



भारतीय नौवहन निगम लिमिटेड

(भारत सरकार का उद्यम)

पंजीकृत कार्यालय: शिपिंग हाउस, 245 मादाम कामा रोड, मुंबई - 400 021.

फोन: 91-22-2202 6666, 2277 2000 फैक्स: 91-22-2202 6905 वेबसाइट: www.shipindia.com

The Shipping Corporation Of India Ltd.

(A GOVERNMENT OF INDIA ENTERPRISE)

Regd. Office: Shipping House, 245, Madame Cama Road, Mumbai-400 021. Ph: 91-22 2202 6666, 2277 2000

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Navratna Company
(ISO 9001:2015, ISO 14001:2015
& ISO 45001:2018 Certified)

सीआईएन/CIN-L63030MH1950GOI008033

To,
The Board of Directors
The Shipping Corporation of India Limited

Report on recommendations of Audit Committee of The Shipping Corporation of India Limited on the Scheme of Arrangement for Demerger of Non-Core Assets ("Demerged Undertaking") of The Shipping Corporation of India Limited ("SCI"/ Demerged Company) into a Newly Incorporated Wholly Owned Subsidiary (Resulting Company)

A meeting of Audit Committee of The Shipping Corporation of India Limited was held on 3rd August 2021 to consider and recommend the proposed Scheme of Arrangement for Demerger of Non-Core Assets (Demerged Undertaking) of The Shipping Corporation of India Limited ('Demerged Company') with Newly Incorporated Wholly Owned Subsidiary of the Demerged Company for the purpose of Demerger ('Resulting Company') under Sections 230 to 232 of the Companies Act, 2013, in accordance with the SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020. This report of Audit Committee of the Company is being made in order to comply with the requirements of the aforesaid circular. The audit committee has considered and reviewed the Scheme and drawn out the following major points:

Background of the Companies involved in the proposed Scheme: -

- A. The Shipping Corporation of India Limited (hereinafter referred to as "SCI" or "Demerged Company"), is a Government Company, within the meaning of section 2(45) of the Companies Act, 2013, incorporated under the Companies Act, 1956 on October 2, 1961, by the amalgamation of Eastern Shipping Corporation Limited and Western Shipping Corporation Limited by the order of Government of India. It is having its registered office at 'Shipping House', 245, Madame Cama Road, Mumbai-400021 India. It is a widely held listed company, with its equity shares listed on National Stock Exchange of India Limited and BSE Limited.
- B. A Newly Incorporated Wholly Owned Subsidiary Company (hereinafter referred to as "Resulting Company") shall be incorporated as public limited company under the provisions of Companies Act, 2013, having its registered office at 'Shipping House', 245, Madame Cama Road, Mumbai-400021 India. It shall be incorporated with the object of acquiring and carrying on the business of Non-core Assets of SCI. The Resulting Company shall be the wholly owned subsidiary of Demerged Company. However, once the scheme is effective, the Resulting Company will have a replica shareholding of the SCI and thereafter it shall function as an Independent Listed Company.

Following documents were tabled at the meeting and reviewed by the Audit Committee:

1. Draft scheme on proposed Scheme of Arrangement for Demerger of Non-Core Assets (Demerged Undertaking) of Shipping Corporation of India Limited ('Demerged Company') with a newly incorporated wholly owned subsidiary('Resulting Company');



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2. Share Entitlement Report dated 03rd August 2021 issued by Shri Harish Chander Dhamija, the Registered Valuer.
3. Fairness opinion dated 03rd August 2021 issued by Corporate Professionals Capital Private Limited, SEBI Registered (Category I) Merchant Bankers.

Need and Rationale of Scheme of Arrangement:

The committee noted the following salient features of the scheme:

1. The Government of India is in the process of Strategic Disinvestment of its equity stake in SCI together with transfer of management control. To facilitate disinvestment process of the Company in an effective, efficient and rapid manner and also to unlock the value of the business and the assets, it is found appropriate that the Non-core Assets of the Company, the value of which is not getting reflected in the value of business of SCI, should be separated from SCI and should be kept in an independent entity and a separate strategy should be formed for unlocking the value of such Non-core Assets. Considering this, and in line with the guidance of DIPAM and other Competent Authority, the demerger of Non-Core Assets of SCI into Resulting Company pursuant to this Scheme, *inter alia*, would lead to following benefits:
 - (a) Creation of a separate and distinct entity for the Non-Core Assets would lead to greater operational and administrative efficiency for the Demerged Company and would also allow the Resulting Company to manage the Non-Core assets more efficiently;
 - (b) enabling the business and the activities to be pursued and carried on with greater focus and attention through two separate parallel companies with separate administrative set up of each of them in place. Defined objects of each of the Companies i.e. SCI and a Resulting company will have required focus in terms of Core Business and Non-Core business and this will ensure adoption of strategies necessary for the growth of the respective companies. The structure provides independence to the management in decisions regarding the use of their respective cash flows for dividends, capital expenditure or other reinvestment in their respective businesses in lines with the directions of the Competent Authority; and
 - (c) unlocking of value for SCI by transfer of Non-Core Assets, which would enable optimal exploitation, monetization and development of both the Companies i.e. SCI and the Resulting Company, attracting focused investors and strategic partners having the necessary ability, experience and interests in this sector and by allowing pursuit of inorganic and organic growth opportunities in such businesses.
2. With a view towards focused management and in the overall interest of all stakeholders, shareholders and creditors, it is proposed that the management and control of the businesses would be realigned and restructured in a manner that the Non-Core Assets of SCI be demerged and hived-off to the Resulting Company (Under



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Incorporation), which would also be listed on the Stock Exchanges.

- The implementation of the Scheme is thus aimed at maximizing value for the shareholders of SCI.

Synergies of Business of the entities involved in the Scheme:

The present Scheme is in nature of Demerger. Hence, there cannot be any benefit of synergies. However, to unlock the value of the business and the assets, it is found appropriate that the Non-core Assets of the SCI, the value of which is not getting reflected in the value of business of SCI, should be separated from SCI and should be kept in an independent entity and a separate strategy should be formed for unlocking the value of such Non-core Assets.

Cost Benefit Analysis of the Scheme:

The present Scheme of Arrangement for Demerger is a tax neutral transaction and exempted from stamp duty liability. Further, the present Scheme of Arrangement for Demerger will unlock the value of Non-Core Assets of SCI which is not reflected in the value of business of SCI.

Impact of the Scheme on the Shareholders:

The Shareholders of Demerged Company as on record date shall be entitled to equity shares in the Resulting Company basis the share entitlement ratio determined by Mr. H.C. Dhamija, Registered Valuer, in the valuation report submitted to this committee. On approval of the Scheme by the Ministry of Corporate Affairs, the shareholders of Demerged Company shall be allotted shares in the Resulting Company.

The Scheme will not adversely affect the rights or interest of any stakeholder of the Demerged Company and Resulting Company or their respective shareholders or creditors.

The audit committee reviewed the share entitlement report for demerger and noted the facts as follows:

Share Entitlement Ratio: In consideration for the demerger of Non-Core Assets of Demerged Company into Resulting Company, the Resulting Company shall, without any further application or deed, issue and allot its shares of face value of INR 10 each to the members of Demerged Company in the following ratio:

“Equity Shares of face value Rs. 10/- (Rupees Ten) each credited as fully paid up of the Resulting Company in the ratio of 1 (one) equity share of the face value of Rs. 10/- (Rupees Ten) each of the Resulting Company for every 1 (one) equity share of face value of Rs.10/- (Rupees Ten) credited as fully paid-up held in the Demerged Company”.



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Fairness opinion confirmed that Share Entitlement Ratio is fair to the interest of shareholders of the company.

The Equity shares proposed to be issued by the Resulting Company to the shareholders of The Shipping Corporation of India Limited pursuant to the proposed demerger are proposed to be listed on BSE Limited and National Stock Exchange of India Limited.

Recommendation of the Audit Committee:

Having considered the documents, Share Entitlement Report, Fairness Opinion, the audit committee hereby unanimously recommends the draft scheme for favourable consideration by the Board of Directors of the company, and for onward submission to the Stock Exchange (s) and Securities and Exchange Board of India.

By and on behalf of the Audit Committee of
The Shipping Corporation of India Limited



(Chairman of the Committee)

Place: Gandhidham

Date: 3rd August, 2021