

**REPORT OF THE AUDIT COMMITTEE OF MANAKSIA LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN MANAKSIA LIMITED (DEMERGED COMPANY) AND MANAKSIA FERRO INDUSTRIES LIMITED (RESULTING COMPANY) AND THEIR RESPECTIVE SHAREHOLDERS**

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Date & Time of the Audit Committee meeting: March 26, 2025 at 11:30 A.M.

Venue of the Audit Committee meeting : Conference Room at  
Turner Morrison Building,  
6 Lyons Range, 1<sup>st</sup> Floor  
Kolkata- 700001

Audit Committee Members Present :  
Mr. Ramesh Kumar Maheshwari : Chairman  
Mr. Biswanath Bhattacharjee : Member  
Mr. Varun Agrawal : Member

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**1. Background**

- 1.1 The proposal to approve a draft Scheme of Arrangement between Manaksia Limited ("ML" or "the Demerged Company") and Manaksia Ferro Industries Limited ("MFIL" or "the Resulting Company") and their respective shareholders (hereinafter referred to as the "Scheme") was placed before and considered by the Audit Committee at its meeting held on March 26, 2025 for recommendation as required under the SEBI Master Circular (as defined below).
- 1.2 The equity shares of the Company are listed on BSE Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE") (BSE and NSE hereinafter collectively referred to as the "Stock Exchanges"). The Company will be filing the Scheme along with necessary information / documents with both the Stock Exchanges.
- 1.3 The report of Audit Committee is made in order to comply with the requirements of the SEBI Master Circular No SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, as amended and any other circulars thereafter issued in connection with Scheme of Arrangements (the "SEBI Master Circular") read with SEBI (Listing Obligations and



Disclosure Requirements) Regulations, 2015 (the "SEBI LODR") after considering the following:

- a) Draft Scheme, duly initialed by Company Secretary of the Company for the purpose of identification;
- b) Report on recommendation of Fair Share Entitlement Ratio ("**Share Entitlement Report**") of Mr. Pranab Kumar Chakrabarty dated March 26, 2025, being the registered valuer appointed for the purpose of the Scheme having Registration No. IBBI/RV/05/2019/10780;
- c) Fairness Opinion Report dated March 26, 2025 issued by SKP Securities Ltd., an independent Category I Merchant Banker registered with SEBI having Registration No. INM000012670 providing the fairness opinion on the share entitlement recommended in the Share Entitlement Report prepared by Mr. Pranab Kumar Chakrabarty;
- d) Draft certificate dated March 26, 2025 obtained from the Statutory Auditors of the Company i.e. S K AGRAWAL AND CO CHARTERED ACCOUNTANTS LLP (ICAI Firm Registration No. 306033E/E300272) to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013; and
- e) Draft certificate dated March 26, 2025 issued by S K AGRAWAL AND CO CHARTERED ACCOUNTANTS LLP (ICAI Firm Registration No. 306033E/E300272), Statutory Auditors of the Company, certifying that non-applicability of requirements prescribed in Para I(A)(10)(b) of SEBI Master Circular pursuant to Para I(A)(10)(c) of the SEBI Master Circular.

## 2. Salient Features of the draft Scheme

The Audit Committee noted the brief particulars of the Scheme as under:

- i. This Scheme is presented, *inter alia*, under Sections 230 to 232 and other applicable provisions of the Act, SEBI Master Circular read with Section 2(19AA)





- and other applicable provisions of the Income Tax Act (*as defined in the Scheme*) and other applicable law, if any.
- ii. The Scheme provides for demerger, transfer and vesting of the Demerged Undertaking (*as defined in the Scheme*) from the Demerged Company into the Resulting Company on a *going concern* basis, and issue of equity shares by the Resulting Company to all the equity shareholders of the Demerged Company, in consideration thereof on a proportionate basis, in accordance with the provisions of Section 2(19AA) of the Income Tax Act (*as defined in the Scheme*) and various other matters consequential or otherwise integrally connected therewith including changes in share capital and reduction and cancellation of the entire pre-scheme share capital of the Resulting Company.
  - iii. The Appointed Date for the Scheme is the Effective Date.
  - iv. The "**Effective Date**" for the Scheme means the later of the dates on which (i) the last of all the consents, approvals, permissions, resolutions, sanctions and orders as are referred to in the Scheme have been obtained or passed and (ii) the certified copies of the Order(s) sanctioning the Scheme are filed with the Registrar of Companies, West Bengal, by the Resulting Company and Demerged Company.
  - v. Demerger of the metal products business conducted directly and through domestic step down subsidiary ("**Demerged Undertaking**" or "**Metal Product Business**") from Manaksia Limited ("**Demerged Company**" or "**the Company**" or "**ML**") into Manaksia Ferro Industries Limited ("**MFIL**" or the "**Resulting Company**"), shall be in accordance with section 2(19AA) of the Income Tax Act, 1961.
  - vi. "**Demerged Undertaking**" means the metal products business conducted directly and through domestic step-down subsidiary, namely Mark Steels Limited, and ancillary and support services in relation thereto of the Demerged Company, and all assets, all investments including investment in Manaksia Ferro Industries Limited and liabilities relating thereto and as more particularly defined in the Scheme



- vii. Upon effectiveness of this Scheme and in consideration of and subject to the provisions of this Scheme, and in consideration for the demerger of the Demerged Undertaking from the Demerged Company, the Resulting Company shall, without any further application, act, deed, consent, acts, instrument or deed, issue and allot, on a proportionate basis to the shareholders of the Demerged Company whose name is recorded in the register of members and records of the depository as shareholders of the Demerged Company as on the Record Date, as under:
- 1 (One) fully paid up equity share of the face value of INR 1 (Indian Rupee One ) each of the Resulting Company for every 1 (One) equity share of the face value of INR 2 (Indian Rupees Two) each in the Demerged Company.*
- viii. With effect from Appointed Date all the assets, liabilities, contracts, employees, licenses, records, approvals etc., of the Demerged Undertaking shall get transferred to and vest in or shall be deemed to have been transferred to and vested in the Resulting Company, as a going concern, without any further act, instrument or deed, together with all its properties, assets, liabilities, rights, benefits and interest therein, subject to the provisions of the Scheme, in accordance with Sections 230 – 232 of the Act, Section 2(19AA) of the Income Tax Act, 1961 and applicable provisions, if any.
- ix. Pursuant to the Scheme, there will be no change in the equity share capital structure of the Demerged Company and shareholding pattern of the Demerged Company will remain unchanged.
- x. During the period between the approval of the Scheme by the respective Boards of Demerged Company and Resulting Company and up-to the Effective Date (*as defined in the Scheme*), the Demerged Company shall carry on its business and activities of the Demerged Undertaking with reasonable diligence and business prudence.
- xi. The effectiveness of the Scheme is contingent upon certain conditions as mentioned in the Scheme including receipt of regulatory and other applicable approvals.





### **3. Need For Demerger**

- i. The Demerged Company is engaged, *inter alia*, either directly or through subsidiaries and/or step-down subsidiaries in following businesses:
  - (a) packaging products business through overseas subsidiary;
  - (b) roofing sheets business through overseas subsidiary;
  - (c) paper business through overseas step down subsidiary;
  - (d) metal products business conducted directly and through domestic step down subsidiary; and
  - (e) Trading in machines, machine spare parts and other products.
- ii. The Resulting Company has been incorporated with an objective to engage, *inter alia*, in business of ferro alloys and ferrous metals. The Resulting Company is a wholly owned subsidiary of the Demerged Company and has a subsidiary namely Mark Steels Limited which is engaged in the business of manufacture of sponge iron. Thus, the focus of the Resulting Company, directly and through its subsidiary, is in metal product business.
- iii. The above different / independent businesses of the Demerged Company have different industry specific risks, business cycles and operate, *inter alia*, under different market dynamics and thus can attract different types of investors as well as management teams for their respective businesses and follow different and independent strategies, even as they all have a significant potential for growth and profitability.
- iv. While businesses other than (i) Metal Products Business and (ii) trading in machines, machine spare parts and other products are primarily run through different subsidiaries / step-down subsidiaries, the metal products business is still run both at the Demerged Company level as well as the step-down subsidiary level, thereby resulting in duplicity of efforts and exerts pressure on the available management bandwidth at the Demerged Company level.
- v. Given its diversified business portfolio, it has become imperative for the Demerged Company to re-orient and re-organize itself in a manner that allows it to impart greater

focus, management alignment and growth for each of its independent business lines and play a larger role in providing strategic guidance for each independent business while allowing the relevant independent business operating team to manage the day-to-day affairs.

- vi. Such independent focus may result in enhancing the operational efficiency and also provide flexibility in attracting capital at the independent business level and allow the Management of the Demerged Company to explore other avenues for new business in the larger interest of all the stakeholders.
- vii. It is therefore proposed to demerge the Metal Products Business to the Resulting Company.
- viii. The Demerged Company will continue to conduct the Remaining Business.

#### 4. Rationale For The Scheme

The different / independent businesses of the Demerged Company have different industry specific risks, business cycles and operate, inter alia, under different market dynamics and thus can attract different types of investors as well as management teams for their respective businesses and follow different and independent strategies, even as they all have a significant potential for growth and profitability.

Given its diversified business portfolio, it has become imperative for the Demerged Company to re-orient and re-organize itself in a manner that allows it to impart greater focus, management alignment and growth for each of its independent business lines. The Demerged Company is also desirous of enhancing its operational efficiency, flexibility in attracting capital through a restructuring.

The Scheme, therefore, proposes to re-organise and segregate the interest of the Demerged Company primarily in the Metal Products Business and thus proposes demerger of the Metal Products Business to the Resulting Company.

The Demerged Company will continue to conduct the Remaining Business.





The proposed restructuring pursuant to this Scheme is expected, inter alia, to result in following benefits:

- i. segregation and unbundling of the Metal Products Business into the Resulting Company;
- ii. unlocking of value for the shareholders of the Demerged Company;
- iii. emergence of the Demerged Company mainly as a predominantly focused company, attracting investors and providing better flexibility in accessing capital, focused strategy and specialisation for sustained growth for the Remaining Business;
- iv. creation of a listed company predominantly focused on Metal Products Business with ability to achieve valuation based on metal industry related risk return profile and cash flows, attracting the right investors and thus enhancing flexibility in accessing capital as well as attracting right talent;
- v. Achieve cost optimisation and specialisation for sustained growth;
- vi. allowing the management of the Resulting Company to pursue independent growth strategies in regional, national and overseas markets;
- vii. augmenting the infrastructural capability of the Resulting Company to effectively meet future challenges in their businesses;
- viii. enhancing operational efficiencies, ensuring synergies through pooling of the financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies.

The proposed restructuring is in the interest of the shareholders, creditors, employees and other stakeholders in each of the companies.

#### **5. Synergies For The Scheme**

The proposed restructuring pursuant to this Scheme is expected, inter alia, to result in following benefits:



- i. segregation and unbundling of the Metal Products Business into the Resulting Company;
- ii. unlocking of value for the shareholders of the Demerged Company;
- iii. emergence of the Demerged Company mainly as a predominantly focused company, attracting investors and providing better flexibility in accessing capital, focused strategy and specialisation for sustained growth for the Remaining Business;
- iv. creation of a listed company predominantly focused on Metal Products Business with ability to achieve valuation based on metal industry related risk return profile and cash flows, attracting the right investors and thus enhancing flexibility in accessing capital as well as attracting right talent;
- v. achieve cost optimisation and specialisation for sustained growth;
- vi. allowing the management of the Resulting Company to pursue independent growth strategies in regional, national and overseas markets;
- vii. augmenting the infrastructural capability of the Resulting Company to effectively meet future challenges in their businesses;
- viii. enhancing operational efficiencies, ensuring synergies through pooling of the financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies.

The proposed restructuring is in the interest of the shareholders, creditors, employees and other stakeholders in each of the companies.

## **6. Impact of the Scheme on the Shareholders**

The proposed Scheme would be in the best interest of the Demerged Company and their respective shareholders, employees, creditors and other stakeholders as it will yield advantages, *inter alia*, as set out below:

- a. Pursuant to the Scheme, it is proposed to demerge, transfer and vest the Demerged Undertaking (*as defined in the Scheme*) from the Company into the Resulting Company, on a going concern basis and the Scheme will result in benefits and/or synergies to the Company as listed in Paragraph 3 and 4 of this report;



- b. Further, in consideration for the transfer and vesting of the Demerged Undertaking of the Company to the Resulting Company, all the equity shareholders (promoter and non-promoters) of the Company, as on the Record Date (*as defined in the Scheme*) shall receive equity shares of the Resulting Company in the same proportion as their holding in the Company. There will be no change in the economic interest of the shareholders of the Company, before and after the Scheme. Further, once the Scheme is effective, the Resulting Company will have replica/ mirror shareholding of the Demerged Company; and

Upon the effectiveness of the Scheme and subject to receipt of regulatory approvals, the equity shares of the Resulting Company issued as consideration to the shareholders of the Company in terms of the Scheme, will be listed on the Stock Exchanges.

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

Although the Scheme involves certain costs such as transaction cost, implementation cost, regulatory fees, stamp duties, etc., the Scheme is expected to provide an opportunity to provide flexibility to the shareholders to hold the shares in 2 listed companies with different business, risk and rewards. Further, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company entailing benefits specified in Paragraph 3 and 4 above.

#### **8. Recommendations of the Audit Committee**

Pursuant to the above, the Audit Committee has;

- a. taken note of the share entitlement ratio as recommended by the Share Entitlement Report, the Fairness Opinion.
- b. taken note of the draft Certificates issued by the Statutory Auditors; and
- c. recommended to the Board that the Share Entitlement Ratio is fair to the shareholders of the Company i.e. Manaksia Limited.

In the opinion of the members of the Audit Committee present at the Meeting, draft Scheme is in the best interest of all the shareholders of Manaksia Limited and the Share Entitlement Ratio as mentioned in the Share Entitlement Report is fair and reasonable.

In order for the Company to comply with the requirements of extant regulations applicable to the listed companies undertaking any scheme of arrangement under the Act, this report of the Audit Committee may please be taken on record by the Board while considering the draft Scheme for approval and further authorisations.

The Audit Committee after due deliberations and detailed discussions, and inter alia taking into consideration the draft Scheme, Share Entitlement Report, Fairness Opinion and draft certificates to be issued by the Statutory Auditor of the Company, have noted the rationale, benefits and the impact of the draft Scheme on shareholders, including the minority shareholders and other concerned. Based on the foregoing, the Audit Committee is of the informed opinion that the draft Scheme is not detrimental to any shareholders of the Company, and hereby recommends the draft Scheme to the Board of Directors of the Company for its favorable consideration and approval.

**By Order of the Audit Committee**

For and on behalf of

**MANAKSIA LIMITED**



**Ramesh Kumar Maheshwari**

**(DIN: 00545364)**

**Chairperson of the Audit Committee**

Date: March 26, 2025

Place: Kolkata