

**REPORT OF THE AUDIT COMMITTEE OF THE INDIAN HOTELS COMPANY LIMITED**  
**("COMPANY") RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT OF LANDS**  
**END PROPERTIES PRIVATE LIMITED 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 Lands End Properties Private Limited (hereinafter referred to as "LEPPL" or the "Transferor Company"), a wholly owned subsidiary of The Indian Hotels Company Limited ("Company" or the "Transferee Company"), with the Company was placed before the Audit Committee at its meeting held on October 19, 2015 at Mumbai. The said proposal involves the amalgamation of the Transferor Company with the Company followed by the dissolution without winding up of the Transferor Company and the consequent cancellation of equity shares held by the Company in the Transferor Company and various other matters consequential to or otherwise integrally connected with the above. 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")



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 Company Secretary for the purpose of identification;
- (ii) The draft certificate to be issued by M/s Deloitte, Haskins & Sells 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; and
- (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.

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

1. Appointed date for the Scheme (“**Appointed Date**”) means the close of business on March 31, 2016 or such other date as may be determined by the Board of Directors of the Company and the Transferor Company;
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 Transferor Company is a wholly owned subsidiary of the Company, pursuant to the Scheme coming into effect, all shares held by the Company in the Transferor Company shall stand cancelled and no consideration shall pass from the Company;
5. 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 investments, for and on account of, and in trust for the Company;
6. 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 new shares 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;
7. As per paragraph 5.16(a)(iii) of the SEBI Circulars, the Scheme is conditional upon approval by the majority of the public shareholders of the Company, through postal ballot and e-voting, as the Company has acquired the equity shares of the Transferor Company, by paying consideration in cash or in kind in the past to one or more shareholders of the Transferor Company who fall into the category of '*Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary/(s) of Promoter/ Promoter Group of the Company*' and such subsidiary, i.e., the Transferor Company is being merged with the Company under the Scheme;
8. The acquisition by the Company of the shares of the Transferor Company was at a premium to the face value of the shares. Upon cancellation of such shares consequent to the Scheme, the carrying amount of such investments in the books of the Company shall stand reduced accordingly and the difference between such carrying amount and the aggregate face value of such shares of the Transferor Company held by the Company shall be adjusted against the securities premium account of the Company. Further, the debit balance in profit and loss account of the Company shall also 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;
9. 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 Transferor Company and the Company; (b) the Scheme being approved by the majority of



public shareholders of the Company (by way of voting through postal ballot and e-voting) as required under the SEBI Circulars, i.e. the votes cast by public shareholders in favour of the resolution are more than the number of votes cast by public shareholders against it; (c) the sanction of 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; (e) 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 (f) 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;

10. In the event the Scheme fails to take effect by September 30, 2016 or such later date as may be agreed by the respective Board of Directors of the Company and the Transferor Company, 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.

### 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.

Date: October 19, 2015  
Place: Mumbai



Mr. K. B. Dadiseth  
Chairman, Audit Committee

