



**REPORT OF THE AUDIT COMMITTEE OF LEMON TREE HOTELS LIMITED  
RECOMMENDING THE COMPOSITE SCHEME OF ARRANGEMENT AMONG  
LEMON TREE HOTELS LIMITED, FLEUR HOTELS LIMITED, CARNATION  
HOTELS PRIVATE LIMITED, HAMSTEDE LIVING PRIVATE LIMITED, ORIOLE  
DR. FRESH HOTELS PRIVATE LIMITED, CANARY HOTELS PRIVATE LIMITED,  
SUKHSAGAR COMPLEXES PRIVATE LIMITED, MANAKIN RESORTS PRIVATE  
LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS  
MEETING HELD ON JANUARY 9, 2026 AT ASSET NO. 6, AEROCITY  
HOSPITALITY DISTRICT, NEW DELHI-110037**

**1. BACKGROUND**

- 1.1. A meeting of the Audit Committee of Lemon Tree Hotels Limited ("LTH" or "Company") was held on January 9, 2026 to consider and recommend to the Board of Directors of the Company ("Board") the draft composite scheme of arrangement ("Scheme") among the Company, Fleur Hotels Limited ("Transferee Company"), Carnation Hotels Private Limited ("Transferor Company 1"), Hamstede Living Private Limited ("Transferor Company 2"), Oriole Dr. Fresh Hotels Private Limited ("Transferor Company 3"), Canary Hotels Private Limited ("Transferor Company 4"), Sukhsagar Complexes Private Limited ("Transferor Company 5"), Manakin Resorts Private Limited ("Transferor Company 6") and their respective shareholders and creditors under Sections 230-232 and other applicable provisions of the Companies Act, 2013 ("Act") and the rules and regulations made thereunder (including any statutory modification(s) or re-enactment(s) thereof) and other applicable laws and regulations including the Securities and Exchange Board of India ("SEBI") master circular bearing number SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("SEBI Scheme Circular"), the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and applicable provisions of the Income-tax Act, 1961 ("IT Act 1961") or the Income-tax Act, 2025 ("IT Act 2025"), as applicable (including any statutory modification(s) or re-enactment(s) thereof for the time being in force).
- 1.2. LTH is a public limited company incorporated under the provisions of the Companies Act, 1956 and is, *inter alia*, engaged in the hospitality business and owns, leases, operates or franchises hotels, motels and resorts. The equity shares of LTH are listed on BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE") (collectively, the "Stock Exchanges").
- 1.3. The Transferee Company is a public limited company and is a subsidiary of LTH and is, *inter alia*, engaged in the hospitality business and owns or leases hotels, motels and resorts.

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- 1.4. The Transferor Company 1, Transferor Company 2, Transferor Company 3, Transferor Company 4, Transferor Company 5 and Transferor Company 6 (collectively, the “**Amalgamating Companies**”) are wholly owned subsidiaries of LTH (where in case of (i) Transferor Company 3, LTH holds 78.85% of its shareholding directly and the remaining 21.15% indirectly through another wholly owned subsidiary, i.e., Transferor Company 1; (ii) Transferor Company 4, LTH holds 94.17% of its shareholding directly and the remaining 5.83% indirectly through another wholly owned subsidiary, i.e., Transferor Company 1; and (iii) Transferor Company 5, LTH holds 79.90% of its shareholding directly and the remaining 20.10% indirectly through another wholly owned subsidiary, i.e., Transferor Company 1) and are, *inter alia*, engaged in the hospitality business.
- 1.5. The draft Scheme will be filed with the Stock Exchanges by LTH pursuant to Regulation 37(1) of the Listing Regulations read with the SEBI Scheme Circular for obtaining no-objection letters/observation letters from the Stock Exchanges, which will enable the proposed restructuring of the Companies and subsequent listing of the shares of Fleur issued under the Scheme on the Stock Exchanges.
- 1.6. The Scheme will be filed by LTH, the Transferee Company and the Amalgamating Companies (collectively, the “**Companies**”) before the National Company Law Tribunal, Chandigarh Bench (“**NCLT**”) under Sections 230-232 and other applicable provisions of the Act and will also be in compliance with the IT Act 1961 or the IT Act 2025, as applicable and the SEBI Scheme Circular.
- 1.7. As per the requirements set out under the SEBI Scheme Circular, the Audit Committee of LTH is required to adopt a report recommending the draft Scheme (“**Report**”), taking into consideration, inter alia the Share Entitlement Ratio Report, and commenting on the need for the Scheme, rationale of the Scheme, synergies of business of the entities involved in the Scheme, impact of the Scheme on the shareholders and cost benefit analysis of the Scheme. Accordingly, this Report of the Audit Committee has been made in compliance with the requirements of the SEBI Scheme Circular.

## 2. DOCUMENTS PLACED BEFORE THE AUDIT COMMITTEE

- 2.1. The following documents were placed before the Audit Committee for the purpose of making its recommendation in this Report:
  - (a) Draft Scheme;
  - (b) Certificate issued by Deloitte Haskins & Sells LLP, the Statutory Auditor of LTH (Firm Registration No. 117366W/ W-100018), as required under Sections 230(7) and 232(3) of the Act, the SEBI Scheme Circular read with the Listing Regulations, certifying that the accounting treatments contained in the Scheme

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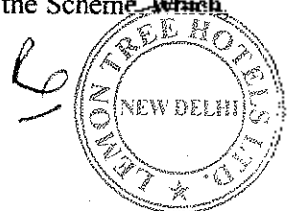


are in compliance with the applicable Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standard) Rules, 2015 and Other Generally Accepted Accounting Principles in India;

- (c) Share Entitlement Ratio Report dated December 31, 2025 issued by BDO Valuation Advisory LLP, an independent Registered Valuer (IBBI Registered Valuer No. IBBI/RV-E/02/2019/103), inter alia, providing the Share Entitlement Ratios mentioned in the Scheme, on the basis of which the Transferee Company will issue shares to the shareholders of the Transferor Company 3, Transferor Company 4, Transferor Company 5 and Transferor Company 6 pursuant to Amalgamation 2 and to the shareholders of LTH pursuant to the Demerger (as defined below) ("**Share Entitlement Ratio Report**");
- (d) Fairness opinion dated January 8, 2026 issued by CLSA India Private Limited, an independent SEBI-registered merchant banker bearing registration no. INM000010619, providing an opinion on the fairness of the Share Entitlement Ratios proposed in the Share Entitlement Ratio Report ("**Fairness Opinion**");
- (e) An undertaking dated January 9, 2026 from the Company Secretary of LTH under Paragraph A(10)(c) of Part I of SEBI Scheme Circular on the non-applicability of the requirements under Paragraph A(10)(b) read with Paragraph A(10)(a) of Part I of the SEBI Scheme Circular in relation to approval of majority of the public shareholders of LTH ("**Undertaking**");
- (f) Certificate issued by Deloitte Haskins & Sells LLP, the Statutory Auditor of LTH (Firm Registration No. 117366W/ W-100018), certifying the Undertaking in relation to the non-applicability of the requirements under Paragraph A(10)(b) read with Paragraph A(10)(a) of Part I of the SEBI Scheme Circular relating to approval of majority of the public shareholders of LTH; and
- (g) Audited financial statements of the Transferee Company and the Amalgamating Companies as on September 30, 2025 and unaudited special purpose carved-out financial information with respect to the Demerged Undertaking (*as defined in the Scheme*) as at September 30, 2025.

### 3. SALIENT FEATURES OF THE SCHEME AND SHARE ENTITLEMENT RATIOS

- 3.1. The Audit Committee considered and noted the salient features of the Scheme, which inter alia, provides for:



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- (a) Amalgamation of Transferor Company 1 and Transferor Company 2 with LTH (“**Amalgamation 1**”) and dissolution of Transferor Company 1 and Transferor Company 2, without winding up as specified in Part III of the Scheme;
- (b) Amalgamation of Transferor Company 3, Transferor Company 4, Transferor Company 5 and Transferor Company 6 with the Transferee Company (“**Amalgamation 2**”) and dissolution of Transferor Company 3, Transferor Company 4, Transferor Company 5 and Transferor Company 6, without winding up and execution of the SH Management Agreements (as defined in the Scheme) as specified in Part IV of the Scheme;
- (c) Immediately after effectiveness of Amalgamation 1 and Amalgamation 2, demerger of the Demerged Undertaking of LTH into the Transferee Company (“**Demerger**”) and the continuation and amendment to the Existing Management Agreements (as defined in the Scheme) and execution of the Demerged Property Management Agreements (as defined in the Scheme) as specified in Part V of the Scheme; and
- (d) Various other matters consequential or otherwise integrally connected therewith including the reclassification of the authorized share capital of the Transferor Company 1 and Transferor Company 4 and the combination of the authorized share capital of the Amalgamating Companies into LTH and Transferee Company, as applicable.

### 3.2. Amalgamation 1

- (a) Upon the Scheme becoming effective and with effect from the Appointed Date (as defined in the Scheme), the Transferor Company 1 and Transferor Company 2, each being a wholly owned subsidiary of LTH, shall stand amalgamated with and into LTH as going concerns in accordance with Sections 230 to 232 and other applicable provisions of the Act and in accordance with Section 2(1B) and other applicable provisions of the IT Act 1961 or with Section 2(6) and other applicable provisions of the IT Act 2025, as applicable and all their assets, liabilities, contracts, licences, permissions, employees and proceedings shall, without any further act or deed, stand transferred to and vested in LTH in accordance with the Scheme and applicable law. The existing share capital of each of the Transferor Company 1 and Transferor Company 2 shall stand cancelled and they shall stand dissolved without winding up, in accordance with the terms of the Scheme and applicable law.
- (b) Upon the Scheme becoming effective, all equity shares of Transferor Company 1 and Transferor Company 2 held by LTH (either directly or through nominees) shall stand cancelled without any further application, act or deed and no new shares shall be issued and no payment in cash shall be made whatsoever, as

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consideration, by LTH in lieu of shares of Transferor Company 1 and Transferor Company 2 since Transferor Company 1 and Transferor Company 2 are wholly owned subsidiaries of LTH. Such cancellation of equity share capital held by the respective shareholders of the Transferor Company 1 and Transferor Company 2 shall be effected as an integral part of the Scheme under Sections 230-232 of the Act and shall not require a separate process under Section 66 of the Act on account of the Explanation to Section 230(12) of the Act.

### 3.3. Amalgamation 2

- (a) Upon the Scheme becoming effective and with effect from the Appointed Date, the Transferor Company 3, Transferor Company 4, Transferor Company 5 and Transferor Company 6, each being a wholly owned subsidiary of LTH, shall stand amalgamated with and into the Transferee Company as going concerns in accordance with Sections 230 to 232 and other applicable provisions of the Act and in accordance with Section 2(1B) and other applicable provisions of the IT Act 1961 or with Section 2(6) and other applicable provisions of the IT Act 2025, as applicable and all their assets, liabilities, contracts, licences, permissions, employees and proceedings shall, without any further act or deed, stand transferred to and vested in the Transferee Company in accordance with the Scheme and applicable law. The existing share capital of each of the Transferor Company 3, Transferor Company 4, Transferor Company 5 and Transferor Company 6 shall stand cancelled and they shall stand dissolved without winding up, in accordance with the terms of the Scheme and applicable law.
- (b) Upon the Scheme becoming effective and as consideration for Amalgamation 2, the Transferee Company shall, issue and allot fully paid-up equity shares to the shareholders on the Record Date (as defined in the Scheme) of (i) Transferor Company 3, in the ratio specified as Share Entitlement Ratio 1, (ii) Transferor Company 4, in the ratio specified as Share Entitlement Ratio 2, (iii) Transferor Company 5, in the ratio specified as Share Entitlement Ratio 3 and (iv) Transferor Company 6, in the ratio specified as Share Entitlement Ratio 4, in each case, as set out in the Scheme, in the following manner:
- (A) 10,000 (Ten Thousand) fully paid-up equity shares of Transferee Company of INR 10 (Indian Rupees Ten) each for every 49,872 (Forty-Nine Thousand Eight Hundred Seventy-Two) equity shares of Transferor Company 3, of INR 10 (Indian Rupees Ten) each (“Share Entitlement Ratio 1”);
- (B) 10,000 (Ten Thousand) fully paid-up equity shares of Transferee Company of INR 10 (Indian Rupees Ten) each for every 29,87,754 (Twenty-Nine Lakhs Eighty-Seven Thousand Seven Hundred Fifty-Four)

  
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equity shares of Transferor Company 4, of INR 1 (Indian Rupee One) each (“**Share Entitlement Ratio 2**”);

- (C) 10,000 (Ten Thousand) fully paid-up equity shares of Transferee Company of INR 10 (Indian Rupees Ten) each for every 53,118 (Fifty-Three Thousand One Hundred Eighteen) equity shares of Transferor Company 5, of INR 10 (Indian Rupees Ten) each (“**Share Entitlement Ratio 3**”); and
- (D) 10,000 (Ten Thousand) fully paid-up equity shares of Transferee Company of INR 10 (Indian Rupees Ten) each for every 1,01,077 (One Lakh One Thousand Seventy-Seven) equity shares of Transferor Company 6, of INR 10 (Indian Rupees Ten) each (“**Share Entitlement Ratio 4**”).

### 3.4. Demerger

- (a) Upon the Scheme becoming effective and with effect from the Appointed Date, the Demerged Undertaking (as defined in the Scheme) including the Demerged Hotel Properties (as defined in the Scheme) and the Development Capabilities (as defined in the Scheme) together with the Demerged Assets (as defined in the Scheme), Demerged Liabilities (as defined in the Scheme), permits, contracts, Demerged Employees (as defined in the Scheme) and proceedings (as disclosed in the balance sheet as at September 30, 2025 of the Demerged Undertaking) shall, without any further act or deed, stand demerged to and vested in the Transferee Company as a going concern, and shall be deemed to be the assets, liabilities, contracts, licenses, permissions, employees and proceedings of the Transferee Company in accordance with Sections 230 to 232 and other applicable provisions of the Act and Section 2(19AA) and other applicable provisions of the IT Act 1961 or with Section 2(35) and other applicable provisions of the IT Act 2025, as applicable.
- (b) Upon the Scheme becoming effective and as consideration for the demerger and transfer of the Demerged Undertaking, the Transferee Company shall, issue and allot 20 (Twenty) fully paid-up equity shares of the Transferee Company of INR 10 (Indian Rupees Ten) each for every 311 (Three Hundred Eleven) equity shares of LTH of INR 10 (Indian Rupees Ten) each, to the equity shareholders of LTH whose names appear in the register of members / records of the depository on the Record Date (as defined in the Scheme) (“**Share Entitlement Ratio 5**”).

3.5 Upon the Scheme becoming effective, the ~~Subsidiary Hotels~~ (as defined in the Scheme) and the ~~Demerged Hotel Properties~~ (as defined in the Scheme) including investment in



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Arum Hotels Private Limited (which houses Aurika, Shillong) will vest with the Transferee Company (and/or its subsidiaries), but will continue to be managed and operated by LTH as per the provisions of the hotel operating agreements in respect of each of the Subsidiary Hotels and Demerged Hotel Properties, to be executed between LTH and the Transferee Company (and/or its subsidiaries) (i.e. the SH Management Agreements and Demerged Property Management Agreements, as applicable and as defined in the Scheme), on such terms as may be mutually agreed between them, the key commercial terms of which are set out in the Scheme and shall be effective from the Appointed Date. The management fees, brand license/incentive fees and any other commercial entitlements payable to LTH under these hotel operating agreements shall, notwithstanding the date on which such hotel operating agreements are executed, accrue to and be due and payable to LTH with effect from the Appointed Date. In furtherance to the reorganization contemplated under the Scheme and to ensure operational continuity and alignment of the business model whereby LTH shall focus on hotel management, operations and brand-related activities and the Transferee Company (and/or its subsidiaries) shall function as the asset-holding and development platform and with effect from the Effective Date, the existing hotel operating agreements (i.e. Existing Management Agreements, as defined in the Scheme) shall stand amended and/or restated, on terms as may be agreed between LTH and the Transferee Company (and/or its relevant subsidiary), with the material commercial modifications to such agreements being those specified in the Scheme.

- 3.6 Upon the Effective Date and with effect from the Appointed Date, (i) all contracts, engagements and arrangements subsisting immediately prior to the Effective Date between LTH and the Transferee Company in respect of, or relating to, the provision or performance of any development-related services (including, without limitation, the development management agreement dated April 25, 2012) shall terminate automatically with no further obligations, except for accrued rights as mutually agreed; and (ii) all contracts, engagements and arrangements executed between LTH and third-party owners, developers or operators for the provision or performance of development related services, which are subsisting immediately prior to the Effective Date shall vest in the Transferee Company along with associated rights and obligations.
- 3.7 Subject to and in accordance with any relevant agreement(s) to which LTH and the Transferee Company are parties, if LTH receives any bona fide opportunity to acquire (by purchase or long-term concession or lease) or develop any hotel, hotel project or hotel-related real estate intended to be owned (directly or through a subsidiary or special purpose vehicle), LTH shall refer such opportunity to the Transferee Company by a written notice describing the opportunity and the key commercial terms then reasonably available in the manner as agreed between LTH and the Transferee Company, and even if the Transferee Company declines, or fails to respond to such notice or does not submit a binding proposal, LTH shall not pursue such opportunity(ies). LTH may however pursue hotel operating arrangements / franchising arrangement in relation to an opportunity which has been



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declined by the Transferee Company but undertaken by a third party referred to by LTH (not being LTH, its promoters, their respective affiliates and related parties).

- 3.8 The Amalgamation 1 and Amalgamation 2 have been drawn up to comply with the conditions relating to “amalgamation” as specified under the Tax (as defined in the Scheme) laws, including Section 2(1B) and other applicable sections of the IT Act 1961 or Section 2(6) and other applicable sections of the IT Act 2025, as applicable and the Demerger has been drawn up to comply with the conditions relating to “demerger” as specified under the Tax laws, including Section 2(19AA) and other applicable sections of the IT Act 1961 or Section 2(35) and other applicable sections of the IT Act 2025, as applicable.
- 3.9 On January 9, 2026, APG Strategic Real Estate Pool NV (“APG”), an existing shareholder of the Transferee Company has entered into a share purchase agreement (“SPA”) with Coastal Cedar Investments B.V., an entity registered in Netherlands (“Investor”), the Transferee Company and LTH for the transfer of its entire shareholding of 41.09% (forty one point zero nine percent) in the Transferee Company to the Investor. Simultaneous with the execution of the SPA, the Transferee Company, LTH, certain promoters of LTH and the Investor have entered into a shareholders’ agreement (“SHA”) in relation to the Transferee Company. In terms of the SHA, as and when the Transferee Company needs growth capital, the Investor has the right to provide such capital to the Transferee Company, by subscription to equity shares, for an amount of up to INR 960,00,00,000/- (Indian Rupees Nine Hundred and Sixty Crores) at a valuation of the Transferee Company, which is not less than the valuation of the Transferee Company determined under the Share Entitlement Ratio Report, as provided for in the SHA (“Proposed Preferential Issue”). Any issuance of equity shares by the Transferee Company to the Investor (or its affiliates) may result in dilution of the shareholding held by LTH in the Transferee Company. However, such Proposed Preferential Issue to the Investor shall not impact, alter, change the Share Entitlement Ratio 1, Share Entitlement Ratio 2, Share Entitlement Ratio 3, Share Entitlement Ratio 4 and/or Share Entitlement Ratio 5 as specified in the Scheme.
- 3.10 The existing shareholding of LTH in the paid-up share capital of the Transferee Company shall continue upon the Scheme becoming effective and, on the assumption that only shares pursuant to Amalgamation 2 and Demerger are issued (as referred to in paragraphs 3.3(b) and 3.4(b) above), LTH’s shareholding in the Transferee Company is expected to represent approx. 41.03% (forty-one point zero three percent) of the Transferee Company’s issued and paid-up equity share capital, which shall be subject to dilution pursuant to the Proposed Preferential Issue, if undertaken.
- 3.11 Following the effectiveness of the Scheme, the Transferee Company will cease to be a subsidiary of LTH and the equity shares of the Transferee Company will be listed and admitted to trading on the BSE and NSE in compliance with SEBI Scheme Circular and other relevant provisions as applicable.



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- 3.12 The "Appointed Date" under the Scheme means commencement of business hours of April 1, 2026, or such other date as may be determined by the NCLT.
- 3.13 The "Effective Date" under the Scheme means the date on which the last of the conditions precedent specified in Clause 33.1 of Part VI of the Scheme are duly completed, unless duly waived in terms of the Scheme.
- 3.14 The effectiveness of the Scheme is conditional on and subject to: (a) receipt of no-objection or observation letters by LTH from SEBI and/or Stock Exchanges under Regulation 37 of the Listing Regulations, in accordance with the SEBI Scheme Circular, on terms acceptable to LTH and the Transferee Company; (b) approval of the Scheme by the requisite majority of shareholders and/or creditors (where applicable) of LTH, the Transferee Company and the Amalgamating Companies as required under the Companies Act, Listing Regulations and as may be directed by the NCLT, subject to any dispensation as may be granted by the NCLT; (c) The Competition Commission of India having granted an approval (if and to the extent required) for the consummation of: (i) the transfer of shares contemplated under the SPA; (ii) the Proposed Preferential Issue in accordance with the SHA; and (iii) the transactions contemplated under the Scheme to undertake Amalgamation 1, Amalgamation 2 and the Demerger; (d) sanction of the Scheme by the NCLT under Sections 230 to 232 and other applicable provisions of the Companies Act; and (e) filing of the certified copies of the NCLT order approving the Scheme with the Registrar of Companies by each of the Companies.

#### **4. NEED, RATIONALE AND KEY BENEFITS OF THE SCHEME AND SYNERGIES**

##### **4.1. Need and Rationale of the Scheme:**

- (a) LTH is a leading hospitality company in India with an established portfolio of owned, leased and managed hotels. In addition to its hotel-ownership portfolio, LTH has developed a strong hotel-management platform covering brand systems, distribution, sales, loyalty, technology, operations and other central functions.
- (b) LTH has undertaken a detailed review of its business structure with a view to segregating: (i) the asset-heavy hotel-ownership and development undertaking, and (ii) the asset-light hotel-management and brand platform undertaking and determined that the business comprising the asset-heavy hotels (including the Demerged Hotel Properties (as defined in the Scheme)) and the Development Capabilities (as defined in the Scheme) is a distinct and self-sustaining undertaking well suited to be housed in the Transferee Company.



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- (c) Therefore, to achieve operational focus, greater flexibility for capital deployment, and clearer alignment of business objectives, it is proposed under this Scheme to (i) amalgamate Transferor Company 3, Transferor Company 4, Transferor Company 5 and Transferor Company 6 with the Transferee Company, and (ii) demerge and vest the Demerged Undertaking (comprising the Demerged Hotel Properties and the Development Capabilities together with the related undertakings, as defined in the Scheme) into the Transferee Company, while LTH will continue to focus on the asset-light hotel management support, brand and operations including management support of the hotels transferred to the Transferee Company and other properties.
- (d) The Scheme seeks to establish the Transferee Company as the principal entity housing the Demerged Hotel Properties assets and investments and establish LTH as the primary platform for hospitality management and brand of the group. The Scheme will ensure that the group retains unified strategic control, while providing operational independence and financial flexibility to each entity.
- (e) Upon the Scheme becoming effective, the Transferee Company shall issue equity shares to the shareholders of LTH in consideration for the Demerger. As a result, all shareholders of LTH will obtain a direct shareholding in the Transferee Company and thereby directly participate in the economic value and growth of the hotel-ownership and development undertaking. LTH will continue to hold equity shares in the Transferee Company and, on the assumption that only shares pursuant to Amalgamation 2 and Demerger are issued, such shareholding is expected to represent approximately 41.03% of the equity share capital of the Transferee Company, which shall be subject to dilution pursuant to the Proposed Preferential Issue, if undertaken. Accordingly, LTH will continue to participate indirectly in the Transferee Company through such retained strategic investment. Following the implementation of the Scheme, the Transferee Company will cease to be a subsidiary of LTH, and its shares will be listed on the Stock Exchanges, enabling transparent price discovery and market-driven valuation of the asset-heavy business. This structure ensures that the shareholders of LTH directly participate in the economic value of the hotel-ownership and development undertaking through listed shares of the Transferee Company.
- (f) Further, the amalgamation of Transferor Company 1 and Transferor Company 2 with LTH, both wholly owned subsidiaries of LTH, is intended to simplify the existing group structure by eliminating legal and structural layering and consolidating the assets and liabilities of these entities directly within the LTH platform. This consolidation is expected to reduce administrative processes and compliance costs associated with maintaining multiple standalone legal entities,

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and will allow for the centralisation of contracts, cashflows, governance and reporting under LTH. This removes duplication, improves organisational efficiency and reduces controllership overheads, while ensuring continuity of business operations within LTH.

- (g) The principal objects and rationale of this Scheme are as follows:
- (i) To consolidate all hospitality management and operations of the Transferor Company 1 and Transferor Company 2 into a single entity, LTH, through Amalgamation 1, and to consolidate certain hotel-owning companies into the Transferee Company through Amalgamation 2, thereby eliminating duplications, improving operational efficiency, and ensuring unified brand management and decision-making.
  - (ii) To reorganize the group's business by amalgamating the Transferor Company 3, Transferor Company 4, Transferor Company 5 and Transferor Company 6 together with the Subsidiary Hotels (as defined in the Scheme) and demerging the Demerged Undertaking of LTH, into the Transferee Company. This will ensure LTH remains focused on hotel management and operational activities, while the Transferee Company serves as the asset-holding and investment platform. In furtherance of this objective, (i) the Existing Management Agreements (as defined in the Scheme) shall be amended, inter alia, to extend their tenure from the Appointed Date to ensure continuity of hotel operations, brand management and commercial arrangements between LTH and the Transferee Company, and (ii) new hotel operating agreements shall be entered into between LTH and the Transferee Company (and/or its subsidiaries), for the operation and management of the properties transferred to the Transferee Company, in each case, in the manner specified in the Scheme.
  - (iii) To enable a potential separate listing of the Transferee Company, thereby providing it with independent market visibility, valuation and access to capital for expansion and acquisition of new hospitality assets.
  - (iv) To clearly demarcate the ownership and management functions of the group, allowing each entity to pursue its respective business objectives efficiently, while continuing to operate in synergy through management and service arrangements.
  - (v) To establish separate management teams and governance frameworks for LTH and the Transferee Company, promoting accountability, agility, and strategic oversight at both the operational and asset levels.

  
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- (vi) To create a flexible structure enabling the Transferee Company to attract investors or co-development partners for specific hotel projects, without affecting LTH's brand operations or control over strategic decisions.
- (vii) To centralize all hotel management and brand arrangements under LTH, ensuring consistent service quality, operational standards, and brand positioning across owned and third-party hotels.
- (viii) To simplify the existing group structure by amalgamating the Transferor Company 1 and Transferor Company 2, both wholly owned subsidiaries of LTH, into LTH, eliminating legal and structural layering and consolidating the assets and liabilities of these entities directly within the LTH platform, thereby reducing administrative processes and compliance costs associated with maintaining multiple standalone legal entities.
- (ix) To achieve long-term value enhancement for shareholders by establishing two distinct yet complementary platforms, with LTH operating as the management and brand company and the Transferee Company operating as the asset platform, thereby improving operational focus, financial efficiency and market positioning.

#### 4.2. Key Benefits of the Scheme

The Scheme is expected to result in a simplified, transparent, and growth-oriented structure for the group's hospitality business, aligning ownership, operations and management functions in a manner consistent with best global practices in the hotel and hospitality industry. The restructuring will deliver the following key benefits:

- (a) The Scheme will unlock intrinsic value for shareholders by enabling distinct market recognition and valuation of the hospitality management and brand business housed in LTH, and the hotel ownership housed in the Transferee Company. The separate listing of Transferee Company will allow investors to directly participate in the hotel assets, while LTH continues to derive stable, fee-based revenues through management contracts.
- (b) The Scheme will consolidate all management and brand operations into LTH, enhancing efficiency and synergy across the hospitality portfolio.
- (c) Amalgamation 2 and the Demerger will place the Subsidiary Hotels, the Demerged Hotel Properties and the Developmental Capabilities under the Transferee Company, providing financial clarity and enabling tailored capital structures for owned assets.



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- (d) Distinct management and operational responsibilities will drive greater accountability and decision-making speed.
- (e) Separate listing of the Transferee Company will enable direct market valuation and access to dedicated pools of capital for asset growth.
- (f) The Scheme will allow for targeted partnerships and provide a scalable framework for future expansion.
- (g) The Scheme will improve operational efficiency within LTH by amalgamating its wholly owned subsidiaries (Transferor Company 1 and Transferor Company 2) directly into LTH, thereby removing corporate layering, simplifying administrative and compliance processes, and enabling centralised governance, controllership and reporting for these businesses.
- (h) The Scheme will consolidate the hotel-ownership and development vertical within the Transferee Company through the amalgamation of Transferor Company 3, Transferor Company 4, Transferor Company 5 and Transferor Company 6 and the Demerger of the Demerged Undertaking from LTH to the Transferee Company, thereby strengthening the Transferee Company as the focused asset platform of the group, enhancing transparency for asset-side investors and lenders, and facilitating long-term capital planning and allocation for owned hotel assets.

The Scheme is in the best interests of the shareholders, creditors, employees and other stakeholders of all the Companies and is expected to result in long-term sustainable growth, financial flexibility and enhanced stakeholder value.

#### 4.3. Synergies of business of the entities involved in the Scheme

- (a) The Scheme will deliver the benefits outlined in Paragraph 4.2 above. The business of LTH as a hotel-management, brand and operations platform and the business of the Transferee Company as the consolidated hotel-ownership and development undertaking are inherently complementary. The Scheme aligns these businesses such that the Transferee Company's asset base directly feeds into LTH's management platform, while LTH's brand, systems and operational capabilities enhance the performance and long-term value of the Transferee Company's hotel assets.
- (b) The Scheme provides that upon the Scheme becoming effective, the Subsidiary Hotels (as defined in the Scheme) and the Demerged Hotel Properties (as defined in the Scheme) including investment in Arum Hotels Private Limited (which houses



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Aurika, Shillong) will continue to be managed and operated by LTH as per the provisions of the hotel operating agreements in respect of each of the Subsidiary Hotels and Demerged Hotel Properties, to be executed between LTH and the Transferee Company (and/or its subsidiaries), on such terms as may be mutually agreed between them, the key commercial terms of which are set out in the Scheme and shall be effective from the Appointed Date. This ensures that the Transferee Company benefits from LTH's established operational expertise and brand equity, while LTH benefits from a stable and predictable pipeline of assets under management, enabling long-term platform investments in brand, systems, people and technology.

- (c) The Scheme provides that subject to and in accordance with any relevant agreement(s) to which LTH and the Transferee Company are parties, if LTH receives any bona fide opportunity to acquire or develop any hotel, hotel project or hotel-related real estate intended to be owned, LTH shall refer such opportunity to the Transferee Company by a written notice describing the opportunity and the key commercial terms then reasonably available in the manner as agreed between LTH and the Transferee Company, and even if the Transferee Company declines, or fails to respond to such notice or does not submit a binding proposal, LTH shall not pursue such opportunity(ies), although LTH may pursue hotel operating arrangements / franchising arrangement in relation to an opportunity which has been declined by the Transferee Company but undertaken by a third party referred to by LTH (not being LTH, its promoters, their respective affiliates and related parties). This arrangement ensures continued alignment of asset growth with the expansion of LTH's fee-based management platform, reinforcing synergies over time.
- (d) By housing ownership and development capability in the Transferee Company and centralising management, operations, distribution, revenue systems and guest-facing platforms in LTH, the Scheme creates a self-reinforcing business cycle: owned and developed assets contribute to LTH's scale and fee revenue, and LTH's operational performance and brand strength enhance the cash flows, valuation and financing capability of the Transferee Company's assets.
- (e) The consolidation of Development Capabilities and hotel assets within the Transferee Company, together with exclusive management arrangements with LTH, allows the Transferee Company to pursue refurbishment, repositioning, development and co-investment opportunities supported by LTH's operating systems, thereby increasing asset competitiveness and long-term value.
- (f) The segregated but interconnected structure enables the Transferee Company to access capital and co-development partnerships tailored to asset-side requirements, while LTH benefits from a consistent, scalable and contractually



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protected portfolio of assets under management, preserving brand integrity and enabling long-term operating efficiencies across the group.

- (g) The Scheme will consolidate the hotel-ownership and development vertical within the Transferee Company through the amalgamation of Transferor Company 3, Transferor Company 4, Transferor Company 5 and Transferor Company 6 and the Demerger of the Demerged Undertaking from LTH to the Transferee Company, thereby strengthening the Transferee Company as the focused asset platform of the group, enhancing transparency for asset-side investors and lenders, and facilitating long-term capital planning and allocation for owned hotel assets.

## 5. IMPACT OF THE SCHEME ON THE SHAREHOLDERS

- 5.1. LTH has only equity shareholders and no other class of shareholders.
- 5.2. The Scheme does not alter the shareholding pattern of **LTH**, as no equity shares of LTH are proposed to be issued or allotted pursuant to the Scheme. The shareholders of LTH shall continue to hold the same number of equity shares in LTH as they held prior to the Scheme becoming effective.
- 5.3. Pursuant to the Demerger under the Scheme, all the shareholders (promoter or non-promoter) of LTH whose names appear in the register of members or in the records of the depository as on the Record Date shall, **in consideration of the transfer and vesting of the Demerged Undertaking**, be issued and allotted fully paid-up equity shares of the Transferee Company in the Share Entitlement Ratio 5 as specified in the Scheme and referred to in Paragraph 3.4(b) above. Such allotment shall be made on a **proportionate and non-discriminatory basis** to all equity shareholders of LTH, including public shareholders and promoter / promoter group shareholders, thereby enabling each shareholder of LTH to directly participate in the economic value and future growth of the hotel-ownership and development undertaking to be housed in the Transferee Company.
- 5.4. If the allotment of shares by the Transferee Company in accordance with the Share Entitlement Ratio 5 results in any shareholder of LTH being entitled to any fractional shares, then the fractional entitlement shall be dealt with in the manner specified in the SEBI Scheme Circular i.e. the fractional shares shall be consolidated and allotted to trustee(s) authorised by the Board of the Transferee Company for sale and distribution of net sale proceeds to the shareholders in proportion to their respective fractional entitlements.
- 5.5. ~~Further~~, as mentioned in Paragraph 3.10 above, LTH's existing shareholding in the Transferee Company shall continue upon the Scheme becoming effective and, on the



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assumption that only shares pursuant to Amalgamation 2 and Demerger are issued (as referred to in paragraphs 3.3(b) and 3.4(b) above), LTH's shareholding in the Transferee Company is expected to represent approximately 41.03% of the equity share capital of the Transferee Company, which shall be subject to dilution pursuant to the Proposed Preferential Issue, if undertaken. Since LTH shall continue to retain a strategic shareholding in the Transferee Company after the effectiveness of the Scheme, shareholders of LTH shall also **continue to hold indirect interest in the Transferee Company** through the retained investment of LTH.

- 5.6. Subject to receipt of necessary approvals, the shares of the Transferee Company are proposed to be listed and admitted to trading on NSE and BSE in accordance with the provisions of the SEBI Scheme Circular and other applicable laws, thereby providing liquidity, transparency and market-based valuation for the shareholders of LTH in respect of their shareholding in the Transferee Company.
- 5.7. The Scheme does **not contemplate any reduction, cancellation or diminution of share capital of LTH**, nor does it result in any preferential or selective allotment of shares to any class or category of shareholders. The rights, entitlements and interests of the shareholders of LTH **remain unaffected**, save to the extent of the receipt of equity shares of the Transferee Company in accordance with the share entitlement ratio under the Scheme. The Scheme does not adversely affect the economic interest of the shareholders of LTH and is expected to be beneficial to all shareholders through enhanced structural clarity, distinct value recognition for the asset-heavy and asset-light businesses and sustained long-term value creation.
- 5.8. In view of the above, the Audit Committee are of the opinion that the Scheme is fair and reasonable and is expected to be in the best interests of the shareholders of LTH.

## 6. COST BENEFIT ANALYSIS OF THE SCHEME

The Audit Committee took note that the proposed Scheme will entail certain transaction costs including implementation costs, legal costs, regulatory fees, stamp duty, registration and transfer related charges incurred on transfer/mutation of immovable properties, etc. However, after evaluation of the proposed Scheme, the Audit Committee is of the view that the benefits of the Scheme for the stakeholders of LTH in terms of sharpened focus and other benefits as specified in paragraph 4 above far outweigh such transaction costs. Thus, the Audit Committee believes that the Scheme will be beneficial for the stakeholders involved in the Scheme.

## 7. RECOMMENDATION OF THE AUDIT COMMITTEE

- 7.1. ~~The Audit Committee has reviewed the Share Entitlement Ratio Report and noted the~~ recommendations therein on the proposed Share Entitlement Ratios. Further, the



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Fairness Opinion has confirmed that the Share Entitlement Ratios, as recommended in the Share Entitlement Ratio Report, are fair and reasonable for the shareholders of LTH.

- 7.2. In view of the foregoing and taking into consideration the draft Scheme, Share Entitlement Ratio Report, Fairness Opinion, need for the Scheme, rationale of the Scheme, synergies of business of the entities involved in the Scheme, impact of the Scheme on the shareholders, cost benefit analysis of the Scheme, and other relevant documents, as placed, the Audit Committee, after due deliberation and consideration, recommends the draft Scheme for favourable consideration and approval by the Board of Directors of the Company, Stock Exchanges, SEBI and other appropriate authorities.

**By Order of the Audit Committee of Lemon Tree Hotels Limited**

  
**Praveen Garg**  
**DIN: 00208604**  
**Chairman of the Audit Committee**



Date: January 09, 2026  
Place: New Delhi

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