

Mahindra

Mahindra & Mahindra Ltd.  
Mahindra Towers,  
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**REPORT OF THE AUDIT COMMITTEE OF  
MAHINDRA & MAHINDRA LIMITED**

**MEMBERS PRESENT:**

Mr. R. K. Kulkarni	Chairman of the Meeting (Independent Director)
Mr. M. M. Murugappan	Member (Independent Director)
Mr. T. N. Manoharan	Member (Independent Director)

1. The Company has placed before the Audit Committee a draft Scheme of Arrangement for the demerger of Two Wheelers Undertaking (excluding the Spare Business comprising of the business of trading in spare parts and accessories) of Mahindra Two Wheelers Limited ("MTWL" or the "Demerged Company"), consisting of manufacturing and selling of two wheelers, and transfer and vesting thereof as a going concern into the Company ("M&M" or "the Resulting Company") for approval and recommendation to the Board of Directors as required vide Securities and Exchange Board of India ("SEBI") Circular No. CIR/CFD/CMD/16/2015 dated 30<sup>th</sup> November, 2015 ("Circular") read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

The Audit Committee has made this Report pursuant to requirements set out in the abovementioned SEBI Circular and after perusing the following documents:

- (i) Draft Scheme of Arrangement;
- (ii) Joint Valuation Report dated 3<sup>rd</sup> December, 2016 issued by M/s. SSPA & Co., Chartered Accountants ("SSPA") and M/s. S. R. Batliboi & Co. LLP ("SRBC");
- (iii) Fairness opinion dated 3<sup>rd</sup> December, 2016 by SBI Capital Markets Limited ("SBI Capital"), on the Joint Valuation Report; and
- (iv) The draft certificate to be issued by Messrs Deloitte Haskins & Sells, the Statutory Auditors of the Company as required under Clause 5 of the Circular, to the effect that the accounting treatment contained in the Draft Scheme of Arrangement is in compliance with the Accounting Standards specified by the Central Government under section 133 of the Companies Act, 2013 read with the Rules framed thereunder or the Accounting Standards issued by ICAI, as applicable.

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2. The Audit Committee has noted that:

- (i) The Company is present in many segments of the automotive industry e.g. Passenger & Utility Vehicles and Commercial Vehicles including Three Wheelers and Trucks & Buses. The proposed demerger, in line with the strategy of focusing on niche premium Two Wheeler segment, would enable the Two Wheeler Undertaking benefit from the Company's Design & Development and Sourcing capabilities.
- (ii) The proposed demerger would also enable the Demerged Company enhance focus on the spares business.
- (iii) The Scheme will also enable the Company and MTWL achieve and fulfil their objectives more efficiently and in cost effective manner.
- (iv) The share entitlement ratio determined by SSPA and SRBC in their Joint Valuation report dated 3<sup>rd</sup> December, 2016 which is as follows:  
  
1 (One) Ordinary (Equity) Share of Rs.5/- (Rupees Five) each of the Company for every 461 (Four Hundred Sixty One) Equity Shares of Rs.10/- (Rupees Ten) each held by the Shareholders of MTWL (other than the Company and/or any subsidiary of the Company).
- (v) The Fairness Opinion dated 3<sup>rd</sup> December, 2016 issued by SBI Capital opining on the fairness of the share entitlement ratio determined by SSPA and SRBC in their Valuation Report dated 3<sup>rd</sup> December, 2016.

3. In light of the foregoing, the Audit Committee recommends the Draft Scheme for favourable consideration by the Board of Directors, Stock Exchange(s) and the SEBI.

Date: 3<sup>rd</sup> December, 2016  
Place: Mumbai

(41)

*R. K. Kulkarni*

R. K. Kulkarni  
Chairman



*[Handwritten signature]*