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Report of the Audit Committee of Srei Infrastructure Finance Limited recommending the draft composite Scheme of Arrangement and Amalgamation between Srei Infrastructure Finance Limited, Srei Equipment Finance Limited, Srei Asset Reconstruction Private Limited and their respective shareholders and creditors at its meeting held on 21st January, 2019 at the Board Room, 7 Alipore Avenue, Kolkata - 700 027

1. **BACKGROUND.**

1.1. Srei Infrastructure Finance Limited (the "**Company**") is a company incorporated on March 29, 1985 under the provisions of the Companies Act, 1956 and having its registered office at Vishwakarma, 86C, Topsia Road (South), Kolkata - 700046. The Company is a Systemically Important Non-deposit Taking Non-Banking Financial Company ("**NBFC-ND-SI**") registered with the Reserve Bank of India ("**RBI**") under the category "*Infrastructure Finance Company*". The Company is a public listed company and its equity shares are listed on BSE Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**") (BSE and NSE are collectively referred to as, the "**Stock Exchanges**"). The non-convertible debentures of the Company are listed on the Stock Exchanges. The Company is engaged in the business of financing industrial enterprises including those engaged in and providing infrastructural facility and setting up of projects and also providing by way of lease, leave and licence, or hire purchase basis, all types of plant, equipment, machinery, vehicles, vessels, ships, all electrical and electronic equipment.

1.2. Srei Equipment Finance Limited ("**SEFL**") is a company incorporated on June 13, 2006 under the provisions of the Companies Act, 1956 and having its registered office at 'Vishwakarma', 86C, Topsia Road, Kolkata - 700046. SEFL is a NBFC-ND-SI registered with the RBI under the category "*Asset Finance Company*". SEFL is a wholly owned subsidiary of the Company. The non-convertible debentures of SEFL are listed on the Stock Exchanges. SEFL is engaged in the business of acquisition, exchange, substitution and disbursement of any and all kinds of construction and infrastructure equipment and assets.

1.3. Srei Asset Reconstruction Private Limited ("**Srei Asset**") is a company incorporated on June 30, 2014 under the provisions of the Companies Act, 2013 (the "**Act**") and having its registered office at 'Vishwakarma', 86C, Topsia Road, Kolkata - 700046. Srei Asset is engaging in the business of management of financial assets.

1.4. A meeting of the Audit Committee of the Company was held on 21st January, 2019 to consider and recommend the proposed composite scheme of arrangement and amalgamation amongst the Company, SEFL, Srei Asset and their respective shareholders and creditors under the provisions of Sections 230 to 232 of the Act and other applicable provisions, if any, under applicable law (the "**Scheme**"), subject to the approval of the RBI, the Stock Exchanges, the Securities and Exchange Board of India ("**SEBI**"), the National Company Law Tribunal bench at Kolkata and such other regulatory authorities, as may be applicable.

2. **REPORT**

2.1. This Report of the Audit Committee is issued in terms of SEBI Circular No. CDF/DIL3/CIR/2017/21 dated March 10, 2017 ("**SEBI Circular**"). The requirements of

Srei Infrastructure Finance Ltd. Kolkata the SEBI Circular, inter-alia, make it mandatory for the Audit Committee of a listed company to recommend the draft Scheme of Arrangement.

2.2. The Audit Committee has considered the following documents:

(a) A draft of the Scheme;

(b) Valuation report dated 19th January, 2019 issued by Sharp & Tannan, Chartered Accountants;

(c) Fairness Opinion dated 20th January, 2019 from ICICI Securities, Merchant Banker; and

(d) Draft of the Certificate from Haribhakti & Co., LLP, Statutory Auditors of the Company, confirming that the Scheme is in compliance with applicable accounting treatment prescribed under the Act, and other generally accepted principles.

3. **PROPOSED SCHEME OF ARRANGEMENT AND AMALGAMATION.**

3.1. The salient features of the draft Scheme are, inter-alia, as follows:

3.1.1. The demerger of the '*Lease Business*' of SEFL (the "**Demerged Undertaking 1**") into Srei Asset pursuant to which Srei Asset will issue shares to the shareholder of SEFL, i.e. the Company ("**Demerger 1**"), in the following share ratio:

10 (ten) equity shares of Rs. 10 each fully paid-up of Srei Asset for every 21 (twenty one) equity shares of Rs. 10 each fully paid-up in SEFL. The non-convertible debentures issued by SEFL will stand cancelled and deemed to have been redeemed and the holders of such non-convertible debentures shall be issued new non-convertible debentures by Srei Asset on the same terms and conditions.

3.1.2. On the completion of Demerger 1, the remaining business undertakings of SEFL (the "**Amalgamating Undertaking**") will amalgamate with and into the Company ("**Amalgamation**"). This being an amalgamation of a wholly owned subsidiary into its parent company, there will be no change in the shareholding pattern. On the transfer of the Amalgamating Undertaking becoming effective, SEFL shall stand dissolved without being wound-up.

3.1.3. On the completion of the Amalgamation, the '*Lease Business*', '*Rental Business*' and '*Equipment Finance Business*' of the Company (the "**Demerged Undertaking 2**") will demerge into Srei Asset ("**Demerger 2**"), pursuant to which Srei Asset will issue shares to the shareholders of the Company in the following share ratio:

1 (one) equity share of Rs.10 each fully paid-up of Srei Asset for every 5 (five) equity shares of Rs.10 each fully paid-up held in the Company.

Pursuant to this, promoter and public shareholders of the Company shall hold shares in Srei Asset in their existing proportionate shareholding.

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3.1.4. The proposed Appointed Date for: (i) Demerger 1; (ii) Amalgamation; and (iii) Demerger 2, shall be March 31, 2017.

3.2. The Audit Committee noted the facts, rationale and benefits of the proposed scheme of arrangement and amalgamation, which are *inter-alia*, as follows:

3.2.1. to enable better realisation of potential of the businesses and yield beneficial results and enhanced value creation for the companies which are party to the Scheme, their respective shareholders, lenders and employees;

3.2.2. consolidation of '*Lease Business*', 'Rental Business' and '*Equipment Finance Business*' of the Company and SEFL in Srei Asset thereby unlocking value for the stakeholders of the Company;

3.2.3. enable the Company to focus and enhance its remaining business operations by streamlining its operations;

3.2.4. the shareholders of the Company will be allotted shares of Srei Asset, providing the existing shareholders of the Company the option of continuing to have shareholding in both, the Company and Srei Asset; and

3.2.5. achieve and sustain competitiveness and development of long term internal and core competencies through cost savings and benefit of economies of scale unlocked to Srei Asset.

4. Taking into consideration the draft Scheme and its rationale and benefits and all the other documents placed for the Audit Committee, the Audit Committee found the draft Scheme to be in the interest of the stakeholders of the Company, and recommends the draft Scheme to the board of directors of the Company and the shareholders and creditors of the Company (as may be applicable) for its approval and for favorable consideration by the Stock Exchanges, RBI, SEBI and other regulatory authorities, as may be required.

By order of the Audit Committee
For and on behalf of
Srei Infrastructure Finance Limited

Srei Infrastructure Finance Ltd. ★ Kolkata

Shyamalendu Chatterjee
Chairman, Audit Committee

Date: 21st January, 2019
Place: Kolkata

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Report of the Audit Committee of Srei Equipment Finance Limited recommending the draft composite Scheme of Arrangement and Amalgamation between Srei Infrastructure Finance Limited, Srei Equipment Finance Limited, Srei Asset Reconstruction Private Limited and their respective shareholders and creditors at its meeting held on 21st January, 2019 at 7 Alipore Avenue, Kolkata – 700027

1. **BACKGROUND.**

1.1. Srei Infrastructure Finance Limited ("**SIFL**") is a company incorporated on March 29, 1985 under the provisions of the Companies Act, 1956 and having its registered office at Vishwakarma, 86C, Topsia Road (South), Kolkata - 700046. SIFL is a Systemically Important Non-deposit Taking Non-Banking Financial Company ("**NBFC-ND-SI**") registered with the Reserve Bank of India ("**RBI**") under the category "*Infrastructure Finance Company*". SIFL is a public listed company and its equity shares are listed on BSE Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**") (BSE and NSE are collectively referred to as, the "**Stock Exchanges**"). The non-convertible debentures of SIFL are listed on the Stock Exchanges. SIFL is engaged in the business of financing industrial enterprises including those engaged in and providing infrastructural facility and setting up of projects and also providing by way of lease, leave and licence, or hire purchase basis, all types of plant, equipment, machinery, vehicles, vessels, ships, all electrical and electronic equipment.

1.2. Srei Equipment Finance Limited (the "**Company**") is a company incorporated on June 13, 2006 under the provisions of the Companies Act, 1956 and having its registered office at 'Vishwakarma', 86C, Topsia Road, Kolkata - 700046. The Company is a NBFC-ND-SI registered with the RBI under the category "*Asset Finance Company*". The Company is a wholly owned subsidiary of SIFL. The non-convertible debentures of The Company are listed on the Stock Exchanges. The Company is engaged in the business of acquisition, exchange, substitution and disbursement of any and all kinds of construction and infrastructure equipment and assets.

1.3. Srei Asset Reconstruction Private Limited ("**Srei Asset**") is a company incorporated on June 30, 2014 under the provisions of the Companies Act, 2013 (the "**Act**") and having its registered office at 'Vishwakarma', 86C, Topsia Road, Kolkata - 700046. Srei Asset is engaged in the business of engaged in the business of management of financial assets.

1.4. A meeting of the Audit Committee of the Company was held on 21st January, 2019 to consider and recommend the proposed composite scheme of arrangement and amalgamation amongst the Company, SIFL, Srei Asset and their respective shareholders and creditors under the provisions of Sections 230 to 232 of the Act and other applicable provisions, if any, under applicable law (the "**Scheme**"), subject to the approval of the RBI, the Stock Exchanges, the Securities and Exchange Board of India ("**SEBI**"), the National Company Law Tribunal bench at Kolkata and such other regulatory authorities, as may be applicable.

2. **REPORT**

2.1. The Audit Committee has considered the following documents:

(a) A draft of the Scheme;

(b) Valuation report dated 19th January, 2019 issued by Sharp & Tannan, Chartered Accountants;

(c) Fairness Opinion dated 20th January, 2019 from ICICI Securities, Merchant Banker; and

(d) Draft of the Certificate from Deloitte Haskins & Sells, Statutory Auditors of the Company, confirming that the Scheme is in compliance with applicable accounting treatment prescribed under the Act, and other generally accepted principles.

3. **PROPOSED SCHEME OF ARRANGEMENT AND AMALGAMATION.**

3.1. The salient features of the draft Scheme are, inter-alia, as follows:

3.1.1. The demerger of the '*Lease Business*' of the Company (the "**Demerged Undertaking 1**") into Srei Asset pursuant to which Srei Asset will issue shares to the shareholder of the Company, i.e. SIFL ("**Demerger 1**"), in the following share ratio:

10 (ten) equity shares of Rs. 10 each fully paid-up of Srei Asset for every 21 (twenty one) equity shares of Rs. 10 each fully paid-up in the Company. The non-convertible debentures issued by the Company will stand cancelled and deemed to have been redeemed and the holders of such non-convertible debentures shall be issued new non-convertible debentures by Srei Asset on the same terms and conditions.

3.1.2. On the completion of Demerger 1, the remaining business undertakings of the Company (the "**Amalgamating Undertaking**") will amalgamate with and into SIFL ("**Amalgamation**"). This being an amalgamation of a wholly owned subsidiary into its parent company, there will be no change in the shareholding pattern. On the transfer of the Amalgamating Undertaking becoming effective, the Company shall stand dissolved without being wound-up.

3.1.3. On the completion of the Amalgamation, the '*Lease Business*', '*Rental Business*' and '*Equipment Finance Business*' of SIFL (the "**Demerged Undertaking 2**") will demerge into Srei Asset ("**Demerger 2**"), pursuant to which Srei Asset will issue shares to the shareholders of SIFL in the following share ratio:

1 (one) equity share of Rs.10 each fully paid-up of Srei Asset for every 5 (five) equity shares of Rs.10 each fully paid-up held in the SIFL.

Pursuant to this, promoter and public shareholders of SIFL shall hold shares in Srei Asset in their existing proportionate shareholding.

3.1.4. The proposed Appointed Date for: (i) Demerger 1; (ii) Amalgamation; and (iii) Demerger 2, shall be March 31, 2017.

3.2. The Audit Committee noted the facts, rationale and benefits of the proposed scheme of arrangement and amalgamation, which are *inter-alia*, as follows:

3.2.1. to enable better realisation of potential of the businesses and yield beneficial results and enhanced value creation for the companies which are party to the Scheme, their respective shareholders, lenders and employees;

3.2.2. consolidation of '*Lease Business*', '*Rental Business*' and '*Equipment Finance Business*' of the Company and SIFL in Srei Asset thereby unlocking value for the stakeholders of the Company;

3.2.3. enable SIFL to focus and enhance its remaining business operations by streamlining its operations;

3.2.4. the shareholders of SIFL will be allotted shares of Srei Asset, providing the existing shareholders of SIFL the option of continuing to have shareholding in both, SIFL Srei Asset; and

3.2.5. achieve and sustain competitiveness and development of long term internal and core competencies through cost savings and benefit of economies of scale unlocked to Srei Asset.

4. Taking into consideration the draft Scheme and its rationale and benefits and all the other documents placed for the Audit Committee, the Audit Committee found the draft Scheme to be in the interest of the stakeholders of the Company, and recommends the draft Scheme to the board of directors of the Company and the shareholders and creditors of the Company (as may be applicable) for its approval and for favorable consideration by the Stock Exchanges, RBI, SEBI and other regulatory authorities, as may be required.

By order of the Audit Committee
For and on behalf of
Srei Equipment Finance Limited

Shyamalendu Chatterjee
Chairman, Audit Committee

Srei Equipment Finance Limited

Date: 21st January, 2019
Place: Kolkata

Srei Equipment Finance Limited
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