

**REPORT OF THE AUDIT COMMITTEE OF GANESH HOUSING CORPORATION LIMITED (“COMPANY”) RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF SULABH REALTY PRIVATE LIMITED AND MALVIKA ESTATE PRIVATE LIMITED AND GITANJALI INFRASTRUCTURE PRIVATE LIMITED WITH THE COMPANY**

**Present:** 1. Shri. Ashish H. Modi – Chairman  
2. Dr. Tarang M. Desai  
3. Dr. Bharat J. Patel

**1. Background**

- 1.1. A meeting of the Audit Committee (“**Committee**”) was held on 31<sup>st</sup> May 2021 to consider and, if thought fit, recommend the proposed scheme of amalgamation of Sulabh Realty Private Limited and Malvika Estate Private Limited and Gitanjali Infrastructure Private Limited (together referred to as the “**Transferor Companies**”) with Ganesh Housing Corporation Limited (“**Company**”) under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“**Act**”), for the merger of the Transferor Companies with the Company (“**Scheme**”). The Scheme is proposed to be effective from the Appointed Date (*as defined in the Scheme*) and operative from the Effective Date (*as defined in the Scheme*).
- 1.2. The Scheme will be presented before the Competent Authority (*as defined in the Scheme*) under Sections 230 – 232 and other applicable provisions of the Act, the Rules and Regulations made thereunder, and will also be in compliance with Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated 22<sup>nd</sup> December 2020 (“**Scheme Circular**”).
- 1.3. In terms of the Scheme Circular, a report from the Committee is required recommending the draft Scheme, taking into consideration, inter alia, the Valuation Report (*as defined hereinafter*), and commenting on the rationale of the Scheme, impact of the Scheme on the shareholders, cost benefit analysis of the Scheme and synergies of business of the entities involved in the Scheme. This report of the Committee is made in order to comply with the requirements of the Scheme Circular.
- 1.4. The following documents were placed before the Committee for its consideration:



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- (a) The draft Scheme duly initialled by the Company Secretary of the Company for the purpose of identification;
- (b) Valuation Report dated 31<sup>st</sup> May 2021 issued by CA Jignesh D Shah, Registered Valuer (Valuer Registration No IBBI/RV/06/2019/11718), pursuant to Section 247 of the Act, stipulating, inter alia, the methodology adopted by them in arriving at the Share Swap Ratios (“**Valuation Report**”);
- (c) Fairness Opinion dated 31<sup>st</sup> May 2021 issued by Vivro Financial Services Private Limited , category I Merchant Banker (bearing registration number INM000010122), a SEBI registered Merchant Banker, providing its opinion on the Share Swap Ratios recommended by CA Jignesh D Shah, Registered Valuer (Valuer Registration No IBBI/RV/06/2019/11718) (“**Fairness Opinion**”);
- (d) Draft of the Auditors’ Certificate pursuant to paragraph A.5 of Part-I of the Scheme Circular in the prescribed format to the effect that the accounting treatment contained in the Scheme is in compliance with all the Accounting Standards specified by the Central Government under Section 133 of the Act, read with applicable rules and/or the accounting standards and principles.

## 2. Salient features of the Scheme

The Committee discussed and noted that rationale and the benefits of the proposed Scheme, key financial and other indicators, impact of the Scheme on the shareholders and cost benefit analysis of the Scheme as below:

- (a) The draft Scheme provides for the amalgamation of the Transferor Companies with the Company.
- (b) The Appointed Date (*as defined in the Scheme*) is 1<sup>st</sup> April 2021 and that the Effective Date (*as defined in the Scheme*) is subject to various conditions precedent specified in the Scheme and which are as follows:
  - i. receipt of approval of the Scheme by the Stock Exchanges (*as defined in the Scheme*) and SEBI (*as defined in the Scheme*), pursuant to the Listing Regulations (*as defined in the Scheme*) and the Scheme Circular;
  - ii. the Scheme being approved by the requisite majority of each classes of the members and/or creditors (where applicable) of the respective



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- Companies (*as defined in the Scheme*) in accordance with the Act or dispensation having been received from the Competent Authority in relation to obtaining such approval from the members and/or creditors or any Applicable Law (*as defined in the Scheme*) permitting the respective Companies not to convene the meetings of its members and/or its creditors;
- iii. the Scheme being approved by the public shareholders of the Transferee Company through e-voting pursuant to, and in accordance with, the Scheme Circular. The Scheme shall be acted upon only if the number of votes cast by the public shareholders in favour of the Scheme are more than the number of votes cast by the public shareholders against it in terms of the Scheme Circular;
- iv. the approval of the Scheme by the Competent Authority in terms of Sections 230-232 of the Act; and
- v. certified copies of the order(s) of the Competent Authority, sanctioning the Scheme, being filed with the RoC (*as defined in the Scheme*), by the Companies.
- (c) Upon effectiveness of the Scheme and with effect from the Appointed Date, the assets and liabilities of Transferor Companies shall be transferred to and vested in the Company, in accordance with the Scheme and in terms of the provisions of Section 230 – 232 of the Act.
- (d) **Rationale for the Scheme:**

The Scheme would, inter alia, result in the following benefits:

- 1) The amalgamation of the Transferor Companies with the Transferee Company will enable consolidation of the business and operations of the Transferor Companies and the Transferee Company which will provide impetus to growth, enable synergies and focused management control.
- 2) It is considered desirable and expedient to reorganise and amalgamate the business of the Transferor Companies with the Transferee Company so as to have a stronger asset base which will result in bolstering the asset/capital base and balance sheet of the Transferee Company.
- 3) The amalgamation will result in stability, better economic control, flexibility and enhance the ability of the amalgamated entity to undertake



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large projects, thereby contributing to enhancement of future business potential.

- 4) The amalgamation will result in pooling of resources, integration and effective utilisation of resources, which is likely to result in optimising overall shareholders' value and improvement in competitive position of the Transferee Company in the real estate industry as a combined entity.
  - 5) There is no likelihood that any shareholder or creditor or any stakeholder of the Transferor Companies and the Transferee Company would be prejudiced as a result of the Scheme. Thus, the merger is in the interest of the shareholders, creditors and all other stakeholders of the companies and is not prejudicial to the interests of the concerned shareholders, creditors or the public at large.
- (e) In consideration for the transfer of the Transferor Companies to the Company, the Company shall issue equity shares to the respective shareholders of the Transferor Companies as mentioned in para 2(f) 2 below.

(f) **SWAP Ratio and Impact of the Scheme on the shareholders:**

1. The proposed Scheme is in the interest of the shareholders on account of benefits as enumerated in para 2(h) below which may also potentially unlock long term value.
2. The shareholders of the respective Transferor Companies as on the Record Date will be entitled to equity shares in the Company on the basis of the following Share Swap ratios determined by registered valuer in their Valuation report submitted to this committee:

*761 (Seven Hundred Sixty One) Transferee Company Shares, credited as fully paid-up, for every 1 (One) equity share of the face value of Rs. 10/- (Rupees Ten only) each fully paid-up held by such member in the First Transferor Company;*

*1344 (One Thousand Three Hundred Forty Four) Transferee Company Shares, credited as fully paid-up, for every 1 (One) equity share of the face value of Rs. 10/- (Rupees Ten only) each fully paid-up held by such member in the Second Transferor Company; and*



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*1065 (One Thousand Sixty Five) Transferee Company Shares, credited as fully paid-up, for every 1 (One) equity share of the face value of Rs. 10/- (Rupees Ten only) each fully paid-up held by such member in the Third Transferor Company*

3. Fairness opinion by SEBI Registered Category I Merchant Banker Vivro Financial Services Private Limited on the above Share Swap Ratios have also been obtained by the Company.
4. The equity shares will be listed on BSE Limited and the National Stock Exchange of India Limited.
5. The Scheme will not adversely affect the rights or interest of any shareholder of the Company or creditors, in any manner whatsoever.

(g) **Need for the arrangement:** The rationale for the Scheme is set out in (d) above.

(h) **Synergies of business and Cost benefit analysis of the Scheme:**

This Scheme will result in consolidation of businesses of the Transferor Companies after amalgamation with and into in the Transferee Company. Consolidation will be in the interest of stakeholders of the Transferee & Transferor Companies to have an increased capability for running these businesses and pursue growth opportunities.

The Scheme will result in consolidation of financial resources and optimisation of working capital utilisation thereby resulting in stronger financial leverage required not only to sustain such businesses in the long run but also to facilitate their organic and inorganic expansion.

The Scheme would also result in simplified group structure by amalgamation of multiple entities. This in turn is expected to result in achieving synergies benefits under a single flagship listed entity in the following manner:

- pooling of resources in terms of manpower, administration, and other common resources, thereby resulting in savings in operational & administrative costs
- achievement of operational synergies due to consolidation of complementary resources and strengths
- an optimum & efficient utilization of available capital and other resources
- economies of scale will play a pivotal role as the consolidated entity's operational efficiency will increase, which in turn will allow



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- the merged entity to compete on a larger scale in the industry and thereby benefiting the merged entity and the shareholders.
- duplication of administrative functions together with the multiple recordkeeping will be eliminated, resulting in overall reduction in expenditure including multiplicity of legal and regulatory compliances which at present is required to be made separately by the Transferor Companies and Transferee Company.

Except the cost for implementation of the Scheme, there are no additional costs involved for the proposed Scheme. The Audit Committee is of the opinion that the expected synergies and benefits in pursuance of the proposed Scheme would result in savings in operational costs and would offset the impact of costs of implementation of the Scheme.

The Committee reviewed and considered the Valuation Report and the Fairness Opinion Report placed before the Committee. The following Share Swap Ratios was considered to be fair by the Committee.

*761 (Seven Hundred Sixty One) Transferee Company Shares, credited as fully paid-up, for every 1 (One) equity share of the face value of Rs. 10/- (Rupees Ten only) each fully paid-up held by such member in the First Transferor Company;*

*1344 (One Thousand Three Hundred Forty Four) Transferee Company Shares, credited as fully paid-up, for every 1 (One) equity share of the face value of Rs. 10/- (Rupees Ten only) each fully paid-up held by such member in the Second Transferor Company; and*

*1065 (One Thousand Sixty Five) Transferee Company Shares, credited as fully paid-up, for every 1 (One) equity share of the face value of Rs. 10/- (Rupees Ten only) each fully paid-up held by such member in the Third Transferor Company*

### 3. Recommendation of the Committee

In light of the aforesaid, the Committee recommends the draft Scheme, taking into consideration, inter alia, need for amalgamation the Valuation Report, the Fairness Opinion, rationale of the Scheme, impact of the Scheme on the shareholders and cost benefit analysis of the Scheme, synergies of business of the entities involved in the Scheme to the Board of Directors of the Company, Stock Exchanges and SEBI for its approval.



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This report of the Committee is made in order to comply with the requirement of the Scheme Circular after considering the necessary documents.

**By order of the Audit Committee of Ganesh Housing Corporation Limited**

*Ashish H. Modi*

**Ashish H. Modi**  
**Chairman of the Committee**  
**DIN: 02506019**

Place: Ahmedabad  
Date: 31.05.2021



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