



RATIONALE BEHIND THE SCHEME OF ARRANGEMENT

Sundaram Infotech Solutions Limited (SISL) was incorporated on 19th July 2005 for engaging in the business pertaining to Information Technology and software services. The paid up share capital of SISL is ₹16.40 cr. divided into 1,64,00,000 equity shares of ₹10/- each. SISL is a 100% subsidiary of our Company. SISL has accumulated losses of ₹8.49 cr. as on 31st March 2016. The performance (turnover and profits) of SISL over the last five years is as under:

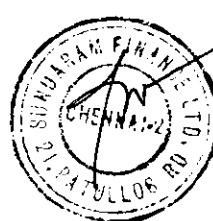
	(₹ in cr.)				
FY	2015-16	2014-15	2013-14	2012-13	2011-12
Total Revenue	16.19	16.75	19.47	32.79	25.43
PAT	(0.82)	(2.33)	0.90	6.54	0.18

SISL have been facing considerable challenges in their operational performance and profitability in the past few years. They have not been able to grow because of their moderate size and difficulty to compete with major IT players.

Since SISL has not been able to function profitably, justifying the holding company's investment both in terms of capital and management time, the Audit Committee of Sundaram Finance Limited (SFL) reviewed their performance and recommended the amalgamation of SISL with SFL with retrospective effect from 1st April 2016. After considering the recommendations of Audit Committee, the Board of Directors of SFL approved the draft Scheme of Amalgamation at the meeting held on Friday, the 25th November 2016.

The following are some, amongst other, major benefits which will accrue from the Scheme:

1. The proposed amalgamation would ensure sustained growth and profitability for the group as a whole in the long run.
2. SISL has built up significant experience in the Microsoft Dynamics domain and is a certified Microsoft Gold Partner. SISL is also a CMMI Level 3 Certified entity. By virtue of this expertise, they have acquired important customers over the years who will now migrate to SFL.





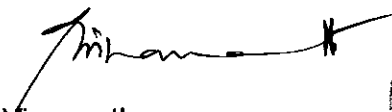
3. SFL's IT division, viz., Sundaram Infotech Solutions (SIS) caters to the IT and software needs of the SFL Group. There are several talented resources in SISL, many of whom could be utilised in SIS to develop and deliver software solutions in the financial services domain. This would enable SIS to provide a wider array of services, increased talent pool and more depth in service offerings.

4. The proposed amalgamation would be in the interest of both the companies concerned and would bring in economies in operations, thereby helping in reducing expenditure considerably.

Date:02.12.2016

Place: Chennai

For Sundaram Finance Limited


P. Viswanathan
Secretary & Compliance Officer

