

REPORT OF THE AUDIT COMMITTEE OF MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED

MEMBERS

Mr. Sridar Iyengar
 Mr. Cyrus Guzder
 Mr. Rohit Khattar
 Mr. Sanjeev Aga
 Mr. V S Parthasarathy

PRESENT IN PERSON

Mr. Sridar Iyengar
 Mr. Cyrus Guzder
 Mr. Rohit Khattar
 Mr. Sanjeev Aga
 Mr. V S Parthasarathy

1. The Company has placed before the Audit Committee a draft Scheme of Amalgamation and Arrangement for the merger of Competent Hotels Private Limited ("CHPL" or "the Transferor Company 1") and Divine Heritage Hotels Private Limited ("DHHPL" or "the Transferor Company 2") and Holiday on Hills Resorts Private Limited ("HHRPL" or "the Transferor Company 3") (collectively referred to as "Transferor Companies") with Mahindra Holidays & Resorts India Limited ("MHRIL" or "the Transferee Company") and their shareholders and creditors for recommendation of the draft scheme by the Audit Committee to the Board of Directors as required vide Securities and Exchange Board of India (SEBI) circular No. CIR/CFD/DIL/5/2013 dated 4th February, 2013 (As modified by SEBI circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013) ("Circular")

The Audit Committee pursuant to requirements set out in the abovementioned Circular and after considering the following documents:

- i. Draft Scheme of Amalgamation and Arrangement
- ii. Fairness opinion by 22nd January, 2015 and

hereby reports:

that the proposed merger of the Transferor Companies envisaged in this scheme would be beneficial to MHRIL and all the stakeholders.

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Mahindra Holidays & Resorts India Limited

Corporate Office: Mahindra Towers, 1st floor, 'A' wing, Dr. G.M. Bhosle Marg, P.K. Kurne Chowk, Worli, Mumbai - 400 018
 t: +91 22 3368 4722 f: +91 22 3368 4721

Registered Office: Mahindra Towers, 2nd floor, 17/18 Patullos Road, Chennai - 600 002. t: +91 44 3988 1000 f: +91 44 3027 7778

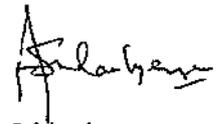
e: memberrelations@clubmahindra.com / w: www.clubmahindra.com / CIN: LS5101TN1996PLC036595

2. The Audit Committee has noted that:

- i. The Transferee Company is a part of the leisure and hospitality sector of the Mahindra Group. Merger of the Transferor Companies would consolidate the hotel and resorts businesses in a single entity which will provide synergy benefits, attain efficiencies and reduce overall cost.
- ii. Amalgamation of the Transferor Companies with the Transferee Company would inter alia have the following benefits:
 - a. Enable creation of a larger entity and derive optimal management and synergy benefits;
 - b. Result in business synergies besides economies in cost by combining all the functions, related activities and operations resulting in higher profitability and benefits in the form of managerial and technical expertise;
 - c. Greater integration and flexibility for the amalgamated entity and strengthening position in the industry, in terms of the asset base, revenues, product and service range;
 - d. Enable cost saving, pooling of managerial skills and optimum utilization of valuable resources which will enhance the management focus thereby leading to higher profitability and enhancing shareholders' value.
- iii. The Transferee Company holds 100% of the paid up share capital of the Transferor Companies and as a result of the amalgamation, shares of the Transferor Companies held by the Transferee Company shall stand cancelled, with no issuance of shares or payment of other consideration by the Transferee Company. Accordingly, there will be no change in the shareholding pattern of the Transferee Company and no valuation report from an Independent Chartered Accountant is required in terms of SEBI Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013.
- iv. Since the merger of the Transferor Companies with the Transferee Company is a part of an internal group restructuring, it will not adversely affect the stakeholders and creditors of the Transferor Companies and the Transferee Company.

3. In the light of the foregoing the Audit Committee recommends the draft Scheme for favourable consideration by the stock exchange(s) and the SEBI.

Date: 22nd January, 2015
Place: Mumbai



Sridar Iyengar
Chairman