

**REPORT ON RECOMMENDATIONS OF THE AUDIT COMMITTEE OF EMAMI INFRASTRUCTURE LIMITED ("THE COMPANY") RECOMMENDING THE PROPOSED SCHEME OF AMALGAMATION BETWEEN ZANDU REALTY LIMITED AND EMAMI INFRASTRUCTURE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS**

**PRESENT:**

Mr. Ram Gobind Ganeriwala      Chairman  
Mr. Hari Mohan Marda            Member  
Mr. Girja Kumar Choudhary      Member

**IN ATTENDANCE:**

Ms. Payel Jain                      Company Secretary

**Background:**

1. A meeting of the Audit Committee of Emami Infrastructure Limited ('the Company' or 'EIL') was held on 1<sup>st</sup> July, 2017 to consider and recommend to the Board of Directors, the proposed Scheme of Amalgamation of Zandu Realty Limited ('ZRL') with the Company and their respective shareholders (hereinafter referred to as the 'Scheme') to be implemented under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.
2. This report of the Audit Committee is made in order to comply with the requirements of Circular No. CFD/DIL3/CIR/2017/21 dated 10<sup>th</sup> March, 2017 issued by the Securities and Exchange Board of India ('SEBI').
3. The following documents were placed before the Audit Committee:
  - (a) Draft Scheme of Amalgamation;
  - (b) Valuation Report dated 28<sup>th</sup> June, 2017 issued by M/S. S.K. Agrawal & Co., Independent Chartered Accountants;
  - (c) Fairness Opinion dated 1<sup>st</sup> July, 2017 issued by IIFL Holdings Ltd, a category I Merchant Banker;

**Proposed Scheme of Amalgamation:**

1. The Committee noted the salient features of the Scheme as under:
  - (a) The Appointed Date is 1<sup>st</sup> April, 2017;



- (b) The Scheme provides for amalgamation of ZRL with EIL on a going concern basis in accordance with Sections 230 to 232 of the Companies Act, 2013;
- (c) Upon the Scheme becoming effective, all the assets, liabilities, contracts, rights and obligations of ZRL shall stand transferred to EIL.
- (d) In terms of the proposed Scheme of Amalgamation, 2,86,329 equity shares of Rs. 100/- each held by EIL in ZRL shall stand cancelled without any further act or deed.
2. The Committee reviewed the draft Scheme and also noted the rationale and benefits of the Scheme, which is, inter alia, as follows:
- (a) The growth of Indian Real Estate Industry in the last few years has been sluggish with decrease in demand across all sectors due to overall economic slowdown. However, initiatives such as "Clean India" and "Smart Cities" projects clearly indicate that the Government recognises urbanization as a feature of modernity. The mammoth and ambitious goal of Indian Government of providing affordable Housing to all its citizen by 2022 coupled with overall growth in economy, increased FDI inflows in construction industry, lower interest rates and path-breaking regulatory developments such as RERA and GST, will provide much needed impetus to the Real Estate Industry in India. Large sized efficiently managed companies with wider territorial presence will spearhead the Real Estate growth in the country.
- (b) The complications of construction industry coupled with volatility and uncertainty in market, emphasises the need for highly efficient and competent managers to steer them. With many emerging players, procurement of skilled and efficient managers is one of major concerns for the real estate industry.
- (c) EIL is a pioneer in the real estate sector and is testimony to attract the best talents available in the industry. The Transferee Company is having its footprints spanning across Chennai, Kolkata, Mumbai, Jhansi, Bhubaneswar, Hyderabad, Coimbatore and Indore. The Company's operations span to all real estate sectors such as residential, commercial and retail and to all aspects of real estate development, including the identification and acquisition of land, the planning, execution and marketing of the projects.
- (d) ZRL is an associate of EIL. It has completed successfully development of its project "Zandu Sigma Estate" at Dadar, Mumbai. It is exploring further opportunities and has in the meantime deployed its funds in investment in securities.
- (e) EIL and ZRL are both engaged in real estate business and are listed companies. ZRL is an associate of EIL and both are Companies under the same management. Thus, the amalgamation will ensure focused management in a single combined entity



thereby resulting in efficiency of management and maximising overall shareholder value.

- (f) The proposed amalgamation will bring in advantages of synergy in operations and economies of scale. The pooling of resources of companies will create strong financial structure and facilitate resource mobilisation and achieve better cash flows. The combined net worth in a single entity shall facilitate in attracting funds from strategic investors and/or financial institutions at competitive rates. Thus, the synergies created by the horizontal merger will increase the operational efficiency and integrate business functions of the amalgamated entity and help to pursue inorganic and organic growth opportunities of such business. It will also lead to more efficient utilisation of capital and create a consolidated base for future growth of the amalgamated entity.
- (g) The amalgamation will also result in administrative and operational rationalisation, organisational efficiencies, reduction in overheads and other expenses and optimal utilisation of various resources. It will prevent cost duplication, overlapping of administrative responsibilities and multiplicity of records, legal and regulatory compliances generally involved with running two separate entities and more particularly due to the listed status of both the companies involved. It will enable a dedicated management to focus and accelerate growth of the amalgamated entity.
- (h) The amalgamation will result in not only, pooling of efficient human resources and putting them to optimum utilisation for the growth of the merged entity but also attracting efficient manpower by the merged entity.
- (i) The rationale for continuing with two separate entities in the same business no longer exists. It is considered prudent and more appropriate to consolidate similar businesses in one entity. Such restructuring will lead to simplification of group structure by eliminating multiple companies in similar business, thus enabling focus on core competencies.
- (j) The amalgamation will enable greater realization of the potential of the businesses of ZRL and EIL in the amalgamated entity and have beneficial results for all concerned.
- (k) The assets of the amalgamated entity will far exceed its liability and rights of the creditors of ZRL and EIL are not in any way prejudiced.
- (l) The Scheme shall also be in the larger interest of the public shareholders of the ZRL and EIL as amalgamation of the two companies will lead to cancellation of 2,86,329 equity shares of ZRL held by the EIL, which constitutes 35.51% of the paid up share



capital of ZRL. These will result into reduced combined paid-up capital leading to higher earnings per share.

- (m) The Scheme envisages transfer of entire undertaking of ZRL as a going concern to EIL and is in the interest of its shareholders, creditors, employees and all concerned.

- 3. The Committee reviewed and noted the Valuation Report and Fairness Opinion, including the following recommendation:

On the Effective Date, upon the Scheme being sanctioned by the Hon'ble National Company Law Tribunal, Kolkata Bench, EIL shall:

"Issue and allot to the equity shareholders of ZRL, 7 equity shares of Rs. 2/- each of EIL, credited as fully paid-up, for every 1 equity share held by such shareholder in ZRL, in consideration for the amalgamation of ZRL into and with EIL."

Further, the Fairness Opinion confirmed that the share entitlement ratio is fair to the shareholders of EIL and ZRL, from a financial point of view.

**Recommendations of Audit Committee:**

The Audit Committee, after taking into consideration Valuation Report and the Fairness Opinion, unanimously recommends the Draft Scheme for favourable consideration by the Board of Directors of the Company, the stock exchanges, the SEBI and other appropriate authorities.

Date: 1<sup>st</sup> July, 2017

Place: Kolkata



*R. G. Ganeriwala*

**RAM GOBIND GANERIWALA**  
**CHAIRMAN OF THE COMMITTEE**