JTL Infra Limited

Regd. & Corp. Off.: S.C.O. 18-19, Sector 28-C,
Chandigarh-160 002, INDIA
Tel.: +91 172 4668 000, Toll Free : 18008891120
E-mail : info@jtlinfra.com, Website: www.jtlinfra.com
CIN No.: L27106CH1991PLC011536

To,
The Board of Directors
JTL Infra Limited

Report on recommendations of Audit Committee of JTL Infra Limited on the Modified Scheme of Arrangement for Amalgamation of Chetan Industries Limited ("Transferor Company") with JTL Infra Limited (the Company/Transferee Company)

A meeting of Audit Committee of JTL Infra Limited was held on 18th August, 2021 to consider and recommend the proposed Scheme of Arrangement for Amalgamation of Chetan Industries Limited ("Transferor Company") with JTL Infra Limited (Transferee Company) under Sections 230 to 232 of the Companies Act, 2013, in accordance with the SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/2020/249 dated December 22, 2020 (SEBI Circular). Thereafter, on instruction of BSE Limited and in order to make compliance of aforesaid SEBI Circular the Company has prepared fresh valuation report considering audited financials of 30th September, 2021 issued by Mr. Ajay Kumar Siwach, Registered Valuer. This report of Audit Committee of the Company is being made in order to comply with the requirements of the aforesaid SEBI Circular and to recommend board on modified share exchange ratio in the modified valuation report and modified Scheme of Amalgamation. The audit committee has considered and reviewed the modified scheme and drawn out the following major points:

Background of the Companies involved in the proposed scheme: -

A. **Chetan Industries Limited** (herein after referred to as **'CIL' or "Transferor Company"**), bearing CIN- U26941CH1995PLC017464 was incorporated on 21st December, 1995 under the provisions of Companies Act, 1956. The registered office of the Company is situated at SCF 18 19, Sector 28 C Chandigarh -160002, India.

   The Company is engaged in the Business of manufacturing Steel Pipes & Tubes, hollow sections and structural steel that are extensively used in major engineering and construction projects

B. **JTL Infra Limited** (herein after referred to as **'JTLIL' or "Transferee Company"**), bearing CIN L27106CH1991PLC011536 was incorporated on 29th July, 1991 under the provisions of Companies Act, 1956. The registered office of the

Company is situated at SCF 18 19, Sector 28 C Chandigarh -160002, India. The shares of company are listed on BSE Limited and Metropolitan Stock Exchange.

The Transferee Company is engaged in the business of producing Black & Galvanized ERW Steel Pipes & Tubes, hollow sections and structural steel that are extensively used in major engineering and construction projects. The group caters to the domestic Indian markets as well as the overseas export markets. JTL has been recognized as Star Export House by the Government of India. JTL offers a wide range of integrated tube & steel pipe solutions embracing standard tubes & pipes.

Following documents were tabled at the meeting and reviewed by the Audit Committee:

1. Modified Scheme on proposed Scheme of Arrangement for Amalgamation of Chetan Industries Limited ("Transferor Company") with JTL Infra Limited (Transferee Company);
2. Modified Share Exchange Report dated 30th December, 2021 issued by Mr. Ajay Kumar Siwach (Registered Valuer, IBBI).
3. Modified Fairness Opinion dated 30th December, 2021 issued by Corporate Professionals Capital Private Limited, SEBI Registered (Category I) Merchant Bankers.

Need and Rationale of Scheme of Arrangement:

The committee noted the following salient features of the scheme:

- The Transferor Company and Transferee Company are engaged in similar nature of business hence, the amalgamation of Chetan Industries Limited ("Transferor Company") with the JTL Infra Limited (Transferee Company) will strengthen the balance sheet of the Transferee Company and shall create a larger and stronger entity, which will have better resources for business growth and expansion. The scheme of arrangement shall provide a running and profitable business to the Transferee Company which has growth potential and shall also provide the shareholders of Transferor Company liquidity through listing and hence there is significant synergy for consolidation of both the entities.

- The independent operations of the Transferor Company and Transferee Company leads to incurrence of significant costs and the amalgamation would enable

JTL Infra Limited SCO 18-19, Sector 28-C, Chandigarh economies of scale by attaining critical mass and achieving cost saving. The amalgamation will thus eliminate a multi-layered structure and reduce managerial overlaps, which are necessarily involved in running multiple entities and also prevent cost duplication that can erode financial efficiencies of a holding structure and the resultant operations would be substantially cost-efficient. This Scheme would result in simplified corporate structure of the Transferee Company and its businesses, thereby leading to more efficient utilization of capital and creation of a consolidated base for future growth of the Transferee Company.

- The Amalgamation of Transferor Company with Transferee Company shall result in multiple manufacturing facilities under single entity which enables Transferee Company to make production planning in more efficient manner, thereby reducing wastages, improves input-output ratio (yield factor) and shorter lead time.

- The Amalgamation of Transferor Company with Transferee Company will add an advantage of Multi-location production facilities, reduce freight cost, easily availability of finished goods in the marketplaces which will give better and almost real time business intelligence, improve products competitiveness and acceptance amongst the targeted customers.

- The amalgamation will contribute in furthering and fulfilling the objectives and business strategies of both the companies thereby accelerating growth, expansion and development of the respective businesses through the Transferee Company. The amalgamation will thus enable further expansion of the Transferee Company and provide a strong and focused base to undertake the business more advantageously. Further, this arrangement would bring concentrated management focus, integration, streamlining of the management structure, seamless implementation of policy changes and shall also help enhance the efficiency and control of the Transferor Companies and Transferee Company.

- The synergies created by scheme of arrangement would increase operational

JTL Infra Limited * SCO 18-19, Sector 28-C, Chandigarh * efficiency and integrate business functions.

- The proposed arrangement will provide greater integration and flexibility to the Transferee Company and strengthen its position in the industry, in terms of the asset base, revenues, product and service range.

Synergies of Business of the entities involved in the Scheme:

- The Transferor Company and Transferee Company are engaged in similar nature of business. It will lead to incurrence of significant costs and the amalgamation would enable economies of scale by attaining critical mass and achieving cost saving. The amalgamation will thus eliminate a multi-layered structure and reduce managerial overlaps, which are necessarily involved in running multiple entities and also prevent cost duplication that can erode financial efficiencies of a holding structure and the resultant operations would be substantially cost-efficient.

- Synergies created by scheme of arrangement would increase operational efficiency and integrate business functions.

Cost Benefit Analysis of the Scheme:

The present Scheme of Arrangement for Amalgamation is a tax neutral transaction. Further, the present Scheme will add an advantage of Multi-location production facilities, reduce freight cost, easily availability of finished goods in the marketplaces which will give better and almost real time business intelligence, improve products competitiveness.

Impact of the Scheme on the Shareholders:

The Shareholders of Transferor Company as on record date shall be entitled to equity shares in the Transferee Company basis the share exchange ratio determined by Mr. Ajay Kumar Siwach, Registered Valuer, in the valuation report submitted to this committee. On approval of the Scheme by the National Company Law Tribunal, the shareholders of Transferor Company shall be allotted shares in the Transferee Company.

The Scheme will not adversely affect the rights or interest of any stakeholder of the Transferor Company and Transferee Company or their respective shareholders or creditors.

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The audit committee reviewed the Modified Share Exchange Report for Merger and noted the facts as follows:

Modified Share Exchange Ratio: In consideration for the Amalgamation of Transferor Company with the Transferee Company, the Transferee Company shall, without any further application or deed, issue and allot shares of face value of INR 2 (Two) each to the members of Transferor Company in the following ratio:

*"Transferee Company, without further application, act or deed, shall issue and allot to each of the shareholders of "Transferor Company" (other than the shares already held therein immediately before the amalgamation by Transferee Company, its Nominee or Subsidiary Company), shares in proportion of **117 (One Hundred Seventeen) Equity shares of face value of Rs.2/- (Rupees Two) each in Transferee Company for every 100 (One Hundred) Equity shares of face value of Re.1/- (Rupee One)** each held by them in "Transferor Company" pursuant to this Scheme of Amalgamation."*

Modified Fairness Opinion confirmed that Modified valuation report is fair and reasonable for the stakeholders of the Company. .

Recommendation of the Audit Committee:

Having considered the documents, Modified Share Valuation Report, Modified Fairness Opinion, the audit committee hereby unanimously recommends the Modified Scheme for favorable consideration by the Board of Directors of the company, Stock Exchange and Securities and Exchange Board of India.

By and on behalf of the Audit Committee of

JTL Infra Limited

JTL Infra Limited SCO 18-19 Sector 28-C, Chandigarh

Preet Kamal Kaur Bhatia
(Chairman of the meeting)
DIN: 07070977

Place: Chandigarh

Date: 30.12.2021