

REPORT OF THE AUDIT COMMITTEE OF ALLCARGO GATI LIMITED (FORMERLY KNOWN AS "GATI LIMITED") RECOMMENDING COMPOSITE SCHEME OF ARRANGEMENT BETWEEN:

- (i) ALLCARGO LOGISTICS LIMITED,
 - (ii) ALLCARGO SUPPLY CHAIN PRIVATE LIMITED (FORMERLY KNOWN AS AVVASHYA SUPPLY CHAIN PRIVATE LIMITED)
 - (iii) GATI EXPRESS & SUPPLY CHAIN PRIVATE LIMITED (FORMERLY KNOWN AS GATI-KINTETSU EXPRESS PRIVATE LIMITED),
 - (iv) ALLCARGO GATI LIMITED (FORMERLY KNOWN AS GATI LIMITED) AND
 - (v) ALLCARGO ECU LIMITED AND THEIR RESPECTIVE SHAREHOLDERS
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Recommendation Meeting: Audit Committee Meeting of Allcargo Gati Limited held on December 21, 2023 at 11:00 A.M.

MEMBERS PRESENT:

- 1. Mr. Dinesh Lal - Chairman
- 2. Mr. Nilesh Vikamsey - Member
- 3. Mr. Hetal Gandhi - Member
- 4. Mr. Kaiwan Kalyaniwalla - Member

IN ATTENDANCE:

- Mr. Anish T. Mathew - Chief Financial Officer
- Ms. T.S. Maharani - Company Secretary & Compliance Officer

BY INVITATION:

- 1. Mr Deepal Shah - Group Chief Financial Officer
- 2. Mr Ravi Jakhar - Group Chief Strategy Officer
- 3. Mr Niraj Sangharajka - Senior Vice President, Mergers and Acquisitions

1. BACKGROUND

- 1.1 Audit Committee members of Allcargo Gati Limited recommending the Composite Scheme of Arrangement between Allcargo Logistics Limited ("**Demerged Company**" or "**Transferee Company 2**" or "**Allcargo**"), 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 "**Transferor Company 3**" or "**Gati**") and Allcargo ECU Limited ("**Resulting Company**" or "**AEL**") (the "**Scheme**"). The Committee took note of the Scheme placed before it.

- 1.2 Gati is incorporated under the provisions of the Companies Act, 1956 and validly existing under the Companies Act, 2013. The equity shares of Gati 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 Gati for the purpose of identification;
 - b) The certificate of M/s S R Batliboi & Associates LLP (“**SRB**”), Chartered Accountants, the statutory auditor of the Transferor Company 3, 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, Registered Valuer (Registration No.: IBBI/RV-E//06/2020/115) and M/s PWC Business Consulting Services LLP (Registration No.: IBBI/RV-E/02/2022/158) (collectively referred to as “Registered Valuers”), 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 Inga Ventures Private Limited, Merchant Banker (IBBI Registration No: INM000012698);
 - 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 Statements 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 Unaudited Financial Results for the period ended September 30, 2023;
 - h) Audited Financial statement of GESPL 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 in the ratio 63 equity share of ₹ 2/- each fully paid up of Transferee Company 2 for every 10 equity share of ₹ 2/- each fully paid up held in the 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 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:
 - i. No-objections being received from the BSE Limited and National Stock Exchange of India Limited, in terms of the SEBI Circular;
 - ii. Approval of the requisite majorities of the shareholders of the Transferor Company 3 and Demerged Company;
 - iii. Obtaining such other approvals and sanctions as may be required by applicable law or contract, in respect to the Scheme;
 - iv. Sanction of the Scheme by the Hon'ble NCLT; and
 - v. 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 Transferor Company 3 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 the 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 Transferor Company 3.
- c. Transfer by way of amalgamation of ASCPL and GESPL with and into Gati, and consequently, the cancellation of equity shares of Transferor Company 2 held by the Transferee Company 1. (**"Amalgamation 1"**), pursuant to relevant provisions of the Act, on a going concern basis. 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.

- d. The Transferee Company 1 shall issue and allot to each member holding Optionally Convertible Redeemable Preference Shares in Transferor Company 1 ("Transferor Company 1 OCRPS"), new Redeemable Preference Shares ("Transferee Company 1 RPS") in Transferee Company 1 (and such Transferee Company 1 RPS will have the same terms and conditions as the Transferor Company 1 OCRPS), at par on a proportionate basis, in the ratio of [1:1] Transferee Company 1 RPS of ₹10/- each fully paid up for every [1] Transferor Company OCRPS of ₹10/- each fully paid up held in the Transferor Company 1.
- e. Transfer by way of amalgamation of Allcargo Gati Limited ("Transferor Company 3") with and into Allcargo Logistics Limited ("Transferee Company 2") and consequent cancellation of equity shares of Transferor Company 3 held by the Transferee Company 1 and issue of New Equity Shares by the Transferee Company 2 to the shareholders of the Transferor Company 3 ("Amalgamation 2").
- f. 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 63 equity share of ₹ 2 each fully paid up of Transferee Company 2 for every 10 equity share of ₹ 2 each fully paid up held in the Transferee Company 1.

3 RECOMMENDATION BY THE AUDIT COMMITTEE AT THE MEETING

Taking into consideration the Draft Scheme and other related documents, as placed, the Committee formed an opinion that implementation of the Draft Scheme of Arrangement is not detrimental to the shareholders of the Transferor Company 3.

The Committee hereby recommends the Draft Scheme for favorable consideration by the Board of Directors and Shareholders of the Transferor Company 3."

**For and on behalf of the Audit Committee of Allcargo Gati Limited
(Formerly known as "Gati Limited")**


Dinesh Lal

DIN: 00037142

Chairman of the Audit Committee

Date: December 21, 2023

Place: Mumbai