

SORIL

INFRA RESOURCES

REPORT OF THE AUDIT COMMITTEE OF SORIL INFRA RESOURCES LIMITED

Date of the Audit Committee Meeting: 29th January 2019

Present

- (a) Mr. PremPrakashMirdha(Chairman of the Audit Committee);
- (b) Brig. Labh Singh Sitara (Member of the Audit Committee);
- (c) Mrs. SargamKataria (Member of the Audit Committee)

1. Background

A composite Scheme of Amalgamation and Arrangement amongst Indiabulls Integrated Services Limited (the "Demerging Company 1" or "Transferee Company"), Albasta Wholesale Services Limited ("Transferor Company 1"), Sentia Properties Limited ("Transferor Company 2"), Lucina Infrastructure Limited ("Transferor Company 3"), Ashva Stud and Agricultural Farms Limited ("Transferor Company 4"), MahabalaInfracon Private Limited ("Transferor Company 5"), SORIL Infra Resources Limited ("the Company" or "Transferor Company 6"), Store One Infra Resources Limited ("Transferor Company 7" and together with Transferor Company 1, Transferor Company 2, Transferor Company 3, Transferor Company 4, Transferor Company 5 and Transferor Company 6, the "Transferring Companies"), Indiabulls Enterprises Limited ("Resulting Company 1"), Indiabulls Pharmaceuticals Limited ("Demerging Company 2") and Indiabulls Pharmacare Limited ("Resulting Company 2") and their respective shareholders and creditors ("Scheme of Amalgamation and Arrangement" or "Scheme") was placed before the Audit Committee for recommendation of the Scheme by the Audit Committee to the Board of Directors as required vide Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (including amendments dated March 23, 2017, September 21, 2017 and January 3, 2018) ("Circular").

This report is made in order to comply with the requirements of the Circular after considering the following:

- a. Draft Scheme;
- b. Audited financial statements for the year ending March 31, 2018, March 31, 2017 and March 31, 2016 and unaudited financial statements as on September 30, 2018, accompanied by Limited Review Report by Auditor;
- c. the valuation report obtained from independent valuer(s) M/s N'S KUMAR & CO., Chartered Accountants (an affiliate of Transaction Square LLP), and M/s Doogar & Associates, Chartered Accountants ("Valuation Report");
- d. Fairness Opinions from Chartered Capital and Investment Limited, a SEBI registered category I Merchant Banker; and
- e. Draft certificate issued by the statutory auditors of the Company, pursuant to paragraph I.A.5 of Annexure I of the SEBI Circular, confirming that the accounting treatment contained in the Scheme is in compliance with all the applicable accounting standards specified by the Central Government under Section 133 of the Act, and other generally accepted accounting

SORIL Infra Resources Limited

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principles:

2. Proposed Scheme

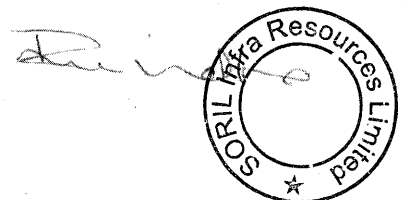
The Audit Committee considered and took note that:

- (A) The Scheme of Amalgamation and Arrangement *inter alia* provides the arrangements *inter se* in the following sequence:
- (i) the merger of the Transferring Companies (including the Company) with the Transferee Company;
 - (ii) the demerger of the non-insurance business of the Demerging Company 1 (i.e. *the Transferee Company post-merger of the Transferring Companies*) into the Resulting Company 1; and
 - (iii) the demerger of the pharma business of the Demerging Company 2 into the Resulting Company 2.
- (B) Upon amalgamation of Transferring Companies into Transferee Company, the Transferee Company's business shall be divided into two verticals: the insurance business and the non-insurance business. The non-insurance business means infrastructure solutions related business (more particularly defined in the Scheme, which *inter-alia* includes LED lighting business, facility management business, equipment renting business, construction advisory business, trading in all kind of sculptures, painting and art graphics along with investments in entities engaged in infrastructure solution business, including companies providing infrastructure rural financing). Pursuant to the amalgamation of the Transferring Companies into and with the Transferee Company, it is proposed that the non-insurance business of the combined entity, i.e., the Demerging Company 1, is demerged into a separate company, i.e., the Resulting Company 1. Further, in order to consolidate all non-insurance businesses, including the proposed pharma business, into one vertical, it is proposed that the pharma business (which is currently housed in the Demerging Company 2) will be demerged from the Demerging Company 2 into the Resulting Company 2, which is a subsidiary of the Resulting Company 1.
- (C) As such, the objects of the Proposed Scheme of Amalgamation and Arrangement are as under:
- (i) Creation of separate listed verticals housing identified business segments viz, insurance business (comprising of life insurance, general insurance and / or other related businesses) and non-insurance business (comprising of infrastructure solution business and includes proposed pharma business and rural finance business).
 - (ii) Greater focus on business operations of life insurance, general insurance and to comply with Insurance Regulatory and Development Authority of India's guidelines.
 - (iii) Transferee Company being a listed entity is a holding company of another listed entity, i.e., Transferor Company 6, which results in the inability of Transferee Company's shareholders to directly participate in Transferor Company 6's operation. The Scheme of Amalgamation and Arrangement would provide greater participation to the shareholders of both listed companies, by providing them with direct participation in all the businesses of the group, thereby unlocking shareholders value.
 - (iv) The Scheme of Amalgamation and Arrangement also envisages acquisition of on-going pharma business undertaking of Demerging Company 2, which shall assist in



capitalizing the opportunities and growth of the pharma business by use of its expertise, pan India sales and marketing and distribution network of pharmaceutical products and its best-in-class infrastructure with over 200 products in the market (many of which are first time in India products bringing significant patient benefits, a GMP certified manufacturing network of over 50 manufacturing partners, alongwith its seasoned and proven leadership team.

- (v) Insurance business is very distinct from other non-insurance business (including infrastructure solution business, pharma business and rural finance business) in terms of different risk / rewards, distinct gestation period, distinct technical, funding and regulatory requirements and hence, segregation will enable adoption of focused approach that will lead to maximization of value creation.
- (vi) The identified business segments would have its own management teams and board of directors, who can chart out their own independent strategies to maximize value creation for their respective stakeholders.
- (D) As consideration for the amalgamation of the Company into and with the Transferee Company, the Transferee Company will issue 1 equity share of face value of Rs. 2 (Rupees two only) each of the Transferee Company for every 1 equity share of face value of Rs. 10 (Rupees Ten only) each of the Company, held by every equity shareholder of the Company other than the Transferee Company, as set out in the Valuation Report AND THAT the entire share capital of the Company shall be cancelled in its entirety.
- (E) Since the Transferee Company (either singly or jointly with any other person) holds all the shares of the Transferring Companies (other than the Company and Transferor Company 7), no shares shall be required to be issued to the Transferee Company or to any other shareholder holding shares in the Transferring Companies as consideration for the amalgamation of the Transferring Companies (other than the Company and Transferor Company 7) into and with the Transferee Company under the Scheme and the entire shares capital of the Transferring Companies shall be cancelled in their entirety.
- (F) Since Transferor Company 7 is the wholly-owned subsidiary of the Company, no shares shall be required to be issued to the shareholders of Transferor Company 7, being the Company and other shareholders holding shares jointly with the Company, as consideration for the amalgamation of Transferor Company 7 into and with the Transferee Company, since upon the Scheme coming into effect, the Company will also merge into and with the Transferee Company and will thereby stand dissolved and the entire shares capital of the Transferor Company 7 shall be cancelled in its entirety.
- (G) As consideration for the demerger of the Infrastructure Solutions Business (as defined in the Scheme) from the Demerging Company 1 into Resulting Company 1, every equity shareholder of the Demerging Company 1 shall be issued 1 equity share of face value of Rs. 2 (Rupees Two only) each of Resulting Company 1 for every 1 equity share of face value of Rs. 2 (Rupees Two only) each held in the Demerging Company 1 and the preference shareholder of the Demerging Company 1 shall be issued 1 preference share of face value of Rs. 10 (Rupees Ten only) of Resulting Company 1, as set out in the Scheme.
- (H) As consideration for the demerger of the Pharma Business (as defined in the Scheme) from Demerging Company 2 into Resulting Company 2, the shareholders of



Demerging Company 2 shall be issued 1.56 equity shares of face value of Rs. 2 (Rupees Two only) each of Resulting Company 1 for every 1 equity share of face value of Rs. 1 (Rupees One only) each held in the Demerging Company 2, as set out in the Scheme.

3. Recommendation of the Audit Committee

The Audit Committee recommends the draft Scheme for favorable consideration by the Board of Directors of the Company, Stock Exchange(s) and SEBI.

Date: 29.01.2018
Place: Gurugram


(Chairman of the Audit Committee)
SORIL Infra Resources Limited *

