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**REPORT ADOPTED BY THE AUDIT COMMITTEE OF INDIAN METALS & FERRO ALLOYS LIMITED AT ITS MEETING HELD ON NOVEMBER 02, 2023, IN RELATION TO THE PROPOSED SCHEME OF AMALGAMATION OF UTKAL COAL LIMITED INTO AND WITH INDIAN METALS & FERRO ALLOYS LIMITED**

S.No.	Name of Member	Designation
1.	Mr Sudhir Prakash Mathur	Chairman, Audit Committee Independent Director
2.	Mr Bijoy Kumar Das	Independent Director
3.	Mrs Latha Ravindran	Independent Director

**1. Background**

- 1.1 The Audit Committee at its meeting held on 02.11.2023 was requested to consider, and if thought fit, recommend to the board of directors ("**Board**") of Indian Metals & Ferro Alloys Limited ("**Company**"), a draft of the proposed scheme of amalgamation involving the company and its unlisted subsidiary, Utkal Coal Limited ("**Transferor Company**") and their respective shareholders and creditors ("**Scheme**"), wherein the Transferor Company shall amalgamate with and into the company in terms of Section 230 to 232 and other applicable provisions, if any, of the Companies Act, 2013 ("**Companies Act**") and read with rules made thereunder, and other applicable laws including SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 and other applicable circulars as amended from time to time ("**SEBI Circulars**").
- 1.2 This report of the Audit Committee is made to comply with the requirements of the SEBI Circulars.
- 1.3 Pursuant to the requirements of Regulation 37 of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015 ("**Regulations**") and SEBI Circulars, it is mandatory for all



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companies to file the Scheme along with other necessary documents/information with the Stock Exchanges, consequent to the approval of the Board and obtain their approval before the Scheme is presented to the jurisdictional Hon'ble National Company Law Tribunal for its approval.

1.4 Further SEBI has vide SEBI Circulars inter-alia, sought a report from the Audit Committee of listed entities recommending the draft scheme of arrangement.

1.5 The following documents were placed before the Audit Committee and while deliberating on the Scheme, the Audit Committee had inter alia considered these documents:

- a) Draft of the proposed Scheme;
- b) Valuation Report dated 30.10.2023 issued by SPA Valuation Advisors Private Limited , Registered Valuer (IBBI Reg no. IBBI/RV-E/05/2021/148) ("**Valuation Report**"), who in its report has recommended that Transferee Company shall, without any further application, act or deed, issue 100 (one hundred) equity shares of the Transferee Company as nominal consideration to all (and not each) the shareholders of the Transferor Company (other than the Transferee Company as a company cannot hold shares in itself) in proportion to their shareholding in the Transferor Company on the relevant Record Date ("**Share Exchange Ratio**");
- c) Fairness Opinion dated 30.10.2023 issued by Capital Square Advisors Private Limited (SEBI Registration Number: INM000012219), an independent SEBI registered Category-I Merchant Banker providing fairness opinion on the Share Exchange Ratio recommended in the Valuation Report



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prepared by SPA Valuation Advisors Private Limited  
("Fairness Opinion");

- d) Draft Auditor's Certificate dated 02.11.2023 issued by the Statutory Auditors of the Company i.e. SCV & Co. LLP ("**Auditors Certificate**"), in terms of Para (5)(a) of Part I of the SEBI Circulars and proviso to sub-clause (j) of Section 232(3) of the Companies Act, to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government under Section 133 of the Companies Act;

1.6 The Scheme, amongst others, contemplates the following arrangements:

- a) Amalgamation of the Transferor Company into and with the Transferee Company in accordance with Section 2(1B) and other provisions of the IT Act, Sections 230 to 232 of the Companies Act and other applicable laws.
- b) Pursuant to the sanction of the Scheme by the Competent Authority (as defined in the Scheme) and upon the fulfilment of conditions for the Scheme, the Scheme shall become effective from the from the Appointed Date (as defined in the Scheme).
- c) With effect from the Appointed Date and upon the Scheme becoming effective, the entire Undertaking (as defined in the Scheme) of the Transferor Company shall stand transferred to and vest in and/or be deemed to have been and stand transferred to and vest in the Company to become the Undertaking of the Company, in the manner provided for in



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the Scheme, in accordance with Sections 230 to 232 of the Companies Act, the IT Act and other applicable laws.

- d) All the shares of the Transferor Company held by the Transferee Company (either directly or through nominees) on the Effective Date shall stand cancelled without any further application, act or deed. Further, the investment in the shares of the Transferor Company, appearing in the books of accounts of the Transferee Company shall, without any further act or deed, stand cancelled. It is clarified that no new shares will be issued by the Transferee Company as consideration for the amalgamation in respect of the Transferee Company's entitlement as a shareholder of the Transferor Company as no company can hold shares in itself.
- e) Transfer of the authorized share capital of the Transferor Company to the Company and consequential increase in the authorized share capital of the Company as provided in Part IV of the Scheme.
- f) New Shares to be issued by the Transferee Company to the equity shareholders of the Transferor Company pursuant to the Scheme, would be listed on the BSE Limited and National Stock Exchange of India Limited ("**Stock Exchanges**").
- g) The Transferor Company shall stand dissolved without being wound up.

1.7 The Scheme is conditional upon fulfilment of the actions specified in Clause 16 of the Scheme, which inter alia include:

- a) receipt of consents, no-objection letters, approvals by the Transferee Company from the Stock Exchanges in accordance with the LODR Regulations and the SEBI



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Circulars in respect of the Scheme (prior to filing the Scheme with the Competent Authority), which shall be in form and substance acceptable to the Companies, each acting reasonably and in good faith;

- b) the Scheme being agreed to (in the manner prescribed herein) by the respective requisite majorities of the various classes of shareholders of the Companies as required under the Act;
- c) the Scheme being approved by the public shareholders of the Transferee Company through e-voting in terms of Clause 10 of SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated 20.06.2023 and the Scheme shall be acted upon only if votes cast by the public shareholders in favour of the proposal are more than the number of votes cast by the public shareholders against it;
- d) there having been no interim or final ruling, decree or direction by any Appropriate Authority, which has not been stayed by an appellate authority, which has the effect of prohibiting or making unlawful, the consummation of the proposed Scheme by any of the Companies; and
- e) the Scheme being sanctioned by the Competent Authority under Sections 230 to 232 of the Act, on terms as originally approved by or with such modifications as are acceptable to the Companies.

Upon the fulfilment of the aforementioned conditions, the Scheme shall become effective on the date on which the certified copy of the order of the Competent Authority sanctioning the Scheme is filed by the Transferor Company and the Transferee Company with the jurisdictional Registrar of Companies ("**Effective Date**").



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## 2. Need for the Scheme

- 2.1 Transferor Company, a subsidiary of the Company, was set-up as a Special Purpose Vehicle ("**SPV**") for captive coal mining for the Company. The Transferor Company had been allotted by Ministry of Coal, Government of India Utkal C Coal Block in the Angul district in the state of Odisha, with net geological reserves of approximate 196 MMT. The Transferor Company proposed to set-up a coal mining project along with a washery, railway siding and other infrastructure facilities for supply of required quality and quantity of coal to both existing and proposed thermal power projects of the Company. The Transferor Company was to take up the mine development, excavation and operation of Utkal-C Block.
- 2.2 However, the said coal block was cancelled in 2014 following the orders of Hon'ble Supreme Court. The coal block was considered for fresh auction in October 2021 by the Nominated Authority and Jindal Steel & Power Limited ("**JSPL**") was declared as the new allottee on 21.07.2022. As a result, the Transferor Company could not commence commercial operations.
- 2.3 Consequently, the Transferor Company has not commenced commercial operations. As a result, the Transferor Company can no longer fulfil the specific purpose for which it was initially incorporated.

## 3. Rationale of the Scheme

- 3.1 The Transferor Company, a subsidiary of Transferee Company, was created solely to mine coal from the Utkal C Block and supply it to IMFA's existing and future power plants. However, the Hon'ble Supreme Court of India cancelled the coal block, and JSPL was eventually declared the new allottee. Consequently, the Transferor Company has not commenced commercial operations. As a result,



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the Transferor Company can no longer fulfil the specific purpose for which it was initially incorporated;

- 3.2 Since the Transferor Company can no longer fulfil its original purpose, the proposed Amalgamation will lead to elimination of fixed costs associated with the Transferor Company;
- 3.3 The proposed Amalgamation simplifies the corporate structure by removing an entity because the Transferor can no longer fulfil its original purpose;
- 3.4 The proposed Amalgamation aims to optimise resources, reduce costs and enhance shareholder value;
- 3.5 The proposed amalgamation will result in reduction of administrative and operational costs thereby maximising shareholding value of merged entity;

#### **4. Synergies of Business**

The objects clause of the Transferor Company mentioned in its Memorandum of Association have synergy with the operations of the Transferee Company.

#### **5. Impact of Scheme on Shareholders**

- 5.1 Based on the discussion of the Audit Committee and on review of the documents placed before the meeting, the Audit Committee is of the view that the Scheme is fair and in the best interest of the shareholders as the proposed Scheme is expected to result in economies of scale and consolidation of opportunities thereby enhancing the value of the merged entity and overall shareholder value.



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5.2 Further, the Audit Committee noted that upon the Scheme coming into effect, that the Transferee Company shall, without any further application, act or deed, issue 100 (one hundred) equity shares of the Transferee Company as nominal consideration to all (and not each) the shareholders of the Transferor Company (other than the Transferee Company as a company cannot hold shares in itself) in proportion to their shareholding in the Transferor Company on the relevant Record Date..

5.3 Considering the benefits as discussed above, the proposed Scheme of amalgamation would be in the best interest of shareholders of both the Company and the Transferor Company.

#### 6. **Cost benefit analysis of the Scheme**

Considering the long-term benefits of the Scheme as discussed above, the Scheme is beneficial to the shareholders, creditors and other stakeholders of both the Company and the Transferor Company as it would help the merged entity to rationalize operational, financial and compliance costs.

#### 7. **Recommendation of the Audit Committee**

Considering the benefits as discussed above, the Audit Committee recommends that the Scheme as placed before this Committee, be approved by the Board of Directors, subject to changes as the Board may deem fit and subject to regulatory approvals as prescribed by the Companies Act read with the Regulations.

Date: November 02, 2023  
Place: New Delhi

  
**Chairman**  
**Audit Committee**