



Power & Instrumentation (Guj.) Ltd.

AN ISO 9001 : 2008 COMPANY

CIN : L32201GJ1983PLC006456

REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF POWER & INSTRUMENTATION GUJARAT LIMITED ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF REDUCTION OF SHARE CAPITAL OF THE COMPANY AS ITS MEETING HELD ON 21ST JULY, 2022 AT 3.30 P.M. B-1104 SANKALP ICONIC, OPP. VIKRAM NAGAR, ISCON TEMPLE CROSS ROAD, S. G. HIGHWAY, AHMEDABAD - 380054, GUJARAT

To
The Board of Directors
POWER AND INSTRUMENTATION (GUJARAT) LIMITED
B-1104 Sankalp Iconic, Opp.
Vikram Nagar, Iscon Temple Cross Road,
S. G. Highway, Ahmedabad - 380054, Gujarat

1. BACKGROUND

1. The meeting of the Committee of Independent Directors of the Company was held on 21st July, 2022 to consider and recommend the draft scheme of capital reduction of Power and Instrumentation (Gujarat) Limited in terms of the provisions of section 66 read with section 52 Companies Act, 2013 ("Scheme"), (including any statutory modification(s) or re-enactment thereof for the time being in force and the rules made there under (the "Act"), Regulation 37 of SEBI (LODR) Regulation, 2015 and specifically the Hon'ble National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 ("Reduction Rules"), which permits the Company to undertake a reduction of its share capital.
2. This report of the Committee of Independent Directors is made to comply with the requirements as per SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, issued under the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
3. The following documents were placed before the Committee of Independent Directors;
 - a) Draft Scheme of Reduction of Capital
 - b) Valuation report dated July 20th, 2022 prepared and issued by Mr. Subodh Kumar, Independent ("IBBI") valuer (the "Valuation Report");
 - c) Fairness Opinion dated July 20th, 2022 issued by Navigant Corporate Advisors limited SEBI Registered Merchant Banker ("Fairness Opinion");

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- d) Certificate from Ms M AA K & Associates, Chartered Accountants, the Statutory Auditor of the Company dated July 20th, 2022, with respect to submission of Valuation report, as per SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 confirming that the accounting treatment in the Scheme is in Compliance; and
- e) Other Annexures for the draft Scheme of Reduction of Capital.

2. SALIENT FEATURES OF THE DRAFT SCHEME:

- The Scheme provides for
 - a) The Scheme seeks to reduce or otherwise alter the issued, subscribed and paid up share capital of the Company and the same will therefore remain reduced as a result of the Scheme, on the Effective Date and after securing necessary approvals and permissions the Company shall reduce its fully paid up equity share capital from Rs.8,58,39,000/- divided into 85,83,900 equity shares of Rs.10/- each fully paid-up to Rs.8,39,39,000/- divided into 83,93,900 equity shares of Rs.10/- each fully paid-up and that such selective reduction be effected by reducing the paid-up share capital of the Company by Rs.19,00,000/-, divided into 1,90,000 equity shares of Rs.10/- each, and payment of premium thereon, at the rate of Rs. 6.52 per share and that such premium aggregating to Rs.12,38,800/- (Rupees Twelve Lakhs Thirty-Eight thousand Eight Hundred Only) be utilized and paid out of the balance in the Securities Premium Account of the Company as on March 31, 2022.
 - b) Upon the Scheme becoming effective, 1,90,000 (One Lakh Ninety Thousand) fully paid-up equity shares of the Company of Rs.10/- (Indian Rupees Ten) each held by Mr. Prajal Bhandari and Ms. Nandini Agarwal shall be cancelled and extinguished and consequently, the paid-up equity share capital of the Company as on the Effective Date shall become **Rs. 8,39,39,000/-** divided into 83,93,900 equity shares of Rs.10/- each fully paid up.
- The Scheme shall be effective from the date on which the certified copy of the order passed by the NCLT sanctioning the Scheme and certified copy of order of reduction is filed and registered with the Registrar of Companies, Gujarat
- The Scheme is and shall be conditional upon and subject to:



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- The requisite consents, sanctions and approvals under the applicable law of the Central Government or Stock Exchanges or any other agency, department or authorities concerned including but not limited to approvals and sanctions required under the SEBI Circular Ref, SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 issued by SEBI under the Listing Regulations, as may be required by law in respect of this Scheme, being obtained;
- The requisite resolutions under the applicable provisions of the said Act being passed by shareholders of the Company for any of the matter provided for or relating to the Scheme as may be necessary or desirable.
- The sanctions of the Tribunal under sections 66 of the Act in favour of the Company and the necessary order being obtained.
- Certified or authenticated copies of the Order of the Tribunal sanctioning the Scheme being filed with the Registrar of Companies, Gujarat, at Ahmedabad by the Company.
- The Certified or authenticated copies of the Order of the Tribunal sanctioning the Scheme and Minute thereof being registered by the Registrar of Companies, Gujarat, at Ahmedabad ("RoC") and a certificate of registration of the minute of order issued by the RoC.

3. PROPOSED SCHEME

The Committee of Independent Directors reviewed and considered the proposed scheme on the following grounds:

3.1 NEED AND RATIONALE FOR THE REDUCTION OF SHARE CAPITAL

- The proposed reduction of the equity share capital of the Company is being undertaken in accordance with the provisions of Section 66 read with Section 52 of the Act and the rules made thereunder and specifically the Rules, which

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permit a company to undertake a reduction of its share capital in any manner, read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR"/ Listing Regulations"), SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR") and the SEBI Circular (as defined hereinafter).

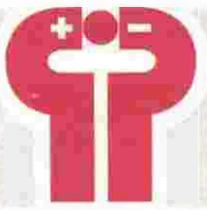
- The Company's shares are listed on NSE on the SME EMERGE platform (herein referred as "NSE" and/or "Stock Exchange").
- The Company has made allotment of 15,40,000 equity shares on May 4, 2021 at price of Rs.16.52/- per share (including premium of Rs.6.52/- per share) on preferential basis to the selected group of persons to whom the offer was made. However, out of the total 15,40,000 shares allotted, the Company has received listing and trading approval of 13,50,000 equity shares only from NSE. NSE has not granted listing and trading approval for the balance 1,90,000 equity shares (1,50,000 and 40,000 equity shares allotted to Mr.Prajal Bhandari and Ms.Nandini Agarwal respectively) owing to non-fulfilment of certain conditions specified in the Regulation 167(6) of the SEBI (ICDR).
- It was informed by NSE that the entire pre-preferential allotment shareholding of the two allottees, Mr.Prajal Bhandari and Ms.Nandini Agarwal were not locked-in according to the provisions of Regulation 167(6) in as much as the aforesaid two allottees executed certain trades (buy and sell) in the shares of the Company. The two allottees have submitted to the Company that the trades were executed without any mala fide intent on their part.
- Due to non-adherence to the lock-in conditions of Regulation 167(6) of the SEBI (ICDR) Regulations 2018 with respect to the pre-preferential allotment shareholding of the afore-stated two allottees, the NSE has not granted Listing and Trading approval of 1,90,000 equity shares issued. The Company thereafter filed application with SEBI for grant of exemption from the strict applicability/compliance of the relevant conditions in view of the inadvertent errors on the part of the afore-stated two allottees, however, the application of the Company for exemption to comply with the terms as provided under Regulation 167(3) was not approved by the SEBI.
- In terms of the SEBI ICDR and Listing Regulations the Company cannot issue further shares and/or securities convertible into equity shares until all the previously issued/allotted equity shares get listing and trading approval from the concerned exchange/s where shares of the Company are listed.

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- The Company has explored all possibilities of getting listing and trading approvals of 190000 equity shares and came to the conclusion that the same is not possible.
- After this specific capital reduction of 1,90,000 equity shares, there would not be any unlisted equity shares of the Company.
- The Company issued these 1,90,000 equity shares at price of Rs.16.52/- per share (including premium of Rs.6.52/- per share) to Mr.Prajal Bhandari and Ms.Nandini Agarwal and proposes to carry out capital reduction by way of repaying the issue price of Rs.16.52/- (including premium of Rs.6.52/- per share) received on the allotment from the aforesaid allottees.

Hence, the proposed reduction will be for the benefit of the Company and its shareholders and all stakeholders and concerned as a whole.

3.2 SYNERGIES OF THE BUSINESS OF THE ENTITIES INVOLVED IN THE SCHEME:

The proposed scheme relates to Selective Capital Reduction of the Company and therefore the comments on synergies of the business is not applicable.

3.3 IMPACT OF THE SCHEME ON THE SHAREHOLDERS:

- Upon the Scheme becoming effective, 1,90,000 (One Lakh Ninety Thousand) fully paid-up equity shares of the Company of Rs.10/- (Indian Rupees Ten) each of the Company held by Mr. Prajal Bhandari and Ms. Nandini Agarwal shall be cancelled and extinguished and consequently, the paid-up equity share capital of the Company as on the Effective Date shall become **Rs. 8,39,39,000/-** divided into 83,93,900 equity shares of Rs.10/- each fully paid up.
- In terms of the SEBI ICDR and Listing Regulations the Company cannot issue further shares and/or securities convertible into equity shares until all the previously issued/allotted equity shares get listing and trading approval from the concerned exchange/s where shares of the Company are listed.
- The Company has explored all possibilities of getting listing and trading approvals of 190000 equity shares and came to the conclusion that the same is not possible
- After this specific capital reduction of 1,90,000 equity shares, there would not be any unlisted equity shares of the Company
- The Company issued these 1,90,000 equity shares at price of Rs.16.52/- per share (including premium of Rs.6.52/- per share) to Mr.Prajal Bhandari and

Ms.Nandini Agarwal and proposes to carry out capital reduction by way of

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repaying the issue price of Rs.16.52/- (including premium of Rs.6.52/- per share) received on the allotment to the aforesaid allottees.

- The proposed reduction of the equity share capital of the Company would not have any adverse effect on the creditors of the Company or the Company's ability to fulfil its commitments or meet its obligations in the ordinary course of business as the total reduction of capital by way of repayment is Rs. 31,38,000/- (Rupees Thirty-one lakhs Thirty-eight thousand only) including premium of Rs.12,38,800/-, which is less than 1% of total Net Worth of the Company as on March 31, 2022. Further, the proposed capital reduction shall result in an increase in proportionate shareholding of other shareholders of the Company, including public shareholders

3.4 COST BENEFIT ANALYSIS OF THE SCHEME

- The Scheme of selective Capital Reduction involve the reduction of 1,90,000 (One Lakh Ninety Thousand) fully paid-up equity shares of the Company of Rs.10/- (Indian Rupees Ten) each of the Company held by Mr. Prajal Bhandari and Ms. Nandini Agarwal and total reduction of capital by way of repayment is Rs. 31,38,000/- (Rupees Thirty-one lakhs Thirty-eight thousand only) including premium of Rs.12,38,800/-, which is less than 1% of total Net Worth of the Company as on March 31, 2022.
- Except to the above the Scheme of Capital Reduction does not involve any direct cost to the company as there is no payment/ pay-out involved to any of the shareholder or other stakeholders.

4. RECOMMENDATION OF THE COMMITTEE OF INDEPENDENT DIRECTORS

The proposed Scheme of selective Capital Reduction involve the reduction of 1,90,000 (One Lakh Ninety Thousand) fully paid-up equity shares of the Company of Rs.10/- (Indian Rupees Ten) each held by Mr.Prajal Bhandari and Ms.Nandini Agarwal. The Company has made allotment of 15,40,000 equity shares on May 4, 2021 at price of Rs.16.52/- per share (including premium of Rs.6.52/- per share) on preferential basis to the selected group of persons to whom the offer was made. However, out of the total 15,40,000 shares allotted, the Company has received listing and trading approval of 13,50,000 equity shares only from NSE. NSE has not granted listing and trading approval for the balance 1,90,000 equity shares (1,50,000 and 40,000 equity shares allotted to Mr.Prajal Bhandari and Ms.Nandini Agarwal respectively) owing to non-fulfilment of

certain conditions specified in the Regulation 167(6) of the SEBI (ICDR) Regulations, 2009.

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Kumar, Registered valuer has provided valuation report dated 20thJuly, 2022 and calculated the value of Rs.43.57/- per equity share through Average (Fair Market Value of a Equity Share) method and Navigant Corporate Advisor Limited SEBI Registered Merchant Banker has provided Fairness Opinion dated 20thJuly, 2022 on the Valuation Report.

The Committee of Independent Directors Noticed that Valuation Report obtained for the purpose of determining the fair value of per equity share prescribed Rs.43.57/- per equity share as FMV and the same has confirmed by the Merchant Banker vide their fairness opinion, which is much higher than the Issue price of these 1,90,000 equity shares i.e. Rs.16.52 per share. The Committee, further, noticed that due to non-fulfilment of certain conditions specified in the Regulation 167(6) of the SEBI (ICDR), the Company could not get Listing and Trading permission from NSE for these 1,90,000 equity shares and therefore the main purpose of this proposed selective capital reduction of capital is to return the value of these 1,90,000 equity shares to its holders and therefore the Committee is of the Opinion that the Value per equity shares to be returned on these 1,90,000 equity shares shall be the Issue Price i.e. Rs.16.52 and not the Fair Value as derived by the Registered Valuer i.e. Rs.43.57/-.

The Committee formed this opinion on value of per equity shares based on the following reasons;

1. The Company has issued and allotted 15,40,000 equity shares at Rs.16.52 (including premium of Rs.6.52 per share) per share.
2. Out of these the Company could not get listing and trading permission of 1,90,000 equity shares due to non-compliances of certain conditions specified in the Regulation 167(6) of the SEBI (ICDR).
3. It is on records that due to non-availability of all beneficiary account details of these two allottees, the Company failed to comply with certain conditions specified in the Regulation 167(6) of the SEBI (ICDR).
4. Therefore it is fair on the part of all allottees of 15,40,000 equity shares including allottees of 1,90,000 equity shares to reduce the share capital of the Company by returning the ISSUE PRICE and the not the present FAIR VALUE, which is much higher than the issue price.



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Taking into consideration the proposed Scheme, Fairness Opinion made, Accounting Treatment Certificate, necessity, rationale and impact of the Scheme and cost benefits analysis, the Audit Committee approved and recommended for reduction of share capital of the Company as per draft scheme of capital reduction of Power and Instrumentation (Gujarat) Limited in terms of the provisions of section 66 read with section 52 Companies Act, 2013 ("Scheme").

The Committee also unanimously approved the draft scheme of capital reduction of Power and Instrumentation (Gujarat) Limited and recommended the same for favourable consideration by the board of directors of the Company, The stock exchange, SEBI and other competent authorities.

By Order of the Audit Committee

For and on **Behalf** of Power & Instrumentation (Gujarat) Limited

Manav Rastogi



Manav Rastogi
Chairman of Audit Committee
DIN:01055505
Place: Ahmedabad