

REPORT OF THE AUDIT COMMITTEE OF FORTUNE INDUSTRIAL RESOURCES LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF MOULDCRAFT (INDIA) PVT LTD, MAKSAD INFRACON PVT LTD, SAPTRISHI FINANCE PVT LTD AND TRIMURTI PETROCHEMICALS AND ALLIED SERVICES PVT LTD WITH FORTUNE INDUSTRIAL RESOURCES LTD AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Present:

Sl. No.	Name	Designation
1.	Mr. Sachin	Chairperson of the Audit Committee
2.	Mr. Sanjeev Agrawal	Member of the Audit Committee
3.	Ms. Vickky Kumari	Member of the Audit Committee

Ms. Bharti, Company Secretary and Mr. Pankaj Kumar Gupta, Chief Financial Officer of Fortune Industrial Resources Limited was also present at the meeting along with.

1. Background of the proposed Scheme of Amalgamation:

- 1.1 A meeting of the Audit Committee ("Audit Committee") of Fortune Industrial Resources Limited (the "Company") was held on 25th June, 2024, inter-alia, to consider and, if thought fit, recommend to the Board of Directors, the proposed Scheme of Amalgamation of Mouldcraft (India) Pvt Ltd, Maksad Infracon Pvt Ltd, Saptrishi Finance Pvt Ltd and Trimurti Petrochemicals and Allied Services Pvt Ltd with Fortune Industrial Resources Ltd and their respective Shareholders and Creditors.

The Scheme of Amalgamation is framed in terms of the provisions of Sections 230 & 232 of the Companies Act, 2013, read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, together with Section 2(1B) of the Income Tax Act, 1961, the Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, issued by the SEBI ("the SEBI Scheme Circular"), as amended, and other applicable provisions, if any.

The Scheme of Arrangement provides for:

- Amalgamation of Mouldcraft (India) Pvt Ltd, Maksad Infracon Pvt Ltd, Saptrishi Finance Pvt Ltd and Trimurti Petrochemicals and Allied Services Pvt Ltd with Fortune Industrial Resources Ltd on going-concern basis;
- Various other matters incidental, consequential or otherwise integrally connected with the aforesaid Amalgamation.

In terms of the SEBI Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("the SEBI Circular"), a report from the Audit Committee is required recommending the draft Scheme, taking into consideration, inter alia, the Valuation Report (as defined hereinafter), and commenting on need for the amalgamation, the rationale of the Scheme, impact of the Scheme on the Shareholders, cost benefit analysis of the Scheme and synergies of business of the entities involved in the Scheme. This Report of the Audit Committee is made in order to comply with the requirements of the SEBI Scheme Circular.

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1.2 The Salient features of the Scheme:

The Scheme of Amalgamation, inter-alia, provides the following:

- a. All assets and liabilities including Income Tax and all other statutory liabilities, if any, of the Transferor Companies will be transferred to and vest in the Transferee Company.
- b. All the employees of the Transferor Companies in service on the Effective Date, shall become employees of the Transferee Company on such date without any break or interruption in their service and upon terms and conditions not less favorable than those applicable to them in the concerned Transferor Company on the Effective Date.
- c. Appointed Date for the Scheme will be 1st April, 2024, or such other date as may be mutually decided by the Board of Directors of the Transferor Companies and the Transferee Company with the approval of the Hon'ble National Company Law Tribunal, or such other date as the Hon'ble National Company Law Tribunal, or any other competent authority may approve.
- d. The Share Exchange Ratio for Amalgamation will be as follows:
 - i. The Transferee Company will issue 112 (one hundred and twelve) Equity Shares of ₹10 each, credited as fully paid-up, to the Equity Shareholders of the Transferor Company No. 1 for every 1000 (one thousand) Equity Shares of ₹10 each held in the Transferor Company No. 1-Mouldcraft (India) Pvt Ltd.
 - ii. The Transferee Company will issue 138 (one hundred and thirty-eight) Equity Shares of ₹10 each, credited as fully paid-up, to the Equity Shareholders of the Transferor Company No. 2 for every 1000 (one thousand) Equity Shares of ₹10 each held in the Transferor Company No. 2-Maksad Infracon Pvt Ltd.
 - iii. The Transferee Company will issue 15 (fifteen) Equity Shares of ₹10 each, credited as fully paid-up, to the Equity Shareholders of the Transferor Company No. 3 for every 1000 (one thousand) Equity Shares of ₹10 each held in the Transferor Company No. 3-Saptrishi Finance Pvt Ltd.
 - iv. The Transferee Company will issue 75 (seventy-five) Equity Shares of ₹10 each, credited as fully paid-up, to the Equity Shareholders of the Transferor Company No. 4 for every 1000 (one thousand) Equity Shares of ₹10 each held in the Transferor Company No. 4-Trimurti Petrochemicals and Allied Services Pvt Ltd.
- e. Fractional entitlements, if any, shall be aggregated and held by a trust, nominated by the Board of Directors of the Transferee Company, in that behalf, who shall sell such shares in the market at such price, within a period of 90 days from the date of allotment of shares, as per the Scheme. The Transferee Company shall submit to the Designated Stock Exchange a report from its Audit Committee and the Independent Directors certifying that the Transferee Company has compensated the eligible shareholders against their respective fractional entitlement, within a period of seven days of compensating the shareholders.

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- f. Metropolitan Stock Exchange will act as the Designated Stock Exchange for the purposes of the Scheme.
- g. Appointed Date for the Scheme will be 1st April, 2024, or such other date as may be mutually decided by the Board of Directors of the Transferor Companies and the Transferee Company with the approval of the Hon'ble National Company Law Tribunal, or such other date as the Hon'ble National Company Law Tribunal, or any other competent authority may approve.
- h. The Scheme shall be effective subject to the following:
 - a. Approval of the Scheme by the Metropolitan Stock Exchange of India Limited ("Stock Exchange") and the Securities and Exchange Board of India ("SEBI"), pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) and the SEBI Scheme Circular.
 - b. Approval of the Scheme by the requisite majorities of Shareholders and/or Creditors of each of the Scheme entities as may be directed by the Hon'ble NCLT.
 - c. Approval of the Scheme by the public shareholders through e-voting in terms of Para 'A' '10(b)' of Part-I of the SEBI Scheme Circular.
 - d. Sanction of the Scheme by the NCLT having jurisdiction over the Scheme entities.
 - e. Filing of the certified copies of the NCLT Order(s) sanctioning the Scheme to the respective jurisdictional Registrar of Companies by the Scheme entities.

1.3 The Equity Shares of the Company are listed on Metropolitan Stock Exchange of India Limited. The Company will be filing the Scheme along with necessary information/documents with the Stock Exchange for its approval under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

1.4 The Report of Audit Committee is made in order to comply with the requirements of the SEBI Scheme Circular, after considering the following:

- i. Draft Scheme of Amalgamation, duly initialed by the Company Secretary of the Company for the purpose of identification.
- ii. The Report on Valuation of Shares & Share Exchange Ratio dated 25th June, 2024 issued by Ms Mallika Goel, the Registered Valuer in respect of Securities or Financial Assets, registered with the Insolvency and Bankruptcy Board of India (IBBI) vide Registration No. IBBI/RV/11/2022/14784, to the Company, stipulating, inter alia, the methodology adopted, the valuation arrived at and Share Exchange Ratio recommended for the proposed amalgamation ("Valuation Report").
- iii. Fairness Opinion Report dated 25th June, 2024 on the Report on Valuation of Shares & Share Exchange Ratio issued by Jawa Capital Services Private Limited, a SEBI Registered Category I Merchant Banker to the Company, providing its opinion on the fairness of the Share Exchange Ratio recommended in the Valuation Report ("Fairness Opinion").

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- iv. Draft Certificate, in the prescribed format, by the respective Statutory Auditors of the Companies under the Scheme pursuant to Para 'A' '5' of Part-I of the SEBI Scheme Circular 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 of the Companies Act, 2013, read with the rules framed thereunder and other Generally Accepted Accounting Principles.
- v. Pre-Scheme Shareholding Pattern of the Transferor Company; pre and post Scheme Shareholding Pattern of the Transferee Company.
- vi. Audited Financial Statements of the Transferor Companies and the Transferee Company for the financial years ended 31st March, 2024, 31st March 2023 and 31st March 2022.

2. Detailed Rationale of the Scheme:


The circumstances which justify and/or necessitate the proposed Scheme of Amalgamation of Mouldcraft (India) Pvt Ltd, Maksad Infracon Pvt Ltd, Saptrishi Finance Pvt Ltd and Trimurti Petrochemicals and Allied Services Pvt Ltd with Fortune Industrial Resources Ltd; and benefits of the proposed amalgamation as perceived by the Board of Directors of these Companies, to the Shareholders and other stakeholders are, inter alia, as follows:

- i. The proposed amalgamation of the Transferor Companies with the Transferee Company would result in consolidation and pooling of their resources into a single entity.
- ii. The Transferor Company No. 1 was incorporated to carry on business relating to plastics, rubber and resins, etc. The Company has deployed its funds in Bank Fixed Deposits and providing advances, etc. The Transferor Company No. 2 was incorporated to carry on real estate business. The Company has deployed its funds in Bank Fixed Deposits, securities investments and providing advances, etc. The Transferor Company No. 3 was incorporated to carry on securities investment and lending business. The Company has made investments in various Group Companies' shares. It is a Core Investment Company (CIC) in terms of the RBI Regulations. The Transferor Company No. 4 was incorporated to carry on business relating to petroleum and chemicals. The Company has deployed its funds in Bank Fixed Deposits, securities investments, and providing advances.

The Transferee Company, on the other hand, is engaged in securities investments and lending business. The Transferee Company is registered with the Reserve Bank of India as a non-deposit taking Non-Banking Financial Company (NBFC). It is decided that after the sanction of the Scheme of Amalgamation, various activities being carried on in the Transferor Companies will be stopped. Combined funds of all the Transferor Companies will be utilised by the Transferee Company in the NBFC Business only. The Transferee Company will continue to focus on its NBFC Business.

- iii. The proposed amalgamation will substantially enhance the capital and net worth base of the Transferee Company which will enable the Transferee Company to further expand its NBFC Business.
- iv. The proposed amalgamation will enable the Shareholders of the un-listed Transferor Companies to hold shares in the listed Transferee Company and enjoy the resultant benefits.

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- v. A larger capital base of the Listed Transferee Company will result in better liquidity and will benefit its Public Shareholders.
- vi. The proposed Scheme of Amalgamation would result in pooling of physical, financial and human resource of these Companies for the most beneficial utilization of these factors in the combined entity. Post Scheme, the Transferee Company will enjoy large net worth and financial resources which are critical for any NBFC.
- vii. The proposed Scheme of Amalgamation will result in usual economies of a centralized and a large company including elimination of duplicate work, reduction in overheads, better and more productive utilization of financial, human and other resource and enhancement of overall business efficiency. The proposed Scheme will enable these Companies to combine their managerial and operating strength, to build a wider capital and financial base and to promote and secure overall growth.
- viii. The amalgamation will result in significant reduction in multiplicity of legal and regulatory compliances which at present is required to be made separately by the Transferor Companies and the Transferee Company.
- ix. The proposed amalgamation would enhance the shareholders' value of the Transferor and the Transferee Companies.
- x. The proposed Scheme of Amalgamation will have beneficial impact on the Transferor and the Transferee Companies, their shareholders, employees and other stakeholders and all concerned.

The Scheme of Amalgamation is proposed for the aforesaid reasons. The Board of Directors of the Transferor Companies and the Transferee Company are of the opinion that the proposed Scheme is in the best interest of these Companies, their Shareholders and other stakeholders.

3. The Audit Committee reviewed and noted the Share Exchange Ratio recommended in the Valuation Report and confirmed the following Exchange Ratio:

- i. The Transferee Company will issue 112 (one hundred and twelve) Equity Shares of ₹10 each, credited as fully paid-up, to the Equity Shareholders of the Transferor Company No. 1 for every 1000 (one thousand) Equity Shares of ₹10 each held in the Transferor Company No. 1-Mouldcraft (India) Pvt Ltd.
- ii. The Transferee Company will issue 138 (one hundred and thirty-eight) Equity Shares of ₹10 each, credited as fully paid-up, to the Equity Shareholders of the Transferor Company No. 2 for every 1000 (one thousand) Equity Shares of ₹10 each held in the Transferor Company No. 2-Maksad Infracon Pvt Ltd.
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- iv. The Transferee Company will issue 75 (seventy-five) Equity Shares of ₹10 each, credited as fully paid-up, to the Equity Shareholders of the Transferor Company No. 4 for every 1000 (one thousand) Equity Shares of ₹10 each held in the Transferor Company No. 4-Trimurti Petrochemicals and Allied Services Pvt Ltd.

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4. The Audit Committee reviewed and confirmed the accounting treatment in the Scheme which has been certified by the respective Statutory Auditors of the Companies in the Scheme.
5. The Fairness Opinion confirmed that the Share Swap Ratio as recommended by the Registered Valuer, is fair and reasonable.

6. Impact of the Scheme on the Shareholders:

The proposed Scheme of amalgamation will substantially enhance the capital and net worth base of the Transferee Company which will enable the Transferee Company to further expand its NBFC Business. A larger capital base of the Listed Transferee Company will result in better liquidity and will benefit its Public Shareholders. This will lead to enhance the shareholders' value of the Transferor and the Transferee Companies.

The Audit Committee also noted that the Scheme is subject to the majority approval of the public shareholders of the Company. The Audit Committee was of the opinion that the Scheme is not detrimental to the interests of the shareholders of the Company.

7. **Need for the Amalgamation:** As per the detailed rationale for the Scheme set out in Point 2 above.

8. Cost benefit analysis of the Scheme:

The Consideration (as defined in the Scheme) represents a fair value of the business as substantiated by the fair equity shares swap ratio recommended in the Valuation Report and Fairness Opinion obtained by the Company in relation to the amalgamation. The Scheme would entail some costs towards implementation. However, the benefits of the Scheme over a longer period are expected to far outweigh such costs for the stakeholders of the Scheme entities.

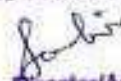
9. Synergies of business of the entities involved in the Scheme:

The synergies of business of the entities involved in the Scheme are set out in Point 2 above.

10. Recommendations of the Audit Committee:

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme of Amalgamation, Equity Share Exchange Ratio/Valuation Report, Fairness Opinion, Detailed Rationale of the Scheme, Accounting Treatment for the Scheme, impact of the Scheme on the Shareholders and other stakeholders and cost benefit analysis of the Scheme and the specific matters mentioned above, recommends the draft Scheme of Amalgamation for favourable consideration by the Board of Directors of the Company, the Stock Exchange(s), SEBI and other applicable regulatory authorities.

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This report of the Audit Committee is made in order to comply with the requirements of the SEBI Scheme Circular after considering the necessary documents.

**By Order of the Audit Committee of
Fortune Industrial Resources Limited**

For Fortune Industrial Resources Limited


**Sachin Director/Authorised Signatory
Chairman of the Audit Committee**

Date: 25-06-2024

Place: New Delhi