

REPORT OF THE AUDIT COMMITTEE OF THE INDIAN HOTELS COMPANY LIMITED
("COMPANY") RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT OF
INTERNATIONAL HOTEL MANAGEMENT SERVICES LLC WITH THE COMPANY

Directors Present:

1. Mr. K. B. Dadiseth – Chairman
2. Mr. Deepak Parekh

By invitation:

1. Mr. Rakesh Sarna - Managing Director & CEO
2. Mr. Anil P. Goel - Executive Director – Finance
3. Mr. Beejal Desai - VP - Legal & Company Secretary
4. Mr. Rajeev Newar - Vice President – Finance
5. Mr. S Y Raman - Director – Group Internal Audit
6. Mr. R. H. Parekh - Director Finance- International Companies
7. Ms. Farzana Sam Billimoria - General Manager –Secretarial
8. Mr. Ashok Binnani - General Manager- Finance
9. Mr. S. Ramakrishnan - Partner, M/s PKF Sridhar & Santhanam, LLP
10. Mr. Sanjiv Pilgaonkar - Partner, M/s Deloitte Haskins & Sells, LLP

(present via Video Conferencing)

1. BACKGROUND

The proposal to amalgamate International Hotel Management Services LLC (hereinafter referred to as "IHMS" or the "Transferor Company") with The Indian Hotels Company Limited ("Company" or the "Transferee Company") was placed before the Audit Committee at its meeting held on October 19, 2015 at Mumbai. The Transferor Company was incorporated on September 19, 1986 as International Hotel Management Services Inc. under the laws of the State of Delaware in the United States of America, as a wholly owned subsidiary of the Company. With effect from October 5, 2015, the Transferor Company has been converted to a limited liability company pursuant to and in accordance with the Delaware Limited Liability Company Act (as amended from time to time). The aforementioned proposal involves the amalgamation of the Transferor Company with the Company and the consequent cancellation of the share capital comprising of the outstanding common stock and the additional paid in capital held by the Company in the



Transferor Company (“**LLC Shares**”). The proposal is to be implemented in terms of a scheme of arrangement between the Company, the Transferor Company and their respective shareholders and creditors under the provisions of Sections 391 to 394 of the Companies Act, 1956, read with Section 52 of the Companies Act, 2013, Section 78 and Sections 100 to 103 of the Companies Act, 1956 and other relevant provisions of the Companies Act, 1956 and the Companies Act, 2013, as applicable (“**Draft Scheme of Arrangement**” or “**Scheme**”). Upon effectiveness of the Scheme, the Transferor Company will cease to exist as a separate legal entity as per the applicable law in the State of Delaware, United States of America and shall be deemed to be dissolved without winding up for the purposes of the Companies Act, 1956 and/or the Companies Act, 2013, as applicable.

Mr. Anil P. Goel placed before the Audit Committee the Draft Scheme of Arrangement initialed by the Company Secretary for the purpose of identification, considering and if thought fit, recommending, the draft scheme of arrangement to the Board in terms of the Securities and Exchange Board of India (“**SEBI**”) Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 read with SEBI Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013 (“**SEBI Circulars**”).

A presentation was also made to the Audit Committee setting out the background, rationale and benefits of the proposed Scheme. The Audit Committee noted the background, rationale and the benefits of the proposed Scheme as placed before it.

2. REPORT

This Report of the Audit Committee is being issued to comply with the requirements of the SEBI Circulars.

The Audit Committee of the Board of Directors of the Company have made this Report after perusing the following documents:

- (i) The Draft Scheme of Arrangement, initialed by the Chairman for the purpose of identification;
- (ii) The draft certificate to be issued by M/s Deloitte Haskins & Sells LLP and M/s PKF Sridhar and Santhanam LLP, the joint statutory auditors of the Company, as required under Clause 24(i) of the Listing Agreements with the stock exchanges, to the effect that the accounting treatment contained in the Draft Scheme of Arrangement is in compliance with all the Accounting Standards specified by the Central Government;
- (iii) The fairness opinion dated October 19, 2015 issued by Fortress Capital Management Services Private Limited, a Category I Merchant Banker appointed by the Company; and
- (iv) An undertaking dated October 19, 2015 certified by M/s Deloitte Haskins & Sells LLP and M/s PKF Sridhar and Santhanam LLP, the joint statutory auditors of the Company, in terms of paragraph 5.16(b) of the SEBI Circulars, stating the reasons for non-applicability of paragraph 5.16(a) of the SEBI Circulars, i.e., regarding the requirement to, *inter alia*, provide for voting by public shareholders through postal ballot and e-voting, in relation to the Scheme.



The salient features of the Scheme as noted by the Audit Committee are:

1. Appointed date for the Scheme (“**Appointed Date**”) means the opening of business on January 1, 2016 or such other date as may be determined by the Board of Directors of the Company and the Transferor Company (acting through its sole member);
2. Effective date for the Scheme (“**Effective Date**”) means last of the dates on which all the conditions and matters as set out in Clause 18(a) of the Scheme have occurred and have been fulfilled or waived in accordance with the Scheme;
3. Upon the coming into effect of the Scheme and with effect from the Appointed Date, the entire business and undertaking of the Transferor Company (including, *inter alia*, all the assets and properties, investments, permits, quotas, rights, liabilities, benefits and obligations under the contracts, all books, records, files etc, all the employees) shall be and stand transferred to and vested in and/or be deemed to have been transferred to and vested in the Company, as a going concern in accordance with Section 2(1B) and other applicable provisions of the Income Tax Act 1961, and pursuant to the provisions of Sections 391 to 394 and other applicable provisions, if any, of the Companies Act, 1956 and/or the Companies Act, 2013, as applicable, without any further act, instrument, deed, matter or thing so as to become, as and from the Appointed Date, the undertaking of the Company, by virtue of and in the manner provided in the Scheme;
4. As the Company is the sole shareholder of the Transferor Company, pursuant to the Scheme coming into effect, all LLC Shares will stand cancelled and no consideration shall pass from the Company;
5. The Scheme involves the amalgamation of a wholly owned subsidiary (i.e., the Transferor Company) into its parent company (i.e., the Company) and no shares or other equity interests are to be issued by the Company pursuant to the Scheme. Accordingly, as per paragraph 4.2 read with paragraph 4.4(ii) of the SEBI Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013, the Company is not required to obtain a valuation report from an independent chartered accountant as there is no change in the shareholding pattern of the Company pursuant to the Scheme;
6. From the Appointed Date until the Effective Date, the Transferor Company is required to carry on its business and activities and shall be deemed to hold all estates, assets, rights, title, interest, authorities, contracts and investment for and on account of, and in trust for, the Company;
7. Upon the Scheme coming into effect and with effect from the Appointed Date, the paid up share capital (including the additional paid in capital) and/or capital contribution in the Transferor Company and the amount of investment made by the Company in the Transferor Company shall be cancelled and the difference, if any, shall be adjusted against the profit and loss account of the Company as the Transferor Company will cease to exist upon the Scheme becoming effective. Consequently, the entire debit balance in the profit and loss account of the



Company (including the debit balance of the Transferor Company that would be transferred to the profit and loss account of the Transferee Company as aforementioned) as at the Appointed Date shall be adjusted against the securities premium account of the Company. All such adjustments against the securities premium account of the Company shall be effected in accordance with provisions of Sections 391 to 394 of the Companies Act, 1956 read with Section 52 of the Companies Act, 2013, Section 78 and Sections 100 to 103 of the Companies Act, 1956 and any other applicable provisions of law;

8. The effectiveness of the Scheme is conditional upon the fulfillment of actions specifically identified in the Scheme, which include, (a) the approval of the requisite majorities of the various classes of shareholders and creditors of the Company; (b) the Scheme and the merger of the Transferor Company into the Company being approved by the member of the Transferor Company as required under the laws of State of Delaware, United States of America, (c) the sanction to the Scheme by the High Court of Judicature at Bombay; (d) the approval of SEBI in accordance with the SEBI Circulars being obtained upon the Scheme being sanctioned by the High Court of Judicature at Bombay; (e) execution and delivery of the "Agreement of Merger" between the Transferor Company and the Company governed by the laws of the State of Delaware, United States of America; (f) the Transferor Company having filed a Certificate of Merger with the office of the Secretary of State of the State of Delaware; (g) the certified copy of the order of the High Court of Judicature at Bombay approving the Scheme being filed with the Registrar of Companies, Maharashtra and (h) obtaining such other approvals and sanctions, including sanction of any Governmental Authority (*as defined in the Scheme*) or contracting party, as may be required by law or contract in respect of the Scheme;
9. In terms of the undertaking dated October 19, 2015 certified by M/s Deloitte Haskins & Sells LLP and M/s PKF Sridhar and Santhanam LLP, the joint statutory auditors of the Company, stating the reasons for non-applicability of paragraph 5.16(a) of the SEBI Circulars, in respect of the Scheme, there is no requirement that the Scheme, *inter alia*, provides for voting by public shareholders through postal ballot and e-voting in accordance requirements of paragraph 5.16(a) of the SEBI Circulars.
10. In terms of the law governing the Transferor Company, the Certificate of Merger shall be filed with the office of the Secretary of State of the State of Delaware on the date on which the last of all the other conditions as set out in the Scheme are satisfied. Thereby, the amalgamation of the Transferor Company into the Company will have occurred and be effective for the purposes of applicable law of the State of Delaware, United States of America; and
11. In the event the Scheme fails to take effect by September 30, 2016 or such later date as may be agreed by the Board of Directors of the Company and the Transferor Company (acting through its sole member), the Scheme shall stand revoked and cancelled and be of no effect and become null and void such that no rights and liabilities shall accrue to or be incurred *inter se* between the parties or their shareholders or creditors or employees or any other person.

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3. Recommendation of the Audit Committee

The Audit Committee has considered and noted the aforementioned documents and the Draft Scheme of Arrangement, and recommends the Draft Scheme of Arrangement to the Board of Directors, *inter alia*, taking into consideration the fairness opinion dated October 19, 2015 obtained from Fortress Capital Management Services Private Limited.

K. B. Dadiseth

Date: October 19, 2015
Place: Mumbai

Mr. K. B. Dadiseth
Chairman, Audit Committee



