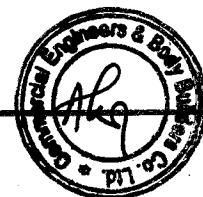


## REPORT ON THE RECOMMENDATION OF THE AUDIT COMMITTEE ("COMMITTEE") OF COMMERCIAL ENGINEERS & BODY BUILDERS CO LIMITED ON THE DRAFT SCHEME OF AMALGAMATION OF JUPITER WAGONS LIMITED INTO AND WITH COMMERCIAL ENGINEERS & BODY BUILDERS CO LIMITED

### SCHEME OF AMALGAMATION

1. Jupiter Wagons Limited ("Amalgamating Company") is a public limited company incorporated on 27 July 2006, under the Companies Act, 1956 and has its registered office at 4/2, Middleton Street, Kolkata - 700071. The Amalgamating Company is engaged *inter alia* in the business of manufacturing, casting, forging, rolling, repair and/or maintenance of railway wagons (including passenger cars and freight cars), other vehicles, goods carriages, coaches, rolling stock, railway switches, railway crossings, and other railway accessories/components related to the foregoing products, sales and supply of railway wagons (including passenger cars and freight cars), goods carriages, coaches, rolling stock, railway switches, railways crossings and other railway accessories/components related to the foregoing products.
2. Commercial Engineers & Body Builders Co Limited ("Amalgamated Company") is a public limited company incorporated on 28 September 1979, under the Companies Act, 1956 and currently its registered office is located at 48, Vandana Vihar, Narmada Road, Gorakhpur, Jabalpur, Madhya Pradesh.<sup>1</sup> The Amalgamated Company is engaged *inter alia* in the business of metal fabrication comprising load bodies for commercial vehicles and rail freight wagons and manufacturing, maintenance and repair of commercial vehicles and railway wagons. The equity shares of the Amalgamated Company are listed on the Stock Exchanges (*as defined below*).
3. A meeting of the Committee of the Amalgamated Company was held on 28 September, 2020 to consider and recommend the proposed scheme of amalgamation for amalgamation of the Amalgamating Company into and with the Amalgamated Company under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Scheme"), with effect from 1 October 2019 or such other date as may be mutually agreed between the Amalgamating Company and the Amalgamated Company ("Appointed Date") ("Proposed Amalgamation"), subject to the approval of the National Stock Exchange of India Limited ("NSE") and the BSE Limited ("BSE") (the NSE and the BSE are collectively referred to as the "Stock Exchanges"), the Securities and Exchange Board of India ("SEBI"), the relevant National Company Law Tribunal(s) ("NCLT") having jurisdiction over the Amalgamating Company and the Amalgamated Company and such other

<sup>1</sup> Note: The Amalgamated Company proposes to change its registered office from Jabalpur, Madhya Pradesh to Kolkata, West Bengal. The shareholders of the Amalgamated Company have passed a resolution approving the change of the registered office from the state of Madhya Pradesh to the state of West Bengal. The Amalgamated Company shall make an application to the relevant Government Authority (as defined in the Scheme) seeking approval for alteration of its memorandum of association with regard to the change of place of the registered office from the state of Madhya Pradesh to the state of West Bengal, in accordance with Section 13(4) of the Companies Act, 2013.



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Factory (Unit II) : NH12-A, Village Udaipura, Teh. Narayanganj, Distt. Mandla - 481666 (M.P.)

Factory (Unit III) : Plot No. 690 to 693 & 751 to 756, Sector III, Industrial Area, Pithampur, Distt. Dhar-454774 Ph. 07292-298396

Factory (Unit IV) : Industrial Area Richhai, Jabalpur - 482010 (M.P.)

Factory (Unit V) : Plot No. 742, Asangi Phase Area, Saraikela, Jharkhand - 832109 Ph. 0657-2200251/252

Factory (Unit VI) : Village Imlai, Near Deori Railway Station, P.O. Panagar, Jabalpur - 483220

regulatory authorities, as may be applicable. The Amalgamating Company and the Amalgamated Company are collectively referred to as the “Companies”.

4. This report of the Audit Committee is made in compliance with the requirements of the SEBI Circular dated 10 March 2017 and bearing reference No. CFD/DIL3/CIR/2017/21, as amended from time to time (the “SEBI Circular”).
5. The Committee noted that the Amalgamating Company and the Amalgamated Company have appointed (A) TR Chaddha & Co LLP, independent chartered accountants, ICAI Firm Registration Number: 006711N/N500028 (“**Independent Chartered Accountant**”); and (B) Dhwanit Kashyap Vaidya, registered valuer, IBBI Registration Number: IBBI/RV/06/2019/11411 (“**Registered Valuer**”), to recommend the fair equity share exchange ratio for the Proposed Amalgamation. Further, the Committee noted that the Amalgamated Company has appointed Systematix Corporate Services Limited, a SEBI registered category-I merchant banker, to provide a fairness opinion in accordance with the requirements of the SEBI Circular.
6. The (A) report dated 28 September, 2020 issued by the Independent Chartered Accountant recommending the fair equity share exchange ratio (“**TRC Equity Share Exchange Report**”); (B) report dated 28 September, 2020 issued by the Registered Valuer recommending the fair equity share exchange ratio (“**Valuer Equity Share Exchange Report**”); and (C) Fairness opinion dated 28 September 2020 issued by Systematix Corporate Services Limited, the SEBI registered category-I merchant banker (the “**Fairness Opinion**”), were sent through email by each of the Independent Chartered Accountant, the Registered Valuer and the merchant banker to the Committee members and the contents of each of the TRC Equity Share Exchange Report, the Valuer Equity Share Exchange Report and the Fairness Opinion were read out to the Committee.
7. The following documents were placed before the Audit Committee for its persual:
  - a) The draft Scheme;
  - b) The TRC Equity Share Exchange Report;
  - c) The Valuer Equity Share Exchange Report;
  - d) The Fairness Opinion;
  - e) the draft of the certification to be issued by Walker Chandiook & Co LLP (ICAI Firm Registration Number: 001076N/N500013), the statutory auditor of the Company pursuant to paragraph I.A.5 of Annexure I of the SEBI Circular, certifying that the accounting treatment specified in the Scheme is in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the SEBI Circular and the applicable accounting standards and other generally accepted accounting principles in India, read with the General Circular No. 09/2019 dated 21 August 2019 issued by the Ministry of Corporate Affairs; and



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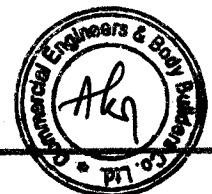
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- f) Other documents, representations, reports and information required to be furnished by the Amalgamated Company in its application to the Stock Exchanges under the SEBI Circular.
8. The Committee noted that the Proposed Amalgamation would be in the best interests of the Amalgamated Company and its shareholders, employees, creditors and other stakeholders as the Proposed Amalgamation is expected to result *inter alia* in:
- a) consolidation of the businesses presently being carried on by the Companies, which shall create greater synergies between the business operations of the Companies such as enhancement of net worth of the combined business and backward integration of the operations of the Amalgamated Company's business which will lead to superior ability to leverage the business including reduction in cost of capital, cost savings due to focused operational efforts, rationalization, standardization and simplification of business processes, productivity improvements, improved procurement efficiencies, procurement and distribution logistics;
  - b) enhancement of competitive strength, cost reduction and efficiencies, productivity gains and logistic advantages and operational efficiencies through optimal utilization of resources, as a consequence of pooling of financial, managerial and technical resources, personnel, capabilities, skills, expertise and technologies of the Companies;
  - c) better alignment, coordination and streamlining of day to day operations, leading to improvement in overall working culture and environment;
  - d) utilising the financial strength of the Amalgamating Company to turnaround the Amalgamated Company and embark on a growth phase by modernizing the plants to meet the current industry demand and enter into newer product development and consolidation of market segments;
  - e) greater efficiency in cash management and unfettered access to cash flow generated by the combined businesses which can be deployed more efficiently to fund growth opportunities to improve stakeholders' value;
  - f) beneficial results for both the Companies and in the long run, is expected to enhance value for the shareholders;
  - g) formation of a stronger company with a larger capital and asset base to enable the combined business to be pursued in a manner that is more convenient and advantageous to all the stakeholders and regularization of the cash flow of the Amalgamated Company on account of the regular revenue stream of the Amalgamating Company which would help in stabilizing the cash flow issues of the Amalgamated Company; and
  - h) creation of value for various stakeholders and shareholders of the Companies, as a result of the above.



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9. Thereafter, the Committee noted the salient features of the Proposed Amalgamation which are as follows:
- Amalgamation of the Amalgamating Company into and with the Amalgamated Company in accordance with Section 2(1B) of the Income Tax Act, 1961, and the dissolution without winding up of the Amalgamating Company with effect from the Appointed Date;
  - Transfer of the authorised share capital of the Amalgamating Company to the Amalgamated Company;
  - Issuance and allotment of fully paid-up equity shares by the Amalgamated Company to the shareholders of the Amalgamating Company as on the Record Date (*as defined in the Scheme*), based on the fair equity share exchange ratio recommended by the Independent Chartered Accountant and the Registered Valuer;
  - Cancellation of the equity shares and the non-cumulative redeemable preference shares of the Amalgamated Company, held by the Amalgamating Company, on the Effective Date (*as defined in the Scheme*), as an integral part of the Scheme;
  - Change of name of the Amalgamated Company to Jupiter Wagons Limited or such other name which is available and approved by the relevant Registrar of Companies; and
  - Upon the Scheme becoming effective, the equity shares of the Amalgamated Company that are to be issued and allotted by the Amalgamated Company in terms of the Scheme, shall be listed and shall be admitted for trading on the Stock Exchanges by virtue of the Scheme in accordance with the provisions of the SEBI Circular and applicable laws, listing being subject to the Company complying with the conditions and other requirements of the Stock Exchanges and the SEBI.
10. The Committee reviewed the TRC Equity Share Exchange Report and the Valuer Equity Share Exchange Report and recommended the equity share exchange ratio for the Proposed Amalgamation ("**Fair Equity Share Exchange Ratio**") as under:

*5510:100, i.e., for every 100 (hundred) fully paid up equity shares of face value of INR 10/- each held in the Amalgamating Company as on the Record Date (as defined in the Scheme), the equity shareholders of the Amalgamating Company shall be issued 5510 equity shares of face value of INR 10/- each credited as fully paid up in the Amalgamated Company.*



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11. Further, the Committee noted that the Fairness Opinion confirmed that the equity share exchange ratio in the TRC Equity Share Exchange Report and the Valuer Equity Share Exchange Report is fair.
12. The Committee also noted that the equity shares that will be issued to the shareholders of the Amalgamating Company in terms of the Scheme are proposed to be listed on the Stock Exchanges, in accordance with the SEBI Circular.
13. **Recommendation of the Audit Committee**

The Audit Committee recommends the draft Scheme, to be effective from the Appointed Date, after taking into consideration the TRC Equity Share Exchange Report, the Valuer Equity Share Exchange Report, the Fairness Opinion and other presentations, reports, documents and information furnished before the Committee, to the Board of Directors of the Amalgamated Company (the "Board"), which the Board may take into consideration for determining its recommendation regarding the draft Scheme to the shareholders of the Amalgamated Company and creditors of the Amalgamated Company (as may be applicable) for their consideration and approval.

**Certified True Copy**

**For Commercial Engineers & Body Builders Co Limited**

  
Amit K Jain  
Company Secretary  
M.No - A-39779  
Date - 28/09/2020



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