

REPORT OF THE AUDIT COMMITTEE OF DELTA CORP LIMITED RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT BETWEEN DELTA CORP LIMITED AND DELTA PENLAND PRIVATE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HELD ON SEPTEMBER 24, 2024 AT 4.00 P.M. AT DELTA HOUSE, 3RD FLOOR, HORNBY VELLARD ESTATE, DR. ANNIE BESANT ROAD, NEXT TO COPPER CHIMNEY, WORLI, MUMBAI- 400018.

The following Audit Committee Members were present:

1. Mr. Chetan Desai : Chairman and Non-executive Independent Director
2. Mr. Pankaj Razdan : Non-executive -Independent Director
3. Ms. Tara Subramaniam : Non-executive -Independent Director
4. Dr. Vrajesh Udani : Non-executive -Independent Director

In attendance:

1. Mr. Anil Malani : President and Chief Financial Officer
2. Mr. Dilip Vaidya : Company Secretary & Vice President - Secretarial
3. Mr. Pragnesh Shah : Vice-President - Finance and Accounts

1. Background

- 1.1. A meeting of the Audit Committee of Delta Corp Limited ("**Company**" or "**Demerged Company**") was held on September 24, 2024 to *inter alia* consider and recommend the draft Composite Scheme of Arrangement between the Company and Delta Penland Private Limited ("**Resulting Company**") and their respective shareholders and creditors under Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013 ("**Act**") ("**Scheme**").
- 1.2. The Company is a public company incorporated under the provisions of the Companies Act, 1956. The equity shares of the Company are listed on BSE Limited and National Stock Exchange of India Limited ("**Stock Exchanges**").
- 1.3. The Resulting Company is a private company incorporated under the provisions of the Act and it is a wholly owned subsidiary of the Company.
- 1.4. The Scheme provides for the following:
 - (a) demerger, transfer and vesting of the Demerged Undertaking from the Company into the Resulting Company on a going concern basis and issue of equity shares by the Resulting Company to the shareholders of the Company, in consideration thereof, in accordance with the provisions of Section 2(19AA) of the Income-tax Act, 1961; and
 - (b) reduction and cancellation of the entire pre-scheme share capital of the Resulting Company.



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The Scheme also provides for various other matters consequent and incidental thereto.

- 1.5. This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) and SEBI Master Circular number SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (“**SEBI Master Circular**”), including amendments thereto.
- 1.6. The following documents were, inter alia, placed before the Audit Committee of the Company:
- (a) Draft Scheme;
 - (b) Share entitlement ratio report dated on September 24, 2024 issued by SSPA & Co., Chartered Accountants (Registration No. IBBI/RV-E/06/2020/126), Registered Valuer (“**Share Entitlement Ratio Report**”), describing the methodology adopted in arriving at the share entitlement ratio in connection with the Scheme;
 - (c) Fairness opinion report dated September 24, 2024 issued by Kunvarji Finstock Private Limited (SEBI Merchant Registration No. INM000012564), an Independent SEBI registered Merchant Banker (“**Fairness Opinion**”), providing its opinion on the share entitlement ratio specified in the Share Entitlement Ratio Report in connection with the Scheme;
 - (d) Draft certificate dated September 24, 2024 obtained from the Statutory Auditors of the Company viz., M/s. Walker Chandiook & Co LLP, Chartered Accountants (ICAI Firm Registration No. 001076N/N500013), certifying the non-applicability of requirements stated in Paragraph 10(b) read with Paragraph 10(a) of Part I of the SEBI Master Circular; and
 - (e) Draft certificate dated September 24, 2024 obtained from Walker Chandiook & Co LLP, Chartered Accountants, (ICAI Firm Registration No. 001076N/N500013), the Statutory Auditors of the Company, confirming the accounting treatment prescribed in the Scheme.

2. Proposed Composite Scheme of Arrangement

2.1. Need for the Demerger and Rationale of the Scheme

The Audit Committee of the Company noted the rationale and the benefits of the Scheme which, inter-alia, are as follows:

- (i) As part of an overall strategy for the optimum running, growth and development of the businesses of the Demerged Company, it is considered desirable and expedient to reorganise and reconstruct the Demerged Company by segregating its gaming business from hospitality and real estate vertical. This will result in the creation of two separate robust listed entities viz., the Resulting Company focussing exclusively on the hospitality and real estate vertical and the Demerged Company shall continue to be in the gaming business.

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- (ii) These listed entities will be subject to public, media, analysts and regulatory review. A clean corporate structure with no cross holdings will ensure transparency, accountability, highest standards of corporate governance and compliance. It also enhances operational flexibility and helps quick response to competitive or environmental challenges.

- (iii) The proposed reorganisation pursuant to this Scheme is expected, inter alia, to result in the following benefits:
 - a) unlocking of value and create enhanced value for shareholders and allow a focused strategy in operations;
 - b) provide better flexibility in accessing capital and attract business specific partners and investors;
 - c) focused management approach for pursuing revenue growth and expansion opportunities in the respective business verticals; and
 - d) de-risking the businesses for the stakeholders of the Demerged Company through an independent market driven valuation of their shares in the Resulting Company which will be listed pursuant to the Scheme.

- (iv) The Scheme is in the interests of all stakeholders of the Demerged Company and the Resulting Company.

2.2. Synergies of business of the Companies involved in the Scheme

The background and information of the Company and the Resulting Company is, *inter-alia*, as under:

- (a) The Company is inter alia, engaged in the business of (i) gaming; and (ii) hospitality and real estate.
- (b) The Resulting Company is a newly incorporated company and shall carry on the Hospitality and Real Estate Business (*as defined in the Scheme*) pursuant to the Scheme; and
- (c) Upon demerger, the benefits and synergies as mentioned in Paragraph 2.1 above shall be derived by the Company.

2.3. Impact of the Scheme on the Company and its shareholders

- (a) Pursuant to the Scheme, it is proposed to demerge, transfer and vest the Demerged Undertaking from the Company into the Resulting Company, on a *going concern* basis and the Scheme will result in benefits and/or synergies to the Company as listed in Paragraph 2.1 and 2.2 of this report;

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- (b) Further, in consideration for the transfer and vesting of the Demerged Undertaking of the Company to the Resulting Company, all the equity shareholders (promoter and non-promoter) of the Company, as on the Record Date (*as defined in the Scheme*) shall receive equity shares of the Resulting Company in the same proportion as their holding in the Company. There will be no change in the economic interest of the shareholders of the Company, before and after Scheme. Further, once the Scheme is effective, the Resulting Company will have replica/ mirror shareholding of the Company; and
- (c) Upon the effectiveness of the Scheme and subject to receipt of regulatory approvals, the equity shares of the Resulting Company issued as consideration to the shareholders of the Company in terms of the Scheme, will be listed on the Stock Exchanges.

2.4. Cost benefit analysis of the Scheme

Although the Scheme involves certain costs such as transaction cost, implementation cost, regulatory fees, stamp duties, etc. however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company entailing benefits specified in Paragraph 2.1 and 2.2 above.

3. **Recommendation of the Audit Committee**

The Audit Committee after due deliberations and detailed discussions, and inter alia taking into consideration the draft composite Scheme, Share Entitlement Ratio Report, Fairness Opinion and draft certificates to be issued by the Statutory Auditor of the Company, have noted the need and rationale of the Scheme, synergies of the business of the companies, impact of the Scheme on the Company and its shareholders, cost benefit analysis of the Scheme and other documents. Based on the foregoing, the Audit Committee is of the view that the Scheme is in the interest of the Company and all the stakeholders, and hereby recommends the Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee

For and on Behalf of
Delta Corp Limited



Chetan Desai
Chairman
Audit Committee
DIN: 03595319

Place: Mumbai

Date: September 24, 2024

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