

REPORT OF THE AUDIT COMMITTEE OF SAB INDUSTRIES LIMITED
RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION WITH STEEL STRIPS
LIMITED HELD ON 28TH DAY OF JUNE, 2019 AT 12:30 P.M AT THE REGISTERED
OFFICE OF THE COMPANY AT SCO 49-50, SECTOR-26, CHANDIGARH-160019

Present:

1. Shri Surinder Singh Viridi : Chairman (Non-Executive Independent Director)
2. Smt. Manju Lakhanpal : Member (Non-Executive Independent Director)
3. Shri Humesh Kumar Singhal : Member (Non-Executive Director)

In Attendance

- Ms. Gurpreet Kaur : Company Secretary
Mr. B.S. Negi : Chief Financial Officer

Background

- i. A meeting of the Audit Committee of the Company, SAB Industries Limited ("Transferee Company") was held on 28.06.2019. to consider and recommend to the Board of Directors of the Company, the draft scheme of amalgamation of M/s Steel Strips Limited (Transferor Company) and their respective shareholders and creditors with the Company, to be implemented under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Scheme").
- ii. The Transferee Company is a public Company incorporated in India under the provisions of the Companies Act, 1956 having its registered office at SCO 49-50, Sector 26, Madhya Marg, Chandigarh 160019. The Equity Shares of the company are listed on BSE Limited.
- iii. The Transferor Company is a public Company incorporated in India under the provisions of the Companies Act, 1956 having its registered office at Village Harkishanpura, Bhawanigarh Tehsil, Distt. Sangrur, Punjab 148026. The Equity Shares of the company are listed on BSE Limited.
- iv. This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular number CFD/DIL3ICIN2017121 dated March 10, 2017 as amended from time to time.
- v. The Transferee Company as on 31st March, 2019, holds 685934 (8.28%) equity shares of the Transferor Company. Upon the Scheme becoming effective, Equity Share of the Transferor Company held by the Transferee Company, shall stand cancelled & Equity Share Capital of Transferor Company shall reduce accordingly.
- vi. The following documents were placed before the Audit Committee:
 - a) Draft of the Scheme; duly initialed by Chairman of the Company for the purpose of identification and
 - b) Valuation Report dated 20.06.2019 ("Valuation Report") prepared and issued by CA Vikas Aggarwal, Regd. Valuer with IBBI bearing Registration No. IBBI/RV/02/2018/10046, prescribing the Share Exchange Ratio for



amalgamation of the Transferor Company with the Transferee Company along with the methodology adopted in arriving at the share entitlement ratio.

- c) Fairness opinion dated 27.06.2019 issued by M/s Corporate Capital Ventures Pvt. Ltd. (Category I SEBI Registered Merchant Banker), providing the fairness opinion on the Share Exchange Ratio recommended by CA Vikas Aggarwal, Regd. Valuer in their Share Exchange Ratio Report ("**Fairness Opinion**");

vii. Rationale of the Scheme

This Scheme of Amalgamation is expected to enable better realisation of potential of the businesses and yield beneficial results and enhanced value creation for the Companies, their respective shareholders, lenders and employees. The rationale for the Scheme is set out below:

- i. Greater potential to the combined entity to develop and further grow and diversify with better funds and efficient utilization of resources.
- ii. Further, proposed amalgamation would result in greater economies of scale and will provide a larger and stronger base for potential future growth.
- iii. The Amalgamation will result in simplification of the management structure with one listed company in group leading to better administration and reduction in costs for more focused operational efforts, rationalization, standardization and simplification of business processes.
- iv. The Amalgamation will result in simplification of Group Structure of Steel Strips.
- v. The Amalgamation will bring about simplicity in working, reduction in various statutory and regulatory compliances and related costs, which presently have to be duplicated in different entities, reduction in operational and administrative expenses and overheads, better cost and operational efficiencies and it will also result in coordinated optimum utilization of resources.
- vi. The Amalgamation will streamline the decision making process, help in better utilization of human resources and will also provide better career opportunities to employees.

The Scheme shall not in any manner be prejudicial to the interest of the concerned shareholders, creditors or general public at large.

Viii. Proposed Scheme of Amalgamation

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

- i. Steel Strips Limited, Transferor Company was engaged in the Business of manufacture of Steel Products (Steel Billets, Ingots and Special Steels in rounds and flats). However, the steel business of the Company could not survive due to severe recession in Steel Industry and previous activities were stopped due to becoming uncompetitive. However, Board of the Company is in process of evaluating alternative business opportunities which the Company may choose to enter.



- ii. The merger of the Transferor Company with the Transferee Company would result in the emergence of a consolidated strong entity, which will contribute to the overall growth prospects of the combined entity leading to increase in shareholder value for both the Companies. The enhanced financial and operating strengths of the combined entity would enable substantial reduction in costs and the development of a growth driven business portfolio through the effective and efficient deployment of funds.
- iii. The merger provides a means of pooling of knowledge resources. There exists in the Transferor Company and the Transferee Company, a pool of highly skilled experts in specialized areas such as technology, engineering, law, commercial, taxation, international practices etc. The services of these professionals could be utilized more effectively.

The Salient features of the draft Scheme includes:

- i. The equity shares of the Company will be issued to the shareholders of Steel Strips Limited on the Scheme becoming effective.

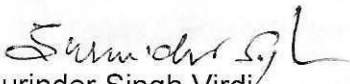
“Every Shareholders/Members of Transferor Company holding 350 (Three Hundred Fifty) Equity Shares of Rs.10/- (Ten) each fully paid up in the Transferor Company will get 1 (One) Equity shares of Rs.10/- (Ten) each fully paid up in Transferee Company.”

- ii. Trading in Shares of Steel Strips Limited were suspended for many years and had now been resumed w.e.f. 22nd May 2019. This Merger proves as a rare opportunity to its shareholders to augment Market Growth and add value to their Investment.

Recommendation of the Audit Committee

The Audit Committee, after perusal, deliberation and review of the provisions of the Scheme along with the Valuation Report, the Share Exchange Ratio Report and the Fairness Opinion and other documents listed above finds the transactions as listed in the Scheme, along with the Appointed Date mentioned in the scheme, the arrangements provided therein including the Valuation Report and the Share Exchange Ratio to be in the interest of all the Companies involved, their shareholders and other stakeholders and is therefore, also fair and reasonable. Accordingly, the Audit Committee unanimously recommends the Scheme to the Board of Directors for its approval and for a favorable consideration by the Securities and Exchange Board of India and BSE Limited, National Company Law Tribunal and any other regulatory authority as may be required.

By Order of the Audit Committee
For and on Behalf of SAB Industries Limited


Surinder Singh Virdi
Chairman, Audit Committee
Place : Chandigarh
Date : 28.06.2019



REPORT OF THE AUDIT COMMITTEE OF STEEL STRIPS LIMITED
RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION WITH SAB
INDUSTRIES LTD. HELD ON 28TH DAY OF JUNE, 2019 AT 11:00 A.M AT THE
REGISTERED OFFICE OF THE COMPANY AT SCO 49-50, SECTOR-26,
CHANDIGARH-160019

Present:

1. Shri Surinder Singh Virdi : Chairman (Non-Executive Independent Director)
2. Smt. Manju Lakhanpal : Member (Non-Executive Independent Director)
3. Shri Humesh Kumar Singhal : Member (Non-Executive Director)

In Attendance

- Ms. Jyotsana Bajaj : Company Secretary
Mr. Ashuthosh Garg : Chief Financial Officer

Background

- i. A meeting of the Audit Committee of the Company, Steel Strips Limited ("**Transferor Company**") was held on 28.06.2019. to consider and recommend to the Board of Directors of the Company, the draft scheme of amalgamation of our Company with SAB Industries Limited ("**Transferee Company**"), to be implemented under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Scheme").
- ii. The Transferee Company is a public Company incorporated in India under the provisions of the Companies Act, 1956 having its registered office at SCO 49-50, Sector 26, Madhya Marg, Chandigarh 160019. The Equity Shares of the company are listed on BSE Limited.
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- iv. This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular number CFD/DIL3ICIN201712I dated March 10, 2017 as amended from time to time.
- v. SAB Industries Limited as on 31st March, 2019, holds 685934 (8.28%) equity shares of Steel Strips Limited. Upon the Scheme becoming effective, Equity Share of Steel Strips Limited held by SAB Industries Limited, shall stand cancelled & Equity Share Capital of Steel Strips Limited shall reduce accordingly
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 - a) Draft Scheme, duly initialed by Chairman of the Company for the purpose of identification and



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- b) Valuation Report dated 20.06.2019 ("Valuation Report") prepared and issued by CA Vikas Aggarwal, Regd. Valuer with IBBI bearing Registration No. IBBI/RV/02/2018/10046, prescribing the Share Exchange Ratio for amalgamation of Steel Strips Limited with SAB Industries Limited along with the methodology adopted in arriving at the share entitlement ratio.
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Rationale of the Scheme

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- i. Greater potential to the combined entity to develop and further grow and diversify with better funds and efficient utilization of resources.
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Proposed Scheme of Amalgamation

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- i. Steel Strips Limited, Transferor Company was engaged in the Business of manufacture of Steel Products (Steel Billets, Ingots and Special Steels in rounds and flats). However, the steel business of the Company could not survive due to severe recession in Steel Industry and previous activities were stopped due to becoming uncompetitive. However, Board of the Company is in process of



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The Salient features of the draft Scheme includes:

- i. The equity shares of the SAB Industries Ltd. will be issued to the shareholders of Steel Strips Limited on the Scheme becoming effective.

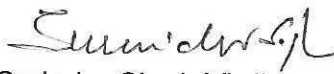
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By Order of the Audit Committee
For and on Behalf of Steel Strips Limited


Surinder Singh Viridi
Chairman, Audit Committee
Place : Chandigarh
Date : 28.06.2019

