

**REPORT OF THE AUDIT COMMITTEE OF GUJARAT FLUORO CHEMICALS LIMITED
RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT BETWEEN INOX
LEASING AND FINANCE LIMITED, INOX HOLDINGS AND INVESTMENTS LIMITED AND
GUJARAT FLUORO CHEMICALS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AT ITS
MEETING HELD ON OCTOBER 29, 2024**

MEMBERS PRESENT

- | | | | |
|----|-------------------------|---|----------|
| 1. | Mr. Shanti Prashad Jain | - | Chairman |
| 2. | Mr. Shailendra Swarup | - | Member |
| 3. | Mr. Vivek Jain | - | Member |
| 4. | Ms. Vanita Bhargava | - | Member |

The quorum was present at the Meeting and remained till the conclusion of the Meeting.

1. Background

- 1.1 A meeting of the Audit Committee of Gujarat Fluorochemicals Limited was held on October 29, 2024 to consider and recommend the proposed draft composite scheme of arrangement providing for Demerger of the Wind Business ("**Demerged Undertaking**") from Inox Leasing and Finance Limited ("**Demerged/Transferor Company**" or "**ILFL**") into Inox Holdings and Investments Limited ("**Resulting Company**" or "**IHIL**") and amalgamation (post demerger of the Demerged Undertaking from ILFL into IHIL) of ILFL into Gujarat Fluorochemicals Limited ("**Transferee Company**" or "**the Company**" or "**GFCL**") and their respective shareholders under the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") ("**Scheme**").
- 1.2 The Company was incorporated under the provisions of the Act. The equity shares of the Company are listed on the BSE Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**"). Further, the Non-Convertible Debentures ("**NCDs**") of the Company are listed on the debt segment of BSE. The Transferor Company holds 52.61% of the total issued and paid-up share capital of the Company.
- 1.3 This report of the Audit Committee is made 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/POD-2/P/CIR/2023/93 dated June 20, 2023 ("**SEBI Equity Master Circular**") and as amended from time to time.

1.4 Documents placed before the Audit Committee

The following documents were placed before the Audit committee:

- Draft Scheme;
- Share swap ratio report dated 29th October, 2024 issued by M/s Finvox Analytics (Registration No. IBBI/RV-E/06/2020/120), Registered Valuer ("**Share Swap Ratio Report**"), describing the methodology adopted by them in arriving at the recommended share swap ratio;
- Fairness Opinion dated 29th October, 2024 issued by Marwadi Chandarana Intermediaries Brokers Private Limited (Registration No. INM000013165), an Independent SEBI registered Category I Merchant Banker ("**Fairness Opinion**"), providing its opinion on the fairness of share swap ratio as recommended in the Share Swap Ratio Report;

An **INOXGFL** Group Company
BYVAHAR INTERIORS

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- d. The Certificate dated 28th October, 2024 issued by M/s Patankar & Associates, Chartered Accountants (FRN: 107628W), the Statutory Auditor of the Company, confirming that the accounting treatment stated in the Scheme is in compliance with the accounting standards prescribed under section 133 of the Act and generally accepted accounting principles;
 - e. Certificate dated 28th October, 2024 issued by M/s Patankar & Associates, Chartered Accountants (FRN: 107628W), the Statutory Auditor of the Company, certifying the payment/ repayment capability of the Company against the outstanding listed NCDs; and

2. Salient Features of the Scheme

The Audit Committee noted the brief particulars of the Scheme as under:

- a. The Scheme (as defined herein) is presented, *inter-alia*, under Sections 230 to 232 and other applicable provisions of the Act, SEBI Equity Master Circular read with Section 2(19AA), 2(1B), 47, 72A and other applicable provisions of the Income-tax Act, 1961 and other applicable law, if any. The Scheme provides for demerger of the Demerged Undertaking by the Demerged Company into the Resulting Company and post demerger, amalgamation of the Transferor Company with the Company and also provides for various other matters consequent and incidental thereto or otherwise integrally connected thereto.
- b. The appointed date for the demerger/amalgamation is January 1, 2025 as per the Scheme ("**Appointed Date**").
- c. Upon the Scheme becoming effective, in consideration of the amalgamation of the Transferor Company into the Company (post demerger of the Demerged Undertaking from the Demerged Company into the Resulting Company), pursuant to the Scheme, the Company shall, without any further act or deed, issue and allot to every equity shareholder of the Transferor Company holding Equity Shares in the Transferor Company, and whose names appear in the Register of Members of the Transferor Company on the Specified Date (as defined in the Scheme) in the following ratio:

"5,77,91,906 Equity Shares of GFCL having a face value of INR 1/- each fully Paid-Up to be issued and allotted as fully paid-up to the Equity Shareholders of ILFL in the proportion of their holding in ILFL"
- d. Upon the Scheme becoming effective, all assets, liabilities, contracts, employees, records, etc, of the Transferor Company shall stand transferred to the Company as a going concern subject to the provisions of the Scheme.
- e. From the Appointed Date and up to the Effective Date (as defined in the Scheme), the Transferor Company and the Company shall carry on its business and activities with reasonable diligence and business prudence
- f. The effectiveness of the Scheme is contingent upon certain conditions as mentioned in the Scheme.

3. Proposed Scheme

3.1. Need for the Demerger, Merger and rationale of the Scheme:

a) Segregation of Wind Business:

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The Management of ILFL, IHIL and GFCL are of the view that segregation of this businesses of ILFL has huge potential for value unlocking and is capable of attracting different set of investors, strategic partners, lenders and other stakeholders since these businesses carry significant potential for growth and profitability.

The demerger of the Demerged Undertaking would specifically result in better price discovery for these businesses, and it will also help in clear capital allocation for future growth of these businesses.

b) Amalgamation of the Transferor Company into the Transferee Company:

The Transferor Company and Transferee Company belong to the same group and as a result of the amalgamation, it would lead to simplification and rationalization of the shareholding structure of the Transferee Company. There will be no change in the financial position of the Transferee Company.

The amalgamation will result in reduction in number of legal entities which will result in an overall reduction in administrative, managerial, compliance requirements and related cost for the InoxGFL group. No costs, charges and expenses relating to the Scheme (Part 3) involving the amalgamation will be borne by the Transferee Company.

3.2. Synergies of the business of the entities involved in the Scheme:

This Committee reviewed the Scheme and noted that the Scheme would result in simplification and rationalization of the shareholding structure of the Company. The amalgamation will result in reduction in number of legal entities which will result in an overall reduction in administrative, managerial, compliance requirements and related cost for the InoxGFL group.

The Scheme also helps segregation of the Wind business of the Demerged Company since this business has huge potential for value unlocking and is capable of attracting different set of investors, strategic partners, lenders and other stakeholders.

3.3. Impact of the Scheme on the Company, its Equity Shareholders and NCD holders

- a. The Scheme is expected to be beneficial to the equity Shareholders of the Company leading reduction in number of legal entities which will result in an overall reduction in administrative, managerial, compliance requirements and related cost for the group.
- b. In consideration for the amalgamation of the Transferor Company with the Company, the Equity Shareholders of the Transferor Company, as on the Specified Date (as defined in the Scheme) shall receive Equity Shares of the Company. Further, the rights and interests of the Equity Shareholders of the Company will not be prejudicially affected by the Scheme, and there will be no change in the economic interest of the equity shareholders of the Company, before and after the Scheme. The equity shares to be issued by the Company to the equity shareholders of the Transferor Company pursuant to the Scheme shall rank *pari passu* in all respects with the existing equity shares of the Company.
- c. The Equity Shareholders of the Company will continue to be the Equity Shareholders of the Company.
- d. Pursuant to the Scheme, there will be no change in the terms and conditions of the NCDs of the Company. Pursuant to the Scheme, the NCD holders of the Company as on the Effective Date (as defined in the Scheme) will continue to hold the NCDs of the Company, without any interruption, on the same terms, including the coupon rate, the tenure, the redemption price, quantum, and the nature of security, ISIN, etc. The NCDs of the Company, as on the Effective Date, will continue to be freely tradable and listed on BSE, thereby providing liquidity to the holders of the NCDs of the Company; and

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- e. After the effectiveness of the Scheme and subject to the receipt of regulatory approvals, the equity shares of the Company issued as consideration pursuant to the Scheme, shall be listed on BSE and NSE.

3.4. Cost benefit analysis of the Scheme

This Committee is of the informed opinion that the Scheme is in the best interests of the concerned companies and their respective Equity Shareholders. The impact of the Scheme on the Equity Shareholders (including the public shareholders) would be same in all respects and no equity shareholder is expected to have any disproportionate advantage or disadvantage in any manner.

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 Transferee Company.

4. Recommendation of the Audit Committee

The Audit Committee has taken on record the Share Swap Ratio Report and the Fairness Opinion and the recommendations made therein.

Taking into consideration the draft Scheme, Share Swap Ratio Report, Fairness Opinion and Certificates issued by Statutory Auditor of the Company, need for the Demerger of the Demerged Undertaking and amalgamation of the Demerged Company/ Transferor Company with the Company (post demerger) and rationale of the Scheme, synergies of business of the companies involved, impact of the Scheme on the Company, its Shareholders, cost benefit analysis of the Scheme and other documents placed before the Audit Committee, the Audit Committee recommends the draft Scheme for a favourable consideration and approval by the Board of Directors of the Company.

By Order of the Members of the Audit Committee

For and on Behalf of Gujarat Fluorochemicals Limited


Shanti Prashad Jain
Chairman of the Audit Committee
DIN: 00023379



Date: 29th October, 2024
Place: Delhi

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