

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF THE COMPANY GORANI INDUSTRIES LIMITED FOR RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION BETWEEN BLOW HOT KITCHEN APPLIANCES PRIVATE LIMITED AND GORANI INDUSTRIES LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HELD ON FRIDAY 19TH AUGUST, 2022 AT THE REGISTERED OFFICE OF THE COMPANY SITUATED AT 32-33, SECTOR 'F' SANWER ROAD, INDUSTRIAL AREA, INDORE 452015 (M.P.)

MEMBERS PRESENT: (PHYSICALLY)

1. Mr. Ayush Shukla (Holding DIN- 09057436)
2. Ms. Komal Motwani (Holding DIN- 07302550)
3. Ms. Raina Goyal (Holding DIN- 08295368)

In Attendance of

Ms. Sachi Samaria (Company Secretary)

1. Background

- 1.1. The Proposal to consider and recommend draft Scheme of Arrangement in the nature of merger / amalgamation between Blow Hot Kitchen Appliance Private Limited ("Transferor Company / BHKAPL") and Gorani Industries Limited ("Transferee Company" / "GIL") and their respective shareholders and creditors under Sections 230 to 232 of the Companies Act, 2013 read with applicable rules made thereunder ("Scheme") was placed before and considered by members of the Audit Committee at its meeting held on Friday 19th August, 2022.
- 1.2. The Equity Shares of GIL are listed on BSE Limited ("BSE"). The Company will be filing the Scheme along with the necessary documents / information with the BSE for their No Objection or No Observation Letter pursuant to Regulation 37 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") and applicable statutory provisions.
- 1.3. The Report of the Audit Committee is made to comply with the requirements of SEBI LODR Regulations and master circular in relation to scheme of arrangement issued by SEBI having No. SEBI/HO/CFD/DILI/CIR/P/2021/0000000665 dated November 23, 2021 covering all circulars issued by SEBI in relation to scheme of arrangement including any amendments or modifications thereof, and any other circular issued pursuant to Regulations 11, 37 and 94 of SEBI LODR Regulations ("SEBI Master Circular")' considering following:
 - a. Valuation Report dated 19th August, 2022 issued by M/s. BDO Valuation Advisory LLP, an Independent Registered Valuer (Registration No. IBBI/RV-E/02/2019/103) ("Registered Valuer") appointed for recommending the fair share exchange ratio for the purpose of this Scheme:

For Gorani Industries Ltd.

A. Shukla
Director

- b. Fairness Opinion Report dated 19th August, 2022 issued by M/s Fedex Securities Private Limited Category I SEBI Registered Merchant Banker (Registration No. INM000010163) providing fairness opinion ("Fairness Opinion") on the share exchange ratio recommended in the Valuation Report issued by Registered Valuer and
- c. Draft certificate to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in pursuance to Section 133 of the Companies Act, 2013 read with applicable rules and/ or the accounting standards and principles, received from Statutory Auditors of the Transferee Company i.e., M/s. Sandeep Surendra Jain & Co., Chartered Accountants (Firm's Registration No. 010172C).

2. Proposed Scheme:

2.1. The Scheme, inter-alia, provides the following:

- a. merger of Blow Hot Kitchen Appliance Private Limited with Gorani Industries Limited and
- b. various other matters consequential or otherwise integrally connected herewith.

2.2. Appointed Date of the Scheme is 01st April, 2022.

2.3. The Effective Date for the Scheme means the day on which last of the conditions specified in Clause 27 of the Scheme are complied with.

2.4. The Scheme would be subject to the sanction or approval of the National Company Law Tribunal, SEBI, Stock Exchanges, Shareholders, Creditors and other Appropriate Authorities (as defined in the Scheme).

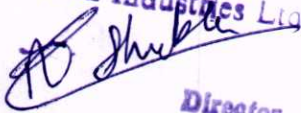
3. Need for the merger and Rationale of Scheme

3.1. The Transferor Company is engaged in the business of Sale and trading of Chimney, gas stove, Hobs, OTG, Electric Geyser, Gas Geyser, Range Hood, Gas Water Heater, Electric Water Heater, Food Guard, & Components etc and Manufacturing of induction cooker and infrared cooker. The Transferee Company is engaged in the business of production and sales of kitchen and home appliances since 1996. Its main products are LPG stoves, steel frames, gas geyser, rangehood chimney etc. It does its business through a strong network of dealers and distributors all over central, south and north India. Both the Companies have same set of promoters.

3.2. The Audit Committee noted the need for proposed merger of Blow Hot Kitchen Appliance Private Limited with Gorani Industries Limited in light of the various synergies and value creation on account of multiple factors as outlined in the Scheme. Further, it was noted that merger by way of a Scheme approved by NCLT under provisions of the Companies Act, 2013 would be the most efficient mechanism for consolidation of the businesses.

For Gola
A. Shukla
Director

- 3.3. Creating meaningful value for various stakeholders, including shareholders, customers, employees of Transferor and Transferee Company respectively, as the combined business would benefit from increased scale, comprehensive product offerings, balance sheet resiliency and the ability to drive synergies across revenue opportunities, operating and underwriting efficiencies, amongst others.
- 3.4. The Transferor Company and Transferee Company believe that the financial, managerial and technical resources, personnel, capabilities, skills, expertise and technologies of each of the Company's pooled in the merged entity, will lead to increased optimal utilisation of resources, cost reduction and efficiencies, productivity gains and logistic advantages, thereby significantly contributing to future growth and maximising shareholder value.
- 3.5. The proposed merger would be in the best interest of both the Companies and their respective shareholders, employees, creditors and other stakeholders as the proposed merger will yield advantages as set out inter alia below:
- a. consolidation for the long-term sustainability of the business;
 - b. create value for stakeholders including respective shareholders, customers, lenders and employees as the combined business would benefit from increased scale, innovations in technology and expanded reach with increased growth opportunities, higher cross selling opportunities to a larger base of customers, improvement in productivity and operational efficiencies, amongst others;
 - c. pooling of resources, achieving economies of scale and creating better synergies;
 - d. provide material realisable cost and revenue synergies for the benefit of the Companies;
 - e. The merger will result in achieving greater integration and greater financial strength and flexibility and to maximize overall shareholders' value;
 - f. The merger will result in achieving cost savings from more focused operational efforts, rationalization, standardization and simplification of business processes and productivity improvements;
 - g. The merger will result in greater efficiency in cash management, and unfettered access to cash flow generated by the combined businesses which can be deployed more efficiently to fund growth opportunities, to maximize shareholders value;
 - h. The merger will help in consolidating and improving the internal control systems and procedures which will bring greater management and operational efficiency due to integration of various similar functions being carried out by the entities such as human resources, finance, legal, management etc;

For Gorani Industries Ltd.

Director

- i. The merger will result in a significant reduction in the multiplicity of legal and regulatory compliances required at present to be carried out by both the Transferor Company and the Transferee Company;
- j. The merger will also enable unified accounting and auditing resulting in reduction of costs and time and efforts involved;
- k. Greater ability of the Transferee company to raise financial resources, either as equity or debt, based on combined financials;


3.6. Thus with the intent to achieve aforesaid objectives and further in order to consolidate, streamline and effectively merge the Transferor Company and Transferee Company in a single entity it is intended that the Transferor Company be merged with the Transferee Company.

4. Synergies of business of the entities involved in the Scheme

As elaborated in the rationale of the Scheme, the proposed merger would be in the best interest of both the Companies and their respective shareholders, employees, creditors and other stakeholders as the proposed merger will yield advantages as set out inter alia below:

- a. consolidation for the long-term sustainability of the business;
- b. create value for stakeholders including respective shareholders, customers, lenders and employees as the combined business would benefit from increased scale, innovations in technology and expanded reach with increased growth opportunities, higher cross selling opportunities to a larger base of customers, improvement in productivity and operational efficiencies, amongst others;
- c. pooling of resources, achieving economies of scale and creating better synergies;
- d. provide material realisable cost and revenue synergies for the benefit of the Companies;
- e. The merger will result in achieving greater integration and greater financial strength and flexibility and to maximize overall shareholders' value;
- f. The merger will result in achieving cost savings from more focused operational efforts, rationalization, standardization and simplification of business processes and productivity improvements;
- g. The merger will result in greater efficiency in cash management, and unfettered access to cash flow generated by the combined businesses which can be deployed more efficiently to fund growth opportunities, to maximize shareholders value;
- h. The merger will help in consolidating and improving the internal control systems and procedures which will bring greater management and operational efficiency due to integration of various similar functions being carried out by the entities such as human resources, finance, legal, management etc;

For Gorani Industries Ltd.


Director,

- i. The merger will result in a significant reduction in the multiplicity of legal and regulatory compliances required at present to be carried out by both the Transferor Company and the Transferee Company;
- j. The merger will also enable unified accounting and auditing resulting in reduction of costs and time and efforts involved;
- k. Greater ability of the Transferee company to raise financial resources, either as equity or debt, based on combined financials;

5. Impact of the Scheme on the shareholders of the Company

- 5.1 Pursuant to the Scheme, shares of the Transferee Company are proposed to be issued to the shareholders of the Transferor Company on the basis of share exchange ratio, as recommended by the Registered Valuer. Further, the Fairness Opinion report from Merchant Banker has confirmed that the share exchange ratio as recommended by the Registered Valuer is fair for both the Companies and their respective shareholders.
- 5.2 The proposed merger will create value for stakeholders including respective shareholders, customers, lenders and employees as the combined business would benefit from increased scale, product diversification and expanded reach with increased ability to growth opportunities, higher cross selling opportunities to a larger base of customers, improvement in productivity and operational efficiencies amongst others;
- 5.3 Greater efficiency in cash management and unfettered access to cash flow generated by the combined business, which can be deployed more efficiently, to maximise shareholder value;
- 5.4 The Scheme has been drafted keeping in mind the provisions of section 2(1B) of the Income Tax Act, 1961 and therefore it may not have any adverse tax implications.
- 5.5 The Scheme is expected to be beneficial to the Companies and its shareholders and all other stakeholders in large and is not detrimental to any of the shareholders of the Company.

6. Cost benefit analysis of the Scheme

Although the Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company. Further, keeping in view of synergies and the cost benefits expected, the Audit Committee is of the view that the proposed Scheme of Arrangement will provide reduction of cost in the long term.

For Gorani Industries

 Director

7. Recommendations of the Audit Committee

7.1 Pursuant to the above, the Audit Committee has perused the following documents:

- (a) Draft Scheme of Amalgamation between Blow Hot Kitchen Appliance Private Limited ("Transferor Company / BHKAPL") and Gorani Industries Limited ("Transferee Company" / "GIL") and their respective shareholders and creditors;
- (b) Valuation Report dated 19th August, 2022 issued by M/s. BDO Valuation Advisory LLP;
- (c) Fairness Opinion recommended to the Board that the Share Exchange Ratio is fair to the shareholders (including the minority shareholders) of GIL, dated 19th August, 2022 issued by M/s Fedex Securities Private Limited;
- (d) A certificate issued by M/s. Sandeep Surendra Jain & Co. (Firm's Registration No. 010172C), the Statutory Auditors dated 19th August, 2022 to the effect that the accounting treatment contained in the scheme is in compliance with all Accounting Standards.

7.2 The Audit Committee having considered and noted the above, recommends the draft Scheme to the Board, in its present form for favourable consideration by the Board, Stock Exchanges, National Company Law Tribunal, SEBI and such other regulatory authorities, as may be applicable;

7.3 In the opinion of the members of the Audit Committee present at the Meeting, draft Scheme is in the best interest of all the stakeholders of GIL including shareholders, customers, lenders and employees and the Share Exchange Ratio as mentioned in the Valuation Report is fair and reasonable.

By Order of the Audit Committee

Ayush Shukla
 For Gorani Industries Ltd.

Ayush Shukla
 Director,
 Chairman of the Audit Committee
 (Holding DIN: 09057436)

Place: Indore
 Date: 19/08/2022