

REPORT OF THE AUDIT COMMITTEE OF THOMAS COOK (INDIA) LIMITED ("COMPANY") (RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT AMONGST THOMAS COOK (INDIA) LIMITED AND QUESS CORP LIMITED AND TRAVEL CORPORATION (INDIA) LIMITED, TC FOREX SERVICES LIMITED, TC TRAVEL AND SERVICES LIMITED AND SOTC TRAVEL MANAGEMENT PRIVATE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS, AT ITS MEETING HELD ON 23 APRIL 2018 AT 6.00 P.M. AT MARATHON FUTUREX, A WING, 11<sup>TH</sup> FLOOR, N.M. JOSHI MARG, LOWER PAREL (EAST), MUMBAI 400 013

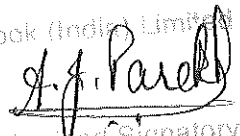
**MEMBERS:**

1. Mr. Nilesh Vikamsey, Chairperson
2. Mr. Sunil Mathur, Member
3. Mr. Pravir Vohra, Member
4. Mrs. Kishori Udeshi, Member,

**1. Background:**

1.1 A meeting of Audit Committee of the Company was held on 23 April 2018 to inter-alia, consider and recommend the draft Composite Scheme of Arrangement and Amalgamation ('the Scheme') between Thomas Cook (India) Limited ("TCIL"), Quess Corp Limited, Travel Corporation (India) Limited ("TCI"), TC Forex Services Limited ("TCF"), TC Travel and Services Limited ("TCTSL") and SOTC Travel Management Private Limited ("SOTC TRAVEL") and their respective shareholders ("Scheme") under Section 230 to 232 read with Section 52, 55 and 66 of the Companies Act, 2013 which provides for, *inter alia*:

- Part B - Demerger of the inbound business of TCI consisting of business of handling inward foreign tourist activity in India including independent and conducted tours, safaris, expeditions, conferences, meetings and other group movements and also to handle similar foreign tourist activity in other parts of the world through its own offices and agents and correspondents (Demerged Undertaking 1) of Travel Corporation (India) Limited into SOTC Travel Management Private Limited;

  
For Thomas Cook (India) Limited  
Authorized Signatory



- Part C – Amalgamation of TC Forex Services Limited, TC Travel and Services Limited and residual Travel Corporation (India) Limited after giving effect to Part B above with Thomas Cook (India) Limited; and
- Part D – Demerger of the Human Resource Services Business of TCIL relating to staffing / human resource services for conducting tours and other businesses, talent development and training, resource management, facilities management services, selection services, food services and engineering services (Demerged Undertaking 2) of Thomas Cook (India) Limited into Qess Corp Limited."

1.2 This report of Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India ("SEBI") (Listing Obligation and Disclosure Requirements) Regulations, 2015 and SEBI Circular No. CIR/CFD/DIL3/CIR/2017/21 dated 10<sup>th</sup> March 2017 ("SEBI Circular").

1.3 The following documents were placed before the Audit Committee –

- a) Draft Scheme, duly initialed by the Chairman for the purpose of identification;
- b) Valuation report dated 19 April 2018 ("Valuation Report") issued by Talati & Talati, independent Chartered Accountants, describing the methodology adopted by them in arriving at the share swap ratio for the aforementioned demergers and amalgamation; and
- c) Fairness opinion dated 20 April 2018 issued by RBSA Capital Advisors LLP, SEBI Registered (Category I) Merchant Banker on the share swap ratio.
- d) Certificate of M/s. BSR & Co. LLP, Chartered Accountants, statutory auditors of the Company, confirming that the accounting treatment prescribed outlined in the Scheme is in compliance with the applicable Accounting Standards notified under the Companies Act, 2013 and other generally accepted accounting principles.
- e) Certificate issued by M/s. BSR & Co. LLP, Chartered Accountants, statutory auditors of the company, on non-applicability of obtaining majority of minority approval.





2. Salient features of the Scheme are as under:

- 2.1 The Scheme provides for demerger of Demerged Undertaking 1 from TCI to SOTC TRAVEL and demerger of Demerged Undertaking 2 from TCIL to Quess Corp Limited on a going concern basis, and the consequent issue of shares by SOTC TRAVEL and Quess Corp Limited in accordance with provisions of Section 230 to 232 read with Sections 52, 55 and 66 of the Companies Act, 2013, Rules made thereunder and other applicable provisions of the applicable law. Shares issued by Quess Corp Limited pursuant to demerger of Demerged Undertaking 2 shall be listed on BSE and NSE.
- 2.2 Further, The Scheme provides for amalgamation of residual TCI, TCF and TCTSL with TCIL in accordance with the provisions of Section 230 to 232 of the Companies Act, 2013, Rules made thereunder and other applicable provisions of applicable law; and
- 2.3 Reduction of share capital of Quess Corp Limited, TCIL and TCI in accordance with Section 230 to 232 read with Sections 52, 55 and 66 and other applicable provisions of the Companies Act, 2013
- 2.4 The Audit Committee reviewed the Valuation Report and noted the recommendations made therein. Further, Fairness Opinion confirmed that share swap ratio in the valuation report is fair to the shareholders of the Company.
- 2.5 The Audit Committee noted the rationale and benefits of the Scheme which, inter-alia, are as follows:

The restructuring proposed pursuant to this Scheme is expected, inter-alia, to result in the following benefits:

- i. TCIL is streamlining its business and proposes to demerge its Human Resource Services Business and consolidate its travel related businesses carried on by its wholly owned subsidiaries viz. Transferor Companies. As part of this arrangement, the Inbound Business of TCI will be demerged into SOTC TRAVEL and thereafter, the residual business of TCI will be merged along with the other wholly owned subsidiaries viz. TCTSL and TCF with TCIL. This arrangement is in consonance with the global corporate practices which intend and seek to achieve flexibility and integration of size, scale and financial strength, in the business carried on by TCIL. Further, TCIL will demerge Demerged Undertaking 2 which is the Human Resource Services Business into Quess. Upon segregation of identified business undertakings and amalgamation, TCIL, SOTC TRAVEL and Quess shall achieve higher long-term financial returns, increased competitive strength, cost reduction and efficiencies, productivity gains, and logistical advantages, thereby



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significantly contributing to future growth in their respective business verticals. Apart from the various benefits/advantages stated and illustrated above, the management of TCIL, SOTC TRAVEL, Quess and Transferor Companies are of the opinion that the following benefits shall also be enjoyed and realized by all the stakeholders:

- Streamlining businesses: Currently, TCIL along with its subsidiaries, joint ventures and associate companies is engaged in various businesses such as financial services, travel and related services, vacation ownership and resorts business and human resource services. SOTC TRAVEL is engaged in business of tours & travels, travel agents, tour operators etc. Further, Transferor Companies are engaged in business of forex, tours etc. Quess is India's leading integrated business services provider and is engaged in providing services in the field of: (i) industrial asset management, (ii) integrated facility management, (iii) human resource services, (iv) global technology solutions and (v) internet business. In order to streamline the business both from operating and management perspective, it is proposed to consolidate alike businesses into a single identified entity and segregate other businesses into another identified entity creating a niche dedicated and focused business segment without any risk or overlap of one business over the other. Accordingly, the Inbound Business of TCI will be demerged into SOTC TRAVEL and residual TCI, TCF and TCTSL will amalgamate into TCIL. The 'Human Resource Service Business' carried on by TCIL through itself and through Quess has significant potential for growth and profitability. The nature of risk, challenges, competition, opportunities for the 'Human Resource Service Business' is distinct and separate from the travel related business carried on by TCIL. The 'Human Resource Service Business' is capable of attracting a different set of investors, strategic partners and stakeholders. The proposed Scheme would create enhanced value for the stakeholders.
- Resources: The Scheme will improve organizational capability arising from the pooling of human capital that have diverse skills, talent, and vast experience, and facilitate mobility of human resources of Transferor Companies and the employees in the subsidiaries belonging to the Transferor Companies and vice versa, greater integration and greater employees' strength and flexibility for the amalgamated entity, which would result in maximizing overall shareholder value and will improve the competitive position of all the companies.
- Streamlining the holding in various operating companies of the group: The Scheme will result in administrative and operational rationalization, organizational efficiencies, and in economies of scale,



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reduction in overheads and other expenses and optimum utilization of resources, which will go a long way in strengthening the business model that would be competitive and cogent.

- Focused management: Pursuant to the Scheme, similar businesses will vest together thereby providing focused management and propel the growth of each business.
- Efficiency in fund raising and de-risking businesses: With consolidation of like businesses, the companies can leverage on the combined strength of the businesses and raise funds efficiently as well as de-risk other businesses that are segregated.
- Reduction in number of companies and regulatory compliance thereof: TCI, TCF and TCTSL are wholly owned subsidiaries of TCIL. This will lead to a reduction of shareholding layers, overheads and facilitate administrative convenience.

2.6 The proposed restructuring is in the interest of the shareholders, creditors, employees and other stakeholders in each of the companies.

3. Recommendation of the Audit Committee:

Taking into consideration the draft Scheme and its rationale and benefits, Valuation Report, Fairness Opinion and other documents, as placed, the Audit Committee recommends the draft Scheme to the Board of Directors of the Company for its favorable consideration and approval.

By order of Audit Committee

For and on behalf of Thomas Cook (India) Limited

Nilesch Vikamsey

Chairman, Audit Committee

Date – 23 April 2018

Place – Mumbai

For Thomas Cook (India) Limited

  
Authorised Signatory