

REPORT ADOPTED BY THE AUDIT COMMITTEE OF MAC CHARLES (INDIA) LIMITED AT ITS MEETING HELD ON FRIDAY, 13TH SEPTEMBER 2024 EXPLAINING THE EFFECT OF THE DRAFT SCHEME OF ARRANGEMENT BETWEEN MAC CHARLES (INDIA) LIMITED AND EMBASSY PRISM VENTURES LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

1. AUDIT COMMITTEE MEMBERS PRESENT

SNo	Name of members	Designation
1	Mr. P.B. Appiah	Independent Non-Executive Director
2	Ms. Tanya Girdhar	Independent Non-Executive Director
3	Mr. Bijoy Kumar Das	Independent Non-Executive Director
4	Mr. P. R. Ramakrishnan	Non-Executive Director

2. BACKGROUND

- i. A meeting of the Audit Committee of Mac Charles (India) Limited was held on 13th September 2024 to consider and if thought fit, recommend to the Board of Directors of the Company, the draft Scheme of Arrangement between Mac Charles (India) Limited (“MCIL” or “Demerged Company” or “Company”) and Embassy Prism Ventures Limited (“Prism” or “Resulting Company”) and their respective shareholders (“Scheme”) for the demerger of the Demerged Undertaking (as defined in the Scheme) from the Demerged Company to Resulting Company on a going concern basis pursuant to Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“Act”), read with the rules and regulations made thereunder.
- ii. The Company is incorporated under the provisions of the Companies Act, 1956. The equity shares and Non-Convertible Debentures (“NCDs”) of the Company are listed on the Bombay Stock Exchange (“BSE”).
- iii. The Resulting Company is a public limited company incorporated under the Companies Act, 2013. The Company shall acquire 100% of the equity shares of the Resulting Company, thereby making it a wholly owned subsidiary of the Demerged Company. The shares of the Resulting Company are not listed on any Stock Exchange.
- iv. The Scheme will be filed with the National Company Law Tribunal, Bengaluru Bench (“NCLT”) pursuant to Sections 230 to 232 and other applicable provisions of the Act and the rules and regulations issued thereunder and in compliance with provisions of Section 2(19AA) of the Income-tax Act, 1961.



- v. The Scheme is subject to receipt of approvals of the Board of Directors, Audit Committee, committee of Independent Directors, shareholders and creditors of the Company and the Resulting Company and approval of other regulatory authorities as may be required, *inter alia* of BSE, Securities and Exchange Board of India (“SEBI”) and the NCLT.
- vi. This report of the Audit Committee is submitted, in order to comply with the requirements of the Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 dated June 30, 2023 including any amendment thereof, from time to time (“SEBI Circular”), issued by Securities Exchange Board of India (“SEBI”) read with the SEBI Listing Obligations and Disclosure Requirements) Regulations, 2015 and any amendments thereof.
- vii. The following documents were placed before the Audit Committee:
- a. The draft Scheme;
 - b. Draft Certificate from Walker Chandiook & Co LLP (FRN: 001076N/N500013), Statutory Auditor of the Company, confirming that the accounting treatment mentioned in the Scheme is in compliance with the applicable Indian Accounting Standards as specified under Section 133 of the Act read with the Companies (Indian Accounting Standard) Rules, 2015 and other Generally Accepted Accounting Principles in India;
 - c. Valuation report dated 13th September 2024, issued by SSPA & CO. Chartered Accountants, an independent registered valuer, *inter alia*, setting out the share entitlement ratio for issue of Redeemable Preference Shares (“RPS”) of the Resulting Company to the equity shareholders of the Company pursuant to the Scheme; and
 - d. Fairness opinion dated 13th September 2024, issued by Corpwis Advisors Private Limited, a SEBI Registered Merchant Banker on the share entitlement ratio recommended in the Valuation Report for the purpose of the Scheme (“Fairness Opinion”). They have issued an opinion covering, *inter-alia*, that as on the date hereof, the proposed share entitlement ratio as recommended by the Registered Valuer, which forms the basis for the proposed Scheme is fair and reasonable;



The Audit Committee noted and approved for recommendation to the Board the aforementioned documents and the share entitlement ratio for the proposed demerger of the Demerged Undertaking of the Demerged Company into the Resulting Company.

3. PROPOSED SCHEME

3.1 SALIENT FEATURES

The Audit Committee considered and noted the salient features of the Scheme as under:

- i. The Scheme provides for the demerger of the Demerged Undertaking of Mac Charles (India) Limited to Embassy Prism Ventures Limited pursuant to Sections 230 to 232 and other applicable provisions of the Act and the rules and regulations made thereunder.
- ii. The Appointed Date for the purpose of the Scheme means the same as the 'Effective Date', or such other date as may be fixed or approved by the NCLT or any other appropriate authority.
- iii. The Effective Date/ the effectiveness of the Scheme is conditional upon fulfilment of the last of the actions specified herein below:
 - a. Obtaining no-objection from the applicable Stock Exchanges and/ or SEBI in relation to the Scheme under Regulation 37 and 59A, wherever applicable, of the Securities and exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 (as amended from time to time);
 - b. The requisite consent, approval or permission of any Governmental Authorities, which by law may be necessary for the implementation of this Scheme;
 - c. This Scheme being approved by the respective requisite majorities of the members and creditors of the Demerged Company and the Resulting Company as required under the Act and as may be directed by the NCLT or any other Governmental Authority as may be applicable. Furthermore, as provided in Annexure I Para I(A)(10)(a) and (b) of the SEBI Circular, the public shareholders of the Demerged Company shall be provided with e-voting facility, as prescribed in Annexure I Para I(A)(10)(a) of the SEBI Circular, and the Scheme shall be acted upon only if the votes cast by the public shareholders of the Demerged Company in favour of the Scheme are more than the number of votes cast by the public shareholders of the Demerged Company against it;



- d. Approval by the NCLT or any other appropriate authority of Central Government or Governmental Authority as required under the Act or any other Applicable Law;
- e. All other Governmental Approvals, as may be required under the Applicable Law;
- f. The certified copies of the Order of the NCLT or any other Governmental Authority sanctioning the Scheme are filed with the Registrar of the Companies, Karnataka by the Demerged Company and the Resulting Company; and
- g. Compliance with such other conditions as may be imposed by the NCLT or any other appropriate authority of the Central Government or Government Authorities.

It is hereby clarified that submission of this Scheme to the NCLT and to the appropriate Governmental Authorities for their respective approvals is without prejudice to all rights, interests, titles or defenses that the Demerged Company and the Resulting Company may have under or pursuant to all Applicable Laws.

- iv. The last of the following dates shall be the “Effective Date” for the purpose of this Scheme:
 - (i) the day on which the last of the aforesaid consents, approvals, permissions, resolutions, assignments and orders shall be obtained or passed; and
 - (ii) the day on which all necessary certified copies of order under Sections 230-232 of the Act shall be duly filed with the Registrar of the Companies by the Demerged Company and the Resulting Company.
- v. In consideration of the proposed demerger, the Resulting Company will issue and allot RPS (as defined in the Scheme), to each shareholder of the Demerged Company, whose names appear in the register of members of the Demerged Company as on the Record Date (as defined in the Scheme), in the following manner:

“1 (One) fully paid-up RPS of face value of [Rs. 10/- (Rupees Ten only)] each of the Resulting Company shall be issued and allotted as fully paid-up for each Equity Share of face value of Rs. 10/- (Rupees Ten only) each fully paid-up held in the Demerged Company.”

The RPS proposed to be issued and allotted by the Company will not be listed on BSE or any other stock exchanges.



3.2 NEED FOR THE ARRANGEMENT AND RATIONALE OF THE SCHEME

The Audit Committee reviewed and recommended to the Board the draft Scheme, Valuation Report and Fairness Opinion and noted the need, rationale and the benefits as extracted from the Scheme to the stakeholders and the shareholders which, *inter alia*, are as follows:

- (i) *The arrangement would result in an efficient corporate structure with a focused management, and it would be strategically apt to segregate the business to enable them to move forward independently, with greater focus and specialization building further on their respective capabilities.*
- (ii) *Segregating and separating the Demerged Undertaking would help in attracting the relevant set of investors with matching risk and investment profile of the Demerged Undertaking which would unlock better valuation of the Demerged Undertaking.*
- (iii) *Dedicated management focus, streamlining of operations, cost optimization and operational efficiencies through the effective and efficient utilization of financial resources, managerial talents and technical skills, thereby protecting and maximizing the value and returns to the shareholders.*
- (iv) *Enable the Resulting Company to raise secured and unsecured funding from investors for the Demerged Undertaking in an insulated legal entity to secure their investments.*
- (v) *The Demerged Company is into multiple business involving inter alia, residential real estate development, generation of power through operation of windmills, commercial real estate activity involving development as well as operation and management of commercial office assets, identifying and making strategic investments, including the formation of subsidiaries for undertaking the stated business activities through them, etc. The Demerged Undertaking is purely focused on development, operations and management (including maintenance) of commercial office space and accordingly, the differing financial needs and strategic imperatives can be better addressed by the separation of the Demerged Undertaking from the Demerged Company into the Resulting Company, which is a wholly owned subsidiary of the Demerged Company.*



- (vi) *The Scheme ensures that, while the overall value of the Demerged Company and Resulting Company is enhanced through the segregation of Demerged Undertaking, the stakeholders benefit from a single consolidated value from their shareholding in the Demerged Company which also captures within its existing equity shares, the value of the Resulting Company by virtue of it being a wholly owned subsidiary of the Demerged Company, even post the proposed Demerger.*
- (vii) *Transfer of the Demerged Undertaking through a Scheme of Arrangement enables the Demerged Company to also subsidiarize the listed Non-Convertible Debentures issued by the Demerged Company in relation to the Demerged Undertaking.*
- (viii) *The Resulting Company shall issue RPS (herein defined) to the shareholders/ members of the Demerged Company and such RPS shall mirror the equity shareholding pattern of the Demerged Company in the Resulting Company, which is aligned with a tax-compliant demerger under Section 2(19AA) of the Income-tax Act, 1961. Further, given the Demerged Company shall continue to hold the entire equity share capital of the Resulting Company, the entire enhanced equity value of the Demerged Undertaking shall, post demerger, accrue to the Demerged Company and thereby reflecting in the value of its own shares held by the shareholders/ members of the Demerged Company.*
- (ix) *The Scheme for Demerger is proposed to be adopted for subsidiarizing the Demerged Undertaking which ensures that the Demerged Company and the Resulting Company follow the highest level of compliance and corporate governance by seeking approvals from the relevant Stock Exchanges, SEBI (herein defined), NCLT (herein defined), and other Governmental Authorities (herein defined) and stakeholders, as opposed to any other modes of transfer as specified under Regulation 37A of LODR (herein defined).*
- (x) *Further, the Scheme is not detrimental to the interest of any of the shareholders (including public), creditors, lenders and other stakeholders concerned.*

3.3 SYNERGIES OF BUSINESS OF THE COMPANIES INVOLVED IN THE SCHEME

- i. The Demerged will create a separate company comprising of the Demerged Undertaking, thereby unlocking the potential value of the business of the Demerged Undertaking for the companies' shareholders.



- ii. Demerger can enhance the overall value proposition for shareholders, enabling strategic investors to invest in specific businesses they believe in, potentially maximising and exploiting the micro market w.r.t the area in which the Demerged Undertaking operates.
- iii. The Committee noted that Scheme does not involve merger of different businesses into the Company but provides for demerger of the Demerged Undertaking of MCIL entailing the benefits and synergies set out in Para 3.2 above.

4. IMPACT OF THE SCHEME ON THE SHAREHOLDERS OF THE COMPANY

- i. The members of the Audit Committee discussed and deliberated upon the rationale, synergies and salient features of the Scheme, Valuation Report, Fairness Opinion and other documents presented before the Audit Committee. In terms of the Scheme, the Resulting Company will issue RPS to the shareholders of the Demerged Company based on the share entitlement ratio.
- ii. In consideration of the proposed Scheme, subject to the regulatory and statutory approvals, the Resulting Company will issue and allot RPS, to each shareholder of the Demerged Company, whose names appear in the register of members of the Demerged Company as on the Record Date, as stated in para 3.1 above.

The RPS proposed to be issued and allotted by the Company will not be listed on BSE or any other stock exchanges.

The proposed demerger is undertaken to mirror the shareholding pattern of the Demerged Company in the Resulting Company. Accordingly, as specified in the valuation report of the registered valuer ie, SSPA & CO. Chartered Accountants, the value of each equity share held by the shareholders of Demerged Company immediately prior to the demerger will be split between:

- a. The equity shares held in the Demerged Company; and
- b. RPS proposed to be issued by the Resulting Company as consideration for the demerger.

Given that the Resulting Company would be a wholly owned subsidiary of the Demerged Company, there is no value shift/ value loss to any shareholder of the Demerged Company (including the minority/ public shareholders).

Any profits realized by the Resulting Company or on any profit/ gains realised on the sale of the equity shares of the Resulting Company would ultimately fold into the



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Demerged Company thereby passing on such value to the equity shares of the Demerged Company.

In light of the aforementioned rationale of the Scheme and other related matters, the Audit Committee is of the informed opinion that the proposed Scheme is not detrimental to the interests of the shareholders of the Company including minority shareholders.

5. COST BENEFIT ANALYSIS OF THE SCHEME

Although the Scheme would lead to incurring certain costs including towards its implementation, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company.

6. RECOMMENDATION OF THE COMMITTEE

In view of the above, the Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme, Valuation Report, Fairness Opinion, draft accounting treatment certificate, unanimously recommends the draft Scheme for favourable consideration and approval of the Board of Directors, Stock Exchange(s), SEBI and other statutory and regulatory authorities including the NCLT.

For and on behalf of the Audit Committee
Mac Charles (India)Limited

Appiah Palecanda Bopanna
Chairman of the Audit Committee

Date: 19th September 2024
Place: Bengaluru

