

Gujarat Sidhee Cement Limited

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REPORT OF THE AUDIT COMMITTEE OF GUJARAT SIDHEE CEMENT LIMITED ("THE COMPANY") RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF BHADRA TEXTILES AND TRADING COMPANY PRIVATE LIMITED, HOLDING COMPANY (TRANSFEROR COMPANY 1) AND VILLA TRADING COMPANY PRIVATE LIMITED, A WHOLLY OWNED SUBSIDIARY COMPANY (TRANSFEROR COMPANY 2) WITH GUJARAT SIDHEE CEMENT LIMITED AND THEIR RESPECTIVE SHAREHOLDERS ("THE SCHEME") TO THE BOARD OF DIRECTORS OF THE COMPANY.

Date of the Meeting : 19th May 2020

Meeting convened through Video Conference in accordance with the Ministry of Corporate Affairs Notification dated 19th March 2020.

The following Members were present through video conference:

Mr. M. N. Rao	-	Chairman
Mr. M. L. Tandon	-	Member
Mr. Bimal Thakkar	-	Member
Mr. M. S. Gilotra	-	Member

Background:

As per the agenda of the meeting of the Audit Committee held on 19th May 2020, the Committee was provided with a draft Scheme of Amalgamation of Bhadra Textiles and Trading Private Limited, a Holding Company ('BTTPL' or 'the Transferor Company 1') and Villa Trading Company Private Limited ('VTCPL' or 'the Transferor Company 2') with Gujarat Sidhee Cement Limited ('GSCL' or 'the Transferee Company' or 'the Company') under Sections 230 to 232 of the Companies Act, 2013 ("the Act") and the Rules made thereunder and other applicable provisions, if any, of the Act for its review and consideration.

The Committee took note of the following:

- a) The Transferor Company 1 is a Holding Company of the Transferee Company. Pursuant to the Scheme, the Transferee Company shall, without any application, act or deed, issue and allot equity shares, credited as fully paid

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up, to the extent indicated below, to the members of the Transferor Company 1 holding fully paid-up equity shares of the Transferor Company 1 and whose names appear in the register of members of the Transferor Company 1 as on the Record Date, or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Directors of the Transferor Company 1 / Transferee Company in the following proportion: "4,88,00,000 fully paid up equity share of Rs. 10/- each of the Transferee Company shall be issued and allotted as fully paid up to the equity shareholders of the Transferor Company in the proportion of their holding in the Transferor Company"(New Equity Shares).

- b) Further, the investment held by the Transferor Company 1 in the equity share capital of the Transferee Company shall, without any further application, act, instrument or deed stand canceled and the shares held by the Transferor Company in the dematerialized form shall be extinguished, on and from such issue and allotment of New Equity Shares.
- c) Transferor Company 2 is a wholly-owned subsidiary of the Transferee Company. Upon this Scheme coming into effect, the equity shares of the Transferor Company 2 held by the Transferee Company directly and/or through its nominee(s) constituting the entire paid-up share capital of the Transferor Company 2, will stand canceled. Accordingly, there will be no issue of shares of the Transferee Company to the shareholders (including those holding the shares as nominees of the Transferee Company, if any) of the Transferor Company 2.
- d) Further, in compliance with SEBI circular no. CFD/DIL 3/CIR2017/2017/21 dated March 10, 2017, the approved draft Scheme of Amalgamation, Fairness Opinion from the Merchant Bankers, Auditors Certificate and Report of the Audit Committee on merger are required to be filed with the Stock Exchange as being designated by the Board of Directors of the Company.
- e) This report is made in order to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and after considering inter alia the following:



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- i) Draft Scheme of Amalgamation ('the Scheme');
- ii) Valuation Report of M/s.SSPA & Co, Chartered Accountants;
- iii) Certificate of the Statutory Auditors, viz. M/s. Bansi S. Mehta & Co, Chartered Accountants stating that the Accounting Treatment for Amalgamation as proposed in the Scheme is in conformity with the applicable Accounting Standards prescribed under Section 133 of the Act.
- iv) Fairness Opinion issued by M/s. Fortress Capital Management Services Private Limited, Merchant Bankers.

Proposed Scheme of Amalgamation:

- I. The Audit Committee noted the objective and the benefits of the Scheme which inter-alia, are as follows:

The principal advantages and benefits of the proposed Scheme are as follows:-

- a) The Transferor Company 1 is desirous of streamlining its holding in the Transferee Company. Simultaneously, the transferee company is also desirous of consolidating its investment in only wholly owned subsidiary company i.e. Transferor Company 2. As a step towards such rationalization, it is proposed to merge the Transferor Companies into the Transferee Company. By amalgamation, there will be reduction in administrative management and compliance cost.
- b) Harnessing and optimization of the synergy benefits with better utilization of common and combined resources.
- c) To reduce the overlaps in administration and the managerial cost.
- d) The amalgamation will result in certain promoter group entities of the Transferor Companies directly holding shares in the Transferee Company, which will lead to simplification of the shareholding structure and reduction of shareholding tiers of the Transferee Company;
- e) The Scheme shall be beneficial to and in the best interest of the shareholders, creditors and employees of the Transferor Companies and Transferee Company, public at large and all concerned.
- f) The Transferee Company shall hold 19.65% of shares of Saurashtra Cement Limited (an Associate Company) directly which is presently being held by Transferor Company 2.



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Further, the promoters would continue to hold the same percentage of shares in the Transferee Company, pre and post the amalgamation. There would also be no change in the financial position of the Transferee Company. All cost, charges and expenses relating to the Scheme would be borne out of the assets (other than shares of the Transferee Company) of the Transferor Company 1. Any expense, exceeding the assets of the Transferor Company 1 would be borne by the shareholders of the Transferor Company 1 directly;

II. Pursuant to the Scheme, the entire business and the whole of the undertaking of the Transferor Companies shall be transferred to and shall vest in the Transferee Company with effect from the Appointed Date, viz. 1 April 2020 or such other date as the National Company Law Tribunal, Ahmedabad Bench may direct or approve under the relevant provisions of the Act.

Recommendation of the Audit Committee:

Having regards to the above, the Audit Committee recommends the draft Scheme of Amalgamation of Bhadra Textiles and Trading Private Limited, (Transferor Company 1)) and Villa Trading Company Private Limited, (Transferor Company 2) with Gujarat Sidhee Cement Limited and their respective Shareholders for consideration by the Board of Directors.



M. N. Rao
Chairman of the Audit Committee
Gujarat Sidhee Cement Limited

Certified to be true copy
For Gujarat Sidhee Cement Limited



V. R. Mohnot
CFO & Company Secretary



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