

REPORT OF THE AUDIT COMMITTEE OF MACROTECH DEVELOPERS LIMITED RECOMMENDING THE SCHEME OF MERGER BY ABSORPTION OF ROSELABS FINANCE LIMITED ('FIRST TRANSFEROR COMPANY'), NATIONAL STANDARD (INDIA) LIMITED ('SECOND TRANSFEROR COMPANY'), SANATHNAGAR ENTERPRISES LIMITED ('THIRD TRANSFEROR COMPANY') WITH MACROTECH DEVELOPERS LIMITED ('TRANSFEEE COMPANY' OR "COMPANY") AND THEIR RESPECTIVE SHAREHOLDERS

Members Present:

Mr. Mukund Chitale	- Chairman
Mr. Rajeev Bakshi	- Member
Ms. Harita Gupta	- Member

1. Background:

- 1.1. A meeting of the Audit Committee of the Company was held on July 30, 2024 to inter alia, consider and recommend the Proposed Scheme of Merger by Absorption of Roselabs Finance Limited ('First Transferor Company'), National Standard (India) Limited ('Second Transferor Company'), Sanathnagar Enterprises Limited ('Third Transferor Company') (hereinafter collectively referred as 'Transferor Companies') with Macrotech Developers Limited ('Transferee Company' or 'the Company') and their respective shareholders under section 230 to 232 and other applicable provisions of the Companies Act, 2013 ('the Act') ('Scheme' or 'Proposed Scheme').
- 1.2. The Transferor Companies are direct subsidiaries of the Transferee Company. The equity shares of the Transferor Companies as well as the Transferee Company are listed on recognized stock exchange(s) in India.
- 1.3. The Proposed Scheme provides for merger of the Transferor Companies with the Company in consideration of issue of fully paid-up equity shares of the Company to the shareholders of Transferor Companies (other than to the Transferee Company and/or its direct/ indirect subsidiaries holding shares directly and jointly with its nominee shareholders) as per the Share Exchange Ratio recommended in the Valuation Report; the consequent dissolution of the Transferor Companies without winding up and various other consequential or integrally connected matters.
- 1.4. The Proposed Scheme which shall be presented before the NCLT (Mumbai Bench) under section 230 to 232 and other applicable provisions of the Act, has been drawn up in compliance with Section 2(1B) and other applicable provisions of the Income-tax Act, 1961 and other applicable laws including the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations') read with the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ('Master Circular'), as amended from time to time thereto (together 'SEBI Circulars').
- 1.5. In terms of the SEBI Circulars read with the SEBI Listing Regulations, a report from the Audit Committee recommending the Proposed Scheme after taking into consideration inter alia the Valuation Report, Fairness Opinion and commenting on the need for the Scheme, rationale of the Scheme, impact of the Scheme on the Company and its shareholders, cost benefit analysis of the Scheme and synergies of business of the entities involved in the Scheme is to be submitted alongwith the application to Exchanges.
- 1.6. The Transferee Company will be filing the Proposed Scheme along with necessary information/documents including this Report with the Stock Exchanges for their no objection or observation letter pursuant to Regulation 37 of the SEBI Listing Regulations and applicable statutory provisions.



2. Documents perused by the Audit Committee

2.1. The following documents were placed before the Audit Committee –

- a. The Proposed Scheme of Merger by Absorption;
- b. Valuation Report dated July 30, 2024 issued by an independent Registered Valuer, Ms Drushti R. Desai, Partner of M/s Bansi S. Mehta Valuer LLP, having IBBI Registration No. IBBI/RV/06/2019/10666 ('Valuation Report'), providing the share exchange ratio;
- c. Fairness opinion dated July 30, 2024 issued by M/s Kotak Mahindra Capital Company Limited, an independent SEBI Registered (Category I) Merchant Banker (Firm Registration No. INM000003531), providing its opinion on the fairness of the share exchange ratio in the Valuation Report by Registered Valuer ('Fairness Opinion');
- d. Fairness opinion dated July 30, 2024 issued by M/s Kunvarji Finstock Private Limited, an independent SEBI Registered (Category I) Merchant Banker (Firm Registration No. INM000012564), providing its opinion on debt securities ('Debt Fairness Opinion');
- e. Certificate of M/s. MSKA & Associates, Chartered Accountants, Statutory Auditors of the Company, confirming that the accounting treatment outlined in the Scheme is in compliance with the applicable Indian Accounting Standards prescribed under section 133 of the Act read with the rules framed thereunder and other generally accepted accounting principles;

3. Needs and Rationale of the Proposed Scheme:

3.1. The Audit Committee noted the rationale of the Scheme, which inter-alia is as follows:

- a. Streamlining, rationalization and simplification of the group holding structure by way of reduction in the number of entities, resulting in ease of management for the Transferee Company
- b. Reduction in overheads including administrative, managerial and other expenditure, and optimal utilization of resources by elimination of duplication of activities and related costs
- c. Reduction in the multiplicity of legal and regulatory compliances at present carried out separately by the Transferor Companies and the Transferee Company and promote organisational efficiencies with the achievement of greater economies of scale
- d. Free up management bandwidth especially of senior management towards more productive and value generating activities
- e. As the Transferor Companies neither have any ongoing projects nor is any further business opportunity envisaged, the proposed scheme of merger with the Transferee company would be in the best interest of the Transferor Companies and their shareholders
- f. Public shareholders of the Transferor Companies will receive shares in the Transferee Company which is one of the biggest real estate developers in India

4. Salient features of the Proposed Scheme

4.1 Appointed Date of the Proposed Scheme is July 1, 2024.

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- 4.2 The Scheme duly approved by the Stock Exchanges, SEBI, NCLT, with or without modifications, shall be effective from the Appointed Date but shall be operative from the Effective Date (date on which the NCLT order is filed with the Registrar of Companies).
- 4.3 Upon the coming into effect of the Scheme and with effect from the Appointed Date, the entire business of each of the Transferor Companies (including all the estate, assets, liabilities, contingent liabilities, duties, obligations of every kind, rights, claims, title, interest and authorities including accretions and appurtenances, licenses, permissions, incentives, registrations, exemptions, grants, subsidies, concessions, tax entitlements (including but not limited to incentives and/ or credits under applicable indirect tax laws), debtors, receivables, branches, contracts, encumbrances, employees, proceedings, etc.) whether in India or abroad shall stand vested in or be deemed to have been vested in the Transferee Company, as a going concern without any further act, instrument, deed, matter or thing so as to become, as and from the Appointed Date, the undertaking of the Transferee Company by virtue of and in the manner provided in the Scheme.
- 4.4 All inter-company balances and agreements, if any, between the Transferee Company and the Transferor Companies will stand cancelled as a result of merger.
- 4.5 The Scheme provides for combining the Authorized Share Capital of the Transferor Companies with the Transferee Company.
- 4.6 As the Transferor Companies are direct subsidiaries of the Transferee Company, upon the Scheme becoming effective, the Transferee Company shall immediately following such transfer and vesting of the businesses of the Transferor Companies into the Transferee Company, without any application or deed, issue and allot equity shares, credited as fully paid-up, to the extent indicated below, to the equity shareholders of the Transferor Companies (other than to the Transferee Company or its subsidiaries holding shares directly and / or jointly with its nominee shareholders) whose names appear in the register of members of the Transferor Companies on the Record Date or their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Directors of the Transferor Companies in the following manner viz

For equity shareholders of Roselabs Finance Limited (First Transferor Company)

"7 fully paid up equity shares of Rs. 10/- each of Transferee Company for every 1000 fully paid up equity share of Rs. 10/- each held in First Transferor Company"

For equity shareholders of National Standard (India) Limited (Second Transferor Company)

"92 fully paid up equity shares of Rs. 10/- each of Transferee Company for every 1,000 fully paid up equity share of Rs. 10/- each held in Second Transferor Company"

For equity shareholders of Sanathnagar Enterprises Limited (Third Transferor Company)

"7 fully paid up equity shares of Rs. 10/- each of Transferee Company for every 1,000 fully paid up equity share of Rs. 10/- each held in Third Transferor Company"

- 4.7 The equity shares to be issued to the shareholders of Transferor Companies as above shall be subject to the Memorandum and Articles of Association of Transferee Company and shall rank pari passu with the existing equity shares of Transferee Company in all respects including dividends, bonus and rights entitlements.
- 4.8 Fractional shares or entitlement of a member of any Transferor Company pursuant to the merger shall be consolidated by the Board of the Transferee Company and allotted to a trustee, who shall hold such equity shares (with all additions or accretions thereto) in trust for the benefit of the respective members. The Trustee shall sell all these shares in the open market within 90 days from the date of allotment and pay the net sale proceeds (after deducting the applicable taxes and cost incurred, if any) thereof and any additions and accretions to the Transferee Company. After sale of all the shares held in trust, the Transferee Company shall subject to the withholding tax, if any, distribute such sale proceeds to

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the concerned eligible members in proportion to their respective fractional entitlement.

- 4.9 The Scheme shall be effective, subject to approvals of shareholders of the Company involved and approvals of other regulatory authorities as may be required including those of Lenders, Stock Exchanges, SEBI, Regional Director, Registrar of Companies (Mumbai), Official Liquidator and NCLT (Mumbai Bench).
- 4.10 The Scheme may be subject to requisite approvals from the creditors of the Transferee Company and the Transferor Companies as may be directed by NCLT, unless the same is dispensed by NCLT.
- 4.11 In the event, any of the sanctions and approvals referred to in the Scheme are not obtained, the Scheme shall stand cancelled and be of no effect. The Scheme however provides that if any of sanctions and approvals referred to in the Scheme are not obtained for any of the Transferor Companies, the Scheme shall be made effective for the remaining Transferor Companies.
- 4.12 The Scheme is in compliance with the conditions relating to "Amalgamation" as specified under Section 2(1B) of the Income-tax Act, 1961.
- 4.13 The Scheme provides for dissolution of the Transferor Companies without winding up.
- 4.14 The costs, charges, expenses, taxes including duties, levies in connection with the Scheme would be borne by the Transferee Company.
- 4.15 The equity shares issued by the Transferee Company to the shareholders of the Transferor Companies pursuant to the Scheme would be listed on BSE Limited ('BSE') and National Stock Exchange of India Limited ('NSE').

5. Cost benefit analysis of the Proposed Scheme

- 5.1. Although the proposed Scheme would lead to incurring of some costs by each of the companies involved in the Scheme towards implementation, the benefits of the Scheme over a period of time would outweigh such costs given the long term benefits for stakeholders of all the Companies.

6. Synergies of business of the entities involved in the Scheme

- 6.1. The consolidation of the Transferor Companies with the Transferee Company will inter-alia result in the following synergies:
- Rationalization and streamlining of the management structure and pooling of financial resources, managerial and technical expertise of all the companies.
 - Ease in management of the group and greater financial strength and flexibility for the Transferee Company resulting in maximizing overall shareholders value
 - Achieving greater efficiency in management of capital, access to cash flows generated by the businesses which can be deployed more efficiently.

7. Impact of the scheme on the shareholders:

- 7.1. The Audit Committee discussed the rationale and expected benefits of the Scheme. In view of the various documents presented before the Audit Committee including Valuation Report, Fairness Opinion etc., it is observed that this merger will result in achieving greater efficiency in management of capital, access to cash flows generated by the businesses which can be deployed more efficiently

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to fund growth opportunities, post the completion of the Scheme.

- 7.2. The Audit Committee notes that the Registered Valuer has considered the Liquidation Approach to be the sole approach for determining the value of the Transferor Companies for calculation of the Share Exchange Ratio. The Market Price Approach and the Income Approach had been considered and disregarded for all 3 Transferor Companies as the equity shares of NSIL and RFL were infrequently and irregularly traded and these companies did not have any present operations or future business plan. Further though the equity shares of SEL were frequently and regularly traded, the scrip was classified as ESM Stage 2 by BSE, indicating that the price and trading volume was not reflective of its underlying asset value which was negligible.
- 7.3. Consideration shall be discharged by the Company by issuing its equity shares to the shareholders of Transferor Companies (other than to the Transferee Company and / or its subsidiaries and/ or its nominees holding shares in the Transferor Company/(ies) based on Valuation Report dated July 30, 2024 issued by Registered Valuer.

Based on the above, the Audit Committee is of the view that the Scheme is in the best interests of all the shareholders of the Company.

8. Recommendation of the Audit Committee

The Audit Committee after taking into consideration the Proposed Scheme & its rationale and benefits, the Valuation Report, the Fairness Opinion and other documents, hereby recommends the same to the Board of Directors of the Company, BSE, NSE, and SEBI and other appropriate authorities for favorable consideration.

By and order of the Audit Committee,
For and behalf of Macrotech Developers Limited



 **Mukund Chitale**
Chairman, Audit Committee



Place: Mumbai
Date: July 30, 2024