to synergic benefits, efficiency of operations and management, rapid growth of the entity, optimum utilization of its resources and optimization of the administrative and operative costs, in a value creation for the shareholders and stakeholders of both CFL and PFL as the combined amalgamated company will have improved efficiency, market share, financial structure, larger cash flows and stronger consolidated revenue and profitability.
- The Merger will result in significant reduction in multiplicity of legal and

# CANOPY FINANCE LIMITED

CIN: I65910NR1981PLC380399

Registered Office: 301 Corporate Arena Off, Aarey Piramal X Road, Behind Mahindra Gardens,  
Goregaon West, Mumbai-400062

Ph: 9867309169/022-67585876

Website: [www.canopyfinance.org](http://www.canopyfinance.org)

Email Id: [info@canopyfinance.org](mailto:info@canopyfinance.org)

regulatory compliances which at present are required to be done separately by the Transferee Company as well as by the Transferor Company.

- The merger of CFL with PFL would result in consolidation of business activities of both the companies and will facilitate effective management of investments and synergies in operation.
- The Promoter of CFL and PFL will jointly control PFL.
- There is no likelihood that any shareholder or creditor or employee of CFL and PFL would be prejudiced as a result of the Scheme. Thus, the merger is in the interest of the shareholders, creditors and all other stakeholders of the companies and is not prejudicial to the interests of the concerned shareholders, creditors or the public at large.

## 2.3 Synergies of business of the entities involved in the Scheme:

- CFL is a Non-Banking Financial Company registered with Reserve Bank of India having Registration Number N-13.02430 and is inter-alia engaged in the business of lending money or financing Industrial Enterprises by way of making loans and advances or by subscribing to their Capital Structure. They carry out all the objectives of a NBFC Company and is mainly dealing in lending loans and advances.
- PFL is a Non-Banking Financial Company registered with Reserve Bank of India having Registration no. 13.01268 intends to become a new age digital NBFC inter-alia currently engaged in the business of offering small secured business loans across India predominantly in tier III & tier IV cities. Purple Finance Limited with its superior technology platform aspires to simplify the existing processes in the mortgages segment and is confident of making a difference to the MSME borrowers with simplified funding options and timely loan disbursements.

Upon Merger, the benefits and synergies of business of the entities involved in the Scheme are set out in Point No. 2.2 above shall be derived by the Company.

## 2.4 Impact of the scheme on the shareholders:

The Scheme will result in consolidation of businesses of the Transferor Company and get housed in the Transferee Company. Consolidation will be in the interest of stakeholders of Transferee Company and Transferor Company to have an increased capability for running these businesses and pursue 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.

# CANOPY FINANCE LIMITED

CIN: L65910MH1981PLC380399

Registered Office: 301 Corporate Arena Off, Aarey Piramal X Road, Behind Mahindra Gardens,  
Goregaon West, Mumbai-400062

Ph: 9867309169/022-67585876  
Website: www.canopyfinance.org  
Email Id: info@canopyfinance.org

## 2.5 Cost benefit analysis of the Scheme:

The Committee has reviewed in detail the costs associated with regards to the implementation of Merger by Absorption. Except the transaction cost/ cost of implementation of the Scheme, there are no additional costs involved for the proposed Scheme. However, the benefits of the Scheme over a longer period are expected to far outweigh such costs for the stakeholders of the Scheme entities.

## 3. RECOMMENDATION OF THE AUDIT COMMITTEE

Taking into consideration the documents stated herein above, the Audit Committee recommends the draft Scheme of Merger by Absorption for favorable consideration by the Board of Directors of the Company and be presented for approval of BSE, CSE, the SEBI, RBI and NCLT Mumbai and other applicable Regulatory authorities.

For Canopy Finance Limited  
Canopy Finance Ltd.

Manisha Agarwal

Manisha Agarwal  
Director/Authorised Signatory/  
Chairman of the Audit Committee

DIN: 06815164

Date: November 15, 2022

Place: Mumbai