

SANATHNAGAR ENTERPRISES LIMITED

REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF SANATHNAGAR ENTERPRISES LIMITED RECOMMENDING THE SCHEME OF MERGER BY ABSORPTION OF ROSELABS FINANCE LIMITED ('FIRST TRANSFEROR COMPANY'), NATIONAL STANDARD (INDIA) LIMITED ('SECOND TRANSFEROR COMPANY'), SANATHNAGAR ENTERPRISES LIMITED ('THIRD TRANSFEROR COMPANY' OR 'COMPANY') WITH MACROTECH DEVELOPERS LIMITED ('TRANSFEEE COMPANY') AND THEIR RESPECTIVE SHAREHOLDERS

Members Present:

1. Mr. Bhushan Shah - Chairman
2. Mr. Vinod Shah - Member

1. Background:

- 1.1. A meeting of the Committee of the Independent Directors of the Company ("ID Committee") was held on January 25, 2022 to inter alia, consider and recommend the Proposed Scheme of Merger by Absorption of Roselabs Finance Limited ('First Transferor Company'), National Standard (India) Limited ('Second Transferor Company'), Sanathnagar Enterprises Limited ('Third Transferor Company' or 'the Company') (hereinafter collectively referred as 'Transferor Companies') with Macrotech Developers Limited ('Transferee Company') and their respective shareholders under section 230 to 232 and other applicable provisions of the Companies Act, 2013 ('the Act') ('the Scheme' or 'Proposed Scheme').
- 1.2. The Company is a subsidiary of the Transferee Company. The equity shares of the Company as well as the Transferee Company are listed on recognized stock exchange(s) in India.
- 1.3. The Proposed Scheme provides for merger of the Company with the Transferee Company in consideration of issue of fully paid-up equity shares of the Transferee Company to the shareholders of the Company (other than to the Transferee Company and / or its direct/ indirect subsidiaries holding shares directly and jointly with its nominee shareholders); the consequent dissolution of the Company without winding up and various other matters consequential or integrally connected therewith with an Appointed Date of April 1, 2022.
- 1.4. The Scheme, which shall be presented before the NCLT (Mumbai Bench) under section 230 to 232 and other applicable provisions of the Act, has been drawn up to be in compliance with the Section 2(1B) and other applicable provisions of the Income-tax Act, 1961 and other applicable laws including the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations') read with the SEBI circular bearing reference No. CFD/DIL3/CIR/2017/21 dated 10th March, 2017 and Master Circular No. SEBI/HO/CFD/DIL2/CIR/P/2021/0000000657 dated 23rd November 2021 (Master Circular'), as amended from time to time thereto (together 'SEBI Circulars')
- 1.5. In terms of SEBI Circulars read with SEBI Listing Regulations, a report from Committee of Independent Directors is required recommending the Proposed Scheme, taking into consideration, inter alia, that the scheme is not detrimental to the shareholders of the Company. This report of Committee of Independent Directors is made in order to comply with the requirements of the SEBI Circular and the SEBI Listing Regulations.
- 1.6. The Company will be filing the Proposed Scheme along with necessary information/documents including this Report with the Stock Exchanges for their no objection or observation letter pursuant to Regulation 37 of the SEBI Listing Regulations and applicable statutory provisions.

2. Documents perused by the Committee of Independent Directors

- 2.1. The following documents were placed before the Committee of Independent Directors
 - a. The Proposed Scheme;



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- b. Valuation Report dated January 25, 2022 issued by an independent Registered Valuer; Ms Drushti R. Desai of M/s Bansi S. Mehta & Co, having IBBI Registration No. IBBI/RV/06/2019/10666 ('Valuation Report'),
- c. Fairness opinion dated January 25, 2022 issued by M/s Fedex Securities Private Limited, an independent SEBI Registered (Category I) Merchant Banker (Firm Registration No. INM 000010163), providing its opinion on the fairness of the share exchange ratio in the Valuation Report by Registered Valuer ('Fairness Opinion');

3. Rationale of the Proposed Scheme:

- 3.1. The Committee of Independent Directors noted the rationale of the Scheme, which inter-alia is as follows:
 - a. Streamlining, rationalization and simplification of the group holding structure by way of reduction in the number of entities, resulting in ease of management for the Transferee Company
 - b. Reduction in overheads including administrative, managerial and other expenditure, and optimal utilization of resources by elimination of duplication of activities and related costs
 - c. Reduction in the multiplicity of legal and regulatory compliances at present carried out separately by the Transferor Companies and the Transferee Company and promote organisational efficiencies with the achievement of greater economies of scale
 - d. Free up management bandwidth especially of senior management towards more productive and value generating activities
 - e. As the Transferor Companies neither have any ongoing projects nor is any further business opportunity envisaged, the proposed scheme of merger with the Transferee company would be in the best interest of the Transferor Companies and their shareholders
 - f. Public shareholders of the Transferor Companies will receive shares in the Transferee Company which is one of the biggest real estate developer in India

4. Salient Features of the Proposed Scheme:

The Committee of Independent Directors noted the salient features of the Scheme, which inter-alia are as under:

- 4.1. Appointed Date of the Proposed Scheme is April 1, 2022.
- 4.2. The Scheme duly approved by the Stock Exchanges, SEBI, NCLT, with or without modifications, shall be effective from the Appointed Date but shall be operative from the Effective Date (date on which the NCLT order is filed with the Registrar of Companies).
- 4.3. Upon the coming into effect of the Scheme and with effect from the Appointed Date, the entire business of the Company (including all the estate, assets, liabilities, contingent liabilities, duties, obligations of every kind, rights, claims, title, interest and authorities including accretions and appurtenances, licenses, permissions, incentives, registrations, exemptions, grants, subsidies, concessions, tax entitlements (including but not limited to incentives and/ or credits under applicable indirect tax laws), debtors, receivables, branches, contracts, encumbrances, employees, proceedings, etc.) whether in India or abroad shall stand vested in or be deemed to have been vested in the Transferee Company, as a going concern without any further act, instrument, deed, matter or thing so as to become, as and from the Appointed Date, the undertaking of the Transferee Company by virtue of and in the manner provided in the Scheme.
- 4.4. The Scheme provides for combining the Authorized Share Capital of the Company with the Transferee Company.



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- 4.5. Upon this Scheme becoming effective and in consideration of transfer and vesting of all the assets and liabilities of the Company into the Transferee Company in accordance with this Scheme, the Transferee Company shall issue and allot to every member of the Company (other than to the Transferee Company and / or its nominees and / or its subsidiaries as applicable) holding fully paid up equity shares in the Company and whose names appear in the register of members of the Company on the Record Date or to such of their heirs, executors, administrators or the successors-in-title in the following manner :

8 fully paid up equity shares of Rs. 10/- each of Transferee Company for every 1,000 fully paid up equity shares of Rs.10/- each held in the Company

The Company shall provide to the Transferee Company, a list of its shareholders (including his / her / its legal heirs, executors or successors as the case may be) as on the Record Date ("Eligible Shareholders").

- 4.6. The equity shares to be issued to the shareholders of the Company as above shall be subject to the Memorandum and Articles of Association of Transferee Company and shall rank pari passu with the existing equity shares of Transferee Company in all respects including dividends, bonus and rights entitlements.
- 4.7. If any Eligible Shareholder becomes entitled to any fractional shares, entitlements or credit on the issue and allotment of equity shares by the Transferee Company in accordance with this Scheme, the Board of Directors of the Transferee Company shall consolidate all such fractional entitlement and shall, without any further application, act, instrument or deed, issue and allot such consolidate shares directly to a trustee (who may be an individual, corporate body, merchant banker or any other person) nominated by the Transferee Company ('The Trustee'), who shall hold such equity shares with all additions or accretions thereto in trust for the benefit of the shareholders of the Company, to whom they belong and their respective heirs, executors, administrators, successors for the specific purpose of selling such shares in the open market at such price or prices and on such time or times within 90 days from the date of allotment, as the Trustee may in its sole discretion decide and on such sale, pay to the Transferee Company, the net sale proceeds (after deducting the applicable taxes and cost incurred, if any) thereof and any additions and accretions, whereupon the Transferee Company shall subject to the withholding tax, if any, distribute such sale proceeds to the concerned Eligible Shareholders in proportion to their respective fractional entitlement.
- 4.8. The Scheme shall be effective, subject to receipt of approvals of shareholders of the Company and Transferee Company and approvals of other regulatory authorities as may be required including those of Lenders, Stock Exchanges, SEBI, Regional Director, Registrar of Companies (Mumbai), Official Liquidator and NCLT (Mumbai Bench).
- 4.9. The Scheme may be subject to requisite approvals of creditors of the Transferee Company and the Company as may be directed by NCLT, unless the same is dispensed by NCLT.
- 4.10. In the event, any of the sanctions and approvals referred to in the Scheme are not obtained, the Scheme shall stand cancelled and be of no effect.
- 4.11. The Scheme is in compliance with the conditions relating to "Amalgamation" as specified under Section 2(1B) of the Income-tax Act, 1961.
- 4.12. The Scheme provides for dissolution of the Company without winding up.
- 4.13. The costs, charges, expenses, taxes including duties, levies in connection with the Scheme would be borne by the Transferee Company.
- 4.14. The equity shares to be issued by the Transferee Company to the shareholders of the Company pursuant to the Scheme would be listed on BSE Limited and National Stock Exchange of India Limited.

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5. Scheme not detrimental to the shareholders of the Company:

- 5.1 The Independent Directors reviewed the Valuation Report and noted the recommendations of Share Exchange Ratio by the Registered Valuer as set out in para 4.5 above.
- 5.2 The Independent Directors collectively note that the Registered Valuer has considered the Liquidation Approach to be the sole approach for determining the value of the Transferor Companies for calculation of the Share Exchange Ratio. The Market Price Method and the Income Approach have been disregarded by the Registered Valuer as the equity shares of the Transferor Companies are thinly traded/not regularly traded and the Transferor Companies do not have any operations or business plan respectively as stated in paras 4.7.2, 4.7.3 and 4.7.4 of the Valuation Report.
- 5.3 The Transferee Company shall issue equity shares to the shareholders of the Company based on the Share Exchange Ratio as mentioned above.
- 5.4 The Fairness Opinion confirms that the Share Exchange Ratio in the Valuation Report is fair to the shareholders of the Company.

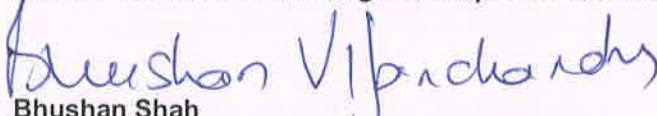
Based on above information, the ID Committee is of the informed opinion that the Proposed Scheme is in the best interest of the Company and is not detrimental to the interests of the shareholders of the Company.

6. Recommendation of the Committee of Independent Directors

Taking into consideration the Proposed Scheme, its impact on the shareholders and other documents as placed, the Committee of Independent Directors recommends the Scheme for approval of the Board of Directors of the Company, the Stock Exchange, SEBI, and other appropriate authorities.

The ID Committee is entitled to make relevant modifications to this Report, if required and such modifications or amendments shall be deemed to form a part of this Report.

By and order of the Committee of Independent Directors,
For and behalf of Sanathnagar Enterprises Limited


Bhushan Shah
Chairman, Committee of Independent Directors



Place: Mumbai

Date: 25th January, 2022