

**REPORT OF THE AUDIT COMMITTEE OF VALOR ESTATE LIMITED (FORMERLY KNOWN AS "D B REALTY LIMITED") RECOMMENDING THE DRAFT COMPOSITE SCHEME OF AMALGAMATION AND ARRANGEMENT AMONGST VALOR ESTATE LIMITED, ESTEEM PROPERTIES PRIVATE LIMITED AND SHIVA REALTORS SUBURBAN PRIVATE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HELD ON JUNE 6, 2024**

**Members Present**

Mr. Jagat Killawala - Chairman (Independent Director)  
Mr. Shahid Balwa - Member (Vice- Chairman cum Managing Director)  
Mr. Mahesh Gandhi- Member (Independent Director)

**In attendance**

Mr. Jignesh Shah - Company Secretary and Compliance Officer

**By invitation**

Mr. Vinod K. Goenka - Chairman cum Managing Director  
Mr. Rahul Pandit- President & Executive Director of BD&P Hotels (India) Private Limited (through video conferencing)  
Mr. Hari Nair – President  
Mr. Mohammed Salim Balwa- Vice President – Hotel Operations Limited (through video conferencing)  
Mr. Atul Bhatnagar- Chief Financial Officer  
Mr. Jinesh Shah- Ernst & Young LLP  
Mr. Virag Shah- Ernst & Young LLP

**1. Background**

- 1.1. A meeting of the Audit Committee of Valor Estate Limited was held on June 6, 2024, inter alia, to consider and recommend the proposed draft Composite Scheme of Amalgamation and Arrangement amongst Valor Estate Limited ("**Amalgamated Company**" / "**Demerged Company**" / "**VEL**"), Esteem Properties Private Limited ("**Amalgamating Company**" / "**EPPL**") and Shiva Realtors Suburban Private Limited (being renamed<sup>1</sup> as Advent Hotels International Private Limited) ("**Resulting Company**" / "**AHIPL**") and their respective shareholders and creditors under Sections 230 to 232 read with Section 52 and 66 and other applicable provisions of the Companies Act, 2013 ("**Act**") ("**Scheme**").
- 1.2. VEL is a listed public limited company incorporated under the provisions of the Companies Act, 1956. VEL is engaged primarily in two businesses viz. (i) real estate and (ii) hospitality. Due to diverse capital requirements, varying capital structures, disparate risk profiles, different project delivery timelines, unique project partnerships, and differing industry profiles. VEL has undertaken development of residential, commercial, hospitality, and land bank assets by itself or through its subsidiaries, joint ventures, and associates. The equity shares of Company are listed on BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**") (collectively referred to as "**Stock Exchanges**").
- 1.3. EPPL and AHIPL are private limited companies incorporated under the provisions of the Companies Act, 1956, and are wholly owned subsidiaries of VEL.
- 1.4. The Amalgamating Company, Amalgamated Company / Demerged Company and Resulting Company are collectively referred to as "**Companies**".

<sup>1</sup>Form INC-24 submitted to the Ministry of Corporate Affairs to change the name of Shiva Realtors Suburban Private Limited to Advent Hotels International Private Limited is awaiting approval.

VALOR ESTATE LIMITED

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1.5. In terms of the Schedule II, Part C, paragraph A (22) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("**SEBI LODR Regulations**") read with SEBI circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, as amended from time to time ("**SEBI Scheme Circular – Equity**"), a report from the Audit Committee recommending the draft Scheme taking into consideration, *inter alia*, the valuation report, and commenting on the need for the arrangement, rationale of the scheme, synergies of business of the entities involved in the scheme, cost benefit analysis of the scheme and impact of schemes on the Company and its shareholders is required. This report of the Audit Committee is made in compliance with the requirements of the SEBI LODR Regulations read with SEBI Scheme Circular - Equity.

1.6. **Documents placed before the Audit Committee**

The following documents, duly initialed by the Company Secretary of the Company for the purpose of identification, were placed before the Audit Committee:

- (a) Draft Scheme;
- (b) Valuation Report dated June 6, 2024, issued by M/s. Pawan Poddar & Associates (Registration No. IBBI/RV/06/2019/12475.), Registered Valuer ("**Valuation Report**");
- (c) Fairness Opinion Report dated June 6, 2024, issued by M/s. Navigant Corporate Advisors Limited, (Registration No. INM000012243), an Independent SEBI registered Category – I Merchant Banker ("**Fairness Opinion**");
- (d) Statutory Auditors' certificate of M/s. N. A. Shah Associates LLP, Chartered Accountants (Firm Registration No. 116560W/W100149), the Statutory Auditors of the Company, confirming the accounting treatment in the prescribed manner in the Scheme is in compliance with the accounting standards prescribed under section 133 of the Companies Act and other generally accepted accounting principles; and
- (e) Draft Certificate dated June 6, 2024, of M/s. N. A. Shah Associates LLP, Chartered Accountants (Firm Registration No. 116560W/W100149 ), certifying the Undertaking in relation to the non-applicability of the requirements under Paragraph A(10)(b) read with Paragraph A(10)(a) of Part I of the SEBI Scheme Circular – Equity relating to approval of majority of the public shareholders.

2. **Salient Features of the Scheme**

The Audit Committee noted the brief particulars of the Scheme as under:

- (a) This Scheme is presented under Sections 230 to 232 read with Section 52 and 66 and other applicable provisions of the Act read with Section 2(1B), 2(19AA) and other applicable provisions of the Income-tax Act (as defined in the Scheme) and other applicable law, if any.
- (b) The Scheme provides for amalgamation of EPPL with VEL and demerger of Hospitality Business (as defined in the Scheme) of VEL and vesting into AHIPL and other matters incidental thereto viz.
  - (i) Reduction of preference share capital of the Demerged Company, subject to issue and allotment of preference shares by the Resulting company; and
  - (ii) Adjustment of the Securities Premium Account of the Demerged Company pursuant to the Demerger.

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- (c) Upon amalgamation of the Amalgamating Company with the Amalgamated Company, no consideration shall be issued by the Amalgamated Company and the entire share capital of the Amalgamating Company held by the Amalgamated Company along with its nominees, shall stand cancelled.
- (d) Resulting Company is a wholly owned subsidiary of Demerged Company, upon Part III of the scheme coming into effect, Resulting Company shall issue and allot shares, on a proportionate basis to each shareholder of the Demerged Company in the following ratio:
- "1 (One) equity share of INR 10 each fully paid up of Advent for every 10 (Ten) equity shares of INR 10 each fully paid up held by equity shareholders of VEL"
- "1 (One) preference share of INR 10 each fully paid up of Advent for every 10 (Ten) preference shares of INR 10 each fully paid up held by preference shareholders of VEL"
- (e) All equity shares of the Resulting Company held by the Demerged Company (directly and/ or through nominees) shall stand cancelled.
- (f) The equity shares of AHIPL will be listed and admitted to trading on the Stock Exchanges in compliance with SEBI Scheme Circular - Equity and other relevant provisions as applicable.
- (g) The appointed date for amalgamation and demerger is April 1, 2024, and April 1, 2025, respectively ("**Appointed Date**").
- (h) The effectiveness of the Scheme is contingent upon certain conditions as mentioned in clause no. 38 of the Scheme.

### 3. Proposed Scheme of Arrangement

#### 3.1. Need for the Arrangement and rationale of the Scheme

The rationale for, and the benefits of, the proposed Scheme, are inter alia as follows:

- (a) Rationale for Amalgamation:
- (i) The Amalgamating Company is in the process of developing a 5.4-acre freehold site at Sahar, Andheri (East), close to the Mumbai International Airport, wherein a mixed-use development of real estate and hospitality is being planned.
- (ii) To enable the project to progress, it is necessary to consolidate the operations of the Amalgamating Company with that of the Amalgamated Company.
- (b) Rationale for Demerger:
- (i) The Resulting Company as a focused entity would attract the right sets of investors, strategic partners, and collaborators, whose investment strategies and risk profiles are closely aligned with the hospitality industry.
- (ii) Given the unique characteristics of the hospitality industry, the creation of a separate publicly listed entity for the Hospitality Business would facilitate the development of new growth opportunities, better utilization, and operation of existing assets/properties, attracting and retaining of sector focused management and talent pool, and creating sustainable value for shareholders. This approach allows for a focused strategy that aligns in line with hospitality industry-specific market dynamics.
- (iii) The Scheme would unlock value of the Hospitality Business for existing shareholders of the Demerged Company through independent market-driven

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valuation of their shares in the Resulting Company which will be listed pursuant to the Scheme.

- (iv) The convergence of favorable factors and the Indian government's focus on the travel & tourism industry, infrastructure development, and rapid digitalization, offers significant growth opportunities for the Hospitality Business.

### 3.2. Synergies of business of the Companies involved in the Scheme

The background and information about VEL and AHIPL are, *inter-alia*, as under:

- (a) VEL is engaged primarily in two businesses viz. (i) real estate, which consists of a portfolio of saleable assets in the residential category, annuity assets in the commercial category, and land banks for future development, and (ii) hospitality, which consists of developing and owning multiple luxury and upper upscale hotel properties in key cities and then operating them in partnership with international brands. Due to diverse capital requirements, varying capital structures, disparate risk profiles, different project delivery timelines, unique project partnerships, and differing industry profiles. VEL has undertaken development of residential, commercial, hospitality, and land bank assets by itself or through its subsidiaries, joint ventures, and associates.
- (b) EPPL was incorporated on 21<sup>st</sup> March 1995 under the provisions of the Companies Act, 1956 and domiciled in India. The company is wholly owned subsidiary of VEL. The company is a real estate development company and has a developable land at Sahar Mumbai.
- (c) AHIPL was incorporated on 15<sup>th</sup> November 2006 under the provisions of the Companies Act, 1956 and is a private limited company within the meaning of the said Act. The main object of AHIPL is "hotels and hospitality". As on the date of approval of scheme, AHIPL is a wholly owned subsidiary of VEL and has acquired a controlling equity interest in one operating hotels with 313 keys and a 50% equity interest in a joint 779-key hotel project currently under construction.
- (d) Upon effectiveness of the scheme (as defined in the scheme), the benefits and synergies as mentioned in Para 3.1 above shall be derived.

### 3.3. Impact of the Scheme on the Company and its Shareholders

- (a) The Scheme is expected to be beneficial to the Company and its shareholders, leading to opportunity for growth and value creation in the long run and maximizing the value and returns to the shareholders.
- (b) Since the Amalgamating Company is wholly owned subsidiary of the Amalgamated Company, upon amalgamation of the Amalgamating Company with the Amalgamated Company, no consideration shall be issued by the Amalgamated Company.
- (c) Resulting Company is a wholly owned subsidiary of Demerged Company, upon Part III of the scheme coming into effect, Resulting Company shall issue and allot shares, on a proportionate basis to each shareholder of the Demerged Company in the following ratio:

"1 (One) equity share of INR 10 each fully paid up of Advent for every 10 (Ten) equity shares of INR 10 each fully paid up held by equity shareholders of VEL"

"1 (One) preference share of INR 10 each fully paid up of Advent for every 10 (Ten) preference shares of INR 10 each fully paid up held by preference shareholders of VEL"

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- (d) Any fraction arising out of allotment of equity and preference shares as above shall be rounded off to the nearest higher integer.
- (e) All equity shares of the Resulting Company held by the Demerged Company (directly and/ or through nominees) shall stand cancelled.
- (f) The equity shares of AHIPL will be listed and admitted to trading on the Stock Exchanges in compliance with SEBI Scheme Circular - Equity and other relevant provisions as applicable
- (g) Subject to issuance of preference share as above, the issued, subscribed and paid-up value of preference share capital of the Demerged Company shall be reduced by way of reduction of face value of preference shares in the following manner:  
"Every 1 preference share having face value of Rs. 10/- each shall stand reduced to 1 preference share having face value of Rs. 9/- each and post such reduction Every 10 such preference share having face value of Rs. 9/-each shall be consolidated into 9 number of preference shares having face value of Rs. 10/- each."
- (h) Any fraction arising out of such reduction and consolidation as above shall be rounded off to the nearest higher integer.
- (i) The rights and interests of the shareholders of the Company will not be prejudicially affected by the Scheme, and there will be no change in the economic interest of the shareholders of VEL, before and after the Scheme.

#### 3.4. Cost benefit analysis of the Scheme

The Audit Committee is of the view that the benefits of the Scheme for the Company and its shareholders as stated in para 3.1 above would far outweigh the transaction costs relating to its implementation.

#### 4. Recommendation of the Audit Committee

The Audit Committee has taken on record the Valuation Report and the Fairness Opinion and the recommendations made therein.

Taking into consideration the draft Scheme, Valuation Report, Fairness Opinion and Certificate issued by Statutory Auditors of the Company, need and rationale of the Scheme, synergies of the business of the companies, impact of the Scheme on the Company and its shareholders, cost benefit analysis of the Scheme and other documents placed before the Audit Committee, the Audit Committee recommends the draft Scheme for favorable consideration and approval by the Board of Directors of the Company.

Jagat Killawala (Chairman of Audit Committee)  
DIN: 00262857

Place: Mumbai  
Date: June 6, 2024



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