



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 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 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 : 8<sup>TH</sup> FLOOR, GALLANTT LANDMARK, BANK ROAD, GORAKHPUR-273001

#### Corporate Office :

1, Crooked Lane,  
 Room Nos. 222 & 223,  
 Second Floor,  
 Kolkata-700069 (W.B.)  
 Tel. : 033-46004831

CIN No. : L27109DL2005PLC350523  
 E-Mail : gil@gallantt.com, web : www.gallantt.com



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 1<sup>st</sup> 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 1<sup>st</sup> 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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## GALLANTT

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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