

**CERTIFIED TRUE COPY OF THE REPORT ON THE RECOMMENDATION OF THE
AUDIT COMMITTEE ("COMMITTEE") OF JUPITER WAGONS LIMITED
("AMALGAMATING COMPANY") ON THE DRAFT SCHEME OF AMALGAMATION OF
JUPITER WAGONS LIMITED INTO AND WITH COMMERCIAL ENGINEERS & BODY
BUILDERS CO LIMITED ("AMALGAMATED COMPANY")**

SCHEME OF AMALGAMATION

1. BACKGROUND

- 1.1. A meeting of the Committee was held on 28 September, 2020 to consider and recommend to the board of directors of the Amalgamating Company ("**Board**"), the draft scheme of amalgamation between the Amalgamating Company and the Amalgamated Company (the Amalgamating Company and the Amalgamated Company are collectively referred to as the "**Companies**") for amalgamation of the Amalgamating Company into and with the Amalgamated Company, under Sections 230-232 and other applicable provisions of the Companies Act, 2013 (the "**Act**") (the "**Scheme**"), with effect from October 1, 2019 or such other date as may be mutually agreed between the Amalgamating Company and the Amalgamated Company ("**Appointed Date**"), subject to the approval of the requisite majority of shareholders of the Amalgamating and the Amalgamated Company, the BSE Limited ("**BSE**"), the National Stock Exchange of India Limited ("**NSE**") (the BSE and the NSE shall be collectively referred to as the "**Stock Exchanges**"), the Securities and Exchange Board of India (the "**SEBI**"), the relevant National Company Law Tribunal(s) ("**NCLT**") having jurisdiction over the Amalgamating Company and the Amalgamated Company, and such other regulatory authorities, as may be applicable ("**Proposed Amalgamation**").
- 1.2. This report of the Committee is made in compliance with the requirements of the SEBI Circular dated March 10, 2017 and bearing reference No. CFD/DIL3/CIR/2017/21, as amended from time to time (the "**SEBI Circular**").
- 1.3. The 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.



JUPITER WAGONS LIMITED

CIN : U35202WB2006PLC110822

1.4. The 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.¹ The Amalgamated Company is engaged *inter alia* in the business of metal fabrication comprising of 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.

2. SALIENT FEATURES OF THE DRAFT SCHEME

2.1. The Committee has prepared this report after perusing the following documents that were placed before the Committee:

- a) The draft Scheme;
- b) The report dated 28 September, 2020 prepared by TR Chaddha & Co LLP, independent chartered accountants, ICAI Firm Registration Number: 006711N/N500028 (“**Independent Chartered Accountant**”) recommending the fair equity share exchange ratio in respect of the Proposed Amalgamation (“**TRC Equity Share Exchange Report**”);
- c) The report dated 28 September, 2020 prepared by Dhwanit Kashyap Vaidya, registered valuer, IBBI Registration Number: IBBI/RV/06/2019/11411 (“**Registered Valuer**”) recommending the fair equity share exchange ratio in respect of the Proposed Amalgamation (“**Valuer Equity Share Exchange Report**”);
- d) The certificate dated 28 September, 2020 issued by M/s. Lohariwal & Associates (ICAI Firm Registration Number: 322705E)], the statutory auditor of the Amalgamating Company on the proposed accounting treatment in the Scheme in terms of the provisions of sections 230 and 232 of the Act read together with the Companies (Compromises, Arrangements and Amalgamation) Rules, 2016, with reference to the Scheme’s compliance with the applicable accounting standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and other Generally Accepted Accounting Principles;
- e) Fairness opinion dated 28 September, 2020 issued by Systematix Corporate Services Limited, the SEBI registered category – I Merchant Banker (the “**Fairness Opinion**”), and;

¹Note: 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.

JUPITER WAGONS LIMITED

CIN : U35202WB2006PLC110822

f) Other documents, representations, reports and information made / furnished before the Committee.

2.2. The Committee noted that the Proposed Amalgamation would be in the best interests of the Amalgamating 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



JUPITER WAGONS LIMITED

CIN : U35202WB2006PLC110822

- b) creation of value for various stakeholders and shareholders of the Companies, as a result of the above.

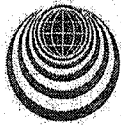
2.3. The Committee noted the salient features of the Proposed Amalgamation which are as follows:

- a) 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;
- b) Transfer of the authorised share capital of the Amalgamating Company to the Amalgamated Company;
- c) Issuance of 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;
- d) 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;
- e) 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
- f) 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 other applicable laws, listing being subject to the Amalgamated Company complying with the conditions and other requirements of the Stock Exchanges and the SEBI.

3. FAIR EQUITY SHARE EXCHANGE RATIO AND VALUATION REPORT

3.1. The Committee noted that the Amalgamating Company and the Amalgamated Company have appointed (A) the Independent Chartered Accountant; and (B) the Registered Valuer; to recommend the fair equity share exchange for the Proposed Amalgamation. The Committee further noted that the Amalgamated Company had appointed Systematix Corporate Services Limited, the SEBI registered category-I merchant banker to issue the Fairness Opinion.

3.2. The (A) TRC Equity Share Exchange Report; (B) Valuer Equity Share Exchange Report; and (C) 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 the TRC Equity Share Exchange Report, the Valuer Equity Share Exchange Report and the Fairness Opinion were read out to the Committee. 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.



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JUPITER WAGONS LIMITED

3.3. Share Exchange Report and the Fairness Opinion were read by the Committee. 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.

3.4. 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 equity shares of face value of Rs. 10 each of the Amalgamated Company for every 100 equity shares of face value of Rs. 10 each held by the shareholder in the Amalgamating Company.

4. RECOMMENDATION OF THE AUDIT COMMITTEE

The 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, Fairness Opinion and other presentations, reports, documents and information furnished before the Committee, to the Board of the Amalgamating Company, which the Board may take into consideration for determining its recommendation regarding the draft Scheme to the shareholders of the Amalgamating Company and creditors of the Amalgamating Company (as may be applicable) for their consideration and approval.

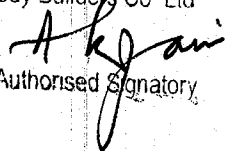
Certified True Copy
For JUPITER WAGONS LIMITED


Rajiv Kumar Tulsyan

Sr. Manager Finance & Company Secretary



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For Commercial Engineers & Body Builders Co Ltd


Authorised Signatory