REPORT OF THE AUDIT COMMITTEE OF ESAAR (INDIA) LIMITED ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN THE COMPANY AND ITS SHAREHOLDERS DATED SEPTEMBER 15, 2020.

To
The Board of Directors of
Esaar (India) Limited
204, B-Wing, New Prabhat CHS Ltd,
Chikuwadi, Plot-115, Next to Bisleri Factory,
W. E. Highway, Andheri (East), Mumbai,
Maharashtra – 400099

1. Background

i. The meeting of the Audit Committee of the Company was held on September 15, 2020 to consider and recommend the proposed Scheme of Arrangement (Reduction of Capital) between the Company and its shareholders, under the provisions of Section 66 (1)(b)(i), 230-232 of the Companies Act, 2013, (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.

ii. This report of the Audit Committee is made to comply with the requirements of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations. 2015 and SEBI circular number CFD/DIL3/CIR/2017/21 dated March 10, 2017 and as amended from time to time.

iii. The following documents were placed before the Audit Committee:

(a) Draft Scheme, by the Company Secretary of the Company for identification: and

(b) Fairness opinion dated 15th September, 2020 ("Fairness Opinion") prepared by M/s. Gretex Corporate Services Private Limited, independent Merchant Banker providing the Fairness Opinion on the Scheme.

(c) Independent Auditor's Certificate in terms of Para (I) (A) (5) of Annexure I of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with SEBI Circular No.CFD/DIL3/CIR/2018/2 dated January 3, 2018 ("Accounting Treatment Certificate") issued by M/s. Harish Arora & Associates, Chartered Accountants (Firm Registration No. 015226C).

2. Proposed Scheme

The Audit Committee noted the rationale and the benefits of the Scheme which, inter-alia, are as follows:

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i. The Company has suffered substantial losses since 2010 and has not been able to scale its business and unleash its full potential for growth and profitability. However, there has been a turnaround in the fortunes of the Company. The Company has in the financial year 2012-13, 2018-19 and 2019-20, reported profits.

ii. As per the audited financial statements for the year ended March 31, 2020, the Company has accumulated losses amounting to Rs.8.63 crores (Excluding other free and statutory reserves). These accumulated losses have been wiping off the value represented by the share capital. Thus, the financial statements of the Company are not reflective of the financial position of the Company.

iii. Due to huge accumulated losses of the prior years, the financial statements do not reflect the turnaround in the business of the Company. Thus, with a view to ensure that (a) the financial statements of the Company reflect its true and fair financial health/ position; and (b) to obliterate the share capital being lost and not represented by available assets of the Company, it is necessary to carry out reduction of share capital of the Company.

iv. The reduction of share capital in the manner proposed herein would enable the Company to rationalise its capital structure and present a true and fair financial position of the Company which commensurate with its business and assets.

v. Hence, the proposed reduction of share capital is in the interest of the Company and its shareholders, creditors and all concerned.

3. The salient features of the draft Scheme are as under:

i. Reduction of share capital of the Company on the Record Date (as defined in the Scheme) Such reduction shall be effected by reducing the issued, subscribed and paid-up capital of the Company from Rs. 20,44,25,000/-(Rupees Twenty Crores Forty Four Lakhs Twenty Five Thousand Only)consisting of 2,04,42,500 (Two Crores Four Lakh Forty Two Thousand and Five Hundred) equity shares of Rs. 10/- (Rupees Ten) each to Rs. 13,06,11,230/-(Rupees Thirteen Crores Six Lakhs Eleven Hundred and Two Thirty only) consisting of 1,30,61,123(One Crore Thirty Lakhs Sixty One Thousand One Hundred and Twenty Three) equity shares of Rs. 10/- (Rupees Ten) each by cancelling and extinguishing, in aggregate, 36.107996% of the total issued, subscribed and paid-up equity share capital of the Company, comprising 73,81,377(Seventy Three Lakhs Eighty One Thousand Three Hundred and Seventy Seven) Equity Shares of Rs. 10/- (Rupees Ten) each held by the members of the Company.

The capital so reduced will be utilized to write off the accumulated losses of the Company.

ii. The Audit Committee reviewed the Fairness Opinion and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the Scheme is fair to the shareholders of the Company.

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iii. Further, the Audit Committee reviewed the Accounting Treatment Certificate and noted that that the accounting treatment in the Scheme is in line with generally accepted accounting principles.

iv. Further this Scheme will help to achieve a rational structure which is commensurate with its remaining business and assets.

4. Recommendation of the Audit Committee

Taking into consideration the draft Scheme, Fairness Opinion and Accounting Treatment Certificate as placed. The Audit Committee recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee
For and on behalf of
Esaar (India) Limited

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MUMBAI

Dipti Shashank Yelve
Chairman
Audit Committee
Place: Mumbai
Date: September 15, 2020

REPORT OF THE AUDIT COMMITTEE OF ESAAR (INDIA) LIMITED ("COMPANY") RECOMMENDING THE SCHEME OF REDUCTION BETWEEN THE COMPANY AND ITS SHAREHOLDERS DATED FEBRAURY 01, 2021

To
The Board of Directors of
Esaar (India) Limited
204, B-Wing, New Prabhat Chs Ltd,
Chikuwadi, Plot-115, Next to Bisleri Factory,
W. E. Highway, Andheri (East), Mumbai,
Maharashtra – 400099

1. Background

i. The meeting of the Audit Committee of the Company was held on February 01, 2021 in addition and continuation of its previous meeting held on 15th September, 2020 to consider and recommend the proposed Scheme of Arrangement (Reduction of Capital) between the Company and its shareholders, under the provisions of Section 66 (1)(b)(i), 230-232 of the Companies Act, 2013, (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.

ii. This meeting of Audit Committee was called to consider and comply with the requirements of SEBI circular no. CFD/DIL1/CIR/P/2020/215 dated November 03, 2020 and SEBI (LODR) Regulations, 2015 as amended from time to time.

iii. The following document were placed before the Audit Committee:

(a) The Report of previous meeting of Audit committee dated September 15, 2020.

(b) Draft Scheme, by the Company Secretary of the Company for identification: and

(c) Fairness opinion dated 15th September, 2020 ("Fairness Opinion") prepared by M/s. Gretex Corporate Services Private Limited, independent Merchant Banker providing the Fairness Opinion on the Scheme.

(d) Independent Auditor's Certificate in terms of Para (I) (A) (5) of Annexure I of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with SEBI Circular No.CFD/DIL3/CIR/2018/2 dated January 3, 2018 ("Accounting Treatment Certificate") issued by M/s. Harish Arora & Associates, Chartered Accountants (Firm Registration No. 015226C).

2. The salient features of the draft Scheme are as under:

i. Reduction of share capital of the Company on the Record Date (as defined in the Scheme) Such reduction shall be effected by reducing the issued, subscribed and

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paid-up capital of the Company from Rs. 20,44,25,000/- (Rupees Twenty Crores Forty Four Lakhs Twenty Five Tnousand Only)consisting of 2,04,42,500 (Two Crores Four Lakh Forty Two Thousand and Five Hundred) equity shares of Rs. 10/- (Rupees Ten) each to Rs. 13,06,11,230/-(Rupees Thirteen Crores Six Lakhs Eleven Hundred and Two Thirty only) consisting of 1,30,61,123 (One Crore Thirty Lakhs Sixty One Thousand One Hundred and Twenty Three) equity shares of Rs. 10/- (Rupees Ten) each by cancelling and extinguishing, in aggregate, 36.107996% of the total issued, subscribed and paid-up equity share capital of the Company, comprising 73,81,377 (Seventy Three Lakhs Eighty One Thousand Three Hundred and Seventy Seven) Equity Shares of Rs. 10/- (Rupees Ten) each held by the members of the Company.

The capital so reduced will be utilized to write off the accumulated losses of the Company.

ii. The Audit Committee reviewed the Fairness Opinion and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the Scheme is fair to the shareholders of the Company.

iii. Further, the Audit Committee reviewed the Accounting Treatment Certificate and noted that that the accounting treatment in the Scheme is in line with generally accepted accounting principles.

iv. Further this Scheme will help to achieve a rational structure which is commensurate with its remaining business and assets.

3. Proposed Scheme

The Audit Committee reviewed and considered the proposed scheme on the following grounds Viz.

1. Need for the reduction of Share capital

i. The Company has suffered substantial losses since 2010 and has not been able to scale its business and unleash its full potential for growth and profitability. However, there has been a turnaround in the fortunes of the Company. The Company has in the financial year 2012-13, 2018-19 and 2019-20, reported minimal profits.

ii. As per the audited financial statements for the year ended March 31, 2020, the Company has accumulated losses amounting to Rs.8.63 crores (Excluding other free and statutory reserves). These accumulated losses have been wiping off the value represented by the share capital. Thus, the financial statements of the Company are not reflective of the financial position of the Company.

iii. Due to huge accumulated losses of the prior years, the financial statements do not reflect the turnaround in the business of the Company. Thus, with a view to ensure that (a) the financial statements of the Company reflect its true and fair financial health/ position; and (b) to obliterate the share capital being lost and not represented

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by available assets of the Company, it is necessary to carry out reduction of share capital of the Company.

iv. The reduction of share capital in the manner proposed herein would enable the Company to rationalise its capital structure and present a true and fair financial position of the Company which commensurate with its business and assets.

2. **Rationale of the scheme**

i. The reduction of share capital in the manner proposed herein would enable the Company to rationalise its capital structure and present a true and fair financial position of the Company which commensurate with its business and assets.

ii. It will allow company to serve its equity shareholder in better way with revised structure.

iii. It will improve the Debt to Equity Ratio of the Company.

iv. It will scale up P.E. ratio of the Company.

v. Capital reduction will allow the elimination of accumulated losses, which would otherwise prevent the payment of dividends, to create distributable reserves.

3. **Synergies of business of the entities involved in the scheme**

i. The Scheme, if approved, may enable the Company to avail business opportunities that it was unable to take advantage because of it huge Accumulated Losses.

ii. The reduction of capital in the manner proposed would enable the Company to have a rational structure which is commensurate with its remaining business and assets.

iii. The Scheme of reduction, after full implementation, will result in making the Company's balance sheet leaner, downsized and attractive to Investors and stakeholder at large..

iv. The proposed Scheme would be for the overall benefit of the Company, its creditors, Shareholders and all other stakeholders.

v. The proposed Scheme will enable the Company to use a part of the amount which is lying unutilized in the Securities Premium Account of the Company in an effective manner for the benefit of the Company.

vi. The Scheme, if approved, would provide greater flexibility to the Company in raising funds either from the capital market or for many Bank/ Financial Institutions in the form of equity or debt, depending upon the business needs of the Company.

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4. Impact of the Scheme on the Shareholders

i. As it can be read and seen from the reasoning mentioned in Needs, Rationale and Synergies involved in proposed scheme, the proposed reduction of share capital is in the best interest of the Company and its shareholders, creditors and all concerned.

ii. The only impact of the scheme would be as follows:

By the virtue of the proposed scheme the post reduction, issued, subscribed and paid-up capital of the Company shall stand reduced from Rs. 20,44,25,000/- (Rupees Twenty Crores Forty Four Lakhs Twenty Five Thousand Only) consisting of 2,04,42,500 (Two Crores Four Lakh Forty Two Thousand and Five Hundred) equity shares of Rs. 10/- (Rupees Ten) each to Rs. 13,06,11,230/- (Rupees Thirteen Crores Six Lakhs Eleven Hundred and Two Thirty only) consisting of 1,30,61,123 (One Crore Thirty Lakhs Sixty One Thousand One Hundred and Twenty Three) equity shares of Rs. 10/- (Rupees Ten) each by cancelling and extinguishing, in aggregate, 36.107996% of the total issued, subscribed and paid-up equity share capital of the Company, comprising 73,81,377(Seventy Three Lakhs Eighty One Thousand Three Hundred and Seventy Seven) Equity Shares of Rs. 10/- (Rupees Ten) each held by the members of the Company.

Therefore, upon the Capital Reduction being confirmed by the NCLT and becoming effective and operative, 73,81,377 (Seventy Three Lakhs Eighty One Thousand Three Hundred and Seventy Seven) equity shares of Rs. 10/- (Rupees Ten) each of the Company held by the Shareholders shall stand cancelled and extinguished and rendered invalid and the Shareholders of the Company appearing as registered equity shareholders of the Company as on the date to be determined by the Board of Directors (the "Board") (the "Record Date"), shall be paid sum for fraction entitlement on proportionate basis for the equity shares held by them and which are to be extinguished.

iii. There would be no change in the proportionate shareholding of any of the existing shareholder.

5. Cost Benefit analysis of the Scheme.

i. The financial restructuring will help the Company to reflect the true shareholder value which would place the Company in a position to pay dividend or raise capital in future at lower interest cost.

ii. 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 apart from paying fractional entitlements.

4. Valuation Report

The conditions prescribed in the Para I(A)(4) of Annexure-I of SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated November 3, 2020 (Scheme of Arrangement by

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Listed entities and (ii) relaxation under Sub rule (7) of Rule 19 of the Securities Contract (regulation) Rules, 1957 are not applicable to the proposed Scheme of Reduction of Capital of the Company based on the following grounds:

(a) Point 4 (C) of the Circular envisage that all listed entities are required to submit a valuation report from a Registered Valuer ***except where there is no change in shareholding pattern of the listed entity***.

(b) The Change in shareholding pattern is defined as-

"For the limited purpose of this 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* – **The proposed scheme of reduction of capital will not cause any change in the proportion of shareholding of any of the existing shareholders of the company.**

(ii) *New shareholder being allotted equity shares of the resultant company; or* – **No new equity shares of the Company will be allotted to any Shareholder as the proposed scheme is a scheme of reduction of capital**

(iii) *Existing shareholder exiting the company pursuant to the Scheme of Arrangement.* – **The proposed scheme of reduction of capital will not cause exit to any existing shareholder of the Company.**

In summation the proposed scheme is the scheme for reduction of capital and as explained above that the scheme neither involve issue of any new shares to anyone nor will cause any change to the holding of the any existing shareholder.

5. Recommendation of the Audit Committee

Taking into consideration the proposed Scheme, Fairness Opinion made, Accounting Treatment Certificate, Needs, rationale and impact of the scheme, synergies and cost benefits to be emerged and achieved. The Audit Committee confirms that the proposed scheme is not detrimental to its shareholders and is in the best interest of the Company and its shareholders, creditors and all concerned and recommends the proposed Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee
For and on behalf of
Esaar (India) Limited

ESAAR (INDIA) LIMITED MUMBAI

Dipti Shashank Yelve
Chairman
Audit Committee
Place: Mumbai
Date: February 01, 2021