



RDB REALTY & INFRASTRUCTURE LIMITED

BIKANER BUILDING, 8/1, LAL BAZAR STREET, 1ST FLOOR, KOLKATA - 700 001 • CIN No. : L16003WB2006PLC110039
PHONE : +91 33 4450 0500 • FAX : +91 33 2242 0588 • E-MAIL : secretarial@rdbindia.com • Web : www.rdbindia.com

REPORT OF THE AUDIT COMMITTEE OF RDB REALTY & INFRASTRUCTURE LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN RDB REALTY & INFRASTRUCTURE LIMITED ("RRIL") AND RDB REAL ESTATE CONSTRUCTIONS LIMITED ("RRECL") AND THEIR RESPECTIVE SHAREHOLDERS

Present Members

1. Mr. Sharad Kumar Bachhawat
2. Mr. Ravi Prakash Pincha
3. Mr. Pradeep Kumar Pugalia

In attendance:

1. Mr. Ritesh Kumar Jha, Company Secretary

Invitee:

1. Mr. Anil Kumar Apat, Chief Financial Officer
2. Mrs. Neera Chakravarty, Whole time Director

1. Background:

- a. The draft Scheme of Arrangement under section 230-232 of the Companies Act, 2013 ('the Act') and other applicable provisions thereunder, between RDB Realty & Infrastructure Limited ("RRIL") and RDB Real Estate Constructions Limited ("RRECL") and their respective shareholders ('Scheme') has been placed before the Audit Committee by the management of RDB Realty & Infrastructure Limited at the meeting of the Audit Committee held on Thursday, 26th day of August, 2021 for it to consider recommending the said revised draft Scheme to the Board of Directors. The

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original(old) draft Scheme has been considered in the Audit Committee meeting dated 16th October 2020. Pursuant to the queries raised by the Stock Exchange the Scheme has been revised.

- b. The Scheme inter alia provides for demerger of Realty Division of RRIL from RRIL and merger of Realty Division of RRIL with RRECL in the manner provided in the Scheme.
- c. The equity shares of RDB Realty & Infrastructure Limited are listed on the BSE Limited ('BSE') and the Calcutta Stock Exchange Limited ("CSE"). RDB Realty & Infrastructure Limited will be filing the Scheme along with necessary documents/information with the abovementioned stock exchanges for obtaining the necessary approvals and noobjection in relation thereto.
- d. The report of Audit Committee is made in order to comply with the requirements of the SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated November 3, 2020 read with the SEBI Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 issued by the Securities and Exchange Board of India, as amended from time to time (consolidated under the circular being SEBI/HO/CFD/DIL1/CIR/P/ 2020/249 dated December 22, 2020), ("SEBI Circular") after considering the following:
 - i. Draft Scheme, duly initialed by Mr. Pradeep Kumar Pugalia, Whole time Director of RDB Realty & Infrastructure Limited for the purpose of identification;
 - ii. Share Exchange report/valuation report dated 25th August 2021 issued by Vikash Goel, Registered Valuer ('Valuation Report');
 - iii. Fairness Opinion Report dated 25th August 2021 issued by Finshore Management Services Limited, a Category I Merchant Banker providing the fairness opinion on the share entitlement recommended in the Valuation Report ('Fairness Opinion');
 - iv. Certificate obtained from the Statutory Auditors of RDB Realty & Infrastructure Limited i.e. L B Jha & Co, confirming that the accounting treatment as prescribed in the Scheme is in compliance with the





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- applicable accounting treatment notified under the Act and other generally accepted principles;
- v. Audited financial statements of RDB Realty & Infrastructure Limited for the year ended March 31, 2019, 2020 and 2021; and
 - vi. Audited financial statements of RDB Real Estate Constructions Limited for the year ended March 31, 2019 2020 and 2021.

2. Proposed Scheme

a. The Audit Committee reviewed the Valuation Report and noted the same and recommended the following:

In consideration for the transfer of Realty Division of RRIL from RRIL and merger of Realty Division of RRIL with "RRECL", in terms of the Scheme and based on the Valuation Report and the Fairness Opinion, "RRECL" will issue equity shares are as under :

"33 (Thirty Three) Equity Shares of Rs 10/- each of RRECL credited as fully paid up for every 10 (Ten) Equity shares of RS 10/- each credited as fully paid up and held by them in RRIL."

b. Further, the Fairness Opinion confirmed that the share entitlement in the Valuation Report is fair to RDB Realty & Infrastructure Limited and RDB Real Estate Constructions Limited and their respective shareholders.

c. Further, L B Jha & Co, Statutory Auditors of RDB Realty & Infrastructure Limited have confirmed that the accounting treatment as specified in the Scheme is in accordance with the applicable accounting standards specified under the provisions of the Act, and the generally accepted accounting principles in India.

d. The proposed revised Appointed Date for the Scheme will be April 1, 2021.

e. Under the proposed Scheme, all assets and liabilities, pertaining to the Demerged Undertaking (comprising of business, activities and operations pertaining to Realty Division of RDB Realty & Infrastructure Limited, shall without any further act or deed be





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transferred to and vested in RDB Real Estate Constructions Limited as a going concern with effect from the Appointed Date.

3. Rationale of the Scheme and the synergies of business

The business of the Demerged Undertaking will supplement the business of the Resulting Company and the consolidation of the Demerged Undertaking with the business of the Resulting Company is expected to provide inter-cilia the following benefits:

- a. The consolidation will result in earning predictability, stronger revenue and improved competitiveness, with diversification in product portfolio thereby reducing business risks for mutual benefit of the shareholders. This will result in strong presence across market segments, provide access to new markets and product offerings. Further, the operations of the Demerged Undertaking could have access to the Resulting Company's marketing capabilities. It will provide expansion and optimum growth of the respective businesses and will also maximize the shareholder's value.
- b. Greater economies of scale and will provide a larger and stronger base for potential future growth;
- c. Consolidation and simplification of the group structure;
- d. reduction in overheads, administrative, managerial and other expenditure;
- e. operational rationalization and increase in operating efficiency; and
- f. Synergistic benefits, expansion and acquisition opportunities.

4. Need for the Scheme

Realty division is engaged in real estate development business and does real estate development projects for domestic markets. This division works generally for the non-government sector. The Realty division has been facing some headwinds due to the issues facing the Real Estate sector in India and the ongoing slowdown in economic condition. The management believes that the Realty division requires special attention to face the challenges and provide a new direction to the Real Estate business headed by a new management team.

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Infrastructure division carries out infrastructure development projects for domestic markets. Infrastructure development carried out at Infrastructure Division is the core business

of RRIL which needs special attention of the Management to seize the new opportunities which this segment offers. To be competitive and maintain its domestic market share, it is necessary to improve operational and administrative efficiency and create the requisite infrastructure for obtaining good business.

The restructure of two businesses to achieve optimum growth and development of both the business separately and to have separate concentrated focus on both the Real Estate and Infrastructure activities. The management believes that the nature of risk and competition involved in both the divisions of RRIL are divergent and consequently each division is capable of attracting different sets of investors. The activities carried out by RRIL have potential for growth and development and require large infusion of funds and undivided care and management attention. Therefore, both the businesses need separate set of directions and investment for development, expansion and optimum growth of their respective businesses and maximization of shareholders' value.

The Demerged Undertaking is expected to provide benefits set out in Clause 3 above.

5. Impact of the Scheme on the shareholders

a. The shareholders of the Demerged Company as on the Record Date shall be entitled to equity shares in the Resulting Company on the basis of the share entitlement ratio determined by Mr. Vikash Goel, Registered Valuer, in the valuation report submitted to this Committee. Subsequent to which the shareholders of the Demerged Company in addition to the shares held in the Demerged Company shall also become shareholders in the Resulting Company.

b. The Scheme will not adversely affect the rights or interest of any shareholder of the Applicant Companies or their respective shareholders or creditors, in any manner whatsoever.

6. Cost benefit analysis of the Scheme

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

7. Recommendation of the Audit Committee

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme, Valuation Report, Fairness Opinion and the specific points mentioned above,

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recommends the Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Members of the Audit Committee

For and on Behalf of **RDB Realty & Infrastructure Limited**

RDB REALTY & INFRASTRUCTURE LTD.

Director

SHARAD KUMAR BACHHAWAT
(Chairman of Audit Committee)
DIN: 05161130

Date: 26.08.2021
Place: Kolkata