

Report of the Audit Committee

Members:

Mr. Dwarka Prasad Agarwal Chairman

Mr. Manish Tiwari Member

Mr. Madanlal Goyal Member

1. Background

The Board of Directors of the Company in their meeting held on February 1, 2013 approved the Final Scheme of Arrangement (Scheme) between Ganon Trading and Finance Company Limited and SPG Multi Trade Private Limited and Archana Hitech Consultants Limited and Vandana Hitech Systems Limited. The Members of Audit Committee were also present in the above Board Meeting.

As required under clause 24(f) of the Listing Agreement, the Company has filed the Scheme along with the other necessary documents with the BSE Limited.

Recently, SEBI vide its Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 has amongst other requirements sought a report from the Audit Committee of the listed entity recommending the Scheme taking into consideration, inter alia, the valuation report.

In view of the above Circular, members of the Audit Committee once again discussed and approved the Scheme in its meeting held on March 4, 2013 and have made this report after pursuing the following documents:-

1. Draft Scheme of Arrangement;
2. Valuation report dated January 25, 2013 received from M/s Singrodia Goyal & Co., Chartered Accountants; and
3. Fairness opinion dated January 28, 2013 issued by Guinness Corporate Advisors Private Limited on the fairness of the Valuation Report.

2. Proposed Scheme of Arrangement

The circumstances that have necessitated or justified the proposed Scheme and its main benefits are summarized as under:

- a. To achieve synergistic integration and consolidation of the businesses presently being carried on by the First Transferor Company, the Second Transferor Company and the

Third Transferor Company and the Transferee Company, which shall be beneficial to the shareholders, creditors and employees of such companies and to the interests of the public at large, as such amalgamation would create greater synergies between the businesses of all the companies and would enable them to have access to better financial resources as well as increase the managerial efficiencies, while effectively pooling the technical, distribution and marketing skills of each other.

- b. Enhancement of net worth of the combined business to capitalise on future growth potential.
- c. To achieve strengthened leadership in the industry, in terms of the consolidated asset base, consolidated revenues of the combined entity.
- d. This Scheme of Amalgamation would result in merger and thus consolidation of business of the First Transferor Company, the Second Transferor Company and the Third Transferor Company in one entity i.e. into the Transferee Company. The Transferee Company being a Listed Company, all the shareholders of the merged entity will be benefited by result of the amalgamation of Business and availability of trading platform.
- e. Amalgamation of the First Transferor Company, the Second Transferor Company and the Third Transferor Company with the Transferee Company will also provide an opportunity to leverage combined assets and build a stronger sustainable business. Specifically, the merger will enable optimal utilization of existing resources and provide an opportunity to fully leverage strong assets, capabilities, experience, expertise and infrastructure of both the companies.
- f. The management of the Transferee Company has been recently taken over and the new management wants to expand its business horizon. The foregoing scheme is one of the strategic vehicles adopted by them. The New promoter also wants to at least maintain their stake holding prior to the merger.
- g. The Transferee Company would also have a larger net worth base, and greater borrowing capacity, which would provide it a competitive edge over the others, especially in view of the increasing competition due to liberalization and globalization, which will be beneficial in more than one ways to the First Transferor Company, the Second Transferor Company and the Third Transferor Company and the Transferee Company and their shareholders.
- h. The Amalgamation is in accordance with the Section 2(IB) of the Income Tax Act, 1961 and the Transferor Companies as well as the Transferee Company will be able to avail of the benefits available under the Income tax Act, 1961 and any other provisions applicable and available under the Indian laws.

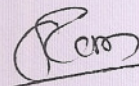
Accordingly, with a view to integrate the business synergies and reap the benefit of consolidation through focused management, the Board of Directors of the First Transferor Company, the Second Transferor Company, the Third Transferor Company and the Transferee Company thought it appropriate to amalgamate the Transferor Companies with the Transferee Company.

3. Recommendations of Audit Committee

Based on the Valuation Report of Singrodia Goyal & Co., Chartered Accountants and the fairness opinion issued by Guinness Corporate Advisors Private Limited, the Audit Committee recommends the Draft Scheme, for favourable consideration by the Stock Exchange and SEBI.

Date: 04.03.2013

Place: Mumbai



Dwarka Prasad Agarwal
Chairman