Independent Auditor’s Report on the proposed accounting treatment specified in the Draft Scheme of Amalgamation

The Board of Directors
CreditAccess Grameen Limited
New no. #49 (Old no.725), 46th Cross Road
8th Block, Jayanagar (Next to Rajalakshmi Kalyan Mantap)
Bangalore - 560 071

Dear Sirs/ Madams,

1. This report is issued in accordance with the terms of the Master Engagement Agreement (the “MEA”) dated September 30, 2016 and the addendum to MEA dated November 18, 2019 with CreditAccess Grameen Limited (hereinafter the “Company” or “Transferee Company”).

2. We, the statutory auditors of the Transferee Company, have examined the proposed accounting treatment specified in Clause 14 ‘Accounting Treatment in the Books of The Transferee Company’ of the draft scheme of amalgamation as approved by the Board of Directors of the Company in its meeting held on November 27, 2019 for amalgamation of Madura Micro Finance Limited (“Transferor Company”) into the Transferee Company and their respective shareholders and creditors in terms of provisions of Section 230 to 232 of the Companies Act, 2013 (the “Act”) (“Scheme”) to confirm whether the proposed accounting treatment specified in Clause 14 of the Scheme is in compliance with the Indian Accounting Standards specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time (hereinafter referred to as the “Ind AS”), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and circulars issued thereunder (the “SEBI Regulations”) and other generally accepted accounting principles in India.

3. The Company had filed the Scheme with the National Stock Exchange of India Limited (“NSE”) and the BSE Limited (“BSE”) along with our report on the proposed accounting treatment specified therein dated November 27, 2019 (the “Original Report”). We have been informed that the Original Report did not meet the specific requirements of the NSE as communicated to the Company vide letter dated December 13, 2019. We are issuing this revised report (the “Revised Report” or “Report”), in supersession of the Original Report, which hereby stands withdrawn. This Revised Report has been issued based on an undertaking from the management that the Revised Report will be brought to the attention of all recipients of the Original Report and such Original Report shall be replaced with the Revised Report, wherever such Original Report has been used / distributed.

Management’s Responsibility

4. The responsibility for the preparation of the Scheme and its compliance with the relevant laws and regulations, including the Ind AS, the SEBI Regulations and other generally accepted accounting principles in India, is that of the board of directors of the Transferor Company and the Transferee Company.

Auditor’s Responsibility

5. Pursuant to the requirements of Section 230 to 232 and other applicable provisions of the Act, our responsibility is to provide a reasonable assurance in the form of an opinion, based on our examination and according to the information and explanations given to us, as to whether the proposed accounting treatment specified in Clause 14 of the Scheme complies with the Ind AS, the SEBI Regulations and other generally accepted accounting principles in India.

6. A reasonable assurance engagement includes performing procedures to obtain sufficient appropriate evidence on the reporting criteria, mentioned in paragraph 5 above. Accordingly, we have performed the following procedures in relation to the Scheme:

   a) Read the Scheme and the proposed accounting treatment as specified in Clause 14 of the Scheme, which is attached as Annexure 1 to this Report and initialed by us only for the purpose of identification;

   b) Compared the accounting treatment as described in Clause 14 of the Scheme with the requirements of Ind AS 103; and
c) Performed inquiries with the management to assess the accounting treatment and obtained necessary representations.

Our examination did not extend to any aspects of tax, legal or propriety nature of the Scheme and other compliances thereof.

Further, our scope of work did not involve us performing any audit tests in the context of our examination. We have not performed an audit, the objective of which would be to express an opinion on the specified elements, accounts or items thereof, for the purpose of this Report. Accordingly, we do not express such opinion. Our scope of work also did not include verification of compliance with other requirements of the other circulars and notifications issued by regulatory authorities from time to time and any other laws and regulations applicable to the Transferee Company or the Transferor Company. Nothing contained in this Report, nor anything said or done in the course of, or in connection with the services that are subject to this Report, will extend any duty of care that we may have in our capacity as the statutory auditors of any financial statements of the Company.

7. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

8. We have complied with the relevant applicable requirements of the Standard on Quality Control (SOC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

9. Based on the procedures performed by us and according to the information and explanations given to us and representations obtained, we are of the opinion that the proposed accounting treatment as specified in Clause 14 of the Scheme is in compliance with Ind AS, the SEBI Regulations and other generally accepted accounting principles in India.

Restriction on Use

10. This Report is issued at the request of the Company and addressed to the Board of Directors of the Company, solely for the purpose to comply with the requirements of the SEBI Regulations including SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended, as well as the provisions of Section 230 to 232 and other applicable provisions of the Act for onward submission to the NSE, BSE and National Company Law Tribunal, as may be applicable and is not to be used or referred to for any other purposes. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom this Report is shown or into whose hands it may come. We have no responsibility to update this certificate for events and circumstances occurring after the date of this certificate.

For S. R. Batliboi & Co. LLP
ICAI Firm registration number: 301003E/E300005
Chartered Accountants

per Shrawan Jalan
Partner
Membership No.: 102102

UDIN: 19102102AAABE26246

Mumbai
December 17, 2019
Certified true copy of Clause 14 of Part IV of the draft scheme of amalgamation of Madura Micro Finance Limited ("Transferor Company") into and with CreditAccess Grameen Limited ("Transferee Company") and their respective shareholders and creditors under sections 230 to 232 and other applicable provisions of the Companies Act, 2013, and other rules and regulations framed thereunder ("Draft Scheme").

14. Accounting treatment in the books of the Transferee Company

Upon this Scheme coming into effect, the Transferee Company shall account for the Amalgamation in its books of accounts, in accordance with accounting principles as laid down in Ind AS-103 notified under Section 133 of the Companies Act, 2013 and under the Companies (Indian Accounting Standards) Rules, 2015, as may be amended from time to time, such that:

(i) All the assets (including the intangible assets, whether recorded in the books of accounts of the Transferor Company or not) and liabilities of the Transferor Company transferred to and vested in the Transferee Company pursuant to this Scheme shall be recorded in the books of accounts of the Transferee Company at fair values as appearing in the consolidated financial statements of the Transferee Company.

(ii) Any statutory reserve(s) of the Transferor Company shall be transferred to and vested in Transferee Company as they appear in the consolidated books of Transferee Company.

(iii) The Transferee Company shall record issuance of the New Equity Shares at fair value and accordingly credit to its share capital account the aggregate face value of the New Equity Shares. The excess, if any of the fair value of the New Equity Shares over the face value of new equity shares issued shall be credited to securities premium reserve.

(iv) Pursuant to the Amalgamation, the inter-company balances between the Transferee Company and the Transferor Company, if any appearing in the books of the Transferee Company shall stand cancelled and there shall be no further obligation in that behalf.

(v) The value of all investments held by the Transferee Company in the Transferor Company shall stand cancelled pursuant to the Amalgamation.

(vi) Any excess viz. fair value of New Equity Shares issued as per Clause 14(iii) over the fair value of net assets and statutory reserves taken over as per Clause 14(i) and Clause 14(ii) after giving the effect of the adjustments referred to in Clause 14(iv) and Clause 14(v), shall be treated as goodwill. However, in the event the result is deficit, it shall be credited to capital reserve.

For CreditAccess Grameen Limited

Syam Kumar R
Company Secretary