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**REPORT OF THE AUDIT COMMITTEE**


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**RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF  
WINDERMERE PROPERTIES PRIVATE LIMITED, HADDOCK PROPERTIES  
PRIVATE LIMITED, GRANDEUR PROPERTIES PRIVATE LIMITED,  
WINCHESTER PROPERTIES PRIVATE LIMITED AND PENTAGRAM  
PROPERTIES PRIVATE LIMITED INTO AND WITH THE CORPORATION  
AT ITS MEETING HELD ON JULY 27, 2016 AT 11.30 A.M.**

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**MEMBERS PRESENT**

Dr. S. A. Dave	–	Chairman of the Committee
Mr. Bansi S. Mehta	–	Member
Mr. D. N. Ghosh	–	Member

**BY INVITATION**

Mr. Keki M. Mistry – Vice Chairman & CEO, Ms. Renu Sud Karnad – Managing Director, Mr. V. Srinivasa Rangan – Executive Director, Mr. Conrad D'Souza, Mr. M. Ramabhadran, Ms. Madhumita Ganguli, Mr. Suresh Menon, Mr. Mathew Joseph and Mr. Gautam Bhagat – Members of Executive Management, Mr. K. Suresh Kumar – Senior General Manager – Credit Risk Management, Mr. Sudhir Kumar Jha – Senior General Manager – Corporate Legal, Mr. Dipta Bhanu Gupta – Senior General Manager – Accounts & ITUSG, Mr. Prosenjit Gupta – Additional Senior General Manager – Treasury, Mr. Arjun Gupta – General Manager – Policy Implementation & Process Monitoring, who were invited were present at the meeting.

**IN ATTENDANCE**

Mr. Ajay Agarwal – Company Secretary of the Corporation.

**1. Introduction**

- (i) A meeting of the Audit Committee was held on July 27, 2016 to consider the proposal for the amalgamation of Windermere Properties Private Limited, Haddock Properties Private Limited, Grandeur Properties Private Limited, Winchester Properties Private Limited and Pentagram Properties Private Limited (together the “**WOS**”), all wholly owned subsidiaries of the Corporation, with the Corporation pursuant to a scheme of amalgamation (“**Scheme**”). The Securities and Exchange Board of India has issued a circular CIR/CFD/CMD/16/2015 dated November 30, 2015 (“**Circular**”) requiring a report of the Audit Committee recommending the Scheme by taking into account, *inter alia*, the valuation report. Since the Scheme involves the amalgamation of wholly owned subsidiaries with the Corporation and there will be no further issuance of shares by the Corporation, a valuation report from an independent chartered accountant is not required in terms of the Circular. However, out of abundant caution, the Corporation has obtained a valuation certificate from M/s Anil Ashok & Associates, Chartered Accountants dated July 27, 2016 stating that no valuation is applicable to the said scheme.



- (ii) The Audit Committee perused the following documents:
- (a) Draft Scheme presented by the management including the rationale and its salient features;
  - (b) Draft valuation certificate from M/s Anil Ashok & Associates, Chartered Accountants dated July 27, 2016;
  - (c) Draft Fairness Opinion by M/s SPA Capital Advisors Ltd dated July 27, 2016;
  - (d) Draft certificate under paragraph I(A)(5)(a) of the Circular issued by Messrs Deloitte Haskins & Sells LLP, statutory auditors of the Corporation confirming that the accounting standard contained in the Scheme is in compliance with the accounting standards specified by Central Government under section 133 of the Companies Act, 2013;
  - (e) Draft pre and post scheme net-worth certificates of the Company dated July 27, 2016, issued by Messrs Deloitte Haskins & Sells LLP, statutory auditors;
  - (f) Draft undertaking by Messrs Deloitte Haskins & Sells LLP, statutory auditor of the Corporation, dated July 27, 2016 in relation to non-applicability of paragraph I(A)(9)(a) of the Circular; and
  - (g) Audited financial statements of each of the WOS for the past three financial years.

## 2. Proposed Scheme

- (i) The Scheme provides for the amalgamation of the WOS into and with the Corporation. The WOS being the wholly owned subsidiaries of the Corporation, no shares will be issued by the Corporation and no consideration is required to be paid under the Scheme. The shares held by the Corporation in each of the WOS will stand cancelled by virtue of the Scheme. There will be no change in the shareholding of the Corporation on account of the Scheme. Upon the Scheme becoming effective, each of the WOS shall stand dissolved without any further act or deed.
- (ii) Sections 391 to 394 of the Companies Act, 1956 shall govern the Scheme.
- (iii) The Appointed Date for the Scheme has been fixed at April 1, 2016.
- (iv) With effect from the Appointed Date, upon the Scheme becoming effective, and subject to the provisions of this Scheme, the WOS, shall without any further act, instrument or deed, be and stand transferred to and vested in and/or be deemed to have been and stand transferred to and vested in the Corporation as going concerns, so as to become, as and from the Appointed Date, the estate, assets, rights, title, interests and authorities of the Corporation, by virtue of and in the manner provided in the Scheme. All the properties of the WOS immediately before the Appointed Date shall become the property of the Corporation by virtue of the Scheme. All the liabilities relating to the WOS immediately before the Appointed Date shall become the liabilities of the Corporation, by virtue of the Scheme.



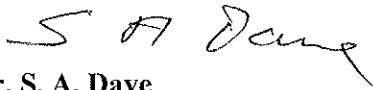
- (v) The rationale for the amalgamation of the WOS with the Corporation are as follows:
- (a) Each of the WOS are wholly owned subsidiaries of the Corporation. The amalgamation of the WOS with the Corporation will result in synergies, logistical advantages, simplification, streamlining and optimization of the group structure, reduction in operational costs and efficient administration.
  - (b) The amalgamation will result in enhancement of shareholders' value accruing from consolidation of business operations resulting in reduction in overheads, operational rationalization, organizational efficiency and optimal utilization of resources. Synergy of operations will be achieved, resulting in optimisation of the common facilities such as office space. Other infrastructure could also be better utilized and duplication of facilities could be avoided resulting in optimum use of facilities.
  - (c) The amalgamation will result in a significant reduction in the multiplicity of legal and regulatory compliances required at present to be carried out by both the WOS and the Corporation.
  - (d) The amalgamation will result in greater efficiency in cash management and unfettered access to cash flow generated by the combined business, which can be deployed more efficiently, to maximize shareholder value.

### 3. Recommendation of the Audit Committee

Having considered the documents, the Audit Committee found the Scheme to be in the best interest of all the stakeholders of the Corporation and do hereby unanimously recommend the Scheme, *inter alia*, taking into consideration that there would be no issuance of shares, for favourable consideration by the Board of Directors of the Corporation, stock exchanges, Securities and Exchange Board of India and other appropriate authorities.

In order for the Corporation to comply with the requirements of extant regulations applicable to listed companies undertaking any Scheme of Amalgamation under the Companies Act, 1956, this report of the Audit Committee may please be taken on record by the Board while considering the Scheme for approval and further authorisations.

For and on behalf of the Audit Committee



**Dr. S. A. Dave**  
**Chairman, Audit Committee**  
 Housing Development Finance Corporation Limited  
 DIN: 00001480  
 Date:  
 Place: Mumbai

