



CHANDI STEEL INDUSTRIES LIMITED

REPORT OF THE AUDIT COMMITTEE OF CHANDI STEEL INDUSTRIES LIMITED DATED 31ST JULY, 2023 RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN MACKEIL ISPAT & FORGING LIMITED AND CHANDI STEEL INDUSTRIES LIMITED.

The following members of the Audit Committee were present:

SI No.	Name of Committee Members	Designation
1.	Sumit Kumar Rakshit	Chairperson/Non-Executive/Independent
2.	Devendra Prasad Jajodia	Member/Executive Director
3.	Ashok Kumar Choudhary	Member /Non-Executive/Independent

Background.

1. A meeting of Audit Committee ("**Audit Committee**") was held on 31st July, 2023, *inter-alia*, to consider and if thought fit, recommend to the Board of Directors (the "**Board**") of Chandi Steel Industries Limited (the "**Company**"), the proposed scheme of amalgamation between the Company and Mackeil Ispat & Forging Limited, (the "**Scheme**") in the manner set out under Sections 230-232 of the Companies Act 2013, as amended (the "**Act**"), the applicable provisions of the Act between the Company and its shareholders and creditors.
2. The draft Scheme will be presented to the jurisdictional National Company Law Tribunal under Section 230 to 232 of the Act, the rules and regulations made thereunder and will be in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Regulations**") and the Securities and Exchange Board of India ("**SEBI**") master circular dated 20th June, 2023 bearing reference no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 ("**SEBI Master Circular**").

Requirement of SEBI Master Circular.

3. The Audit Committee noted that in terms of the SEBI Master Circular, the Audit Committee of a Listed Company is required to recommend the draft Scheme to the Board, after taking into consideration *inter-alia*, the draft share entitlement report obtained in relation to the draft Scheme. In addition, the report of the Audit Committee is required to comment on: (a) the need for the amalgamation; (b) rationale of the Scheme; (c) synergies of business of the entities involved in the scheme (d) impact of the Scheme on the shareholders; and (e) the cost benefit analysis of the Scheme. This report of the Audit Committee is made in compliance with the



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SEBI Master Circular. Capitalized terms used but not defined herein shall have the meanings set out in the draft Scheme.

Documents placed before Audit Committee.

4. This report of the Audit Committee is being issued in compliance with the SEBI Master Circular and other provisions of the applicable law. The Audit Committee has made this report after perusing the following documents:
 - a) Draft Scheme, initialed by the Company Secretary, for the purpose of identification.
 - b) Certificate dated 31st July, 2023 issued by JHS & Associates LLP, the Statutory Auditors of the Company to the effect that the accounting treatment contained in the Scheme is in compliance with all the accounting standards specified by the Central Government under Section 133 and other applicable provisions of the Act or the accounting standards issued by the Institute of Chartered Accountants of India, as applicable, and other generally accepted accounting principles;
 - c) Certificate dated 31st July, 2023 issued by JHS & Associates LLP, Chartered Accountants, the Statutory Auditors of the Company, certifying that the approval of the majority of the public shareholders as prescribed under paragraph (A)(10)(b) of Part I of the SEBI Master Circular is not applicable to the Scheme.
 - d) Draft share entitlement ratio report dated 31st July, 2023, obtained from M/s. Resolute Valuers & Consultants Private Limited, Registered Valuer recommending the Share Entitlement Ratio;
 - e) Draft form of the Fairness Opinion dated 31st July, 2023, issued by M/s. VC Corporate Advisors Private Limited, a SEBI registered, Merchant Banker;
 - f) Audited financial statements of the Company for last 3 Financial Years;
 - g) Other presentations, reports, documents, and information furnished before the Committee by the management.

Need for and rationale of the draft Scheme.

5. The Audit Committee noted that the draft Scheme is being proposed with the following objectives and rationale:



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- (a) the amalgamation would result in improving the potential for further expansion of businesses by way of consolidation of capital base and increased borrowing strengths of the combined entity;
 - (b) optimal utilisation of resources due to pooling of management, administrative and technical skills of various resources of both companies, better administration, and cost reduction, including reduction in managerial, administrative and other common costs;
 - (c) creation of asset base and facilitating access to better financial resources; and
 - (d) greater size, scale, financial strength and flexibility for the merged Transferee Company will result in maximizing and unlocking overall shareholders value.
6. Key features of the draft Scheme: - The salient features of the draft Scheme are as under:
- a) The Draft Scheme provides for amalgamation of Mackeill Ispat & Forging Limited with Chandi Steel Industries Limited.
 - b) The Appointed Date under the Scheme means the opening of the business hours of 1st April, 2023 or such other date as may be agreed between the Parties.
 - c) On the scheme being effective, the Transferee Company shall record all the assets and liabilities of the Transferor Company transferred and vested in it pursuant to the Scheme at fair value, as per Indian Accounting Standard 103 or any other applicable Indian Accounting Standard.
 - d) On the Scheme becoming effective, 194 (One Hundred and Ninety- Four fully paid-up equity share of INR 10/- (Indian Rupees Ten Only) each of the Transferee Company, credited as fully paid up, for every 100 (One Hundred) equity share of INR 10/- (Indian Rupees Ten Only) each of the Transferor Company and no further shares shall be issued by the Transferee Company in respect of the shares held by the Transferor Company in the Transferee Company.

Synergies of business of the entities involved in the scheme

7. The management of the respective Companies is of the view that this scheme is in the interest of the Customers, employees, lenders, shareholders and all other stakeholders of the respective Companies. Furthermore, the scheme will enable the synergies that exist between the business carried out by the Companies in terms of services and resources to be used optimally for the benefit of their stakeholders.



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Costs benefit analysis of the Scheme.

8. After a careful evaluation of the business of the Company, the Company believes that this amalgamation would result in improving the potential for further expansion of businesses by way of consolidation of capital base and increased borrowing strengths of the combined entity; optimal utilisation of resources creation of asset base and facilitating access to better financial resources; and greater size, scale, financial strength and flexibility for the merged Transferee Company will result in maximizing and unlocking overall shareholders value.
9. Although the proposed Scheme includes certain implementation costs, the benefits of the Scheme over a longer period would, in the view of the Audit Committee, outweigh such costs for the Company and the shareholders of the Company, on account of several factors and allow potential investors and other stakeholders an option in terms of making a choice for either or both businesses.

View of the Audit Committee and impact of Scheme on the Shareholders.

10. The proposal to undertake the Scheme under Sections 230-232 of the Act, in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the SEBI Master Circular was placed before the Audit Committee at its meeting on 31st July, 2023. The Audit Committee was informed that under the draft Scheme, it was proposed to amalgamate the Companies.
11. The Audit Committee noted the background, salient features, rationale and the benefits to the Company and its shareholders, as set out above, of the draft Scheme as placed before it.
12. In view of the fact that the execution of the Scheme would be in the best interests of the Company and their respective shareholders and creditors on account of the proposed amalgamation unlocking shareholder value, the Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme and other documents presented before the Audit Committee, hereby unanimously notes and is of the opinion that the Scheme is not detrimental, to the interests of the Company and its shareholders.

Recommendation of the Audit Committee.

13. The Audit Committee after due deliberations and due consideration of the draft Share Entitlement Ratio Report, draft Fairness Opinion, all the terms of the draft Scheme,



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rationale of the Scheme, impact of Scheme on the shareholders of the Company and other documents presented before the Audit Committee, recommends the draft Scheme for favorable consideration by the Board of the Company, Calcutta Stock Exchange Limited, SEBI and other appropriate authorities for their favorable consideration and approval.

14. This report of the Audit Committee is made in compliance with the SEBI Master Circular after considering the necessary documents that are applicable in context of the draft Scheme.

For and on behalf of
Chandi Steel Industries Limited

Sumit Kumar Rakshit

Sumit Kumar Rakshit
Chairman of the Audit Committee



Place: Kolkata
Date: 31.07.2023

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