



Gujarat State Petronet Ltd.

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REPORT OF THE AUDIT COMMITTEE OF GUJARAT STATE PETRONET LIMITED ("COMPANY") RECOMMENDING THE DRAFT COMPOSITE SCHEME OF AMALGAMATION AND ARRANGEMENT ("SCHEME") AMONGST GUJARAT STATE PETROLEUM CORPORATION LIMITED ("GSPC"/ "TRANSFEROR COMPANY 1"), GUJARAT STATE PETRONET LIMITED ("GSPL"/ "TRANSFEROR COMPANY 2" / "COMPANY"), GSPC ENERGY LIMITED ("GEL"/ "TRANSFEROR COMPANY 3") (TRANSFEROR COMPANY 1, TRANSFEROR COMPANY 2 AND TRANSFEROR COMPANY 3, COLLECTIVELY REFERRED TO AS THE "TRANSFEROR COMPANIES"), GUJARAT GAS LIMITED ("GGL"/ "TRANSFEREE COMPANY"/ "DEMERGED COMPANY") AND GSPL TRANSMISSION LIMITED ("GTL"/ "RESULTING COMPANY") AND THEIR RESPECTIVE SHAREHOLDERS UNDER SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 CONSIDERED AND APPROVED AT THE COMMITTEE MEETING HELD ON FRIDAY, 30TH AUGUST, 2024

Members Present:

Prof. Yogesh Singh - Chairman
Ms. Arti Kanwar, IAS - Member
Dr. Sudhir Kumar Jain - Member
Shri Bhadresha Mehta - Member
Shri Milind Torawane, IAS - Member

1. Background of the Proposed Composite Scheme of Amalgamation and Arrangement:

1.1. The Committee members noted that in its meeting held on Friday, 30th August, 2024, the Committee, after considering the joint valuation report received from the appointed registered valuers Ernst & Young Merchant Banking Services LLP (IBBI registration number IBBI/RV-E/05/2021/155) and SSPA & Co., Chartered Accountants (IBBI registration number IBBI/RV-E/06/2020/126) and fairness opinion received from Merchant Banker Fortress Capital Management Services Private Limited, an independent Securities and Exchange Board of India ("SEBI") registered Category - I Merchant Banker, after considering the rationale, benefits and impact of the Composite Scheme of Amalgamation and Arrangement amongst Gujarat State Petroleum Corporation Limited ("GSPC"/ "Transferor Company 1"), Gujarat State

Petronet Limited ("GSPL"/ "Transferor Company 2" / "Company"), GSPC Energy Limited ("GEL"/ "Transferor Company 3"), Gujarat Gas Limited ("GGL"/ "Transferee Company"/ "Demerged Company") and GSPL Transmission Limited ("GTL"/ "Resulting Company") and their respective shareholders ("Scheme"), had recommended the draft Scheme to the Board of Directors for their consideration.

- 1.2. GSPC is primarily engaged in the business of oil and gas activities comprising of oil and gas exploration, development & production, and trading of natural gas. Further, it is also engaged in the business of sale of electricity generated through windmills.
- 1.3. GSPL is primarily engaged in the business of transmission of natural gas through pipeline on an open access basis from supply points to demand centers. Further, it is also engaged in business of sale of electricity generated through Windmills.
- 1.4. GEL is primarily engaged in the business of trading of natural gas.
- 1.5. GGL is a city gas distribution company primarily engaged in the business of natural gas involving distribution of gas from sources of supply to centers of demand and to the end customers through its city gas distribution network.
- 1.6. GTL is an entity incorporated to engage in the business of transmission of natural gas through pipeline on an open access basis from supply points to demand centers.
- 1.7. The Scheme provides for the amalgamation of GSPC, GSPL and GEL into GGL in consideration of GGL issuing equity shares to the shareholders (except the Transferee Company) of GSPC and GSPL, the consequent dissolution of GSPC, GSPL and GEL without winding up and various other matters consequentially or integrally connected therewith with effect from the Amalgamation Appointed Date (as defined hereinafter), as defined in the Scheme.
- 1.8. The Scheme also provides for the demerger of Gas Transmission Business Undertaking (as defined in the Scheme) into GTL in consideration of GTL issuing equity shares to the shareholders of GGL and various other matters consequentially or integrally connected therewith with effect from the Demerger Appointed Date (as defined hereinafter), as defined in the Scheme.
- 1.9. Equity shares of GGL to be issued and allotted to the shareholders of GSPC and GSPL pursuant to their amalgamation into GGL in accordance with the Scheme shall be credited as fully paid up, free from any and all encumbrances and shall be subject to the provisions of the Memorandum of Association and Articles of Association of GGL and shall rank pari passu in all respects and have the same rights as attached to the then existing equity shares of GGL.

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The additional shares issued pursuant to the amalgamation shall be listed on the BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") and admitted for trading on both, BSE and NSE, subject to receipt of necessary approvals for the same.

- 1.10. Equity shares of GTL to be issued and allotted to the shareholders of GGL pursuant to the demerger of Gas Transmission Business Undertaking in accordance with the Scheme shall be credited as fully paid up, free from any and all encumbrances and shall be subject to the provisions of the Memorandum of Association and Articles of Association of GTL i.e., the Resulting Company. The shares of Resulting company shall be listed on the BSE and NSE and admitted for trading on both, BSE and NSE, subject to receipt of necessary approvals for the same and compliance with applicable laws.
- 1.11. The Scheme will be filed with the Ministry of Corporate Affairs, ("MCA"), Government of India, under Sections 230 to 232 and other applicable provisions of the Act, and the rules and regulations issued thereunder and also read with Sections 2(1B), section 2(19AA) and other applicable provisions of the Income-Tax Act, 1961, in each case, as amended from time to time.
- 1.12. In terms of Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("SEBI Master Circular"), issued by the Securities and Exchange Board of India ("SEBI"), a report from the Audit Committee of the Company is required recommending the draft Scheme, taking into consideration, inter alia, the Valuation Report (as defined hereinafter), and commenting on (a) the need for the amalgamation and arrangement; (b) rationale of the Scheme; (c) synergies of business of the companies involved in the Scheme; (d) impact of the Scheme on the shareholders; and (e) cost benefit analysis of the Scheme. This report of the Committee is made in order to comply with the requirements of the SEBI Master Circular.
- 1.13. The Scheme is subject to receipt of approvals of Board of Directors, Shareholders and Creditors of the Transferor Companies, the Transferee Company and Resulting Company and approval, permissions and sanctions of regulatory and other statutory or governmental authorities as may be required, including BSE, NSE, SEBI and the MCA.

2. Documents Reviewed

- 2.1. This report is made by the Committee after perusing amongst other things, the following documents:
 - a) Draft Scheme;
 - b) Joint Valuation report recommending equity share exchange ratio dated 30th August, 2024 issued by Ernst & Young Merchant Banking Services LLP (IBBI registration number IBBI/RV-E/05/2021/155) and SSPA &

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- Co., Chartered Accountants (IBBI registration number IBBI/RV-E/06/2020/126), Registered Valuers ("Valuation Report");
- c) Fairness opinion dated 30th August, 2024 issued by Fortress Capital Management Services Private Limited, an independent Securities and Exchange Board of India ("SEBI") registered Category - I Merchant Banker, providing the fairness opinion on the share exchange ratio recommended in the Valuation Report;
 - d) Certificate dated 30th August, 2024 from the Statutory Auditors of the Company i.e., M/s B. P. Bang & Co., in terms of Para (A)(5) of Part I of the SEBI Master Circular and Proviso to sub-clause (j) of Section 232(3) of the Act, to the effect that the accounting treatment provided in the Scheme is in compliance with applicable Accounting Standards specified by the Central Government under Section 133 of the Act.
 - e) Audited financials of the Company for three preceding financial years i.e. 2021-22, 2022-23 and 2023-24 along with the Audited financials of the quarter ended 30th June, 2024 along with report of the Statutory Auditors of the Company;
 - f) Audited financials for three preceding financial years i.e. 2021-22, 2022-23 and 2023-24 along with the Audited financials for the three-month period ended 30th June, 2024 accompanied by the Audit Reports for GGL.
 - g) Pre and post amalgamation and arrangement shareholding pattern of GGL, GSPL and GTL.

3. Salient features of the Scheme:

The Audit Committee considered and observed the following salient features in relation to the draft Scheme:

- 3.1. Amalgamation of the Transferor Company 1, Transferor Company 2, Transferor Company 3, into and with Transferee Company and various other matter integrally or consequentially connected therewith in the manner set out in the Scheme, in accordance with Sections 230 to 232 of the Act and other applicable laws.
- 3.2. Demerger of Gas Transmission Business Undertaking into Resulting Company in accordance with Sections 230 to 232 of the Act and other applicable laws.
- 3.3. Pursuant to the sanction of the Scheme by the competent authorities and upon the conditions for the Scheme being fulfilled, the Scheme shall become effective from 1st April, 2024 for amalgamation of the Transferor Company 1, Transferor Company 2 and Transferor Company 3 into and with Transferee Company ("**Amalgamation Appointed Date**").
- 3.4. Further, pursuant to the sanction of the Scheme by the competent authorities and upon the conditions for the Scheme being fulfilled, the demerger of Gas

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Transmission Business Undertaking into Resulting Company shall become effective from 1st April, 2025 ("**Demerger Appointed Date**").

- 3.5. With effect from the Amalgamation Appointed Date and upon the Scheme becoming effective, the entire Undertaking (as defined in the Scheme) of the Transferor Companies shall stand transferred to and vested in and/or be deemed to have been transferred to and vested in Transferee Company as a going concern so as to become the Undertaking of Transferee Company, by virtue of and in the manner provided for in the Scheme, in accordance with Sections 230 to 232 and other applicable provisions of the Act.
- 3.6. Further, with effect from the Demerger Appointed Date and upon the Scheme becoming effective, Gas Transmission Business Undertaking shall stand transferred to and vested in and/or be deemed to have been transferred to and vested in the Resulting Company as a going concern so as to become the Undertaking of the Resulting Company, by virtue of and in the manner provided for in the Scheme, in accordance with Sections 230 to 232 and other applicable provisions of the Act.
- 3.7. Upon coming into effect of this Scheme, the equity shares held by the Transferee Company (GGL) in the Transferor Companies and equity shares held by Transferor Company 2 in the Transferee Company (GGL) shall stand automatically cancelled without any further application, act or deed and no new shares in form of consideration shall be issued against the same.
- 3.8. Further, upon coming into effect of this Scheme, the equity shares held by the Demerged Company (GGL) in the Resulting Company (GTL) shall stand automatically cancelled without any further application, act or deed and no new shares in form of consideration shall be issued against the same.
- 3.9. Pursuant to the said Scheme, Transferee Company shall issue equity shares to the shareholders of the Transferor Company 1 and Transferor Company 2 (except the Transferee Company) in the following share exchange ratio:

On Amalgamation of Transferor Company 1 with GGL:

"10 (Ten) fully paid equity shares of INR 2/- (INR Two only) each of the Transferee Company for every 305 (Three Hundred and Five) fully paid equity shares of INR 1/- (INR One only) each held by the shareholders in the Transferor Company 1."

On Amalgamation of Transferor Company 2 with GGL:

"10 (Ten) fully paid equity shares of INR 2/- (INR Two only) each of the Transferee Company for every 13 (Thirteen) fully paid equity shares of INR 10/- (INR Ten only) each held by the shareholders in the Transferor Company 2."

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- 3.10. Further, pursuant to the said Scheme, the Resulting Company shall issue equity shares to the shareholders of the Demerged Company in the following share entitlement ratio:

On Demerger of Gas Transmission Business Undertaking into GTL

“1 (One) fully paid equity share of INR 10/- (INR Ten only) each of the Resulting Company for every 3 (Three) fully paid equity shares of INR 2/- (INR Two only) each held by the shareholders in the Demerged Company.”

- 3.11. Consolidation of the authorized share capital by combining the authorized share capital of the Transferor Company 1, Transferor Company 2 and Transferor Company 3 with the authorized share capital of Transferee Company and consequential increase in the authorized share capital and alteration of the capital clause of the memorandum of association of Transferee Company, as provided in the Scheme.
- 3.12. Further, the authorized share capital of Demerged Company of INR 700,00,00,000 shall stand transferred from authorized share capital of the Demerged Company and get combined with the authorized capital of the Resulting Company and alteration of the capital clause of the memorandum of association of the Demerged Company and the Resulting Company, as provided in the Scheme.
- 3.13. The equity shares to be issued and allotted by the Resulting Company will be listed on BSE and NSE, subject to compliance with the applicable laws.
- 3.14. The Transferor Company 1, Transferor Company 2 and Transferor Company 3 shall stand dissolved without being wound up upon the Scheme becoming effective.

4. Need / Rationale / Objective / Synergies of the Scheme:

- (i) Achieving Better Business Synergies and Growth: Through the Scheme, the synergies that exist among the entities, whose businesses are interrelated or interconnected can be put to the best advantage for the stakeholders. The Scheme will, inter-alia, make available to the Transferee Company access to gas sourcing expertise and highly diversified gas sourcing arrangements of Transferor Company 1 as well as Regasification Capacity tied-up by Transferor Company 1 thereby helping the Transferee Company in becoming more competitive in entire gas business segment. Further, the proposed Scheme will provide an opportunity to better leverage the combined asset and capital base, build a stronger and sustainable business and improve the potential for further growth and expansion of gas trading and city gas distribution business.

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- (ii) **Simplification of GSPC Group Holding Structure:** The Scheme is aimed at simplifying GSPC Group's holding structure by removing the layers and cross-holdings.
- (iii) **Unlocking of Shareholders' Value:** By removing the layers and cross holdings and enhancing business synergies, the Scheme aims at maximizing Shareholders' Value by unlocking hidden value for shareholders. The arrangement (merger and demerger of the businesses) aims at simplifying the corporate structure of the GSPC Group making it easier to focus, manage and administer core businesses of the GSPC Group with clear accountability, reduced administrative burden and improved transparency for stake holders.
- (iv) **Improved Efficiency and Enhanced Scale of Operations:** The combined entity would have greater efficiency in cash management, unfettered access to cash flow generated by the combined businesses which can be deployed more efficiently to fund organic and inorganic growth opportunities. It will have large net worth and borrowing capacity to expand its business at a faster rate. The combined entity will improve the potential for further expansion of the businesses by way of increased borrowing strength of the combined entity.
- (v) **Optimum Utilization of Resources:** The consolidated entity will be benefited from improved organizational leadership, arising from the combination of people from relevant companies, who have diverse skills, talent and vast experience to compete successfully in an increasingly competitive market. The Scheme is also aimed at reducing administrative compliances by combining the multiple entities in the similar or inter-connected business and to reduce legal and compliance cost while at the same time meeting with the regulatory requirements of the Petroleum & Natural Gas Regulatory Board.

5. **Impact of Scheme on the Shareholders:**

- 5.1. The Audit Committee discussed the salient features, rationale and expected benefits of the Scheme. The Committee noted that the Scheme will enhance the value of the merged entity and overall shareholder value.
- 5.2. The Audit Committee noted that upon coming into effect of the Scheme, the Transferee Company shall without any further application, act, instrument or deed, issue and allot to each shareholder of the Transferor Company 1 and Transferor Company 2 (except the Transferee Company) whose name is recorded in the register of members of the Transferor Company 1 on the Record Date 1 and Transferor Company 2 on the Record Date 2:

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On Amalgamation of Transferor Company 1 with GGL:

“10 (Ten) fully paid equity shares of INR 2/- (INR Two only) each of the Transferee Company for every 305 (Three Hundred and Five) fully paid equity shares of INR 1/- (INR One only) each held by the shareholders in the Transferor Company 1.”

On Amalgamation of Transferor Company 2 with GGL:

“10 (Ten) fully paid equity shares of INR 2/- (INR Two only) each of the Transferee Company for every 13 (Thirteen) fully paid equity shares of INR 10/- (INR Ten only) each held by the shareholders in the Transferor Company 2.”

- 5.3. The Audit Committee also discussed at length the impact of the issuance of the new equity shares of the Transferee Company to the shareholders (except the Transferee Company) of the Transferor Company 1 and Transferor Company 2, and after due deliberations, concluded that the issuance of the new equity shares in terms of the Scheme will have no adverse impact on the shareholders of the Transferee Company.
- 5.4. The Audit Committee noted that upon coming into effect of the Scheme, the Resulting Company shall without any further application, act, instrument or deed, issue and allot to each shareholder of the Demerged Company (except the Demerged Company) whose name is recorded in the register of members of the Demerged Company on the Record Date 3:

On Demerger of Gas Transmission Business Undertaking into GTL

“1 (One) fully paid equity share of INR 10/- (INR Ten only) each of the Resulting Company for every 3 (Three) fully paid equity shares of INR 2/- (INR Two only) each held by the shareholders in the Demerged Company.”

- 5.5. The Audit Committee also discussed at length the impact of the issuance of the new equity shares of the Resulting Company to the shareholders of the Demerged Company, and after due deliberations, concluded that the issuance of the new equity shares in terms of the Scheme will have no adverse impact on the shareholders of the Resulting Company as entire shareholding of Resulting Company would be held by the Demerged Company before issuance of new equity shares and the same are being cancelled as a part of demerger.

6. COST BENEFIT ANALYSIS OF THE SCHEME:

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- 6.1. The Audit Committee discussed the cost towards the implementation of the Scheme and its benefits. The Committee observed that the Scheme is expected to have several benefits as it would lead to optimization of capital structure, provide an opportunity for growth and value creation thereby leading to maximization of value and returns to the shareholders.
- 6.2. Although the Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme would far outweigh such costs for the stakeholders of the Company and lead to operational efficiency and significant cost savings through rationalization / consolidation of business functions, processes and, synergies.

7. RECOMMENDATION OF THE AUDIT COMMITTEE

- 7.1. The Audit Committee after due deliberations and detailed discussions, and, inter alia, taking into consideration the draft Scheme, Valuation Report, Fairness Opinion and certificates issued by the Statutory Auditors of the Company, have examined the rationale, benefits and the impact of the Scheme on shareholders and others concerned, and accordingly recommended the Scheme to the Board of Directors of the Company for its consideration, approval and for favorable consideration by BSE, NSE, SEBI and other appropriate authorities.

For and on behalf of the Audit Committee of the Gujarat State Petronet Limited

Name: Yogesh Singh
Designation: Chairman of the Audit Committee
DIN: 06600055

Place: Gandhinagar
Date: 30th August, 2024

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REPORT OF THE AUDIT COMMITTEE ("AUDIT COMMITTEE") OF GUJARAT GAS LIMITED ("COMPANY") RECOMMENDING THE DRAFT COMPOSITE SCHEME OF AMALGAMATION AND ARRANGEMENT ("SCHEME") AMONGST GUJARAT STATE PETROLEUM CORPORATION LIMITED ("GSPC"/ "TRANSFEROR COMPANY 1"), GUJARAT STATE PETRONET LIMITED ("GSPL"/ "TRANSFEROR COMPANY 2"), GSPC ENERGY LIMITED ("GEL"/ "TRANSFEROR COMPANY 3") (TRANSFEROR COMPANY 1, TRANSFEROR COMPANY 2 AND TRANSFEROR COMPANY 3, COLLECTIVELY REFERRED TO AS THE "TRANSFEROR COMPANIES"), GUJARAT GAS LIMITED ("GGL"/ "TRANSFeree COMPANY"/ "DEMERGED COMPANY"/ "COMPANY") AND GSPL TRANSMISSION LIMITED ("GTL"/ "RESULTING COMPANY") AND THEIR RESPECTIVE SHAREHOLDERS UNDER SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 CONSIDERED AND APPROVED AT THE AUDIT COMMITTEE MEETING HELD ON FRIDAY, 30TH AUGUST, 2024

Members Present:

Shri Balwant Singh, IAS (Retd.) - Chairman
 Prof. Yogesh Singh - Member
 Dr. Rekha Jain - Member
 Shri Bhadresh Mehta - Member
 Shri Milind Torawane, IAS - Member

1. Background of the Proposed Composite Scheme of Amalgamation and Arrangement:

1.1. The Audit Committee members noted that in its meeting held on Friday, 30th August, 2024, the Audit Committee, after considering the joint valuation report received from the appointed registered valuers, Ernst & Young Merchant Banking Services LLP (IBBI registration number IBBI/RV-E/05/2021/155) and SSPA & Co., Chartered Accountants (IBBI registration number IBBI/RV-E/06/2020/126) and fairness opinion received from Merchant Banker, Saffron Capital Advisors Private Limited, an independent Securities and Exchange Board of India ("SEBI") registered Category - I Merchant Banker (SEBI Registration No. INM000011211), after considering the rationale, benefits and impact of the Composite Scheme of Amalgamation and Arrangement amongst Gujarat State Petroleum Corporation Limited ("GSPC"/ "Transferor Company 1"), Gujarat State Petronet Limited ("GSPL"/ "Transferor Company 2"), GSPC Energy Limited ("GEL"/ "Transferor Company 3"), Gujarat Gas Limited ("GGL"/ "Transferee Company"/ "Demerged Company"/ "Company") and GSPL





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Transmission Limited ("GTL"/ "Resulting Company") and their respective shareholders ("Scheme"), had recommended the draft Scheme to the Board of Directors for their consideration.

- 1.2. GSPC is primarily engaged in the business of oil and gas activities comprising of oil and gas exploration, development & production and trading of natural gas. Further, it is also engaged in the business of sale of electricity generated through windmills.
- 1.3. GSPL is primarily engaged in the business of transmission of natural gas through pipeline on an open access basis from supply points to demand centers. Further, it is also engaged in business of sale of electricity generated through windmills.
- 1.4. GEL is primarily engaged in the business of trading of natural gas.
- 1.5. GGL is a city gas distribution company primarily engaged in the business of natural gas involving distribution of gas from sources of supply to centers of demand and to the end customers through its city gas distribution network.
- 1.6. GTL is an entity incorporated to engage in the business of transmission of natural gas through pipeline on an open access basis from supply points to demand centers.
- 1.7. The Scheme provides for the amalgamation of GSPC, GSPL and GEL into the Company in consideration of the Company issuing equity shares to the shareholders (except the Company) of GSPC and GSPL, the consequent dissolution of GSPC, GSPL and GEL without winding up and various other matters consequential or integrally connected therewith with effect from the Amalgamation Appointed Date (as defined hereinafter), as more particularly set out in the Scheme.
- 1.8. The Scheme also provides for the demerger of Gas Transmission Business Undertaking (as defined in the Scheme) into GTL in consideration of GTL issuing equity shares to the shareholders of the Company and various other matters consequential or integrally connected therewith with effect from the Demerger Appointed Date (as defined hereinafter), as more particularly set out in the Scheme.
- 1.9. Equity shares of the Company to be issued and allotted to the shareholders of GSPC and GSPL pursuant to their amalgamation into the Company in





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accordance with the Scheme shall be credited as fully paid up, free from any and all encumbrances and shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Company and shall rank pari passu in all respects and have the same rights as attached to the then existing equity shares of the Company. The additional shares issued pursuant to the amalgamation shall be listed on the BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") and admitted for trading on both, BSE and NSE, subject to receipt of necessary approvals for the same.

- 1.10. Equity shares of GTL to be issued and allotted to the shareholders of the Company (post-merger of GSPC, GSPL and GEL into the Company) pursuant to the demerger of Gas Transmission Business Undertaking in accordance with the Scheme shall be credited as fully paid up, free from any and all encumbrances and shall be subject to the provisions of the Memorandum of Association and Articles of Association of GTL i.e., the Resulting Company. The shares of Resulting Company shall be listed on the BSE and NSE and admitted for trading on both, BSE and NSE, subject to receipt of necessary approvals for the same and compliance with applicable laws.
- 1.11. The Scheme will be filed with the Ministry of Corporate Affairs, ("MCA"), Government of India, under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Act"), and the rules and regulations issued thereunder and also read with Sections 2(1B), section 2(19AA) and other applicable provisions of the Income-Tax Act, 1961, in each case, as amended from time to time.
- 1.12. In terms of Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("SEBI Master Circular"), issued by SEBI, 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 (a) the need for the amalgamation and arrangement; (b) rationale of the Scheme; (c) synergies of business of the companies involved in the Scheme; (d) impact of the Scheme on the shareholders; and (e) cost benefit analysis of the Scheme. This report of the Audit Committee is made in order to comply with the requirements of the SEBI Master Circular.
- 1.13. The Scheme is subject to receipt of approvals of Board of Directors, Shareholders and Creditors of the Transferor Companies, the Transferee Company and Resulting Company and approval, permissions and sanctions of regulatory and





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other statutory or governmental authorities as may be required, including BSE, NSE, SEBI and MCA.

2. Documents Reviewed

2.1. This report is made by the Audit Committee after perusing amongst other things, the following documents:

- a) Draft Scheme;
- b) Joint valuation report recommending fair equity share exchange ratio dated 30th August, 2024 issued by Ernst & Young Merchant Banking Services LLP (IBBI registration number IBBI/RV-E/05/2021/155) and SSPA & Co., Chartered Accountants (IBBI registration number IBBI/RV-E/06/2020/126), Registered Valuers ("**Valuation Report**");
- c) Fairness opinion dated 30th August, 2024 issued by Saffron Capital Advisors Private Limited an independent SEBI registered Category - I Merchant Banker (SEBI Registration No. INM000011211), providing the fairness opinion on the share exchange ratio recommended in the Valuation Report ("**Fairness Opinion**");
- d) Certificate dated 30th August, 2024 from the Statutory Auditors of the Company i.e., M/s. Ashok Chhajed & Associates, in terms of Para (A)(5) of Part I of the SEBI Master Circular and proviso to sub-clause (j) of Section 232(3) of the Act, to the effect that the accounting treatment provided in the Scheme is in compliance with applicable Accounting Standards specified by the Central Government under Section 133 of the Act;
- e) Audited financials of the Company for three preceding financial years i.e. 2021-22, 2022-23 and 2023-24 along with the Audited financials of the quarter ended 30th June, 2024 along with report of the Statutory Auditors of the Company;
- f) Audited financials for three preceding financial years i.e. 2021-22, 2022-23 and 2023-24 along with the Audited financials for the three-month period ended 30th June, 2024 accompanied by the Audit Reports for GSPC, GSPL and GEL; and





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- g) Pre and post amalgamation and arrangement shareholding pattern of the Company, GSPC, GSPL, GEL and GTL.

3. Salient features of the Scheme:

The Audit Committee considered and observed the following salient features in relation to the draft Scheme:

- 3.1. Amalgamation of the Transferor Company 1, Transferor Company 2 and Transferor Company 3 into and with Transferee Company and various other matter integrally or consequential connected therewith in the manner set out in the Scheme, in accordance with Sections 230 to 232 of the Act and other applicable laws.
- 3.2. Demerger of Gas Transmission Business Undertaking into Resulting Company in accordance with Sections 230 to 232 of the Act and other applicable laws.
- 3.3. Pursuant to the sanction of the Scheme by the competent authorities and upon the conditions for the Scheme being fulfilled, the Scheme shall become effective from 1st April, 2024 for amalgamation of the Transferor Company 1, Transferor Company 2 and Transferor Company 3 into and with Transferee Company ("**Amalgamation Appointed Date**").
- 3.4. Further, pursuant to the sanction of the Scheme by the competent authorities and upon the conditions for the Scheme being fulfilled, the demerger of Gas Transmission Business Undertaking into Resulting Company shall become effective from 1st April, 2025 ("**Demerger Appointed Date**").
- 3.5. With effect from the Amalgamation Appointed Date and upon the Scheme becoming effective, the entire Undertaking (as defined in the Scheme) of the Transferor Companies shall stand transferred to and vested in and/or be deemed to have been transferred to and vested in the Company as a going concern so as to become the Undertaking of the Company, by virtue of and in the manner provided for in the Scheme, in accordance with Sections 230 to 232 and other applicable provisions of the Act.
- 3.6. Further, with effect from the Demerger Appointed Date and upon the Scheme becoming effective, Gas Transmission Business Undertaking shall stand transferred to and vested in and/or be deemed to have been transferred to and



vested in the Resulting Company as a going concern so as to become the Undertaking of the Resulting Company, by virtue of and in the manner provided for in the Scheme, in accordance with Sections 230 to 232 and other applicable provisions of the Act.

3.7. Upon coming into effect of this Scheme, the equity shares held by the Transferee Company in the Transferor Companies and equity shares held by Transferor Company 2 in the Transferee Company shall stand automatically cancelled without any further application, act or deed and no new shares in form of consideration shall be issued against the same.

3.8. Further, upon coming into effect of this Scheme, the equity shares held by the Demerged Company in the Resulting Company shall stand automatically cancelled without any further application, act or deed and no new shares in form of consideration shall be issued against the same.

3.9. Pursuant to the said Scheme, the Company shall issue equity shares to the shareholders of the Transferor Company 1 and Transferor Company 2 (except the Transferee Company) in the following share exchange ratio:

“10 (Ten) fully paid equity shares of INR 2/- (INR Two only) each of the Transferee Company for every 305 (Three Hundred and Five) fully paid equity shares of INR 1/- (INR One only) each held by the shareholders in the Transferor Company 1.”

“10 (Ten) fully paid equity shares of INR 2/- (INR Two only) each of the Transferee Company for every 13 (Thirteen) fully paid equity shares of INR 10/- (INR Ten only) each held by the shareholders in the Transferor Company 2.”

3.10. Further, pursuant to the said Scheme, the Resulting Company shall issue equity shares to the shareholders of the Demerged Company in the following share entitlement ratio:

“1 (One) fully paid equity share of INR 10/- (INR Ten only) each of the Resulting Company for every 3 (Three) fully paid equity shares of INR 2/- (INR Two only) each held by the shareholders in the Demerged Company.”

3.11. Consolidation of the authorized share capital by combining the authorized share capital of the Transferor Company 1, Transferor Company 2 and Transferor Company 3 with the authorized share capital of the Company and consequential



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increase in the authorized share capital and alteration of the capital clause of the memorandum of association of the Company, as provided in the Scheme.

- 3.12. Further, the authorized share capital of Demerged Company of INR 700,00,00,000 shall stand transferred from authorized share capital of the Demerged Company and get combined with the authorized capital of the Resulting Company and alteration of the capital clause of the memorandum of association of the Demerged Company and the Resulting Company, as provided in the Scheme.
- 3.13. Amendment in "Name Clause", "Object Clause" and other relevant clauses of the Memorandum of Association and Articles of Association in accordance with the provisions of the Scheme. Further, amendment/adoption of revised Articles of Association of the Company so as to align the same with the Act and the Articles of Association of the Resulting Company and/or Transferor Companies.
- 3.14. The equity shares to be issued and allotted by the Resulting Company will be listed on BSE and NSE, subject to compliance with the applicable laws.
- 3.15. The Transferor Company 1, Transferor Company 2 and Transferor Company 3 shall stand dissolved without being wound up upon the Scheme becoming effective.
- 3.16. The Company shall account for the Scheme of Amalgamation and Arrangement in accordance with 'Pooling of Interest Method' of accounting prescribed under the Indian Accounting Standard (Ind AS) 103 – "Business Combination" notified under Section 133 of the Act read with the applicable rules issued thereunder and as amended from time to time.

4. Need / Rationale / Objective / Synergies of the Scheme:

- 4.1. **Achieving Better Business Synergies and Growth:** Through the Scheme, the synergies that exist among the entities, whose businesses are interrelated or interconnected can be put to the best advantage for the stakeholders. The Scheme will, inter-alia, make available to the Transferee Company access to gas sourcing expertise and highly diversified gas sourcing arrangements of Transferor Company 1 as well as Regasification Capacity tied-up by Transferor Company 1 thereby helping the Transferee Company in becoming more competitive in entire gas business segment. Further, the proposed Scheme will provide an opportunity to better leverage the combined asset and capital base, build a





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stronger and sustainable business and improve the potential for further growth and expansion of gas trading and city gas distribution business.

- 4.2. **Simplification of GSPC Group Holding Structure:** The Scheme is aimed at simplifying GSPC Group's holding structure by removing the layers and cross-holdings.
 - 4.3. **Unlocking of Shareholders' Value:** By removing the layers and cross holdings and enhancing business synergies, the Scheme aims at maximizing Shareholders' Value by unlocking hidden value for shareholders. The arrangement (merger and demerger of the businesses) aims at simplifying the corporate structure of the GSPC Group making it easier to focus, manage and administer core businesses of the GSPC Group with clear accountability, reduced administrative burden and improved transparency for stake holders.
 - 4.4. **Improved Efficiency and Enhanced Scale of Operations:** The combined entity would have greater efficiency in cash management, unfettered access to cash flow generated by the combined businesses which can be deployed more efficiently to fund organic and inorganic growth opportunities. It will have large net worth and borrowing capacity to expand its business at a faster rate. The combined entity will improve the potential for further expansion of the businesses by way of increased borrowing strength of the combined entity.
 - 4.5. **Optimum Utilization of Resources:** The consolidated entity will be benefited from improved organizational leadership, arising from the combination of people from relevant companies, who have diverse skills, talent and vast experience to compete successfully in an increasingly competitive market. The Scheme is also aimed at reducing administrative compliances by combining the multiple entities in the similar or inter-connected business and to reduce legal and compliance cost while at the same time meeting with the regulatory requirements of the Petroleum & Natural Gas Regulatory Board.
5. **Impact of Scheme on the Shareholders:**
- 5.1. The Audit Committee discussed the salient features, rationale and expected benefits of the Scheme. The Audit Committee noted that the Scheme will enhance the value of the merged entity and overall shareholder value.
 - 5.2. The Audit Committee noted that upon coming into effect of the Scheme, the Transferee Company shall without any further application, act, instrument or





deed, issue and allot to each shareholder of the Transferor Company 1 and Transferor Company 2 (except the Transferee Company) whose name is recorded in the register of members of the Transferor Company 1 on the Record Date 1 and Transferor Company 2 on the Record Date 2:

- i. "10 (Ten) fully paid equity shares of INR 2/- (INR Two only) each of the Transferee Company for every 305 (Three Hundred and Five) fully paid equity shares of INR 1/- (INR One only) each held by the shareholders in the Transferor Company 1."
 - ii. "10 (Ten) fully paid equity shares of INR 2/- (INR Two only) each of the Transferee Company for every 13 (Thirteen) fully paid equity shares of INR 10/- (INR Ten only) each held by the shareholders in the Transferor Company 2."
- 5.3. The Audit Committee also discussed at length the impact of the issuance of the new equity shares of the Transferee Company to the shareholders (except the Transferee Company) of the Transferor Company 1 and Transferor Company 2, and after due deliberations, concluded that the issuance of the new equity shares in terms of the Scheme will have no adverse impact on the shareholders of the Company.
- 5.4. The Audit Committee noted that upon coming into effect of the Scheme, the Resulting Company shall without any further application, act, instrument or deed, issue and allot to each shareholder of the Demerged Company (except the Demerged Company) whose name is recorded in the register of members of the Demerged Company on the Record Date 3:
- "1 (One) fully paid equity share of INR 10/- (INR Ten only) each of the Resulting Company for every 3 (Three) fully paid equity shares of INR 2/- (INR Two only) each held by the shareholders in the Demerged Company."
- 5.5. The Audit Committee also discussed at length the impact of the issuance of the new equity shares of the Resulting Company to the shareholders of the Demerged Company, and after due deliberations, concluded that the issuance of the new equity shares in terms of the Scheme will have no adverse impact on the shareholders of the Demerged Company.





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6. COST BENEFIT ANALYSIS OF THE SCHEME:

- 6.1. The Audit Committee discussed the cost towards the implementation of the Scheme and its benefits. The Audit Committee observed that the Scheme is expected to have several benefits as it would lead to optimization of capital structure, provide an opportunity for growth and value creation thereby leading to maximization of value and returns to the shareholders.
- 6.2. Although the Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme would far outweigh such costs for the stakeholders of the Company and lead to operational efficiency and significant cost savings through rationalization / consolidation of business functions, processes and, synergies.

7. RECOMMENDATION OF THE AUDIT COMMITTEE

- 7.1. The Audit Committee after due deliberations and detailed discussions, and, inter alia, taking into consideration the draft Scheme, Valuation Report, Fairness Opinion and certificates issued by the Statutory Auditors of the Company, have examined the need, rationale, synergies, benefits and the impact of the Scheme on shareholders and others concerned, and accordingly recommended the Scheme to the Board of Directors of the Company for its consideration, approval and for favorable consideration by BSE, NSE, SEBI and other appropriate authorities.

For and on behalf of the Audit Committee of the Gujarat Gas Limited

Name: Shri Balwant Singh, IAS (Retd.)
Designation: Chairman of the Audit Committee
DIN: 00023872



Place: Gandhinagar
Date: 30th August, 2024