



GMR AIRPORTS INFRASTRUCTURE LIMITED

(Formerly known as GMR Infrastructure Limited)

REPORT ADOPTED BY THE AUDIT COMMITTEE OF GMR AIRPORTS INFRASTRUCTURE LIMITED (FORMERLY KNOWN AS GMR INFRASTRUCTURE LIMITED) AT ITS MEETING HELD ON MARCH 19, 2023 IN RELATION TO THE PROPOSED COMPOSITE SCHEME OF AMALGAMATION AND ARRANGEMENT AMONG GMR AIRPORTS LIMITED, GMR INFRA DEVELOPERS LIMITED AND GMR AIRPORTS INFRASTRUCTURE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

1. Members Present:

Mr. A. Subba Rao	Chairman
Dr. Emandi Sankara Rao	Member
Dr. M. Ramachandran	Member
Mr. S R Bansal	Member

2. Background:

- 2.1. The audit committee of GMR Airports Infrastructure Limited (Formerly GMR Infrastructure Limited) ("GIL" or "Company") ("Audit Committee") at its meeting held on March 19, 2023 was requested to consider and if thought fit, recommend to the board of directors of the Company ("Board"), a draft of the proposed Composite Scheme Of Amalgamation And Arrangement among the Company ("GIL" or "Transferee Company or Resultant Entity"), GMR Infra Developers Limited ("GIDL" or "Transferor Company 2"), GMR Airports Limited ("GAL" or "Transferor Company 1") (collectively, the "Companies") and their respective shareholders and creditors, (hereinafter referred to as "Scheme"), to be implemented under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, the rules and regulations made thereunder and any statutory modification or re-enactment thereof for the time being in force (the "Act"), and other applicable laws including the Securities and Exchange Board of India ("SEBI") Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, as amended from time to time) on Scheme of Arrangement by Listed Entities ("SEBI Scheme Circular"). The Scheme *inter-alia* seeks to merge and consolidated the business of GAL ("Transferor Company 1") into GIDL ("Transferor Company 2"); and Transferor Company 2 (after the consummation of the merger of Transferor Company 1) into the Company ("Transferee Company").
- 2.2. The Scheme will be presented before the National Company Law Tribunal, ("NCLT") under Section 230 to 232 and other applicable provisions of the Act and will also be in compliance with the provisions of the Income Tax, 1961 and Section 2(1B) thereof and the SEBI Scheme Circular.
- 2.3. In terms of the SEBI Scheme Circular, a report from the Audit Committee recommending the draft Scheme is required taking into consideration inter-alia the Valuation Report (as defined hereunder), comments on the need for the Scheme, rationale of the Scheme, synergies of business of the entities involved in the Scheme, impact of the scheme on the shareholders of the Transferee Company and cost benefit analysis of the Scheme. This report of the Audit Committee is made to comply with the requirements of the SEBI Scheme Circular.



2.4. The following documents were placed before the Audit Committee, while deliberating on the Scheme and were considered and taken on record by the Committee:

- i. A draft of the proposed Scheme;
- ii. Valuation Report dated March 19, 2023 of independent valuer viz Ernst & Young Merchant Banking Services LLP who in the report, has recommended: (a) the equity share entitlement ratio; (b) the ratio of optionally convertible redeemable preference shares ("OCRPS") to be issued by the Company each pursuant to the Scheme; and (c) that upon Amalgamation of GAL into GIDL, holders of Listed Non-Convertible Debenture (NCD) of GAL will receive 1 NCD in GIDL for 1 NCD held in GAL and having the same attributes as that of the corresponding NCD of the GAL and upon subsequent Amalgamation of GIDL into GIL, holder of NCD of GIDL will receive 1 NCD in GIL for 1 NCD held in GIDL and having the same attributes as that of the corresponding NCD of the GIDL, pursuant to the Scheme;
- iii. Fairness Opinion dated March 19, 2023 of independent merchant banker viz. Morgan Stanley India Company Private Limited providing the fairness opinion on: (a) the equity share entitlement ratio; and (b) the ratio of optionally convertible redeemable preference shares to be issued by the Company;
- iv. Certificates dated March 19, 2023 from Walker Chandiook & Co. LLP, the statutory auditors of the Company certifying that: (a) the accounting treatment in the Scheme is in accordance with the accounting standards prescribed under Section 133 of the Act and other applicable laws, as required under Paragraph I(A)(5)(a) of Annexure I of the SEBI Scheme Circular; and (b) the payment / repayment capability of the resultant entity;
- v. Others presentations, reports, documents and information made to/furnished before the Audit Committee.

3. Need for the Amalgamation and Rationale of the Scheme:

The Audit Committee noted the rationale of the Scheme, which *inter-alia* is as follows:

- (a) consolidation of the business of the Companies, leading to synergies of operations and resulting in the expansion and long-term sustainable growth of such Parties' business, which will create greater value for the Resultant Entity;
- (b) streamlining the corporate organizational structure of the Companies by reducing the number of legal entities involved in the business, and by reducing the number of layers of legal entities. This would provide several benefits, including enhanced managerial focus in a single amalgamated entity (being the Resultant Entity), seamless implementation of policy changes, reduction in the multiplicity of legal and regulatory compliances, costs rationalization and enhancement of the efficiency and control of the Companies, as well as improving the mechanisms for upstreaming of free cashflows and shareholder returns. This, in turn, will also assist shareholders and investors in better understanding and evaluating the structure and strength of the operations of the Companies, with the Resultant Entity also being more attractive to investors looking to invest in the airports sector;



- (c) ensuring a stronger and wider capital and financial base for the Resultant Entity, along with greater access to capital, the reduction of cost of capital, and efficient and optimal utilisation of cash resources of the Parties, and thereby facilitating future growth and expansion;
- (d) bringing about greater integration, operational and organisational rationalisation and effective utilisation of the combined resources of the Parties to enhance the operational efficiency of the Resultant Entity; and
- (e) enabling greater economies of scale and reduction in/avoiding duplication of overheads, administrative, managerial and other common costs, and adoption of an integrated approach to internal policies, including those pertaining to remuneration, employee benefits, workplace rules and policies.

Accordingly, the Scheme will be in the best interests of the Companies and their respective shareholders.

4. The Audit Committee reviewed and noted the methodology adopted by the valuer in process of recommending the Fair Equity Share Exchange Ratio and Fair OCRPS exchange Ratio ("**Share Exchange Ratio**") for the proposed Merger of GAL with GIDL and subsequent Merger of GIDL with GIL. The Fair Exchange Ratio, in respect of the equity and OCRPS to be allotted by GIL upon Merger pursuant to the Scheme, was noted by the Audit Committee. The Committee in this regard took note of the detailed presentation made by M/s Ernst & Young on the Valuation Report and the presentation made by M/s Morgan Stanley on the Fairness Opinion.
5. The Audit Committee noted the salient features of the Scheme.

6. Synergies of Business of the Entities involved in the Scheme:

The Committee discussed the rationale and salient features of the Scheme. After due deliberation, the Committee concluded that the amalgamation will help to consolidate the business of the Parties, leading to synergies of operations and resulting in the expansion and long-term sustainable growth which will create greater value for the stakeholders of the Company.

7. Impact of the Scheme on the Company and its Shareholders:

In the light of the rationale detailed above and valuation report, Fairness Opinion and documents/reports placed before, and discussion with the Independent Valuer, the Committee noted that the shareholders of the respective companies will be issued securities in accordance with the Share Exchange Ratio based on Valuation made by the independent valuer and validated by the independent merchant banker who have provided Fairness Opinion. In light of the same the Committee is of opinion that there would be no adverse effect on the shareholders of the Company.




8. Cost benefit analysis of the Scheme:

Considering the rationale and synergies detailed above, it will create a stronger and wider capital and financial base for the amalgamated entity, along with greater access to capital, the reduction of cost of capital, and efficient and optimal utilisation of cash resources of the Parties, and thereby facilitating future growth and expansion.

9. Recommendations of the Audit Committee:

In the light of the above, the Audit Committee, after taking into consideration of all the terms of the draft Scheme, the Valuation Report and the Fairness Opinion, the detailed presentations made in this regard to the Committee, approves and recommends the draft Scheme for favourable consideration by the Board, NCLT, the Stock Exchanges, SEBI and such other regulatory authorities, as may be applicable.

For and on behalf of the Audit Committee
of GMR Airports Infrastructure Limited
(Formerly GMR Infrastructure Limited)

A. Subba Rao
Chairman of Audit Committee
DIN: 00082313

Date: 19/3/2023

