

**REPORT OF THE AUDIT COMMITTEE OF GALLANTT ISPAT LIMITED
("GIL"/COMPANY/TRANSFEROR CO. NO. 1") RECOMMENDING THE DRAFT
SCHEME OF AMALGAMATION AND SLUMP SALE PROVIDING FOR THE
AMALGAMATATION OF GALLANTT ISPAT LIMITED, HIPOLINE
COMMERCE PRIVATE LIMITED, AAR COMMERCIAL COMPANY LIMITED,
LEXI EXPORTS PRIVATE LIMITED AND RICHIE CREDIT AND FINANCE
PRIVATE LIMITED WITH GALLANTT METAL LIMITED AND FOR THE SLUMP
SALE OF THE SPECIFIED POWER PLANT UNDERTAKING OF GALLANTT
ISPAT LIMITED TO THE TRANSFEREE COMPANY GALLANTT METAL
LIMITED ("SCHEME")**

Members of the Audit Committee of the Board of Directors of Gallantt Ispat Limited
("Company or "GIL") present in the meeting of the said Committee held on January 18,
2020:

Members:

- i. Smt. Smita Modi - Chairperson
- ii. Smt. Sangeeta Upadhyay - Member
- iii. Prem Prakash Agrawal - Member

A. BACKGROUND:

1. A meeting of the Audit Committee of Gallantt Ispat Limited ("Company or "GIL") was held on January 18, 2020 to consider and recommend the proposed Scheme of Amalgamation and Slump Sale providing for the Amalgamation of Gallantt Ispat Limited (Transferor Company No. 1), AAR Commercial Company Limited (Transferor Company No. 2), Hipoline Commerce Private Limited (Transferor Company No. 3), Lexi Exports Private Limited (Transferor Company No. 4) and Richie Credit and Finance Private Limited (Transferor Company No. 5) (together referred to as the "Transferor Companies") with Gallantt Metal Limited ("Transferee Company") and for the Slump Sale of the Specified Power Plant Undertaking of Gallantt Ispat Limited to the Transferee Company and their respective shareholders and Creditors ("Scheme") under Section 230 to 232 and other applicable provisions of the Companies Act, 2013.

2. In terms of circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 issued by the Securities and Exchange Board of India ("SEBI Circular"), a report from the Audit Committee is required to be furnished to the Company's Board of Directors, recommending the draft Scheme under the Companies Act, 2013, taking into consideration, inter alia, the Valuation Report. This report of the Audit Committee is made in order to comply with the requirements of the SEBI Circular.

GALLANTT ISPAT LIMITED

WORKS : SECTOR 23, GIDA, SAHJANWA, GORAKHPUR - 273 209
REGISTERED OFFICE : GALLANTT HOUSE, I-7, JANGPURA EXTENSION, NEW DELHI - 110014
HEAD OFFICE : 8TH FLOOR, GALLANTT LANDMARK, BANK ROAD, GORAKHPUR-273001
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3. This report is being furnished by the Audit Committee to the Board after perusing inter alia the following necessary documents:

(i) Valuation Report dated January 18, 2020 issued by the Independent Valuer namely Mr. Vikash Goel, Chartered Accountants;

(ii) Fairness Opinion dated January 18, 2020 prepared by Intelligent Money Managers Private Limited, Independent Category-I Merchant Banker, providing the fairness opinion on the share exchange ratio recommended in the Valuation Report;

(iii) The draft Scheme of Amalgamation of the Company.

4. The equity shares of the Company are listed on BSE Limited (BSE) and The National Stock Exchange of India Limited (NSE). The Company will be filing the Scheme along with the necessary information/documents with both the BSE and the NSE (collectively "Stock Exchanges").

THE SALIENT FEATURES OF THE PROPOSED SCHEME ARE AS UNDER:

1. **"Appointed Date of Merger"** means the open of business hours on 1st April 2019 after the completion of the slump sale referred to in Part II of the Scheme;

2. **"Appointed Date of Slump Sale"** means the open of business hours on 1st April 2019;

3. Inter-Company Shareholding and its Cancellation

- i. The Transferor Companies No. 1 is a promoter of the Transferee Company and holds 3,94,62,895 (Three Crore Ninety-Four Lacs Sixty-Two Thousand Eight Hundred and Ninety-Five only) Equity Shares of face value of Rs. 10/- each of the Transferee Company constituting 48.53% of the total paid up equity share capital of the Transferee Company.
- ii. The Transferor Companies No. 2 holds 4,97,48,760 (Four Crore Ninety-Seven Lacs Forty-Eight Thousand Seven Hundred and Sixty only) Equity Shares of face value of Re. 1/- each of the Transferor Companies No. 1 constituting 17.62% of the total paid up equity share capital of the Transferor Companies No. 1.
- iii. The Transferee Company holds 7,25,19,920 (Seven Crore Twenty-Five Lacs Nineteen Thousand Nine Hundred and Twenty only) Equity Shares

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of face value of Re. 1/- each of the Transferor Companies No. 1 constituting 25.683% of the total paid up equity share capital of the Transferor Companies No. 1.

- iv. The Transferor Companies No. 3 holds 90,83,128 (Ninety Lacs Eighty-Three Thousand One Hundred and Twenty-Eight only) Equity Shares of face value of Rs. 10/- each of the Transferee Company constituting 11.17% of the total paid up equity share capital of the Transferee Company.
- v. The Transferor Companies No. 4 holds 1,19,30,679 (One Crore Nineteen Lacs Thirty Thousand Six Hundred and Seventy-Nine only) Equity Shares of face value of Rs. 10/- each of the Transferee Company constituting 14.671% of the total paid up equity share capital of the Transferee Company.
- vi. The Transferor Companies No. 5 holds 50,20,194 (Fifty Lacs Twenty Thousand One Hundred and Ninety-Four only) Equity Shares of face value of Rs. 10/- each of the Transferee Company constituting 6.173% of the total paid up equity share capital of the Transferee Company.

Upon the Scheme becoming effective and upon the amalgamation of Transferor Companies with the Transferee Company, the Inter-corporate cross shareholding shall stand cancelled under this Scheme.

4. Slump Sale of 18 MW Power Plant of the Transferor Company No. 1 to the Transferee Company

The Board of Directors of the Transferor Companies No 1 and Transferee Company have decided to transfer by way of Slump Sale 18MW Power Plant Undertaking of Transferor Company No. 1 to Transferee Company and the Board of Directors of all the Transferor Companies and of the Transferee Company have decided to amalgamate the Transferor Companies with the Transferee Company in accordance with the terms and conditions of this Scheme and in accordance with the Act and in compliance with the applicable provisions of the Income Tax Act, 1961 including, in particular Section 50B and Section 2(1B).

Upon the Scheme becoming effective and with effect from Appointed Date of Slump Sale, the Power Plant Undertaking of the Transferor Company No. 1 shall pursuant to section 230 and other applicable provisions of the Act and without any further act or deed be transferred to and be vested or deemed to be vested in the Transferee Company as a going concern, pursuant to a slump sale and for this purpose the approval of the Scheme shall be deemed to be the approval of the shareholders and creditors of Transferor Companies No. 1.

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The Transferee Company for acquisition of the Power Plant Undertaking would be liable to pay consideration of Rs. 35 crores.

5. Issue of Shares by the Transferee Company

Pursuant to the terms of the Scheme, the Transferee Company shall, without further application, issue and allot as given below equity shares in the Transferee Company to the equity shareholders of the Transferor Companies whose names appear in the Register of Members of the Transferor Companies on the Record Date:

- 13 (Thirteen) equity shares of the nominal value of Rs. 10/- fully paid up in the Transferee Company for every 14 (Fourteen) equity shares of Re. 1/- each fully paid up held by such member in the Transferor Company No. 1.
- 5 (Five) equity shares of the nominal value of Rs. 10/- fully paid up in the Transferee Company for every 1 (One) equity share of Rs. 10/- each fully paid up held by such member in the Transferor Company No. 2.
- 9 (Nine) equity shares of the nominal value of Rs. 10/- fully paid up in the Transferee Company for every 2 (Two) equity shares of Rs. 10/- each fully paid up held by such member in the Transferor Company No. 3.
- 84 (Eighty-Four) equity shares of the nominal value of Rs. 10/- fully paid up in the Transferee Company for every 1 (One) equity share of Rs. 10/- each fully paid up held by such member in the Transferor Company No. 4.
- 101 (One Hundred One) equity shares of the nominal value of Rs. 10/- fully paid up in the Transferee Company for every 2 (Two) equity shares of Rs. 10/- each fully paid up held by such member in the Transferor Company No. 5.

6. Transfer and vesting of the undertakings and business

Upon the Scheme becoming effective, all assets, liabilities, contracts, rights, obligations of the Transferor Companies shall stand transferred to the Transferee Company, as a going concern, with effect from the appointed date.

The transfer and vesting of the undertakings and business of the Transferor Companies in the Transferor Company will be effective from Appointed Date.

7. Rationale of the Scheme

The Audit Committee discussed and noted the rationale of the proposed Scheme as set out below:

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The Transferee Company is a pioneer in the Steel and Power sector and is able to attract the best talents available in the industry. The Transferee Company is having its footprints spanning across Gujarat, Maharashtra and Rajasthan. In the same way, The Transferor Company No. 1 is a pioneer in the Steel, Power and Agro sector and has its presence in and is having its footprints spanning across Uttar Pradesh, Bihar, Jharkhand and Delhi NCR. The Transferor Companies No. 1 and Transferee Company are under same Promoter Group. Thus, the amalgamation of the two companies operating in similar sectors with strengths in different geographies will ensure focused management in a single combined entity thereby resulting in efficiency of management and maximising overall shareholder value.

The Transferor Companies No. 2 has plan to develop and complete real estate project. It is exploring further opportunities in the real estate sector and has in the meantime deployed its funds in investment in securities of the Transferor Companies No. 1. The Transferor Companies No. 1 is also inter alia engaged in the business of real estate. The Transferor Companies 2 holds significant portion (17.62%) of the equity share capital of the Transferor Companies No. 1. The amalgamation into the Transferee Company of the Transferor Company No. 1 and the Transferor Company No. 2 will lead to consolidation of the real estate business.

Transferor Companies No. 3 is forming part of the Promoter and Promoter Group of Transferee Company. Amalgamation of Transferor Companies No. 3 with the Transferee Company would result in clarifying and making transparent the shareholding of the Transferee Company. Other Transferor Companies No. 4 and 5 are also holding shareholding of Transferee Company. The proposed amalgamation of Transferor Companies No. 4 and 5 will also bring in advantages of clarifying and making transparent shareholding of the Transferee Company.

The amalgamation will bring in advantages of synergy in operations and economies of scale. The pooling of resources of companies will create strong financial structure and facilitate resource mobilisation and achieve better cash flows. The combined net worth in a single entity shall facilitate in attracting funds from strategic investors and/or financial institutions at competitive rates. Thus, the synergies created by the merger will increase the operational efficiency and integrate business functions of the amalgamated entity and help to pursue inorganic and

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organic growth opportunities of such business. It will also lead to more efficient utilisation of capital and create a consolidated base for future growth of the amalgamated entity.

The amalgamation particularly of the Transferor Companies No. 1 and the Transferee Company will also result in administrative and operational rationalisation, organisational efficiencies, reduction in overheads and other expenses and optimal utilisation of various resources. It will prevent cost duplication, overlapping of administrative responsibilities and multiplicity of records, legal and regulatory compliances generally involved with running two separate entities and more particularly due to the listed status of both the companies involved. It will enable a dedicated management to focus and accelerate growth of the amalgamated entity.

The amalgamation will result in not only, pooling of efficient human resources and putting them to optimum utilisation for the growth of the merged entity but also attracting efficient manpower by the merged entity.

The amalgamation will enable greater realization of the potential of the businesses of the Transferor and Transferee Companies in the amalgamated entity and have beneficial results for all concerned.

The assets of the amalgamated entity will far exceed its liabilities and rights of the creditors of the Transferor Companies and the Transferee Company shall not in any way be prejudiced.

The Scheme shall also be in the larger interest of the public shareholders of the Transferor Companies No. 1 and 2 and Transferee Company as amalgamation of the three companies and other companies forming part of this Scheme will lead to cancellation of inter-corporate cross shareholdings of the Transferee Company and Transferor Companies as well.

The Scheme also envisages Slump Sale of entire Power Plant Undertaking of the Transferor Companies No. 1 as a going concern to the Transferee Company and will thereby preserve the entitlement of the said Power Plant Undertaking to the tax holiday available to the said Undertaking for being engaged in an identified priority area.

In view of the aforesaid, the Board of Directors of the Transferor Companies and the Transferee Company have considered and proposed

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the Slump Sale of the Power Plant Undertaking of Transferor Company No. 1 to the Transferee Company and amalgamation of the entire undertaking and business of the Transferor Companies with the Transferee Company in order to benefit the stakeholders of all the companies. Accordingly, the Board of Directors of the Transferor Companies and the Transferee Company have formulated this Scheme of Slump Sale and Amalgamation for the transfer and vesting of the Power Plant Undertaking of Transferor Company No. 1 and the entire undertaking and business of the Transferor Companies with and into the Transferee Company pursuant to the provisions of Sections 230 to 232 and other relevant provisions of the Companies Act, 2013.

The proposed Scheme will be beneficial, advantageous and not prejudicial to the interests of the shareholders, creditors and other stakeholders of the Company.

7. Approval of the Scheme and Listing of Shares


The Scheme will become effective on obtaining all approvals and upon filing of the certified copy of the Order of the NCLT with the Registrar of Companies, as mentioned in the draft Scheme.

The equity shares to be issued by the Transferee Company to the shareholders of the Transferor Companies pursuant to the Scheme are proposed to be listed on the Stock Exchanges in terms of the Scheme and the SEBI Circular.

RECOMMENDATION OF THE AUDIT COMMITTEE

(i) The Audit Committee having considered the aforesaid documents, its observations and discussion, is of the opinion that the share exchange ratio contained in the Valuation Report is fair and reasonable.

(ii) Accordingly, the Audit Committee do hereby unanimously recommend the Scheme for favorable consideration by the Board of Directors of the Company.

Date: 18.01.2020 Place: Gorakhpur	By Order of the Audit Committee For GALLANTT ISPAT LIMITED  Smita Modi CHAIRPERSON OF THE AUDIT COMMITTEE
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REPORT OF THE AUDIT COMMITTEE OF GALLANTT METAL LIMITED ("GML"/COMPANY/TRANSFEEE COMPANY") RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION AND SLUMP SALE PROVIDING FOR THE AMALGAMATION OF GALLANTT ISPAT LIMITED, HIPOLINE COMMERCE PRIVATE LIMITED, AAR COMMERCIAL COMPANY LIMITED, LEXI EXPORTS PRIVATE LIMITED AND RICHIE CREDIT AND FINANCE PRIVATE LIMITED WITH GALLANTT METAL LIMITED AND FOR THE SLUMP SALE OF THE SPECIFIED POWER PLANT UNDERTAKING OF GALLANTT ISPAT LIMITED TO THE TRANSFEREE COMPANY GALLANTT METAL LIMITED ("SCHEME")

Members of the Audit Committee of the Board of Directors of Gallantt Metal Limited ("Company or "GML") present in the meeting of the said Committee held on January 18, 2020:

Members:

- i. Smt. Richa Bhartiya - Chairperson
- ii. Smt. Jyotirindra Nath Dey - Member
- iii. Nitin Mahavir Prasad Kandoi - Member

A. BACKGROUND:

1. A meeting of the Audit Committee of Gallantt Metal Limited ("Company or "GML")

was held on January 18, 2020 to consider and recommend the proposed Scheme of Amalgamation and Slump Sale providing for the Amalgamation of Gallantt Ispat Limited (Transferor Company No. 1), AAR Commercial Company Limited (Transferor Company No. 2), Hipoline Commerce Private Limited (Transferor Company No. 3), Lexi Exports Private Limited (Transferor Company No. 4) and Richie Credit and Finance Private Limited (Transferor Company No. 5) (together referred to as the "Transferor Companies") with Gallantt Metal Limited ("Transferee Company") and for the Slump Sale of the Specified Power Plant Undertaking of Gallantt Ispat Limited to the Transferee Company and their respective shareholders and Creditors ("Scheme") under Section 230 to 232 and other applicable provisions of the Companies Act, 2013.

2. In terms of circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 issued by the Securities and Exchange Board of India ("SEBI Circular"), a report from the Audit Committee is required to be furnished to the Company's Board of

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Corporate Identification No. : L27109DL2005PLC350524

Richa Bhartiya



Directors, recommending the draft Scheme under the Companies Act, 2013, taking into consideration, inter alia, the Valuation Report. This report of the Audit Committee is made in order to comply with the requirements of the SEBI Circular.

3. This report is being furnished by the Audit Committee to the Board after perusing inter alia the following necessary documents:

(i) Valuation Report dated January 18, 2020 issued by the Independent Valuer namely Mr. Vikash Goel, Chartered Accountants;

(ii) Fairness Opinion dated January 18, 2020 prepared by Intelligent Money Managers Private Limited, Independent Category-I Merchant Banker, providing the fairness opinion on the share exchange ratio recommended in the Valuation Report;

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4. The equity shares of the Company are listed on BSE Limited (BSE) and The National Stock Exchange of India Limited (NSE). The Company will be filing the Scheme along with the necessary information/documents with both the BSE and the NSE (collectively "Stock Exchanges").

THE SALIENT FEATURES OF THE PROPOSED SCHEME ARE AS UNDER:

1. "Appointed Date of Merger" means the open of business hours on 1st April 2019 after the completion of the slump sale referred to in Part II of the Scheme;

2. "Appointed Date of Slump Sale" means the open of business hours on 1st April 2019;

3. Inter-Company Shareholding and its Cancellation

- i. The Transferor Companies No. 1 is a promoter of the Transferee Company and holds 3,94,62,895 (Three Crore Ninety-Four Lacs Sixty-Two Thousand Eight Hundred and Ninety-Five only) Equity Shares of face value of Rs. 10/- each of the Transferee Company constituting 48.53% of the total paid up equity share capital of the Transferee Company.
- ii. The Transferor Companies No. 2 holds 4,97,48,760 (Four Crore Ninety-Seven Lacs Forty-Eight Thousand Seven Hundred and Sixty only) Equity Shares of face value of Re. 1/- each of the Transferor Companies

Richa B. Verma



No. 1 constituting 17.62% of the total paid up equity share capital of the Transferor Companies No. 1.

- iii. The Transferee Company holds 7,25,19,920 (Seven Crore Twenty-Five Lacs Nineteen Thousand Nine Hundred and Twenty only) Equity Shares of face value of Re. 1/- each of the Transferor Companies No. 1 constituting 25.683% of the total paid up equity share capital of the Transferor Companies No. 1.
- iv. The Transferor Companies No. 3 holds 90,83,128 (Ninety Lacs Eighty-Three Thousand One Hundred and Twenty-Eight only) Equity Shares of face value of Rs. 10/- each of the Transferee Company constituting 11.17% of the total paid up equity share capital of the Transferee Company.
- v. The Transferor Companies No. 4 holds 1,19,30,679 (One Crore Nineteen Lacs Thirty Thousand Six Hundred and Seventy-Nine only) Equity Shares of face value of Rs. 10/- each of the Transferee Company constituting 14.671% of the total paid up equity share capital of the Transferee Company.
- vi. The Transferor Companies No. 5 holds 50,20,194 (Fifty Lacs Twenty Thousand One Hundred and Ninety-Four only) Equity Shares of face value of Rs. 10/- each of the Transferee Company constituting 6.173% of the total paid up equity share capital of the Transferee Company.

Upon the Scheme becoming effective and upon the amalgamation of Transferor Companies with the Transferee Company, the Inter-corporate cross shareholding shall stand cancelled under this Scheme.

4. Slump Sale of 18 MW Power Plant of the Transferor Company No. 1 to the Transferee Company

The Board of Directors of the Transferor Companies No 1 and Transferee Company have decided to transfer by way of Slump Sale 18MW Power Plant Undertaking of Transferor Company No. 1 to Transferee Company and the Board of Directors of all the Transferor Companies and of the Transferee Company have decided to amalgamate the Transferor Companies with the Transferee Company in accordance with the terms and conditions of this Scheme and in accordance with the Act and in compliance with the applicable provisions of the Income Tax Act, 1961 including, in particular Section 50B and Section 2(1B).

Upon the Scheme becoming effective and with effect from Appointed Date of Slump Sale, the Power Plant Undertaking of the Transferor Company No. 1 shall pursuant



to section 230 and other applicable provisions of the Act and without any further act or deed be transferred to and be vested or deemed to be vested in the Transferee Company as a going concern, pursuant to a slump sale and for this purpose the approval of the Scheme shall be deemed to be the approval of the shareholders and creditors of Transferor Companies No. 1.

The Transferee Company for acquisition of the Power Plant Undertaking would be liable to pay consideration of Rs. 35 crores.

5. Issue of Shares by the Transferee Company

Pursuant to the terms of the Scheme, the Transferee Company shall, without further application, issue and allot as given below equity shares in the Transferee Company to the equity shareholders of the Transferor Companies whose names appear in the Register of Members of the Transferor Companies on the Record Date:

- 13 (Thirteen) equity shares of the nominal value of Rs. 10/- fully paid up in the Transferee Company for every 14 (Fourteen) equity shares of Re. 1/- each fully paid up held by such member in the Transferor Company No. 1.
- 5 (Five) equity shares of the nominal value of Rs. 10/- fully paid up in the Transferee Company for every 1 (One) equity share of Rs. 10/- each fully paid up held by such member in the Transferor Company No. 2.
- 9 (Nine) equity shares of the nominal value of Rs. 10/- fully paid up in the Transferee Company for every 2 (Two) equity shares of Rs. 10/- each fully paid up held by such member in the Transferor Company No. 3.
- 84 (Eighty-Four) equity shares of the nominal value of Rs. 10/- fully paid up in the Transferee Company for every 1 (One) equity share of Rs. 10/- each fully paid up held by such member in the Transferor Company No. 4.
- 101 (One Hundred One) equity shares of the nominal value of Rs. 10/- fully paid up in the Transferee Company for every 2 (Two) equity shares of Rs. 10/- each fully paid up held by such member in the Transferor Company No. 5.

6. Transfer and vesting of the undertakings and business

Upon the Scheme becoming effective, all assets, liabilities, contracts, rights, obligations of the Transferor Companies shall stand transferred to the Transferee Company, as a going concern, with effect from the appointed date.



The transfer and vesting of the undertakings and business of the Transferor Companies in the Transferor Company will be effective from Appointed Date.

7. Rationale of the Scheme

The Audit Committee discussed and noted the rationale of the proposed Scheme as set out below:

The Transferee Company is a pioneer in the Steel and Power sector and is able to attract the best talents available in the industry. The Transferee Company is having its footprints spanning across Gujarat, Maharashtra and Rajasthan. In the same way, The Transferor Company No. 1 is a pioneer in the Steel, Power and Agro sector and has its presence in and is having its footprints spanning across Uttar Pradesh, Bihar, Jharkhand and Delhi NCR. The Transferor Companies No. 1 and Transferee Company are under same Promoter Group. Thus, the amalgamation of the two companies operating in similar sectors with strengths in different geographies will ensure focused management in a single combined entity thereby resulting in efficiency of management and maximising overall shareholder value.

The Transferor Companies No. 2 has plan to develop and complete real estate project. It is exploring further opportunities in the real estate sector and has in the meantime deployed its funds in investment in securities of the Transferor Companies No. 1. The Transferor Companies No. 1 is also inter alia engaged in the business of real estate. The Transferor Companies 2 holds significant portion (17.62%) of the equity share capital of the Transferor Companies No. 1. The amalgamation into the Transferee Company of the Transferor Company No. 1 and the Transferor Company No. 2 will lead to consolidation of the real estate business.

Transferor Companies No. 3 is forming part of the Promoter and Promoter Group of Transferee Company. Amalgamation of Transferor Companies No. 3 with the Transferee Company would result in clarifying and making transparent the shareholding of the Transferee Company. Other Transferor Companies No. 4 and 5 are also holding shareholding of Transferee Company. The proposed amalgamation of Transferor Companies No. 4 and 5 will also bring in advantages of clarifying and making transparent shareholding of the Transferee Company.

Richa Barhiya



The amalgamation will bring in advantages of synergy in operations and economies of scale. The pooling of resources of companies will create strong financial structure and facilitate resource mobilisation and achieve better cash flows. The combined net worth in a single entity shall facilitate in attracting funds from strategic investors and/or financial institutions at competitive rates. Thus, the synergies created by the merger will increase the operational efficiency and integrate business functions of the amalgamated entity and help to pursue inorganic and organic growth opportunities of such business. It will also lead to more efficient utilisation of capital and create a consolidated base for future growth of the amalgamated entity.

The amalgamation particularly of the Transferor Companies No. 1 and the Transferee Company will also result in administrative and operational rationalisation, organisational efficiencies, reduction in overheads and other expenses and optimal utilisation of various resources. It will prevent cost duplication, overlapping of administrative responsibilities and multiplicity of records, legal and regulatory compliances generally involved with running two separate entities and more particularly due to the listed status of both the companies involved. It will enable a dedicated management to focus and accelerate growth of the amalgamated entity.

The amalgamation will result in not only, pooling of efficient human resources and putting them to optimum utilisation for the growth of the merged entity but also attracting efficient manpower by the merged entity.

The amalgamation will enable greater realization of the potential of the businesses of the Transferor and Transferee Companies in the amalgamated entity and have beneficial results for all concerned.

The assets of the amalgamated entity will far exceed its liabilities and rights of the creditors of the Transferor Companies and the Transferee Company shall not in any way be prejudiced.

The Scheme shall also be in the larger interest of the public shareholders of the Transferor Companies No. 1 and 2 and Transferee Company as amalgamation of the three companies and other companies forming part of this Scheme will lead to cancellation of

Richa



inter-corporate cross shareholdings of the Transferee Company and Transferor Companies as well.

The Scheme also envisages Slump Sale of entire Power Plant Undertaking of the Transferor Companies No. 1 as a going concern to the Transferee Company and will thereby preserve the entitlement of the said Power Plant Undertaking to the tax holiday available to the said Undertaking for being engaged in an identified priority area.

In view of the aforesaid, the Board of Directors of the Transferor Companies and the Transferee Company have considered and proposed the Slump Sale of the Power Plant Undertaking of Transferor Company No. 1 to the Transferee Company and amalgamation of the entire undertaking and business of the Transferor Companies with the Transferee Company in order to benefit the stakeholders of all the companies. Accordingly, the Board of Directors of the Transferor Companies and the Transferee Company have formulated this Scheme of Slump Sale and Amalgamation for the transfer and vesting of the Power Plant Undertaking of Transferor Company No. 1 and the entire undertaking and business of the Transferor Companies with and into the Transferee Company pursuant to the provisions of Sections 230 to 232 and other relevant provisions of the Companies Act, 2013.

The proposed Scheme will be beneficial, advantageous and not prejudicial to the interestsof the shareholders, creditors and other stakeholders of the Company.

7. Approval of the Scheme and Listing of Shares

The Scheme will become effective on obtaining all approvals and upon filing of the certified copy of the Order of the NCLT with the Registrar of Companies, as mentioned in the draft Scheme.

The equity shares to be issued by the Transferee Company to the shareholders of theTransferor Companies pursuant to the Scheme are proposed to be listed onthe Stock Exchanges in terms of the Scheme and the SEBI Circular.

RECOMMENDATION OF THE AUDIT COMMITTEE

(i) The Audit Committee having considered the aforesaid documents, its observations

Richa B. Bhargava



and discussion, is of the opinion that the share exchange ratio contained in the Valuation Report is fair and reasonable.

(ii) Accordingly, the Audit Committee do hereby unanimously recommend the Scheme for favorable consideration by the Board of Directors of the Company.

By Order of the Audit Committee
For **GALLANTT METAL LIMITED**



Richa Bhartiya

Date: 18.01.2020
Place: Gorakhpur

Richa Bhartiya
CHAIRPERSON OF THE AUDIT COMMITTEE

AAR COMMERCIAL COMPANY LIMITED

Corporate Office,

1, Crooked Lane,
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CIN: L63090DL1982PLC354818

REPORT OF THE AUDIT COMMITTEE OF AAR COMMERCIAL COMPANY LIMITED ("AAR/COMPANY/TRANSFEROR COMPANY NO. 2") RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION AND SLUMP SALE PROVIDING FOR THE AMALGAMATATION OF GALLANTT ISPAT LIMITED, AAR COMMERCIAL COMPANY LIMITED, HIPOLINE COMMERCE PRIVATE LIMITED, LEXI EXPORTS PRIVATE LIMITED AND RICHIE CREDIT AND FINANCE PRIVATE LIMITED WITH GALLANTT METAL LIMITED AND FOR THE SLUMP SALE OF THE SPECIFIED POWER PLANT UNDERTAKING OF GALLANTT ISPAT LIMITED TO THE TRANSFEREE COMPANY GALLANTT METAL LIMITED ("SCHEME")

Members of the Audit Committee of the Board of Directors of AAR Commercial Company Limited ("Company or "AAR or Transferor Company No. 2") present in the meeting of the said Committee held on January 18, 2020:

Members:

- i. Smt. Nishi Agrawal - Chairperson
- ii. Smt. Uma Sharma- Member
- iii. Udit Agarwal- Member

A. BACKGROUND:

1. A meeting of the Audit Committee of AAR Commercial Company Limited ("Company or "AAR") was held on January 18, 2020 to consider and recommend the proposed Scheme of Amalgamation and Slump Sale providing for the Amalgamation of Gallantt Ispat Limited (Transferor Company No. 1), AAR Commercial Company Limited ("Company or AAR or Transferor Company No. 2"), Hipoline Commerce Private Limited (Transferor Company No. 3), Lexi Exports Private Limited (Transferor Company No. 4) and Richie Credit and Finance Private Limited (Transferor Company No. 5) (together referred to as the "Transferor Companies") with Gallantt Metal Limited ("Transferee Company") and for the Slump Sale of the Specified Power Plant Undertaking of Gallantt Ispat Limited to the Transferee Company and their respective shareholders and Creditors ("Scheme") under Section 230 to 232 and other applicable provisions of the Companies Act, 2013.

2. In terms of circular no. CFD/DIL3/CIR/2017 /21 dated March 10, 2017 issued by the

Securities and Exchange Board of India ("SEBI Circular"), a report from the Audit Committee is required to be furnished to the Company's Board of Directors, recommending the draft Scheme under the Companies Act, 2013, taking into

Nishi Agrawal



consideration, inter alia, the Valuation Report. This report of the Audit Committee is made in order to comply with the requirements of the SEBI Circular.

3. This report is being furnished by the Audit Committee to the Board after perusing inter alia the following necessary documents:

(i) Valuation Report dated January 18, 2020 issued by the Independent Valuer namely Mr. Vikash Goel, Chartered Accountants;

(ii) Fairness Opinion dated January 18, 2020 prepared by Intelligent Money Managers Private Limited, Independent Category-I Merchant Banker, providing the fairness opinion on the share exchange ratio recommended in the Valuation Report;

(iii) The draft Scheme of Amalgamation of the Company.

4. The equity shares of the Company are listed on BSE Limited (BSE) and The Calcutta Stock Exchange Limited (CSE). The Company will be filing the Scheme along with the necessary information/documents with both the BSE and the CSE (collectively "Stock Exchanges").

THE SALIENT FEATURES OF THE PROPOSED SCHEME ARE AS UNDER:

1. "Appointed Date of Merger" means the open of business hours on 1st April 2019 after the completion of the slump sale referred to in Part II of the Scheme;

2. "Appointed Date of Slump Sale" means the open of business hours on 1st April 2019;

3. Inter-Company Shareholding and its Cancellation

i. The Transferor Companies No. 1 is a promoter of the Transferee Company and holds 3,94,62,895 (Three Crore Ninety-Four Lacs Sixty-Two Thousand Eight Hundred and Ninety-Five only) Equity Shares of face value of Rs. 10/- each of the Transferee Company constituting 48.53% of the total paid up equity share capital of the Transferee Company.

ii. The Transferor Companies No. 2 holds 4,97,48,760 (Four Crore Ninety-Seven Lacs Forty-Eight Thousand Seven Hundred and Sixty only) Equity Shares of face value of Re. 1/- each of the Transferor Companies No. 1 constituting 17.62% of the total paid up equity share capital of the Transferor Companies No. 1.

iii. The Transferee Company holds 7,25,19,920 (Seven Crore Twenty-Five Lacs Nineteen Thousand Nine Hundred and Twenty only) Equity Shares of face value of Re. 1/- each of the Transferor Companies No. 1 constituting 25.683% of the total paid up equity share capital of the Transferor Companies No. 1.

iv. The Transferor Companies No. 3 holds 90,83,128 (Ninety Lacs Eighty-Three Thousand One Hundred and Twenty-Eight only) Equity Shares of face value of Rs. 10/- each of the Transferee Company constituting 11.17% of the total paid up equity share capital of the Transferee Company.

v. The Transferor Companies No. 4 holds 1,19,30,679 (One Crore Nineteen Lacs Thirty Thousand Six Hundred and Seventy-Nine only) Equity Shares of face value of

Anshu Agawal



Rs. 10/- each of the Transferee Company constituting 14.671% of the total paid up equity share capital of the Transferee Company.

vi. The Transferor Companies No. 5 holds 50,20,194 (Fifty Lacs Twenty Thousand One Hundred and Ninety-Four only) Equity Shares of face value of Rs. 10/- each of the Transferee Company constituting 6.173% of the total paid up equity share capital of the Transferee Company.

Upon the Scheme becoming effective and upon the amalgamation of Transferor Companies with the Transferee Company, the Inter-corporate cross shareholding shall stand cancelled under this Scheme.

4. Slump Sale of 18 MW Power Plant of the Transferor Company No. 1 to the Transferee Company

The Board of Directors of the Transferor Companies No 1 and Transferee Company have decided to transfer by way of Slump Sale 18 MW Power Plant Undertaking of Transferor Company No. 1 to Transferee Company and the Board of Directors of all the Transferor Companies and of the Transferee Company have decided to amalgamate the Transferor Companies with the Transferee Company in accordance with the terms and conditions of this Scheme and in accordance with the Act and in compliance with the applicable provisions of the Income Tax Act, 1961 including, in particular Section 50B and Section 2(1B).

Upon the Scheme becoming effective and with effect from Appointed Date of Slump Sale, the Power Plant Undertaking of the Transferor Company No. 1 shall pursuant to section 230 and other applicable provisions of the Act and without any further act or deed be transferred to and be vested or deemed to be vested in the Transferee Company as a going concern, pursuant to a slump sale and for this purpose the approval of the Scheme shall be deemed to be the approval of the shareholders and creditors of Transferor Companies No. 1.

The Transferee Company for acquisition of the Power Plant Undertaking would be liable to pay consideration of Rs. 35 crores.

5. Issue of Shares by the Transferee Company

Pursuant to the terms of the Scheme, the Transferee Company shall, without further application, issue and allot as given below equity shares in the Transferee Company to the equity shareholders of the Transferor Companies whose names appear in the Register of Members of the Transferor Companies on the Record Date:

- 13 (Thirteen) equity shares of the nominal value of Rs. 10/- fully paid up in the Transferee Company for every 14 (Fourteen) equity shares of Re. 1/- each fully paid up held by such member in the Transferor Company No. 1.
- 5 (Five) equity shares of the nominal value of Rs. 10/- fully paid up in the Transferee Company for every 1 (One) equity share of Rs. 10/- each fully paid up held by such member in the Transferor Company No. 2.

Anil Agrawal



AAR COMMERCIAL COMPANY LIMITED

- 9 (Nine) equity shares of the nominal value of Rs. 10/- fully paid up in the Transferee Company for every 2 (Two) equity shares of Rs. 10/- each fully paid up held by such member in the Transferor Company No. 3.
- 84 (Eighty-Four) equity shares of the nominal value of Rs. 10/- Rs. 50.38 fully paid up in the Transferee Company for every 1 (One) equity share of Rs. 10/- each fully paid up held by such member in the Transferor Company No. 4.
- 101 (One Hundred One) equity shares of the nominal value of Rs. 10/- fully paid up in the Transferee Company for every 2 (Two) equity shares of Rs. 10/- each fully paid up held by such member in the Transferor Company No. 5.

6. Transfer and vesting of the undertakings and business

Upon the Scheme becoming effective, all assets, liabilities, contracts, rights, obligations of the Transferor Companies shall stand transferred to the Transferee Company, as a going concern, with effect from the appointed date.

The transfer and vesting of the undertakings and business of the Transferor Companies in the Transferor Company will be effective from Appointed Date.

7. Rationale of the Scheme

The Audit Committee discussed and noted the rationale of the proposed Scheme as set out below:

The Transferee Company is a pioneer in the Steel and Power sector and is able to attract the best talents available in the industry. The Transferee Company is having its footprints spanning across Gujarat, Maharashtra and Rajasthan. In the same way, The Transferor Company No. 1 is a pioneer in the Steel, Power and Agro sector and has its presence in and is having its footprints spanning across Uttar Pradesh, Bihar, Jharkhand and Delhi NCR. The Transferor Companies No. 1 and Transferee Company are under same Promoter Group. Thus, the amalgamation of the two companies operating in similar sectors with strengths in different geographies will ensure focused management in a single combined entity thereby resulting in efficiency of management and maximising overall shareholder value.

The Transferor Companies No. 2 has plan to develop and complete real estate project. It is exploring further opportunities in the real estate sector and has in the meantime deployed its funds in investment in securities of the Transferor Companies No. 1. The Transferor Companies No. 1 is also inter alia engaged in the business of real estate. The Transferor Companies 2 holds significant portion (17.62%) of the equity share capital of the Transferor Companies No. 1. The amalgamation into the Transferee Company of the Transferor Company No. 1 and the Transferor Company No. 2 will lead to consolidation of the real estate business.

Transferor Companies No. 3 is forming part of the Promoter and Promoter Group of Transferee Company. Amalgamation of Transferor Companies No. 3 with the Transferee Company would result in clarifying and making transparent the

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shareholding of the Transferee Company. Other Transferor Companies No. 4 and 5 are also holding shareholding of Transferee Company. The proposed amalgamation of Transferor Companies No. 4 and 5 will also bring in advantages of clarifying and making transparent shareholding of the Transferee Company.

The amalgamation will bring in advantages of synergy in operations and economies of scale. The pooling of resources of companies will create strong financial structure and facilitate resource mobilisation and achieve better cash flows. The combined net worth in a single entity shall facilitate in attracting funds from strategic investors and/or financial institutions at competitive rates. Thus, the synergies created by the merger will increase the operational efficiency and integrate business functions of the amalgamated entity and help to pursue inorganic and organic growth opportunities of such business. It will also lead to more efficient utilisation of capital and create a consolidated base for future growth of the amalgamated entity.

The amalgamation particularly of the Transferor Companies No. 1 and the Transferee Company will also result in administrative and operational rationalisation, organisational efficiencies, reduction in overheads and other expenses and optimal utilisation of various resources. It will prevent cost duplication, overlapping of administrative responsibilities and multiplicity of records, legal and regulatory compliances generally involved with running two separate entities and more particularly due to the listed status of both the companies involved. It will enable a dedicated management to focus and accelerate growth of the amalgamated entity.

The amalgamation will result in not only, pooling of efficient human resources and putting them to optimum utilisation for the growth of the merged entity but also attracting efficient manpower by the merged entity.

The amalgamation will enable greater realization of the potential of the businesses of the Transferor and Transferee Companies in the amalgamated entity and have beneficial results for all concerned.

The assets of the amalgamated entity will far exceed its liabilities and rights of the creditors of the Transferor Companies and the Transferee Company shall not in any way be prejudiced.

The Scheme shall also be in the larger interest of the public shareholders of the Transferor Companies No. 1 and 2 and Transferee Company as amalgamation of the three companies and other companies forming part of this Scheme will lead to cancellation of inter-corporate cross shareholdings of the Transferee Company and Transferor Companies as well.

The Scheme also envisages Slump Sale of entire Power Plant Undertaking of the Transferor Companies No. 1 as a going concern to the Transferee Company and will thereby preserve the entitlement of the said Power Plant Undertaking to the tax holiday available to the said Undertaking for being engaged in an identified priority area.

Dipak Aggarwal



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In view of the aforesaid, the Board of Directors of the Transferor Companies and the Transferee Company have considered and proposed the Slump Sale of the Power Plant Undertaking of Transferor Company No. 1 to the Transferee Company and amalgamation of the entire undertaking and business of the Transferor Companies with the Transferee Company in order to benefit the stakeholders of all the companies. Accordingly, the Board of Directors of the Transferor Companies and the Transferee Company have formulated this Scheme of Slump Sale and Amalgamation for the transfer and vesting of the Power Plant Undertaking of Transferor Company No. 1 and the entire undertaking and business of the Transferor Companies with and into the Transferee Company pursuant to the provisions of Sections 230 to 232 and other relevant provisions of the Companies Act, 2013.

The proposed Scheme will be beneficial, advantageous and not prejudicial to the interests of the shareholders, creditors and other stakeholders of the Company.

7. Approval of the Scheme and Listing of Shares

The Scheme will become effective on obtaining all approvals and upon filing of the certified copy of the Order of the NCLT with the Registrar of Companies, as mentioned in the draft Scheme.

The equity shares to be issued by the Transferee Company to the shareholders of the Transferor Companies pursuant to the Scheme are proposed to be listed on the Stock Exchanges in terms of the Scheme and the SEBI Circular.

RECOMMENDATION OF THE AUDIT COMMITTEE

(i) The Audit Committee having considered the aforesaid documents, its observations and discussion, is of the opinion that the share exchange ratio contained in the Valuation Report is fair and reasonable.

(ii) Accordingly, the Audit Committee do hereby unanimously recommend the Scheme for favourable consideration by the Board of Directors of the Company.

By Order of the Audit Committee
For AAR COMMERCIAL COMPANY LIMITED



Nishi Agrawal
Nishi Agrawal

CHAIRPERSON OF THE AUDIT COMMITTEE

Date: 18.01.2020
Place: New Delhi