



JMC PROJECTS (INDIA) LTD.

(A Kalpataru Group Enterprise)

REPORT OF THE AUDIT COMMITTEE OF JMC PROJECTS (INDIA) LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF JMC PROJECTS (INDIA) LIMITED WITH KALPATARU POWER TRANSMISSION LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AT ITS MEETING HELD ON SATURDAY, FEBRUARY 19, 2022 AT HAZEL CONFERENCE ROOM, 6TH FLOOR, KALPATARU SYNERGY, OPP. GRAND HYATT, SANTACRUZ (EAST), MUMBAI 400055.

The following Audit Committee Members were present:

1. Mr. D. R. Mehta, Chairman
2. Ms. Anjali Seth
3. Mr. Kamal Jain
4. Mr. Shailendra Raj Mehta

By invitation:

1. Mr. Shailendra Kumar Tripathi, CEO & Managing Director
2. Mr. Amit Uplenchwar, Non-Executive Director
3. Mr. Azad Shaw, Chief Financial Officer
4. Mr. Vikas Kasat, Representative of M/s. B S R & Co. LLP, Statutory Auditor
5. Mr. Jamsheed Dadachanji, Representative of M/s. Khaitan & Co., Legal Advisors for the transaction
6. Ms. Drushti R. Desai, Registered Valuers
7. Mr. Prashant Rao, Representative of M/s. Anand Rathi Advisors Limited, Merchant Bankers for fairness opinion

In attendance:

Mr. Samir Raval, Company Secretary

1. Background

- 1.1. A meeting of the Audit Committee of JMC Projects (India) Limited ("**Company**" or "**Transferor Company**") was held on February 19, 2022 to inter alia consider and recommend the proposed draft Scheme of Amalgamation of the Company with Kalpataru Power Transmission Limited and their respective shareholders under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") ("**Scheme**").
- 1.2. The Company is a subsidiary of the Transferee Company.
- 1.3. The Company and the Transferee Company are public limited companies incorporated under the provisions of the Companies Act, 1956. The equity shares of the Company and the Transferee Company are listed on BSE Limited and the National Stock Exchange of India Limited. The non-convertible debentures issued by the Company and the Transferee Company are listed on BSE Limited.

Corporate Office : 6th Floor, Kalpataru Synergy, Opp. Grand Hyatt, Santacruz (E), Mumbai 400055.
T +91-22-6885 1500 • F +91-22-6885 1555 • E mumbai@jmcprojects.com

Registered Office : A 104, Shapath - 4, Opp. Karnavati Club, S. G. Road, Ahmedabad 380 015 • T +91-79-6816 1500 • F +91-79-6816 1560
E jmcho@jmcprojects.com • W www.jmcprojects.com • CIN L45200GJ1986PLC008717 • GST 24AAACJ3814E1Z3

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- 1.4. This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) and Clause 2 (c) of Para A of Part I of the SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 (“**SEBI Master Circular**”), including amendments thereto.
- 1.5. The following documents duly initialed by the Company Secretary of the Company for the purpose of identification were placed before the Audit Committee of the Company:
- (a) Draft Scheme;
 - (b) Joint Share Entitlement Ratio Report dated February 19, 2022 issued by Ms. Drushti R. Desai (Registration No. IBBI/RV/06/2019/10666), Registered Valuer and M/s. Ernst & Young Merchant Banking Services LLP (Registration No. IBBI/RV-E/05/2021/155), Registered Valuer (“**Share Entitlement Ratio Report**”), describing the methodology adopted by them in arriving at the share entitlement ratio;
 - (c) Fairness Opinion Report dated February 19, 2022 issued by M/s. Anand Rathi Advisors Limited (Registration No. INM000010478), an Independent SEBI registered Merchant Banker (“**Fairness Opinion**”), providing its opinion on the share entitlement ratio specified in the Share Entitlement Ratio Report; and
 - (d) Certificate dated February 19, 2022, issued by M/s. B S R & Co., LLP, the Statutory Auditors of the Company, confirming the accounting treatment prescribed in the Scheme.
- 1.6. Mr. Shailendra Kumar Tripathi, CEO and Managing Director and Mr. Azad Shaw, CFO of the Company made a detailed presentation to the Committee covering *inter alia*, the Scheme, need for amalgamation and rationale of the Scheme, synergies of businesses of both the companies involved in the Scheme, impact of the Scheme on the Company and its shareholders and others concerned, cost benefit analysis and other relevant terms and matters.
- 1.7. During the meeting presentations were made by the representatives of the following agencies and experts:
- (a) Ms. Drushti R. Desai, Registered Valuers on Joint Share Entitlement Ratio;
 - (b) M/s. Anand Rathi Advisors Limited, Merchant Bankers on Fairness Opinion on the Share Entitlement Ratio;
 - (c) M/s. Khaitan & Co, Legal Advisors on the legal aspects and process of amalgamation; and



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- (d) M/s. B S R & Co. LLP, Statutory Auditors confirming the accounting treatment prescribed in the Scheme.

2. Proposed Scheme of Amalgamation

2.1. NEED FOR THE AMALGAMATION AND RATIONALE OF THE SCHEME

The Transferor Company is a subsidiary of the Transferee Company and forms part of the same group. The Transferor Company and the Transferee Company are engaged, directly and through its subsidiaries, in EPC business relating to infrastructure sector including ownership and operation of infrastructure facilities. It is proposed to integrate their businesses to achieve synergies and following benefits:

- (i) enhancement of operational, organizational and financial efficiencies, and achieve economies of scale by pooling of resources;
- (ii) achieve synergies in costs, operations, stronger and wider capital and financial base for future growth;
- (iii) availability of expanded business pre-qualifications, increased net worth to enable it to bid for larger and complex infrastructure projects and providing impetus to better corporate performance, ultimately enhancing overall shareholders value;
- (iv) an integrated and coordinated approach to investment strategies will allow for a more efficient allocation of capital and cash management;
- (v) further expand and grow all business into the international markets;
- (vi) reduction in the multiplicity of legal and regulatory compliances currently required to be carried out by Transferor Company and the Transferee Company;
- (vii) consolidation of administrative and managerial functions and elimination of multiple record-keeping, *inter alia* other expenditure and optimal utilization of resources by elimination of unnecessary duplication of activities and related costs thus resulting in reduced expenditure;
- (viii) consolidation of the businesses of the companies resulting in expansion of the consolidated business and creation of greater value for shareholders and all other stakeholders; and
- (ix) adaptation of best practices and in enhancing mechanisation/ automation of various processes through latest technologies.

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The amalgamation is in the interest of both the companies, their respective shareholders, creditors and all other stakeholders and is not prejudicial to the interests of the concerned shareholders, creditors or the public at large.

2.2. SYNERGIES OF BUSINESS OF THE COMPANIES INVOLVED IN THE SCHEME

The background and information of the Company and the Transferee Company is, *inter-alia*, as under:

- (a) The Company is an engineering, procurement and construction (EPC) company engaged in the business of infrastructure (highways, flyovers, elevated corridors, metros, railways, bridges, water supply & irrigation projects), construction of buildings (high-rise, integrated township, residential, commercial, information technology parks, institutional, hospital, sports complex, tourism projects), factories, industrial plants & power projects among others;
- (b) The Transferee Company is engaged in the business of power transmission and infrastructure EPC space executing projects that deliver complete solutions covering design, testing, manufacturing, fabrication, erection and construction of transmission lines, oil and gas infrastructure and railways projects on a turnkey basis. The Transferee Company is also engaged in high voltage substation business both in air insulated (AIS) and gas insulated (GIS) segment in domestic as well as international markets. The Transferee Company has also set up two biomass power generation plants in Rajasthan; and
- (c) Upon amalgamation, the benefits and synergies as mentioned in paragraph 2.1 above will be derived by the Company.

2.3. IMPACT OF THE SCHEME ON THE COMPANY AND ITS SHAREHOLDERS

- (a) Pursuant to the Scheme, the amalgamation of the Company with the Transferee Company will result in benefits and /or synergies to the Company as listed in paragraph 2.1 and 2.2 of this report;





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- (b) In consideration for the amalgamation of the Company with the Transferee Company, the shareholders of the Company, except for the Transferee Company, as on the Record Date (*as defined in the Scheme*) shall receive equity shares of the Transferee Company. Further, there will be no change in the economic interest of the shareholders of the Company, before and after scheme;
- (c) Upon the Scheme becoming effective, the Company shall be dissolved without being wound up and the shareholders of the Company shall become shareholders of the Transferee Company; and
- (d) After the effectiveness of the Scheme and subject to receipt of regulatory and other approvals, the equity shares of the Transferee Company issued as consideration pursuant to the Scheme, shall be listed on BSE Limited and the National Stock Exchange of India Limited.

2.4. COST BENEFIT ANALYSIS OF THE SCHEME

Although the Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company.

3. **Recommendation of the Audit Committee**

The Audit Committee after due deliberations and detailed discussions, and *inter alia* taking into consideration the presentations made, draft Scheme, Joint Share Entitlement Ratio Report, Fairness Opinion and certificate(s) issued Statutory Auditors of the Company, have noted the rationale, benefits and the impact of the Scheme on shareholders and other concerned. Based on the foregoing, the Audit Committee is of the view that the Scheme is in the interest of the Company and all the stakeholders, and hereby recommends the Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee

For and on Behalf of JMC PROJECTS (INDIA) LIMITED

D. R. Mehta
Chairman
Audit Committee



Place: Mumbai
Date: February 19, 2022