

Indiabulls REAL ESTATE

REPORT OF THE AUDIT COMMITTEE OF INDIABULLS REAL ESTATE LIMITED

Date of the Audit Committee Meeting: 18th August 2020

Present:

- (a) Mr. Shamsher Singh Ahlawat, Chairman of the Audit Committee;
- (b) Justice Mrs. Gyan Sudha Misra (Retd.), Member of the Audit Committee;
- (c) Mr. Gurinder Singh, Member of the Audit Committee.

1. Background

A composite Scheme of Amalgamation amongst NAM Estates Private Limited (“Amalgamating Company 1”), Embassy One Commercial Property Developments Private Limited (“Amalgamating Company 2”), Indiabulls Real Estate Limited (“the Company” or “Amalgamated Company”), and their respective shareholders and creditors (“Scheme of Amalgamation” or “Scheme”) was placed before the Audit Committee for recommendation of the Scheme of Amalgamation by the Audit Committee to the Board of Directors as required vide Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended, (“Circular”).

This Report is made in order to comply with the requirements of the Circular after considering the following:

- a. Draft Scheme of Amalgamation;
- b. Audited financial statements for the year ending March 31, 2020, March 31, 2019 and March 31, 2018 and unaudited financial statements as on June 30, 2020, accompanied by Limited Review Report by Auditor;
- c. The Valuation Reports, dated August 18, 2020, from independent valuer(s) N S Kumar & Co (independent Chartered Accountant), Mr. Niranjan Kumar (Registered Valuer) (affiliate of Transaction Square LLP) and BDO Valuation Advisory LLP (Registered Valuer), (“Valuation Report”);
- d. Fairness Opinion, dated August 18, 2020, from O3 Capital Global Advisory Private Limited, an Independent SEBI registered category I Merchant Banker; and
- e. Draft certificate issued by the statutory auditors of the Company, pursuant to paragraph I.A.5 of Annexure I of the SEBI Circular, confirming that the accounting treatment contained in the Scheme is in compliance with all the applicable accounting standards specified by the Central Government under Section 133 of the Act, and other generally accepted accounting principles.



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2. Proposed Scheme

The Audit Committee considered and took note that:

- (A) The Scheme of Amalgamation provides merger/amalgamation of NAM Estates Private Limited (“NAM Estates” or “Amalgamating Company 1”) and Embassy One Commercial Property Developments Private Limited (“NAM Opco” or “Amalgamating Company 2”), both Embassy group entities with the Company and hereinafter collectively referred to as “Amalgamating Companies” with Indiabulls Real Estate Limited (“the Company” or “Amalgamated Company”) (“Amalgamation”).
- (B) Upon amalgamation of Amalgamating Companies into the Amalgamated Company, the Company’s business shall have balanced mix of commercial and residential assets, which provides a natural hedge against cyclicity and will be benefited from new promoters, who are also promoter of listed REIT, and their relationship with institutional investors. The proposed merger will create one of India’s leading listed real estate development platforms with launched/planned area of approx 80.8 Mn Sq. Ft, having 53% commercial and 47% residential assets, and 30 projects with key geographical focus in Mumbai (MMR), NCR, and Bengaluru. Post amalgamation, the Amalgamated Company will have a strong market leadership potential in the Real estate Sector. Further, the Amalgamated Company will be the development arm to seed office assets into Embassy REIT.
- (C) As such, the objects of the Proposed Scheme of Amalgamation are as under:
- (i) The amalgamation of the Amalgamating Companies with and into the Amalgamated Company ensures that that the Amalgamated Company has a complementary presence pan India across key market of Mumbai, Bangalore, Chennai and the NCR region and has diversification across real estate asset classes (commercial and residential).
- (ii) The amalgamation of the Amalgamating Companies with and into the Amalgamated Company will enable consolidation of the business and operations of the Amalgamating Companies and the Amalgamated Company which will provide impetus to growth, enable synergies, reduce operational costs, increase operational efficiencies and enable optimal utilization of various resources as a result of pooling of financial, managerial, technical and human resources of both the Amalgamating Companies and the Amalgamated Company, thereby creating a stronger base for future growth and accretion of shareholder value.
- (iii) The amalgamation of the Amalgamating Companies with and into the Amalgamated Company will result in rationalization and streamlining of the management structure of the consolidated business operations and pooling of human talent in terms of manpower, administration and marketing which will



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result in savings in the operation costs and optimum utilization of assets. Further, the consolidation will result in greater efficiency in cash management of the Amalgamated Company and access to cash-flow generated by the combined business which can be deployed more efficiently to fund growth opportunities.

- (iv) The amalgamation of the Amalgamating Companies with and into the Amalgamated Company will provide the Amalgamated Company with size and scale and hence, with greater opportunities to secure investments from a new set of financial investors and will enhance the Amalgamated Company's ability to raise further capital from the financial markets.
 - (v) The consolidation of the resources of the Amalgamating Companies with those of the Amalgamated Company will enable the Amalgamated Company to provide better services and facilities to its customers and suppliers.
 - (vi) The amalgamation of the Amalgamating Companies with and into the Amalgamated Company will enhance the shareholder's value accruing from consolidation of business operations resulting in economies of scale, improving allocation of capital and optimizing cash flows, thus, contributing to the overall growth prospects of the Amalgamated Company.
- (D) As consideration for the amalgamation of the Amalgamating Company 1 into and with the Amalgamated Company, upon the coming into effect of Part III of the Scheme of Amalgamation, the Amalgamated Company shall, basis the Valuation Reports/Share Exchange Report, issue and allot to the shareholders of Amalgamating Company 1 (whose name is recorded in the register of members of the Amalgamating Company 1 as holding equity shares on the Record Date 1) 6,619 fully paid up equity share of face value of Rs. 2 (Rupees Two only) each of the Amalgamated Company for every 10,000 equity share of face value of Rs. 10 (Rupees Ten only) each of the Amalgamating Company 1.
- (E) As consideration for the amalgamation of the Amalgamating Company 2 into and with the Amalgamated Company, upon the coming into effect of Part IV of the Scheme of Amalgamation, the Amalgamated Company shall, basis the Valuation Reports/Share Exchange Report, issue and allot to the shareholders of Amalgamating Company 2 (whose name is recorded in the register of members of the Amalgamating Company 2 as holding equity shares on the Record Date 2), 5,406 fully paid-up equity share of face value of Rs. 2 (Rupees Two only) each of the Amalgamated Company for every 10,000 equity share of face value of Rs. 10 (Rupees Ten only) each of the Amalgamating Company 2.



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- (F) Pursuant to issuance of New Equity Shares as aforesaid to the shareholders of the Amalgamating Companies, the shareholders of the Amalgamating Companies shall become the shareholders of the Amalgamated Company.

3. Recommendation of the Audit Committee

The Audit Committee recommends the draft Scheme for favorable consideration by the Board of Directors of the Company, Stock Exchange(s) and SEBI.

Date: 18.08.2020
Place: New Delhi


(Chairman of the Audit Committee)
Indiabulls Real Estate Limited

