



## Registered Office:

Godown No-1, 234/1+234/2, FP-69/3,  
Sadashiv Kanto, B/h Bajaj Process,  
Narol Chokdi, Narol Ahmedabad 382405

CIN: L52320GJ2012PLC073076

### REPORT OF THE AUDIT COMMITTEE OF 7NR RETAIL LIMITED ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN THE COMPANY, ITS SHAREHOLDERS AND ITS CREDITORS

**Present:** Ms. ZiralSoni – Chairman  
Mr. Pranav Vajani – Director  
Mr. AvantinathRaval– Director

#### 1. Background

- 1.1. A meeting of the Audit Committee ("**Committee**") was held on 25<sup>th</sup> November, 2022 to consider and, if thought fit, recommend the proposed Scheme of Arrangement ("**Scheme**") between the Company, its shareholders and its Creditors providing for capital reorganization/reclassification of identified creditors of the Company to transfer amount standing to the trade payable of the identified creditors (as defined in the Scheme) to Equity Share Capital (as defined in the Scheme) of the Company with effect from the Appointed Date (as defined in the Scheme) under section 230-231 and other applicable provisions of the Companies Act, 2013 ("**Act**") and rules made thereunder and the SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated 22<sup>nd</sup> December 2020 ("**SEBIScheme Circular**").
- 1.2. The Scheme will be presented before the Tribunal (*as defined in the Scheme*) under Sections 230-231 and other applicable provisions of the Act, the Rules and Regulations made thereunder, and will also be in compliance with SEBI Scheme Circular.
- 1.3. In terms of the Part I para (A)(2)(c) of the SEBI Scheme Circular, a report from the Committee is required recommending the draft Scheme, taking into consideration, inter alia, the Valuation Report (*as defined hereinafter*), and commenting on the need for arrangement, rationale of the Scheme, synergies of business of the entities involved in the Scheme, impact of the Scheme on the shareholders and cost benefit analysis of the Scheme. This report of the Committee is made in order to comply with the requirements of the SEBI Scheme Circular.
- 1.4. The following documents were placed before the Committee for its consideration:



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- (a) The draft Scheme duly initialled by the Managing Director of the Company for the purpose of identification;
- (b) Valuation Report dated 25<sup>th</sup> November 2022 issued by CA Amish Garg, a registered valuer pursuant to Section 247 of the Act, stipulating, inter alia, the methodology adopted by them in arriving at the Consideration ("**Valuation Report**");
- (c) Fairness Opinion dated 25th November 2022 issued by KunvarjiFinstock Private Limited SEBI registered Merchant Banker, (Registration number- INM000012564), providing its opinion on the Share Exchange Ratio recommended by CA Amish Garg, Registered Valuer ("**Fairness Opinion**");
- (d) Draft of the Auditors' Certificate pursuant to paragraph A.5 of Part-I of the Scheme Circular in the prescribed format to the effect that the accounting treatment contained in the Scheme is in compliance with all the Accounting Standards specified by the Central Government under Section 133 of the Act, read with applicable rules and/or the accounting standards and principles.

## 2. Salient features of the Scheme

The Committee discussed and noted that rationale and the benefits of the proposed Scheme, key financial and other indicators, impact of the Scheme on the shareholders as below:

- (a) The draft Scheme provides for the arrangement in nature of capital reorganization/reclassification of identified creditors of the Company to transfer amount standing to the trade payables of the identified creditors (as defined in the Scheme) to Equity Share Capital (as defined in the Scheme) of the Company with effect from the Appointed Date (as defined in the Scheme).
- (b) The Appointed Date (*as defined in the Scheme*) means the Effective Date and the Effective Date (*as defined in the Scheme*) is subject to various conditions precedent specified in the Scheme and which are as follows:
  - i. receipt of approval of the Scheme by the Stock Exchanges and SEBI, pursuant to the SEBI LODR and the SEBI Circular;
  - ii. the Scheme being approved by the requisite majority of the shareholders and/or creditors of the Company or dispensation having being received from the Competent Authority in relation to obtaining such approval from the shareholders and/or creditors or



- any Applicable Law, as applicable or as may be required under the Act and as may be directed by the Tribunal;
- iii. the sanctions and orders of the Tribunal under section 230 of the Act being obtained by the Company;
  - iv. such other approvals and sanctions of any Governmental Authority as may be required in respect of the Scheme being obtained; and
  - v. the certified copy of the order of the Tribunal approving the Scheme being filed with the Registrar of Companies.

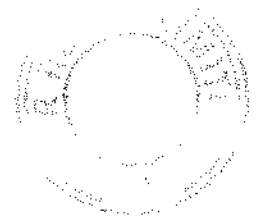
It is hereby clarified that submission of this Scheme to the Tribunal and to the Appropriate Authorities for their respective approvals is without prejudice to all rights, interests, titles or defences that Company may have under or pursuant to all Applicable Laws.

- (c) Upon effectiveness of the Scheme and with effect from the Appointed Date, an amount of INR 11,36,73,594.28/- (Indian Rupees Eleven Crores Thirty Six Lacs Seventy Three Thousand Five Hundred Ninety-Four and Twenty Eight Paisa) standing to the trade payables for identified Creditors of the Company shall be reclassified, transferred to and shall form part of the "Issued, Subscribed and Fully Paid-Up Equity Shares" of the Company.

- (d) Need for the Arrangement and Rationale for the Scheme:

The Scheme would, inter alia, result in the following benefits:

- i. The Company (as defined hereinafter) believes that the conversion of trade payables to Equity Shares can be pooled to unlock the opportunity for creating shareholder value.
- ii. Presently, the Company entered into the definitive agreement for the conversion of trade payable into Equity Shares as a result of which, Company will reduce its liability and expands equity share capital, and also the Company's net worth as bargaining power to propose lender will be increased.
- iii. The proposed reclassification of trade payables is in the interest of the Company and its shareholders, creditors and all other stakeholders of the Company.
- iv. For the shareholders of the Company, the Scheme will result in economies of scale and consolidation of opportunities that will





improve profitability and enhance overall shareholder value. The impact of the Scheme on the shareholders, including the public shareholders, would be the same in all respects, and no shareholder is expected to have any disproportionate advantage or disadvantage in any manner.

(e) In consideration the Company shall issue New Equity Shares (*as defined under the Scheme*) to the Identified Creditors (*as defined under the Scheme*).

(f) Impact of the Scheme on the shareholders:

For the shareholders of the Company, the Scheme will result in economies of scale and consolidation of opportunities that will improve profitability and enhance overall shareholder value. The impact of the Scheme on the shareholders, including the public shareholders, would be the same in all respects, and no shareholder is expected to have any disproportionate advantage or disadvantage in any manner.

(g) Cost-benefit analysis of the Scheme:

The Scheme is expected to provide an opportunity to improve the economic value for the Companies and their stakeholders. Pursuant to a reclassification of Trade Payable into fully paid-up equity shares, enhance the net worth of the Company primarily on account of benefits and synergies detailed above. The benefits of the scheme over a longer period are expected to outweigh the costs.

(h) Synergies of business of the entities involved in the Scheme:

The Committee noted that the present Scheme does not involve any merger or demerger of the business of the Company. The Scheme envisages for capital reorganization/ reclassification of Identified Creditors of the Company (*as defined in the Scheme*), inter alia, providing for a transfer of amounts standing to the trade payables for Identified Creditors to the Equity Share Capital of the Company.

The Committee reviewed and considered the Valuation Report and the Fairness Opinion Report placed before the Committee and noted the Consideration proposed *i.e. fair value being derived at Rs. 1.61 per equity shares*.

### 3. Recommendation of the Committee

In light of the aforesaid, the Committee recommends the draft Scheme, taking into consideration, inter alia, the Valuation Report, the Fairness Opinion, rationale of the Scheme, impact of the Scheme on the shareholders and cost



benefit analysis of the Scheme, to the Board of Directors of the Company, Stock Exchange and SEBI for its approval.

This report of the Committee is made in order to comply with the requirement of the SEBI Scheme Circular after considering the necessary documents.

**By order of the Audit Committee of 7NR Retail Limited**

**Ziral Soni**  
**Chairman of the Committee**  
DIN: 09213763  
Place: Ahmedabad  
Date: 30/11/2022

