Annexure – D

Sharda Motor Industries Ltd.

Report of the Audit Committee Meeting of Sharda Motor Industries Limited held on 5TH April, 2019 at Samaya Conference Room, Hotel ITC Maurya, Diplomatic Enclave, Sardar Patel Marg, New Delhi -110021 recommending the draft Scheme of Arrangement between Sharda Motor Industries Limited and NDR Auto Components Limited and their respective shareholders and creditors ("the Scheme")

Members present:

1.	Sh. Kishan N. Parikh	Chairperson/ Member
2.	Prof. Ashok kr. Bhattacharya	Member (Through Video Conferencing)
3.	Smt Sharda Relan	Member
4.	Sh. Udayan Banerjee	Member

In Attendance:

1.	Ajay Relan	Managing Director
2.	Vivek Bhatia	President & Chief Financial Officer
3.	Nitin Vishnoi	Company Secretary

Background:

Sharda Motor Industries Limited ("SMIL" or the "Demerged Company") is a public limited company incorporated under the provisions of Companies Act, 1956 on January 29, 1986 bearing Corporate Identification Number L74899DL1986PLC023202. The registered office of SMIL is situated at D-188, Okhla Industrial Area, Phase-I, New Delhi - 110020. The correspondence email address of SMIL is investorrelation@shardamotor.com. The equity shares of SMIL are listed on Bombay Stock Exchange Limited ("BSE") & National Stock Exchange of India Limited ("NSE").

SMIL has the following business undertakings:

a. Suspension, Exhaust, Silencer, Canopy and White Goods Undertaking engaged in manufacturing of suspension, exhaust, silencer, Canopy and white goods i.e. Air Conditioner & Components thereof; and

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CIN NO-L74899DL1986PLC023202

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b. Automobile Seating Undertaking engaged in manufacturing of automobile seating.

NDR Auto Components Limited ("NACL" or the "Resulting Company") is a public limited company incorporated under the provisions of Companies Act, 2013 on March 19, 2019 bearing Corporate Identification NumberU29304DL2019PLC347460. The registered office of NACL is situated at D-188, Okhla Industrial Area, Phase-1, Delhi-110020. The correspondence email address of NACL is ndr_auto_components@outlook.com. The equity shares of NACL are not currently listed on any stock exchange.

SMIL is the holding company of NACL. As on the date of filing of the Scheme, SMIL along with its nominees holds 100% equity share capital of NACL.

The Securities and Exchange Board of India vide its circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ("SEBI Circular") has, amongst other requirements, sought a report from the Audit Committee of the listed companies recommending the Scheme.

The Company placed before the Audit Committee, the draft Scheme of Arrangement between Sharda Motor Industries Limited and NDR Auto Components Limited and their respective Shareholders and Creditors under the provisions of Section 230 to 232 of the Companies Act, 2013 read with section 66 of the Companies Act, 2013, and other relevant provisions of the Companies Act, 2013, as applicable, pursuant to above SEBI Circular.

This report of the Audit Committee is prepared in order to comply with the requirements of the SEBI Circular after considering the draft Scheme and the following documents, as placed before it:

a. Share entitlement report dated *25th March,2019*, received from *Mr. Rajesh Mittal*, an independent chartered accountant, setting out the recommended share exchange ratio (the **Share Entitlement Report**);
b. Fairness opinion dated *25th March,2019*, received from M/s. *Sundae Capital Advisors Private Limited*, a SEBI registered merchant banker (the **Fairness Opinion**); and
c. A draft certificate from the statutory auditor of the Company, *M/s. Gupta Vigg & Co*, Chartered Accountants, confirming that the Scheme is in compliance with applicable

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accounting treatment notified under the Companies Act, 2013 and other generally accepted accounting principles (the **Auditor's Certificate**).

The Valuation Report as per the SEBI Circular is not required in cases where there is no change in the shareholding pattern of the listed entity / resultant company. For the purpose of the SEBI Circular, 'change in the shareholding pattern' shall mean:

i. change in the proportion of shareholding of any of the existing shareholders of the listed entity in the resultant company; or
ii. new shareholder being allotted equity shares of the resultant company; or
iii. existing shareholder exiting the company pursuant to the Scheme of Arrangement.

The Audit Committee took a note of the fact that the valuation report in this case is not applicable as there is no change in the shareholding pattern of the listed entity. Further, all the existing shareholders of SMIL shall be issued shares in the same proportion in NACL.

Proposed Scheme of Arrangement

The Audit Committee reviewed the draft Scheme, share entitlement report and fairness opinion and noted that the Scheme would, inter alia, result in the following benefits:

1. The Automobile Seating Undertaking carried on by SMIL has significant potential for growth. The nature of risk, competition, challenges, opportunities and business methods for the Automobile Seating Undertaking is separate and distinct from the other business of the Company. The Automobile Seating Undertaking would become capable of attracting a different set of investors, strategic partners, lenders and other stakeholders and would further enhance the shareholders wealth.
2. The management teams and Board of Directors of SMIL and NACL would be able to chart out independent strategies of their respective businesses to maximize value creation for their respective stakeholders. Demerger shall enhance focus of management on the operations of the Automobile Seating Undertaking by NACL and Suspension, Exhaust, Silencer, Canopy and White goods Undertaking by SMIL.
3. As part of the Resulting Company, the Automobile Seating business shall be amenable to benchmarking, and be in a position to attract the right set of investors, strategic partners, employees and other relevant stakeholders.

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4. The demerger will permit increased focus by SMIL and NACL on their respective businesses in order to better meet their respective customers' needs and priorities, develop their own network of alliances and talent models that are critical to success.

Salient features of the Scheme

The Scheme provides for demerger of Automobile Seating Undertaking (as defined in the scheme) of SMIL into NACL to segregate the said business under section 230 to 232 of the Companies Act, 2013. The Appointed Date for the arrangement shall be December 31, 2018 (end of day) and it will become effective on the Effective Date (as defined in the draft Scheme)

Upon the Scheme being effective, the existing shareholding of SMIL in NACL shall stand cancelled. The consideration for the demerger shall be in the form of shares of NACL which shall be issued to the shareholders of SMIL as per the Share entitlement Report:-

"for every 1(One) equity share of face value of Rs.10/- (Rupees Ten only) each held in SMIL as on the Record Date, the equity shareholders of SMIL shall be issued 1(One) equity share of face value Rs. 10/- (Rupees Ten only) each credited as fully paid-up in NACL";

Upon the proposed demerger becoming effective, all assets, liabilities, businesses, activities and operations of SMIL pertaining to the Automobile Seating business shall stand transferred to NACL. The investments held by SMIL in NACL shall stand cancelled pursuant to the Scheme. The cancellation, as aforesaid, which amounts to reduction of share capital of NACL, shall be effected as an integral part of this Scheme itself in accordance with the provisions of section 66 of the Act and the order of the Tribunal sanctioning the Scheme shall be deemed to be also the order under Section 66 of the Act for the purpose of confirming the reduction. The reduction would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital.

The Audit Committee reviewed the Share entitlement report and the Fairness Opinion and noted the recommendations made therein. The Audit Committee also noted the Auditor's Certificate, on the accounting treatment, prescribed in the draft Scheme, as required under the SEBI Circular.

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Recommendation

After consideration of the Scheme and other documents placed before it, the members of the Audit Committee formed an opinion that the implementation of the Scheme is in the best interest of the Company and its Shareholders, Creditors and Stakeholders.

The Audit Committee hereby approves and recommends the Scheme and share exchange ratio for favorable consideration by the Board of Directors, Stock Exchange(s), Securities and Exchange Board of India and other appropriate authorities.

BY ORDER OF THE AUDIT COMMITTEE

FOR AND ON BEHALF OF SHARDA MOTOR INDUSTRIES LIMITED

SHARDA MOTOR INDUSTRIES LTD. NEW DELHI

Kishan N Parikh
Chairperson
Date: 05.04.2019
Place: Delhi

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