

REPORT OF THE AUDIT COMMITTEE OF GUJARAT AUTOMOTIVE GEARS LIMITED RECOMMENDING THE SCHEME OF AMALGAMATION OF HIM TEKNOFORGE LIMITED WITH GUJARAT AUTOMOTIVE GEARS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS, AT ITS MEETING HELD ON TUESDAY, DECEMBER 20, 2016

1. Background:

1.1 A meeting of the Audit Committee of Gujarat Automotive Gears Limited ("Company") was held on December 20, 2016, to consider and recommend the proposed the Scheme of Amalgamation between Him Teknoforge Limited, Gujarat Automotive Gears Limited and their respective shareholders, for the merger of Him Teknoforge Limited with Company, to be implemented in terms of draft Scheme placed before the Audit Committee ("the Scheme"), under Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013.

1.2 This report of the Audit Committee is made in order to comply with the requirements of the SEBI Circular no. CIR/CFD/CMD/16/2015 dated 30th November, 2016, issued by Securities and Exchange Board of India.

1.3 The following documents were placed before the Audit Committee:

- a) Draft Scheme, duly initialed by the Company Secretary of the Company for the purpose of identification;
- b) Valuation report dated December 20, 2016 of M/s R.J.Rathi & Co, Independent Chartered Accountants describing the methodology adopted by them in arriving at Share Exchange Ratio;
- c) Fairness Opinion dated December 20, 2016 prepared by M/s Pantomath Capital Advisors (P) Limited, Category I Merchant Bankers, providing the Fairness Opinion on the Share Exchange Ratio recommended by M/s R.J.Rathi & Co, the valuers ("Fairness Opinion"); and

2. Proposed Scheme of Amalgamation:

2.1 The Audit Committee noted the rationale and the benefits of the Scheme, which inter-alia, are as follows:

- i. Enable both the companies to consolidate their business operations and provide significant impetus to their growth since both the companies are engaged in the similar areas of business enabling the amalgamated entity to reach at higher orbit;
- ii. Result in enhancing the scale of operations and reduction in and / or optimization in overheads costs, administrative, managerial and other expenditure, operational rationalization, organizational efficiency, and optimal utilization of various resources and also benefiting from economies of scale;

- iii. Result in improved shareholder value benefiting all shareholders investors of all the companies as the combined amalgamated Company will have improved financial structure, larger cash flows and stronger consolidated revenue and profitability;
- iv. Consolidate the managerial expertise of the companies' involved thereby giving additional strength to the operations and management of the amalgamated Company resulting into expansion of the existing business; and
- v. Simplification of Group Structures

2.2 The Audit Committee reviewed and noted the Valuation Report and recommends the following share exchange ratio:


3(Three) fully paid up Equity Shares of face value Rs 2/- (Rupees Two only) each in the Company for every 13 [Thirteen] fully paid up Equity Share of face value of Rs 10/- (Rupees Ten Only) each held in Him Teknoforge Limited.

2.3 Further, the Fairness Opinion confirmed that the Share Exchange Ratio in the Valuation Report is fair to the equity shareholders of the Company.

3. Recommendation of the Audit Committee:

Taking into consideration the Valuation Report and the Fairness Report, the Audit Committee recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval and for consideration by the Stock Exchanges and SEBI.

By Order of the Audit Committee
For and on Behalf of
Gujarat Automotive Gears Limited


R.P. Sinha
Chairperson of the Audit Committee

Date: December 20, 2016
Place: Delhi


For Gujarat Automotive Gears Ltd.
Chintan Doshi
Company Secretary