

N. B. I. INDUSTRIAL FINANCE COMPANY LIMITED

CIN No. L65923WB1936PLC065596

Regd. Office : 21, STRAND ROAD, (Ground Floor) KOLKATA-700 001

Phone : 2230 9601 - 9603 (3 Lines), 2243 7725, 2230 7905, Telefax : 033-2213 1650
e.mail : nbifinance@ymail.com

**REPORT OF THE AUDIT COMMITTEE OF N.B.I.INDUSTRIAL FINANCE COMPANY LIMITED
DATED 21st SEPTEMBER, 2022 HELD AT 21, STRAND ROAD, KOLKATA - 700001
CONSIDERING THE DRAFT SCHEME OF AMALGAMATION UNDER SECTIONS 230 TO 232 AND
OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 BETWEEN WESTERN
INDIA COMMERCIAL COMPANY LIMITED, N.B.I.INDUSTRIAL FINANCE COMPANY LIMITED
AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

Present – Directors / Members

1. T K Bhattacharya Chairman of Audit Committee
2. Ashok Bhandari Member of Audit Committee
3. Debasish Ray Member of Audit Committee

Other invitees and advisors / consultants were present at the meeting along with the Company Secretary and Chief Finance Officer at the meeting

1.0 Background

- 1.1 A meeting of the Audit Committee ('Committee') was held on 21st September, 2022, *inter-alia*, to consider and if thought fit, recommend to the Board of Directors ('Board') the proposed Scheme of Amalgamation ('Scheme') under sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ('the Act'), between N.B.I.Industrial Finance Company Limited (*hereinafter* referred to as 'the Transferee Company' or 'the Company' or 'N.B.I.Industrial'), Western India Commercial Company Limited (*hereinafter* referred to as 'the Transferor Company' or 'Western India') and their respective shareholders and creditors under the provisions of the Act.
- 1.2 The appointed date for the Scheme is 1st April, 2022 or such other date as may be mutually agreed to by the Board of the Transferor Company and the Company or such other date as may be fixed or approved by the National Company Law Tribunal, Kolkata Bench ('NCLT') or any other Appropriate Authority (as defined in the Scheme) and shall be operative from the Effective Date (as defined in the Scheme).
- 1.3 The Scheme will be presented before the NCLT under sections 230 to 232 and other applicable provisions of the Act and the rules made thereunder and will also be in compliance with section 2(1B) of the Income-tax Act, 1961 and Securities and Exchange Board of India Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated 23rd November 2021 ('SEBI Master Circular').



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- 1.4 In terms of the SEBI Master 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 the need for the amalgamation, 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 Committee is made in order to comply with the requirements of the SEBI Master Circular.
- 2.0 **The Salient Features of the Scheme:**
The Scheme *inter-alia* provides for:
- 2.1 Amalgamation of Transferor Company with the Company and consequent issue of equity shares by the Company to the shareholders of Transferor Company in accordance with clause 10 of the Scheme.
- 2.2 The appointed date for the Scheme is 1st April, 2022 or such other date as may be mutually agreed to by the Board of the Transferor Company and the Company or such other date as may be fixed or approved by the National Company Law Tribunal, Kolkata Bench ('NCLT') or any other Appropriate Authority (as defined in the Scheme).
- 2.3 The Scheme is subject to various conditions precedent specified in the Scheme:
- The stock exchanges, i.e., National Stock Exchange of India Limited ('NSE') and Calcutta Stock Exchange ('CSE') (collectively referred to as 'Stock Exchanges') having issued their observation / no-objection letter as required under the Securities and Exchange Board of India (Listings Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations') read with the SEBI Master Circular;
 - the Scheme being approved by the respective requisite majorities of shareholders and creditors (as applicable) of the Transferor Company and the Company as required under the Act and as applicable under SEBI Master Circular, subject to any dispensation that may be granted by the NCLT;
 - The requisite consent, approval or permission of the Reserve Bank of India or any other Appropriate Authority (as defined in the Scheme), which by law may be necessary for the implementation of this Scheme.
 - The Scheme being sanctioned by the NCLT or any other Appropriate Authority (as defined in the Scheme) under sections 230-232 of the Act and the rules made thereunder.
 - The certified copy of the order of the NCLT sanctioning the Scheme is filed with the Registrar of Companies (as defined in the Scheme) by the Transferor Company and the Company.



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- 2.4 The equity shares of the Company are listed on NSE. The Company shall be filing the Scheme along with necessary information / documents with NSE for their approval under Regulation 37 of the SEBI Listing Regulations.
- 2.5 The report of the Audit Committee is made in order to comply with the requirements of the SEBI Master Circular, after considering the following:
- Draft Scheme, duly initialed by the Chairman of the Company for the purpose of identification;
 - Valuation report dated 21st September, 2022 issued by RBSA Valuation Advisors LLP (registration number: IBBI/RV-E/05/2019/110) ('the Registered Valuer'), inter-alia, recommending the fair share exchange ratio ('Share Exchange Ratio') ('Valuation Report');
 - Fairness opinion dated 21st September, 2022 issued by Sumedha Fiscal Services Limited, Merchant Banker registered with the Securities and Exchange Board of India ('SEBI'), on the Share Exchange Ratio as mentioned in the Valuation Report ('Fairness Opinion');
 - An auditor's certificate dated 20th September, 2022 submitted by Chaturvedi & Company certifying the accounting treatment contained in the Scheme ('Auditor Certificate');

3.0 Rationale of the Scheme:

- 3.1 The proposed amalgamation would be in the best interests of the Transferor Company and the Company and their respective shareholders, employees, creditors and other stakeholders. The proposed amalgamation will yield advantages as set out inter alia below:
- The shares of the Transferor Company are listed on CSE and no trading activity is being undertaken in the shares of Transferor Company. Upon amalgamation of the Transferor Company into the Company, equity shares of the Company, listed on NSE having nationwide trading terminal, would be issued to the shareholders of the Transferor Company. Thus, the amalgamation would result in providing better liquidity to the shareholders of Transferor Company while not being prejudicial to the interest of the Company and its shareholders, creditors, employees or any stakeholders.
 - The amalgamation would result in improving the potential for further expansion of the businesses by way of consolidation of capital base and increased borrowing strengths of the combined entity.
 - The amalgamation will result not only in consolidating and improving the internal systems, procedures and controls but will also bring greater management and operational efficiency due to integration of various similar functions being carried out by both the Transferor Company and Transferee Company.



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- d. Greater size, scale, financial strength and flexibility for the merged Transferee Company will result in maximizing and unlocking overall shareholders value.
- e. The amalgamation will result in significant reduction in multiplicity of legal and regulatory compliances which at present is required to be made separately by both the Transferor Company and Transferee Company with saving in administrative costs and deriving economies of scale.
- 3.2 The Audit Committee reviewed and noted the Share Exchange Ratio recommended in the Valuation Report and confirmed the following exchange ratio:
"94 (ninety four) fully paid up equity shares of face value of INR 5/- each of the Transferee Company for every 3 (three) fully paid up equity shares of face value of INR 100/- each of the Transferor Company"
- 3.3 The Audit Committee reviewed and confirmed the accounting treatment provided in clause 11 of the Scheme which has been certified by the auditors of the Company. Pursuant to the Scheme, the Transferee Company shall account for the amalgamation of the Transferor Company in its books of accounts as per 'Pooling of Interest Method' of accounting as per Indian Accounting Standard (Ind AS) 103 (Business Combination) in accordance with Appendix C of "Business Combinations of entities under common control" under the Companies (Indian Accounting Standards) Rules, 2015.
- 3.4 The Fairness Opinion confirmed that the Share Exchange Ratio as recommend by the Registered Valuer, is fair and reasonable.
- 4.0 Impact of the Scheme on the shareholders**
- 4.1 The Scheme would result in improving the potential for further expansion of the businesses by way of consolidation of capital base and increased borrowing strengths of the combined entity. The 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. Further, the need for the amalgamation and rationale of the Scheme is set out in Sl. 3.1 above.
- 5.0 Cost benefit analysis of the Scheme:**
- 5.1 The Consideration (as defined in the Scheme) represents a fair value of the business as substantiated by the Share Exchange 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.



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6.0 Synergies of business of the entities involved in the Scheme are set out in Sl. No. 3.1 above

7.0 Recommendations of the Audit Committee

7.1 The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme, Share Exchange Ratio / Valuation Report, Fairness Opinion, rationale of the Scheme, accounting treatment, impact of the Scheme on the shareholders and other stakeholders, cost benefit analysis of the Scheme and the specific matters mentioned above, recommends the draft Scheme for favorable consideration by the Board of the Company, the Stock Exchanges, SEBI and other applicable regulatory authorities.

This report of the Committee is made in order to comply with the requirements of Part I(A)(2)(c) of the SEBI Master Circular after considering the necessary documents.

By Order of the Audit Committee of N.B.I. Industrial Finance Company Limited



Name: T K Bhattacharya

Designation: Chairman of the Committee

DIN : 00711665

Place: Kolkata

Date: 21st September, 2022

