

**REPORT ADOPTED BY THE AUDIT COMMITTEE OF HDFC LIFE INSURANCE COMPANY LIMITED AT ITS MEETING HELD ON JANUARY 21, 2022, IN RELATION TO THE SCHEME OF AMALGAMATION BETWEEN HDFC LIFE INSURANCE COMPANY LIMITED AND EXIDE LIFE INSURANCE COMPANY LIMITED AND THEIR RESPECTIVE SHAREHOLDERS**

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**1. Background**

1.1 The Audit Committee at its meeting held on January 21, 2022, was requested to consider and recommend to the Board of Directors, a draft of the proposed Scheme of Amalgamation amongst Exide Life Insurance Company Limited ("**Transferor Company**") and the HDFC Life Insurance Company Limited ("**Transferee Company**" or "**Company**") and their respective shareholders ("**Scheme**"), to be implemented under Sections 230 to 232 of the Companies Act, 2013 and the rules made thereunder ("**Act**") and other applicable provisions, if any, of the Act, Sections 35 to 37 and other applicable provisions of the Insurance Act, 1938, the IRDAI (Scheme of Amalgamation and Transfer of Life Insurance Business) Regulations, 2013, the IRDAI (Listed Indian Insurance Companies) Guidelines, 2016, any other law for the time being in force (including any statutory modifications(s) or re-enactment(s) thereof), and such other applicable rules, regulations, guidelines, and circulars issued by any regulatory authorities from time to time including the SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 ("**SEBI Circular**") (as amended from time to time).

1.2 This report of the Audit Committee is made to comply with the requirements of the SEBI Circular.

The following documents were placed before the Audit Committee:

2. While deliberating on the Scheme, the Audit Committee had, inter-alia, considered and has taken on record the following documents:

(a) A draft of the proposed Scheme;

(b) Auditor's Certificate issued by Price Waterhouse Chartered Accountants LLP (Firm Reg. No. 012754N/N500016) and G.M. Kapadia & Co., Chartered Accountants (Firm Reg. No. 104767W), joint statutory auditors of the Company ("**Accounting Treatment Certificate**"), to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Act; and

(c) Auditor's Certificate issued by Price Waterhouse Chartered Accountants LLP (Firm Reg. No. 012754N/N500016) and G.M. Kapadia & Co., Chartered Accountants (Firm Reg. No. 104767W), joint statutory auditors of the Company, to the effect stating non-applicability of paragraph (A)(10)(a) and (A)(10)(b) of Part I of SEBI Circular ("**Auditor SEBI Certificate**");

### 3. Proposed Scheme

3.1. The Audit Committee noted the need and the rationale of the Scheme, which inter-alia is as follows:

3.1.1 The Transferor Company is a life insurance company registered with the Insurance Regulatory and Development Authority of India (“IRDAI”), whose primary business activity is to provide life insurance and other insurance products such as health plans, protection plans (term insurance, child insurance plans), savings and investment plans (including unit linked insurance policies), retirement and pension plans. The Transferee Company is a life insurance company registered with the IRDAI, which offers a range of individual and group life insurance solutions including participating, non-participating and unit linked insurance policies. Pursuant to the agreements dated September 3, 2021, the entire share capital of the Transferor Company was acquired by the Transferee Company on January 1, 2022

3.1.2 The acquisition of the entire share capital of the Transferor Company by the Transferee Company was undertaken with the intent to subsequently merge the Transferee Company with the Company. The rationale for the proposed amalgamation is as follows:-

(a) A consolidation of the Transferor Company and the Company by way of amalgamation would lead to a more efficient utilization of capital and create a consolidated base for future growth of the amalgamated entity.

(b) The proposed amalgamation will result in administrative and operational rationalization, organizational efficiencies, reduction in overheads and other expenses, and optimal utilization of various resources. It will prevent cost duplication that can erode financial efficiencies of the holding structure and the resultant operations would be substantially cost-efficient. The synergies created by the amalgamation would increase operational efficiency and integrate business functions.

(c) The proposed amalgamation will reduce managerial overlaps, which are necessarily involved in running multiple entities.

(d) The Transferor Company is a wholly owned subsidiary of the Transferee Company and all the shares of the Transferor Company are held by the Transferee Company jointly with certain nominee holders. The Scheme envisages transfer of the Undertaking of the Transferor Company to the Transferee Company. Accordingly, the Scheme is not prejudicial to the interest of the shareholders of the Transferor Company.

(e) As far as the creditors of the Transferor Company are concerned, the assets of the Transferee Company after amalgamation will be higher than the liabilities. Accordingly, the creditors of the Transferor Company will also not be affected by the Scheme.

- (f) The Scheme does not affect the rights and interests of the shareholders or the creditors of the Transferee Company. The shareholding and other rights of the members of the Transferee Company will remain unaffected as no new shares are being issued by the Transferee Company pursuant to this Scheme. Further, the creditors of the Transferee Company will not be affected by the Scheme.

3.2. The Audit Committee noted the salient features of the Scheme, which inter-alia are as under:

- (a) A consolidation of the Transferor Company and the Transferee Company by way of amalgamation of Transferor Company with Transferee Company.
- (b) Pursuant to the sanction of the Scheme by IRDAI, Securities Exchange Board of India (“SEBI”), Competition Commission of India (“CCI”), BSE Limited (“BSE”), The National Stock Exchange of India Limited (“NSE”) and jurisdictional Hon’ble National Company Law Tribunal(s) (“NCLT”) the Scheme shall become effective from the Appointed Date. The Appointed Date for the Scheme is April 1, 2022.
- (c) With effect from the Appointed Date, the Transferor Company shall stand amalgamated into the Transferee Company and its undertaking shall, pursuant to the sanction of the Scheme by the NCLT, pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Act, and subject to receipt of the final approval from the IRDAI, be and stand transferred to and vested in and/ or deemed to have been transferred to and vested in the Transferee Company, as a going concern, without any further act, deed, instrument, matter so as to become, as and from the Appointed Date, the undertaking of the Transferee Company by virtue of and in the manner provided in this Scheme.
- (d) The Transferor Company is a wholly-owned subsidiary of the Transferee Company and therefore there would be no issue of shares by the Transferee Company to the shareholders of the Transferor Company in this regard. Upon the Scheme becoming effective, in consideration of the transfer and vesting of the undertaking of the Transferor Company in the Transferee Company in terms of this Scheme, the entire paid up share capital in the Transferor Company fully held by the Transferee Company and/or its nominee(s) on the Effective Date shall be extinguished and shall stand extinguished and all such equity shares of the Transferor Company held by the Transferee Company either in its own name or in the name of its nominee(s) shall be cancelled and shall be deemed to be cancelled on the Effective Date without any further application, act or deed.
- (e) Immediately after Part B of the Scheme becoming effective and with effect from the Appointed Date, the debit balance in the capital reserve arising pursuant to the amalgamation of the Transferor Company with the Transferee Company on the Appointed Date, pursuant to Clause 18.1 of the

Scheme, shall be set-off against the Securities Premium Account of the Transferee Company.

- (f) The reduction of the debit balance in the capital reserve of the Transferee Company by way of the adjustment set out in Clause 19.1 of the Scheme against the amounts held in the Securities Premium Account of the Transferee Company does not involve the reduction of the issued, subscribed and paid-up share capital of the Transferee Company. Further, the reduction does not envisage the transfer or vesting of any of the properties and/or liabilities of the Transferee Company to any person or entity.

3.3. The Audit Committee noted the synergies of business of the entities involved in the Scheme, which inter-alia are as under:

- (a) The Transferor Company is a life insurance company registered with the IRDAI, whose primary business activity is to provide life insurance and other insurance products such as health plans, protection plans (term insurance, child insurance plans), savings and investment plans (including unit linked insurance policies), retirement and pension plans. Further, the Transferor Company is the wholly owned subsidiary of the Transferee Company. The Transferee Company is also a life insurance company registered with the IRDAI, which offers a range of individual and group life insurance solutions including participating, non-participating and unit linked insurance policies.
- (b) As stated in the rationale of the Scheme, amalgamation will result in administrative and operational rationalization, organizational efficiencies, reduction in overheads and other expenses, and optimal utilization of various resources. It will prevent cost duplication that can erode financial efficiencies of the holding structure and the resultant operations would be substantially cost-efficient. The synergies created by the amalgamation would increase operational efficiency and integrate business functions.
- (c) The amalgamation shall result in more efficient utilization of capital and create a consolidated base for future growth of the amalgamated entity.

3.4. The Audit Committee noted the impact of the Scheme on the shareholders of the Company, which inter-alia is as under:

As far as the equity shareholders of the Company are concerned (promoter shareholders as well as non-promoter shareholders), the amalgamation of the Transferee Company with the Company will not result in any dilution of holding of promoter shareholders or non-promoters shareholders in the Company. The Transferor Company is a wholly owned subsidiary of Company and therefore there would be no issue of shares by the Company in this regard.

- 3.5. The Audit Committee noted the cost benefit analysis of the Scheme, which inter-alia is as under:

As stated in the rationale, the benefits of the Scheme would far outweigh the cost of implementation of the Scheme.

**4. Recommendations of the Audit Committee:**

The Audit Committee after taking into consideration the Scheme, Accounting Treatment Certificate and Auditor SEBI Certificate recommends the draft Scheme for favorable consideration by the Board of Directors of the Company, the Stock Exchanges and SEBI. The Scheme placed before the meeting is not detrimental to the shareholders of the Company.

**For and on behalf of the Audit Committee  
of HDFC Life Insurance Company Limited**

**Date:** February 2, 2022

**Place:** Bangalore



**Chairman  
VK Viswanathan  
DIN: 01782934**