
**REPORT OF THE AUDIT COMMITTEE OF GULSHAN POLYOLS LIMITED
RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION BETWEEN
GULSHAN HOLDINGS PRIVATE LIMITED, EAST DELHI IMPORTERS &
EXPORTERS PRIVATE LIMITED WITH GULSHAN POLYOLS LIMITED**

Date of Audit Committee Meeting : 6th August, 2020
Venue : G- 81, Preet Vihar, Delhi- 110092

Present - Members:

Mr. Ajay Jain : Chairman
Mr. Akhilesh Kumar Maheshwari : Member
Dr. Chandra Kumar Jain : Member

In-Attendance:

Mr. Rajiv Gupta : Chief Financial Officer
Mr. Vijay Kumar Garg : Company Secretary

1. Background

- 1.1 A meeting of the Audit Committee of the Board of Directors of Gulshan Polyols Limited (“**Company**”) was held on Thursday, 6th August, 2020 *inter-alia* to consider the proposal and recommend to the Board of Directors, a Scheme of Amalgamation (“**Scheme**”) of Gulshan Holdings Private Limited (“**GHPL**” or “**Transferor Company 1**”) and East Delhi Importers & Exporters Private Limited (“**EDIEPL**” or “**Transferor Company 2**”) (hereinafter together referred as the “**Transferor Companies**”) and Gulshan Polyols Limited (hereinafter referred as “**GPL**” or “**Transferee Company**”) and their respective shareholders and creditors to be implemented under Section 230 to 232 of the Companies Act, 2013 and other applicable laws with effect from the Appointed Date i.e. 1st April, 2020. The Transferee Company is the subsidiary of Transferor Company 1.
- 1.2 The equity shares of the Company are listed on BSE Limited (“**BSE**”) and National Stock Exchange of India Limited (“**NSE**”). The Company will be filing the Scheme along with the necessary information/ documents with both BSE and NSE (collectively referred as “**Stock Exchanges**”).
- 1.3 The Committee noted that as per SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended from time to time (“**SEBI Circular**”) issued by Securities and Exchange Board of India (“**SEBI**”) it is mandatory for the Audit Committee of all listed companies to recommend to the Board of Directors the Draft Scheme of Amalgamation taking into account the Valuation Report and Fairness Opinion.

1.4 This report of Audit Committee is made in order to comply with the requirements of the aforesaid SEBI Circular. The following documents were placed before the Audit Committee:

- i. Draft Scheme of Amalgamation, duly initialled by Company Secretary of the Company for the purpose of identification;
- ii. Valuation Report dated 6th August, 2020 prepared by Mr. Vardhman Doogar, Chartered Accountant (Registered Valuer) describing the methodology adopted by them in arriving at and recommending the Share Exchange Entitlement Ratio ("**Valuation Report**");
- iii. Fairness Opinion dated 6th August, 2020 prepared by M/s. Navigant Corporate Advisors Limited, a Category I Merchant Banker providing the Fairness Opinion on the Share Entitlement Ratio recommended by the Valuer ("**Fairness Opinion**"); and
- iv. Certificate dated 5th August, 2020 obtained from the Statutory Auditors of the Company i.e. M/s. Rajeev Singal & Co., Chartered Accountants to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013.

2. Proposed Scheme of Amalgamation

2.1 The Audit Committee examined the draft Scheme of Amalgamation ("Scheme") which *inter-alia* provided for the following:

- a) Amalgamation of Gulshan Holdings Private Limited (Transferor Company 1- Holding Company of the Transferee Company) and East Delhi Importers and Exporters Private Limited (Transferor Company 2) with Gulshan Polyols Limited (Transferee Company) pursuant to Section 230-232 of the Companies Act, 2013 and other applicable laws;
- b) The Scheme upon being effective would help in ensuring a streamlined group structure by reducing the number of legal entities, reducing the multiplicity of legal and regulatory compliances required at present, eliminating the duplicative communication and coordination efforts across multiple entities, rationalising cost by eliminating multiple record keeping and administrative functions, improved operational efficiency and optimum advantages, better economic control, increased financial strength and flexibility and enhanced ability of the amalgamated entity to undertake large projects, thereby contributing to enhancement of future business potential and overall be in the interest of and beneficial to all the stakeholders. It would lead to simplification of the shareholding structure and reduction of the shareholding tiers, but also demonstrate the promoter group direct commitment to and engagement with Gulshan Polyols Limited.
- c) The Scheme shall come into operation from the Appointed Date as per Scheme, which is 1st April, 2020
- d) The Scheme will become effective on obtaining all approvals and confirmations and upon filing the Certified Copy of the Order of Hon'ble National Company Law Tribunal with the Registrar of Companies.

- e) Upon the Scheme becoming effective, the Transferee Company shall, without, further application, act or deed, issue and allot to each of the shareholders of the Transferor Companies (whose names are registered in the Register of Members of the respective Transferor Company on the Record Date), credited as fully paid-up, as per the share exchange ratios mentioned below:
- i. 39,848 Equity Shares of Rs.1/- each fully paid up of Gulshan Polyols Limited for every 1 Equity Share of Rs.1000/- each fully paid up of Gulshan Holdings Private Limited.
 - ii. 181 Equity Shares of Rs.1/- each fully paid up of Gulshan Polyols Limited for every 1 Equity Share of Rs.10/- each fully paid up of East Delhi Importers and Exporters Private Limited.
- f) Upon the Scheme become effective, all assets, liabilities, contracts, rights, obligations of the Transferor Companies shall stand transferred to the Transferee Company, as going concern, with effect from the Appointed Date.
- g) The equity shares issued by the Transferee Company to the shareholders of the Transferee Company pursuant to the Scheme are proposed to be listed on the Stock Exchanges in terms of the Scheme and the SEBI Circular.

2.2 The Audit Committee reviewed the valuation report and noted the report and recommended the following:

“In consideration for the amalgamation of the Transferor Companies and Transferee Company in terms of the Scheme and based on the Valuation Report and Fairness Opinion, Gulshan Polyols Limited will issue and allot 2,99,82,536 (Two Crore Ninety Nine Lakh Eighty Two Thousands Five Hundreds and Thirty Six) full paid-up equity shares of the face value of INR 1/- (Rupee One) each, in the following manner:

- i. 39,848 Equity Shares of Rs.1/- each fully paid up of Gulshan Polyols Limited for every 1 Equity Share of Rs.1000/- each fully paid up of Gulshan Holdings Private Limited.
- ii. 181 Equity Shares of Rs.1/- each fully paid up of Gulshan Polyols Limited for every 1 Equity Share of Rs.10/- each fully paid up of East Delhi Importers and Exporters Private Limited.”

2.3 Further, the Fairness Opinion confirmed that the share entitlement in the valuation report is fair to the Transferor Companies, Transferee Company and their respective shareholders.

2.4 Further, the existing equity shares held by the Transferor Companies (i.e. 2,73,40,067 (Two Crore Seventy Three Lakhs Forty Thousands and Sixty Seven) equity shares of the face value of INR 1/- each fully paid-up) in the share capital of the Company shall stand cancelled, without any further act or deed, upon the Scheme becoming effective.

2.5 Further, M/s. Rajeev Singal & Co., Chartered Accountants, Statutory Auditors of the Company have confirmed that the accounting treatment is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013.

3. Recommendation of the Audit Committee

In light of the foregoing and taking into consideration, *inter alia*, the Valuation Report, Fairness Opinion and the aforementioned Statutory Auditors' Certificate, the Audit Committee recommends the draft Scheme for favourable consideration by the Board of Directors and for due consideration and approval by the Stock Exchanges, Securities and Exchange Board of India and other regulatory authorities.

**BY THE ORDER OF THE AUDIT COMMITTEE
FOR AND ON BEHALF OF
GULSHAN POLYOLS LIMITED**



For GULSHAN POLYOLS LIMITED


Company Secretary
Vijay Kumar Garg
(Company Secretary)

Place: New Delhi

Date: 6th August, 2020