

UMANG DAIRIES LIMITED

Gulab Bhawan, 3rd Floor, 6A, Bahadur Shah Zafar Marg, New Delhi - 110 002



Report of the Audit Committee of Umang Dairies Limited at its meeting held on Wednesday, 28th June 2023 recommending the Scheme of Arrangement amongst Umang Dairies Limited, Panchmahal Properties Limited and Bengal & Assam Company Limited and their respective Shareholders and Creditors.

Present:

Shri Rajiv Sheopuri	Independent Director	... In the Chair
Shri A.S. Mehta	Non-Independent Director	
Shri D.B. Doda	Independent Director	

1. Background

- 1.1 A meeting of the Audit Committee of Umang Dairies Limited (**Company**) was held on 28th June, 2023, to, *inter alia*, consider and if thought fit, recommend to the Board of Directors of the Company (**Board**), the draft Scheme of Arrangement amongst Umang Dairies Limited (**UDL/ Demerged Company/ Amalgamating Company/ Company**), Panchmahal Properties Limited (**PPL/ Resulting Company 1**) and Bengal & Assam Company Limited (**BACL/ Resulting Company 2/ Amalgamated Company**) (together referred to as **Companies**) and their respective shareholders and creditors (**Scheme**), which entails (i) Demerger of Dairy Business Undertaking (*as more explicitly defined in the Scheme*) of the Demerged Company into the Resulting Company 1 and (ii) Amalgamation of Amalgamating Company into and with the Amalgamated Company, pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (**Act**) and the rules made thereunder including but not limited to the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, read with Section 2(19AA), Section 2(1B), 2(41A) and other applicable provisions of the Income Tax Act, 1961.
- 1.2 This report of the Audit Committee is made in compliance with the requirement of the Master Circular no. SEBI/HO/POD-2/P/CIR/2023/93 dated 20th June, 2023, as amended from time to time (**SEBI Circular**), issued by the Securities and Exchange Board of India (**SEBI**). In terms of the SEBI Circular, a report from the Audit Committee is required, recommending the draft Scheme, after taking into consideration, *inter alia*, the Valuation Report (*as defined below*).
- 1.3 The following documents were placed before the Audit Committee for its consideration:
- draft Scheme, duly initialled by the Company Secretary of the Company for the purpose of identification.
 - valuation report dated 28th June, 2023, issued by Mr. Niranjana Kumar, a Registered Valuer (Securities or Financial Assets) IBBI Registration No. – IBBI/RV/06/2018/10137, for the determination of Share Entitlement Ratios (as defined hereunder) under the draft Scheme (**'Valuation Report'**);

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E-mail : udl@umangdairy.com, Website : www.umangdairies.com, C I N : L15111UP1992PLC014942

AN ISO 9001 : 2008, HACCP, ISO 14001 : 2004 & OHSAS 18001 : 2007 Certified Company



- (c) fairness opinion dated 28th June, 2023, prepared by Kunvarji Finstock Private Limited, an Independent SEBI registered (Category-I) Merchant Banker, confirming that the Share Entitlement Ratios in the Valuation Report are fair to the Companies and their respective shareholders and creditors ('Fairness Opinion 1');
- (d) fairness opinion dated 28th June, 2023, prepared by D&A Financial Services Private Limited, an Independent SEBI registered (Category-I) Merchant Banker, confirming that the Share Entitlement Ratios in the Valuation Report are fair to the Companies and their respective shareholders and creditors ('Fairness Opinion 2');
- (e) Auditors' certificate dated 28th June, 2023, confirming that the accounting treatment contained in the draft Scheme is in compliance with all the applicable accounting standards specified by the Central Government under Section 133 of the Act read with applicable rules, and/or the accounting standards issued by the Institute of Chartered Accountants of India and other generally accepted accounting principles.

2. Observations of Audit Committee on the Scheme

2.1 Need for the Scheme

The Management of the Participating Companies are of the view that the Dairy business of UDL has huge potential for value unlocking and attracting strategic Partners / Investors. This will facilitate substantial growth of Dairy business with potential for a wider customer reach. Given that both the listed companies belong to the same Group, it is ideal to minimize compliances and entity rationalisation. Proposed scheme of arrangement shall result in administrative convenience for the group and reduce regulatory, reporting and compliance functions. It shall lead to a simplified, cost efficient and streamlined organization structure.

2.2 Rationale for the Scheme

2.2.1. The Management of the respective Participating Companies are of the view that the arrangement proposed in this Scheme is, in particular, expected to have the following benefits:

- (a) Facilitate focused growth, concentrated approach, and increased operational focus for the Dairy business.
- (b) Enable the structure for attracting strategic partners / investors for the Dairy business.

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- (c) Rationalization of operations with greater degree of operational efficiency and optimum utilization of resources.
- (d) Amalgamation of the Demerged Company after giving effect of de-merger of Dairy business, with Amalgamated Company shall result in simplified and streamlined holding structure and help in optimizing the resources and thereby reducing the compliances.
- (e) Reduction in management overlaps and reduction of legal and regulatory compliances and associated costs due to operation of multiple companies.

2.2.2. The Management of the respective Participating Companies are of the view that this Scheme is in the interest of the customers, employees, lenders, shareholders and all other stakeholders of the respective Participating Companies.

2.3 Cost-Benefit Analysis of the Scheme

The Scheme would be in the best interest of the Companies and beneficial to their respective shareholders. Improved organizational capability and leadership, reduction in management overlaps, legal and regulatory compliances and associated costs due to operation of multiple companies. Scheme would lead to optimum utilization of resources held by the respective participating companies.

The Amalgamated Company would issue its equity shares as consideration to the shareholders of the Company and as such there will be no cash outflow of resources from the Amalgamated Company. Apart from the cost of implementation of the Scheme, including payment of stamp duty, there are no additional costs involved for the proposed Scheme.

The proposed Scheme will also benefit the shareholders directly, as the costs incurred towards the implementation of the Scheme foreshadows the long-run benefit, to be derived by the shareholders, that can be derived by achieving strategic & operational efficiency. The Audit Committee is of the opinion that the expected benefits, pursuant to the proposed Scheme, would offset the impact of such cost.

2.4 Synergies of business of the entities involved in the Scheme

The management of the respective companies are of the view that this Scheme is in the interest of the customers, employees, lenders, shareholders and all other stakeholders of the respective companies. Furthermore, the Scheme will enable the synergies between the businesses carried out by the Participating Companies in terms of services and resources to be used optimally for the benefit of their stakeholders.

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2.5 Salient Features of the Scheme

The Audit Committee considered and observed the following salient features in relation to the draft Scheme –

- (a) The draft Scheme provides for (i) the Demerger of Dairy Business Undertaking (as more explicitly defined in the Scheme) of the Demerged Company into the Resulting Company 1 and (ii) Amalgamation of Amalgamating Company into and with the Amalgamated Company.
- (b) The Appointed Date means the opening of business hours on 1st April, 2023 or such other date as may be approved by the jurisdictional National Company Law Tribunal(s), ('NCLT' / 'Tribunal'), with effect from which the Scheme will be deemed to be effective in the manner described in the Scheme.
- (c) The effectiveness of this Scheme is conditional upon and subject to the following:
 - (i) receipt of 'observation letter' or 'no-objection letter' from the BSE Limited and National Stock Exchange of India Limited ('**Stock Exchange**') on the draft Scheme, as required under applicable laws, are, in form and substance, acceptable to the Company, the Resulting Company 1 and the Demerged Company / Amalgamating Company, each acting reasonably and in good faith;
 - (ii) approval from requisite majority of such classes of shareholders, secured creditors and unsecured creditors of each of the Companies which are part of the Scheme and such other persons/ authorities, as may be required under applicable laws or as may be directed by the NCLT;
 - (iii) the Scheme being approved by the Shareholders of the Demerged Company, Resulting Company 2/ Amalgamated Company, provided that the votes cast by public shareholders of the Company in favour of the Scheme are more than the number of votes cast by public shareholders against it, through e-voting in terms of the SEBI Circular;
 - (iv) sanction of the Scheme by the Kolkata Bench and Allahabad Bench of NCLT (Jurisdictional Benches) under the relevant provisions of the Act;
 - (v) compliance with such conditions as may be imposed by the NCLT;
 - (vi) receipt of such other approvals including, approvals of any governmental authority as may be necessary under applicable laws or under any material contract to make the Scheme or the relevant Part of the Scheme effective or on the expiry of any statutory time period pursuant to which such approval is deemed to have been granted; and
 - (vii) certified copy of the order of the NCLT sanctioning the Scheme being filed with the jurisdictional Registrar of Companies by each of the Companies.

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(d) Upon Part B of the Scheme (as defined in the Scheme) becoming operative on the Effective Date, with effect from the Appointed Date, transfer of the Demerged Undertaking shall be accounted for in the books of the Company in accordance with the applicable accounting standards prescribed under Section 133 of the Companies Act, 2013 and/or generally accepted accounting principles in India.

(e) The following share entitlement ratio has been determined for the allotment of equity shares of the Resulting Company 2/ Amalgamated Company, having face value of INR 10/- each to the shareholders of Demerged Company as on the Part B Record Date (as defined in the Scheme), in consideration for the demerger:

1 (One) equity share of BACL having face value of INR 10/- each fully paid up shall be issued for every 92 (Ninety Two) equity shares held in UDL having face value of INR 5/- each fully paid up.

(f) In accordance with Part C of the Scheme, the following share entitlement ratio has been determined for the allotment of equity shares of the Amalgamated Company having face value of INR 10/- each to the shareholders of Amalgamating Company as on Part C Record Date (as defined in the Scheme), in consideration for the amalgamation of Amalgamating Company with and into the Company:

1 (One) equity share of BACL having face value of INR 10/- each fully paid up shall be issued for every 14,652 (Fourteen Thousand Six Hundred and Fifty Two) equity shares held in UDL having face value of INR 5/- each fully paid up.

(g) Upon the Scheme becoming operative on the Effective Date, Amalgamating Company shall stand automatically dissolved without being wound up, as an integral part of the Scheme;

(h) Upon the Scheme becoming operative on the Effective Date, the authorised share capital of Amalgamating Company as on the Effective Date shall stand transferred to and be merged/ amalgamated with the authorised share capital of the Amalgamated Company, and the fee, if any, paid by Amalgamating Company on its respective authorised share capital shall be set off against any fee payable by the Company on such increase in its authorised share capital, consequent to the amalgamation.

The Audit Committee reviewed and noted that -

The draft Scheme does not fall within the purview of related party transactions in terms of General Circular No. 30/2014 dated July 17, 2014, issued by the Ministry of Corporate Affairs ('MCA') since the same is subject to the sanction of the NCLT, and the provisions of Section 188 of the Act are not applicable. However, in accordance with the provisions of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI LODR], the Scheme falls within the purview of



the definition of Related Party Transactions. It is given to understand that the approval of the shareholders would be obtained in terms of the SEBI Master Circular on Scheme of Arrangement by Listed Entities issued on 20th June, 2023.

Further, there are common promoters in the Company, Amalgamating Company and Resulting Company 1. Promoter and Promoter Group hold 72.66% directly or indirectly in the Amalgamated Company and hold 74.61% shareholding in the Amalgamating Company. Further, entire 100% shareholding in the Resulting Company 1 is held by the Amalgamated Company. In terms of the Scheme, equity shares of the Amalgamated Company are proposed to be issued and allotted to the shareholders of the Company. In view of the aforesaid paragraph and in terms of Paragraphs 10(b)(i) and 10(b)(ii) of the SEBI Circular, the Scheme shall be acted upon only if the votes cast by the public shareholders of the Company in favour of the Scheme are more than the number of votes cast by the public shareholders against it.

The consideration as set forth in the draft Scheme will be discharged on an 'arm's length basis'. The share entitlement ratios for the shares to be allotted pursuant to the Scheme are based on the Valuation Report and the Fairness Opinions. The aforementioned Valuation Report and Fairness Opinions have duly been considered by the Audit Committee.

Further, M/s. Singhi & Co., Chartered Accountants, Statutory Auditors of the Company, have confirmed that the accounting treatment as specified in the draft Scheme is in accordance with the applicable Indian Accounting Standards issued by the Institute of Chartered Accountants of India and as notified by MCA, read together with Section 133 of the Act and the Companies (Indian Accounting Standards) Rules, 2015.

2.6 Impact of the Scheme on the Shareholders

The Audit Committee reviewed the Valuation Report and the Fairness Opinions for determination of share entitlement ratios under the draft Scheme.

The shareholders of the Demerged Company will receive equity shares in the Resulting Company 2/ Amalgamated Company in accordance with Clause 13 and Clause 24 of the Scheme.

Further, the existing equity share capital of the Amalgamating Company held by the Amalgamated Company, shall stand cancelled in terms of the Scheme.

The Audit Committee is of the informed opinion that the draft Scheme is in the best interests of the Company and its shareholders. The impact of the draft 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. The Scheme is not in any manner prejudicial or against public interest and would serve the interest of all shareholders, creditors or any other stakeholders.

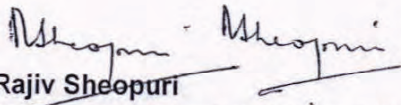
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3. **Recommendations of the Audit Committee**

Taking into consideration draft Scheme and its rationale and benefits, the Valuation Report, the Fairness Opinions, and other documents, as placed before the Audit Committee, and the interest of the shareholders of the Company, the Audit Committee after due deliberation, unanimously recommends the draft Scheme to the Board of the Company, Stock Exchange, SEBI and other appropriate authorities for their favourable consideration and approval.

By Order of the Audit Committee of Directors of Umang Dairies Limited


Rajiv Sheopuri
(Chairman of the Audit Committee Meeting)
DIN: 03450185



Date: 28th June, 2023

Place: New Delhi