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REPORT ADOPTED BY THE AUDIT COMMITTEE OF GMR INFRASTRUCTURE LIMITED AT ITS MEETING HELD ON AUGUST 27, 2020 IN RELATION TO THE PROPOSED COMPOSITE SCHEME OF AMALGAMATION AND ARRANGEMENT BETWEEN GMR POWER INFRA LIMITED, GMR INFRASTRUCTURE LIMITED, GMR POWER AND URBAN INFRA LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

1. Members present:

Mr. N C Sarabeswaran	-	Chairman
Mr. R.S.S.L.N. Bhaskarudu	-	Member
Mr. S. Rajagopal	-	Member
Mrs. Vissa Siva Kameswari	-	Member

2. Background:

- 2.1 The audit committee of GMR Infrastructure Limited ("Company") ("Audit Committee") at its meeting held on August 27, 2020 was requested to consider, and if thought fit, recommend to the board of directors of the Company ("Board"), a draft of the proposed composite scheme of amalgamation and arrangement amongst the Company, GMR Power Infra Limited ("GPIL") and GMR Power and Urban Infra Limited ("GPUIL") (collectively, the "Companies") and their respective shareholders, (hereinafter referred to as "Scheme"), to be implemented under Sections 230 to 232, Section 66 (to the extent applicable) and other applicable provisions of the Companies Act, 2013, the rules and regulations made thereunder and any statutory modification or re-enactment thereof for the time being in force (the "Act"), and other applicable laws including the Securities and Exchange Board of India ("SEBI") Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (as amended from time to time) on Schemes of Arrangement by Listed Entities and Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 ("SCR Rules") ("SEBI Scheme Circular"). The Scheme, *inter alia*, provides for the amalgamation of GPIL with the Company, the dissolution of GPIL without winding up and cancellation of the equity shares held by the Company, its nominees and subsidiaries in GPIL ("Amalgamation"); and thereafter the transfer, by way of a demerger of all the businesses, undertakings, activities, operations and properties forming part of the Demerged Undertaking (*which includes the EPC Business and the Urban Infrastructure Business, as more particularly defined in the Scheme*), from the Company to GPUIL, cancellation of the equity shares held by the Company in GPUIL and issue and allotment of equity shares by GPUIL to the shareholders of the Company in the manner provided in the Scheme ("Demerger"). Words and expressions, used in capitalized form but not defined in this report, shall have the meaning ascribed to them in the Scheme



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- 2.2 The Scheme will be presented before the National Company Law Tribunal, Mumbai bench ("NCLT") under Sections 230 to 232 and other applicable provisions of the Act and will also be in compliance with the provisions of the Income Tax Act, 1961, including Section 2(19AA) and Section 2(1B) thereof, and the SEBI Scheme Circular.
- 2.3 This report of the Audit Committee is made to comply with the requirements of the SEBI Scheme Circular.
- 2.4 The following documents were placed and, *inter-alia*, considered and taken on record by the Audit Committee, while deliberating on the Scheme:
- (i) A draft of the proposed Scheme;
 - (ii) Valuation report dated August 25, 2020 of independent valuer viz. Drushti R. Desai and independent Chartered Accountant viz. M/s Bansi Mehta & Co. who in their report, has recommended the share entitlement ratio pursuant to the Scheme ("Valuation Report");
 - (iii) Fairness opinion dated August 25, 2020 of independent merchant banker viz. Pantomath Capital Advisors Private Limited providing the fairness opinion on the share entitlement ratio recommended in the Valuation Report ("Fairness Opinion");
 - (iv) A certificate dated August 27, 2020 from Walker Chandiook & Co LLP, the statutory auditors of the Company ("Statutory Auditors") certifying that the accounting treatment in the Scheme is in accordance with the accounting standards prescribed under Section 133 of the Act and other applicable laws, as required under Paragraph I(A)(5)(a) of Annexure I of the SEBI Scheme Circular;
 - (v) An undertaking stating the reasons of non-applicability of the requirement to obtain public shareholders' approval for the Scheme, as prescribed under Paragraph I(A)(9)(b) of Annexure I of the SEBI Scheme Circular, and a certificate from the Statutory Auditor's certifying the undertaking, as required under paragraph I(A)(9)(c) of Annexure I of the SEBI Scheme Circular; and
 - (vi) other presentations, reports, documents and information made to/ furnished before the Audit Committee.

3. Rationale of the proposed Scheme:

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

- (i) Presently, GIL, directly and/or indirectly through subsidiaries and joint ventures, houses various infrastructure development and operations activities of the group across different verticals i.e., airports, EPC, energy, transportation and urban infrastructure. The Airport Business (*as defined in the Scheme*) has a distinct operating model from that of the Urban Infrastructure Business and the EPC Business of GIL, and each of these provide a strong growth opportunity in the foreseeable future. These businesses have, since their inception, attained a significant size and scale in their respective segments.
- (ii) As these businesses approach their next phase of growth, it would be strategically apt to segregate the Urban Infrastructure Business and EPC Business from the Airport Business, to enable them to move forward independently, with greater focus and specialization, building further on their respective capabilities and their strong brand presence.



- (iii) The Scheme would benefit these businesses on account of the potential synergies and incremental operational efficiencies from combining the similar and related businesses under GIL (in case of the Airport Business) and under GPUIL (in case of Urban Infrastructure Business and EPC Business) respectively, enabling these businesses to create further value and allowing investors to allocate their portfolio into separate entities, focused on the distinct business of airport (under GIL) and urban infrastructure and EPC (under GPUIL), which aims to unlock shareholder value.
 - (iv) The reorganization would lead to a simplified organization structure assisting shareholders and investors to better understand and evaluate both businesses independently as investment options and potentially lead to a higher value illumination of each of these businesses including by way of attracting long term sectoral / thematic and marquee investors and sovereign wealth funds particularly in the airports, energy and transportation sectors.
 - (v) Given that the infrastructure business has attained significant maturity, the proposed Scheme will enable GIL and its shareholders to achieve its ultimate objective of segregation of the airport business from the remaining businesses and to achieve clear bifurcation of these businesses for unlocking the value of each vertical and pave way for focused growth with a view to create significant stakeholder value. It is expected that the combined airport business resulting out of such restructuring will have better prospects of growth and will enable management to vigorously pursue a focused growth strategy.
 - (vi) The proposed Scheme will also help to streamline the entire management structure and channelize resources to focus on the growing businesses. A lean management structure will also lead to focused administration and prospectively a reduction in costs for accounting, compliance, auditing, board meetings, secretarial procedures and administration, etc.
 - (vii) The proposed Scheme will allow an exhaustive review of the group holding structure and operations at all levels within the Company with a view to reduce duplicity of costs and resources which can be more efficiently utilized elsewhere. This measure will also help in rationalising and optimising manpower costs which will lead to sustainable growth in future. The Scheme will facilitate an integrated approach to internal policies, including those pertaining to manning norms, remuneration, employee benefits, workplace rules and policies.
 - (viii) The proposed Scheme will also stabilize the operating cost of entities and result in synergies, efficient utilization of capabilities and resources.
 - (ix) Accordingly, the Scheme is expected to be in the best interests of the Companies and their respective shareholders, employees and creditors.
4. The Audit Committee reviewed and noted the methodology adopted by the valuer in arriving at the share entitlement ratio in respect of the Scheme. The share entitlement ratio, in respect of the equity shares to be allotted by GPUIL to the shareholders of the Company pursuant to the Scheme, was noted by the Audit Committee.
5. The Audit Committee noted the salient features of the Scheme, which *inter-alia* are as under:
- (i) Appointed Date for the Amalgamation and the Demerger shall be April 1, 2021.



- (ii) "Effective Date" means the last of the dates on which all the conditions and matters referred to in Clause 40 of the Scheme occur or have been fulfilled, obtained or waived, as applicable, in accordance with the Scheme. References to date of 'coming into effect of the Scheme' or 'effectiveness of the Scheme' shall be construed accordingly.
- (iii) The Scheme shall be effective from the Appointed Date and operative from the Effective Date.
- (iv) The coming into effect of the Scheme is conditional upon and subject to:
- (a) the Scheme being approved by the respective requisite majorities of the various classes of shareholders and creditors (where applicable) of the Companies as required under the Act and the requisite orders of the NCLT, or dispensation having been received from the NCLT in relation to obtaining such consent from the shareholders and/or creditors;
 - (b) receipt of approvals of the BSE Limited and National Stock Exchange of India Limited ("Stock Exchanges") in terms of Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with paragraph 2 of the SEBI Scheme Circular read with Paragraphs I(B)(4) and I(C)(2) of Annexure I to the SEBI Scheme Circular;
 - (c) the fulfilment, satisfaction or waiver (as the case may be) of any approvals from third parties mutually agreed by the Companies as being required for completion of the transaction, as may be mutually agreed between the Companies;
 - (d) the Scheme being sanctioned by the NCLT in terms of Sections 230 to Section 232 and other relevant provisions of the Act;
 - (e) the certified copies of the order of the NCLT approving the Scheme being filed with the jurisdictional Registrar of Companies ("RoC");
 - (f) grant of exemption by SEBI under Rule 19(7) of the SCR Rules from complying with the requirements of Rule 19(2)(b) of the SCR Rules; and
 - (g) such other approvals and sanctions including sanction of regulatory or statutory or governmental authority, as may be required in terms of the applicable laws or contract in respect of the Scheme.
- (v) Upon effectiveness of the Scheme:
- (a) GPIL shall stand dissolved without winding up, and the equity shares held by the Company, its nominees and subsidiaries in GPIL shall stand cancelled;
 - (b) The equity shares of GPUIL held by the Company (directly and/ or through nominees) shall stand cancelled;
 - (c) the Company's shareholders, as on the Record Date (as defined in the Scheme), shall be issued and allotted fully paid up equity shares in GPUIL in the share entitlement ratio as specified in the Scheme;
 - (d) the authorized share capital of the Company will stand suitably altered, without any further act, instrument or deed on the part of the Company, such that upon the effectiveness of the Scheme the authorised share capital of the Company shall be Rs. 1455,00,00,000 (Rupees One Thousand Four Hundred and Fifty Five Crores only) divided into 1355,00,00,000 (one thousand three hundred and fifty



five crores) equity share of Re. 1 (Rupee One only) each and 10,00,000 (ten lakhs) preference shares of Rs. 1,000 (Rupees One Thousand) each. Clause IV of the memorandum of association of the Company shall be altered, upon coming into effect of the Scheme and without any further act or deed;

- (e) to accommodate the issue and allotment of equity shares of the GPUIL to the shareholders of the Company, which would result in increase in its paid up share capital, the authorized equity share capital of GPUIL shall be adequately increased by transferring from the authorized share capital of the Company, an amount of Rs. 500,00,00,000 (Rupees Five Hundred Crores only) to the authorized share capital of GPUIL. Consequently, the authorized share capital of GPUIL shall stand increased to Rs. 550,00,00,000 (Rupees Five Hundred and Fifty Crores only) divided into 110,00,00,000 equity shares of face value of Rs. 5 (Rupees Five only), without any further act, instrument or deed by GPUIL. Clause 5 of the memorandum of association of GPUIL shall be altered, upon coming into effect of the Scheme and without any further act or deed; and
- (f) the equity shares of GPUIL are proposed to be listed on the [BSE Limited and/ or National Stock Exchange of India Limited].
- (vi) The Amalgamation shall precede the Demerger in the manner further provided in the Scheme.
- (vii) Failure of any one part, for lack of necessary approval from the shareholders/ creditors/ statutory regulatory authorities shall not result in the whole Scheme failing. It shall be open to the concerned board of directors to consent to severing such part(s) of the Scheme and implement the rest of the Scheme as approved by the NCLT with such modification(s).
- (viii) In the event of any of the sanctions and approvals referred to in Scheme not being obtained/ waived and/ or the Scheme not being sanctioned by NCLT or such other competent authority and/ or the sanction order(s) not being passed by the NCLT as aforesaid before December 31, 2021 or such other date as may be agreed upon by the Companies, any of the Companies may opt to terminate this Scheme and the Scheme shall stand revoked, cancelled and be of no effect. Upon the termination of the Scheme, no rights and liabilities shall accrue to or be incurred by respective Companies or their shareholders or creditors or employees or any other person. In such case, each Company shall bear its own costs and expenses or as may be otherwise mutually agreed.

6. Recommendations of the Audit Committee:

In light of the above, the Audit Committee, after taking into consideration the Valuation Report and the Fairness Opinion approves and recommends the draft Scheme for favourable consideration by the Board, NCLT, the Stock Exchanges, SEBI and such other regulatory authorities, as may be applicable.

**For and on behalf of the Audit Committee
of GMR Infrastructure Limited**



Date: August 27, 2020

N.C. Sarabeswaran

**N.C. Sarabeswaran
Chairman of Audit Committee
DIN: 00167868**