

**REPORT OF THE AUDIT COMMITTEE OF SRI HAVISHA HOSPITALITY AND INFRASTRUCTURE LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN M/S SHRI SHAKTI RESORTS & HOTELS LIMITED (TRANSFEROR COMPANY/ SSRHL) AND M/S SRI HAVISHA HOSPITALITY AND INFRASTRUCTURE LIMITED (TRANSFeree COMPANY/ SHHIL) AND THEIR SHAREHOLDERS AND CREDITORS**

---

**PRESENT:**

1. Mr. V. Subrahmanyam, Chairman
2. Mr. B.K.Sinha, Member
3. Mr. A.P.Vitthal, Member
4. Mr. P. Suryanarayana, Statutory Auditors
5. Mr. A. Nagaraj Kumar, Advocate

**1. Background**

- 1.1 A meeting of the Audit Committee of the Company was held on 13<sup>th</sup> August, 2018 to consider and recommend the proposed Scheme of Arrangement between M/s Shri Shakti Resorts & Hotels Limited and M/s Sri Havisha Hospitality and Infrastructure Limited and their Shareholders and Creditors under Sections 230 read with Section 232 and other applicable provisions of the Companies Act, 2013 ("Scheme").
- 1.2 This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI circular number CFD/DIL3/CIR/2017/21 dated March 10, 2017 as amended from time to time.
- 1.3 The following documents were placed before the Audit Committee:
  - (a) Draft Scheme, duly initialed by the Chairman of Audit Committee for the purpose of identification;
  - (b) Valuation Report ("Valuation Report") prepared by M/s Akasam Consulting Private Limited, a Category-I independent Merchant Banker, describing the methodology adopted by them in arriving at the share exchange ratio and
  - (c) Fairness opinion ("Fairness Opinion") prepared by CapitalSquare Advisors Private Limited, Mumbai, providing the Fairness Opinion on the Share exchange ratio as recommended by the Valuation Report.



## 2. Proposed Scheme of Arrangement

2.1 The Audit Committee noted the rationale and the benefits of the Scheme which, inter-alia, are as follows:

- (i) The Transferee Company, a public company limited by shares and its shares are listed on National Stock Exchange Limited and BSE Limited is engaged into the hospitality and infrastructure businesses and is interested in setting up and operating FOOD COURTS at various locations. The Transferor Company is engaged in hospitality services and owns a luxury hotel operating with a Cycling Theme in Hyderabad that consists of 128 rooms, suites, two swimming pools etc. The consolidation and amalgamation of the Transferor Company with the Transferee Company shall result into synergies of the Transferee Company.
- (ii) The Transferor Company's capabilities, product portfolio and pipeline complement the Transferee Company's platform. The amalgamation will strengthen the foothold of the Transferee Company in the hospitality segment.
- (iii) Greater integration, proven experience and flexibility of the Transferor Company, will improve the overall position of the Transferee Company.
- (iv) Greater efficiency in cash management and unfettered access to cash flow generated by the combined business which can be deployed more efficiently to fund growth opportunities and also to further improve shareholders value.
- (v) Benefit of operational synergies to the combined entity in areas such as raw material sourcing, product placement, marketing and business promotions initiatives, freight optimization and logistics.
- (vi) Greater leverage in operations, planning and process optimization and enhanced flexibility in offering better hospitality services.
- (vii) Cost savings are expected to flow from more focused operational efforts, rationalization, standardization and simplification of business processes, productivity improvements, improved procurement, usage of common resource pool like human resource, administration, finance, accounts, legal, technology and other related functions, leading to elimination of duplication and rationalization of administrative expenses.

### 2.2 The Silent features of the draft Scheme include:

- (i) Upon the Scheme becoming effective, the Transferor Company shall stand dissolved, without going through the process of winding up and without further acts and deeds by parties on such terms and conditions as the Hon'ble NCLT may direct or determine.





(ii) Upon the Scheme being effective the Transferee Company shall, subject to the provisions of Act, issue and allot to the equity shareholders of the Transferor Company, whose names are registered in the register of members and / or on records of the Depositories as the case may be, of the Transferor Company or his/her/its legal heirs, executors or administrators or, as the case may be, successors-in-title, as the case may be, fully paid up equity shares of Transferee Company.

2.3 The Audit Committee reviewed the Valuation Report and noted the recommendation made therein. Further, the Fairness Opinion confirmed that the share exchange ratio in the Valuation Report is fair to the shareholders of the Company.

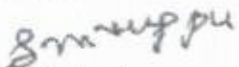
The Share exchange ratio recommend by the Valuation Report and confirmed by the Fairness Opinion as follows:

“7.52 fully paid up equity shares of Rs 2/- each of the Transferee Company shall be issued and allotted for every one (01) fully paid up equity share of Rs 10/- each held in Transferor Company.

### 3. Recommendation of the Audit Committee

Taking into consideration of the draft Scheme, Valuation Report, Fairness Report and other documents as placed, the Audit Committee recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval.

**By Order of the Audit Committee  
For and on behalf of Sri Havisha Hospitality and Infrastructure Limited**

  
**V. Subrahmanyam**  
Chairman  
Audit Committee

