

REPORT OF THE AUDIT COMMITTEE OF ALLCARGO LOGISTICS LIMITED HELD ON THURSDAY, DECEMBER 21, 2023, AT 1:40 P.M. (IST) RECOMMENDING COMPOSITE SCHEME OF ARRANGEMENT BETWEEN ALLCARGO LOGISTICS LIMITED, ALLCARGO SUPPLY CHAIN PRIVATE LIMITED (FORMERLY KNOWN AS AVVASHYA SUPPLY CHAIN PRIVATE LIMITED) GATI EXPRESS & SUPPLY CHAIN PRIVATE LIMITED (FORMERLY KNOWN AS GATI-KINTETSU EXPRESS PRIVATE LIMITED), ALLCARGO GATI LIMITED (FORMERLY KNOWN AS GATI LIMITED) AND ALLCARGO ECU LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

MEMBERS PRESENT:

1. Mr Nilesh Vikamsey - Chairman
2. Mrs Radha Ahluwalia - Member
3. Mr Sivaraman Narayanaswami - Member

IN ATTENDANCE:

Mr Devanand Mojindra - Company Secretary & Compliance Officer

BY INVITATION:

Invitees:

- Mr Deepal Shah : Group Chief Financial Officer
Mr Ravi Jakhar : Group Chief Strategy Officer
Mr Govind Ahuja : Partner and Representatives of M/s S.R.
Mr Amit Jain : Batliboi & Associates LLP, Statutory Auditors
(for agenda Item no. 3)
- Mr Mahesh Vikamsey : Registered Valuer, KPMG Valuation Services
LLP
- Mr Niraj Gupta : Registered Valuer, PWC Business Consulting
Services LLP
- Mr Raghavan Subramanian : Representatives of ICICI Securities Limited,
Mr Raghendra Pande : Registered Merchant Banker
Mr Niraj Sanghrajka : Senior Vice President - Merger & Acquisition
Mr Akshay Lohiya : Analyst - Merger & Acquisition
Mr Akshay Deshkar : Group Finance Controller - Accounts & Finance
Ms Surabhi Harlalka : Executive Assistant - Accounts & Finance

1. BACKGROUND

- 1.1 Audit Committee members of **Allcargo Logistics Limited** (“**Demerged Company**” or “**Transferee Company 2**” or “**Allcargo**”) recommending the Composite Scheme of Arrangement between the Demerged Company, Allcargo Supply Chain Private Limited (Formerly known as Avvashya Supply Chain Private Limited) (“**Transferor Company 1**” or “**ASCPL**”) and



Gati Express & Supply Chain Private Limited (Formerly known as Gati-Kintetsu Express Private Limited) ("**Transferor Company 2**" or "**GESCPL**") to Allcargo Gati Limited (Formerly known as Gati Limited) ("**Transferee Company 1**" or "**Gati**" or "**Transferor Company 3**") and Allcargo ECU Limited ("**Resulting Company**" or "**AEL**") (the "**Scheme**"). The Committee took note of the Scheme placed before it.

- 1.2 The Demerged Company is incorporated under the provisions of the Companies Act, 1956 and validly existing under the Companies Act, 2013. The equity shares of the Demerged Company are listed on BSE Limited and National Stock Exchange of India Limited (the "**Stock Exchanges**").
- 1.3 This report is made in order to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (the "**Listing Regulations**") and SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (the "**SEBI Circular**") as amended from time to time, and after considering the following documents placed at the meeting:
- a) Draft Scheme, duly initialed by the Company Secretary of the Demerged Company for the purpose of identification;
 - b) The certificate of M/s S R Batliboi & Associates LLP ("**SRB**"), Chartered Accountants, the statutory auditor of the Demerged Company, to the effect that the accounting treatment contained in the Scheme is in compliance with the applicable Accounting Standards notified by Central Government under Section 133 of the Act and Indian Accounting Standards as prescribed from time to time;
 - c) The Share Entitlement Ratio Report and Swap Ratio Report dated December 21, 2023 recommending the share entitlement ratio (hereinafter referred to as "Valuation Report") on the Scheme, provided by M/s KPMG Valuation Services LLP and M/s PWC Business Consulting Services LLP, Registered Valuer (IBBI Registration No: IBBI/RV-E/06/2020/115 and IBBI/RV-E/02/2022/158, respectively);
 - d) The Fairness Opinion dated December 21, 2023 on the share entitlement ratio recommended by the Valuation Report for the purpose of the Scheme provided by ICICI Securities Limited, SEBI registered Merchant Banker SEBI Reg No. INM000011179;
 - e) Audited financial statements of the Demerged Company for the year ended March 31, 2023, March 31, 2022 and March 31, 2021 and Split Balance Sheet as at September 30, 2023;
 - f) Audited Financial Statement of ASCPL for the period ended September 30, 2023;
 - g) Audited Financial Statements of the Transferee Company 1 for the year ended March 31, 2023, March 31, 2022 and March 31, 2021 and Split Balance Sheet as at September 30, 2023; and
 - h) Audited Financial statement of GESCPL for the period ended September 30, 2023



2 PROPOSED SCHEME OF ARRANGEMENT

2.1 Need and Rationale of the Composite Scheme of Arrangement

1. The Demerged Company is presently engaged, directly, & indirectly through subsidiaries, in the International Supply Chain Business as well as Express Logistics and Contract Logistics businesses through the Transferee Company 1, Transferor Company 1 and Transferor Company 2. These businesses are distinct, with different business models, industry dynamics and have unique financial and management requirements. The purpose of this Scheme is to make these businesses achieve strategic independence and financial flexibility.
2. Section B of the Scheme (relating to Demerger of the International Supply Chain Business) would enable creation of an independent company focusing on the International Supply Chain Business (in the Resulting Company).
3. The businesses of Transferee Company 1, Transferor Company 1 and Transferor Company 2 are complementary in nature, with similar strategies, target markets, growth opportunities, industry dynamics, competition, risks, and challenges. Due to close synergies between these companies, it would benefit from unified management structure. Due to legacy reasons, these businesses are undertaken by different entities and have different ownership structure. Section C of the Scheme (relating to Amalgamation 1) would bring all these synergistic businesses under one entity focusing on Express Logistics and Contract Logistics businesses (in Transferee Company 1).
4. This Scheme will result in simplification of the corporate structure and reducing the number of legal entities. The International Supply Chain Business will be undertaken by the Resulting Company, and it will be directly owned by the shareholders. Pursuant to the Amalgamation 1 and Amalgamation 2, the Express Logistics and Contract Logistics Businesses will be undertaken by the Transferee Company 2, and it will be directly owned by the shareholders.
5. This will lead to focused and efficient management control, independent growth plans, financial independence, streamlining operations, and optimising costs.
6. The Resulting Company and Transferee Company 2 will be able to attract investors with specific knowledge, expertise and risk appetite corresponding to the business in the respective entities. Thus, each entity will have like-minded investors, thereby providing the necessary funding impetus to long-term growth strategies of each of the businesses.
7. The existing equity shares of the Transferor Company 3 and Transferee Company 2 are already listed on BSE and NSE. Pursuant to the Scheme, the New Equity Shares of the Resulting Company will be issued to shareholders of Demerged Company. The Scheme will also result in New Equity Shares of the Transferee Company 2 to be issued to shareholders of Transferor Company 3. These New Equity Shares will be listed on BSE and NSE. This Scheme will unlock the value for the shareholders.

2.2 The salient features of the Scheme are as under:

- a) Composite Scheme of Arrangement between the Demerged Company/Transferee Company 2, Transferor Company 1, Transferor Company 2, Transferee Company 1 and Resulting Company and their respective shareholders, whereby it proposes for, the demerger of the Demerged



undertaking into Resulting Company and transfer by way of Amalgamation of Transferor Company 1 and Transferor Company 2 into Transferee Company 1 and Amalgamation of Transferor Company 3 into Transferee Company 2 on a going concern basis.

- b) Appointed Date 1 shall be effective from October 01, 2023, or such other date as the Tribunal may direct or fix, with respect to Demerger and Amalgamation 1.

Appointed Date 2 means the Effective Date with respect to Amalgamation 2.

- c) In consideration of the proposed demerger, the Resulting Company will issue and allot equity shares, to each shareholder of the Demerged Company, whose names appear in the register of members of the Demerged Company on the record date as may be fixed for the purpose by the Board of Resulting Company in consultation with the Demerged Company (hereinafter referred to as "**the Record Date**"), in the following manner:

"For every 1 (One) equity shares of face value ₹2/- (Rupees Two only) each held in the Demerged Company as on the Record Date, the equity shareholders of the Demerged Company shall be issued 1(one) equity shares of face value ₹2/- (Rupees Two only) each as fully paid-up in the Resulting Company."

Simultaneous with the issuance and allotment of the equity shares by the Resulting Company, the initial issued and paid up equity share capital of the Resulting Company, comprising of 7 equity shares of ₹2 /- each, aggregating to ₹14 /- shall be cancelled.

In consideration of the transfer by way of Amalgamation 1 of Transferor Company 1 and Transferor Company 2 with and into Transferee Company 1, the equity shares of the Transferor Company 2 shall be cancelled which are held by the Transferee Company 1.

Shareholders of Optionally Convertible Redeemable Preferences ("OCRPS"), of which the right to conversion has been rescinded by the shareholder, will get 1 (One) Redeemable Preference Shares ("RPS") of Gati of ₹10/- each fully paid up (on the same terms including the right to only redeem and no right of conversion), for every 1 (One) OCRPS of ₹10/- each held in Allcargo Supply Chain Private Limited.

In consideration of the transfer by way of Amalgamation 1 of Transferor Company 1 and Transferor Company 2 with and into Transferee Company 1, the equity shares of the Transferor Company 2 shall be cancelled which are held by the Transferee Company 1. The issue and allotment of New Equity Shares of Transferee Company 1 by Transferee Company 1 to the members and shareholders of Transferor Company 1 and Transferor Company 2, as per the Scheme.

"Equity Shareholders of Allcargo Supply Chain Private Limited will get 2 (Two) equity shares of Allcargo Gati Limited of ₹2/- each fully paid up, for every 10 (Ten) equity shares held in Allcargo Supply Chain Private Limited of ₹10/- each."

"Equity Shareholders of Gati Express & Supply Chain Private Limited will get 3475 (Three Thousand Four Hundred Seventy-Five) equity shares of Allcargo Gati Limited of ₹2 each fully paid, for every 10 (Ten) equity shares held in Gati Express & Supply Chain Private Limited of ₹2/- each."



In consideration of the transfer by way of Amalgamation 2 of Transferor Company 3 with and into Transferee Company 2 and consequent cancellation of equity shares of Transferor Company 3 held by the Transferee Company 2. Simultaneously, the Transferee Company 2 will issue New Equity Shares to the shareholders of the Transferor Company 3. The details are as under :

"For every 10 (Ten) equity shares of face value ₹2/- (Rupees Two only) each held in the Transferor Company 3 as on the Record Date, the equity shareholders of the Transferor Company 3 shall be issued 63(Sixty Three) equity shares of face value ₹2/- (Rupees Two only) each as fully paid-up in the Transferee Company 2."

- d) The equity shares proposed to be allotted by the Resulting Company and Transferee Company 2 will be listed on BSE Limited and National Stock Exchange of India Limited, recognized stock exchanges having nationwide trading platform.
- e) The effectiveness of the Scheme is conditional upon the fulfillment of the actions specified in the Scheme, which include:
- No-objections being received from the BSE Limited and National Stock Exchange of India Limited, in terms of the SEBI Circular;
 - Approval of the requisite majorities of the shareholders of the Demerged Company and the Resulting Company;
 - Obtaining such other approvals and sanctions as may be required by applicable law or contract, in respect to the Scheme;
 - Sanction of the Scheme by the Hon'ble NCLT; and
 - Certified copies of the order of the Hon'ble NCLT sanctioning the Scheme being filed with the Registrar of Companies, through joint application by the Transferor Companies, Transferee Company 1, Transferee Company 2 and the Resulting Company.
- f) The Cost benefits analysis of the Scheme are as under:
The Committee has reviewed in detail the costs associated with regards to the Scheme. Except the transaction cost, there are no additional costs involved for the proposed re-structuring. There are no social or environmental impact of the proposed re-structuring. The Committee is of the opinion that the expected synergies and benefits in pursuance of the restructuring would offset the impact of such costs.

2.3 Impact of the Scheme on the shareholders are as under:

- a) The shareholders of the Demerged Company as on the Record Date shall be entitled to equity shares in the Resulting Company and Transferee Company, basis the share entitlement ratio determined by M/s KPMG and M/s PWC, a Registered Valuers, in the valuation report placed before the Audit Committee Meeting.
- b) In the opinion of the Audit Committee, The Scheme will not adversely affect the rights or interest of shareholders of the Demerged Company.

The Resulting Company will issue equity shares to the shareholders of the Demerged Company in consideration of the demerger of the Demerged Undertaking in the Resulting Company pursuant to this Scheme, the Resulting Company shall, without any further act or deed and without any further payment, issue and allot equity shares (hereinafter also referred to as the



“New Equity Shares of Resulting Company”) at par on a proportionate basis to each member of the Demerged Company, whose name is recorded in the register of members of the Demerged Company as holding shares on the Record Date, in the ratio of 1:1 equity shares of ₹ 2/- (Rupees Two) each fully paid up of Resulting Company for every 1 (One) equity share of ₹ 2/- (Rupees Two) each fully paid up held in the Demerged Company;

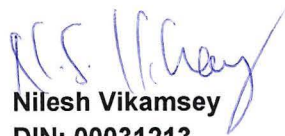
- c) In consideration of the Amalgamation of the Transferor Company 3 with the Transferee Company 2 pursuant to this Scheme, the Transferee Company 2 shall, without any further act or deed and without any further payment, issue and allot equity shares (hereinafter also referred to as the “New Equity Shares of Transferee Company 1”) at par on a proportionate basis to each member of the Transferor Company 3, whose name is recorded in the register of members of the Transferor Company 3 as holding shares on the Record Date, in the ratio of *get* 63 (Sixty-Three) Equity Shares of ₹2/- each of Allcargo against 10 (Ten) Equity Shares of ₹2/- each held in Gati held in the Transferee Company 2.

3 RECOMMENDATION BY THE AUDIT COMMITTEE AT THE MEETING

Taking into consideration the Draft Scheme and other related documents including the Valuations done by Two Reputed Valuation firms & the Fairness Opinion of SEBI registered merchant banker, as placed, the Committee formed an opinion that implementation of the Draft Scheme of Arrangement is not detrimental to the shareholders of the Demerged Company.

The Committee hereby recommends the Draft Scheme for consideration by the Board of Directors & Members of the Demerged Company.

**For and on behalf of the Audit Committee
of Allcargo Logistics Limited**



Nilesh Vikamsey
DIN: 00031213

Chairman of the Audit Committee



Date: December 21, 2023

Place: Mumbai