

UMANG DAIRIES LIMITED



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

Report of the Committee of Independent Directors ('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 DirectorIn the Chair
Shri D.B. Doda	Independent Director, Member	
Shri R.C. Surana	Independent Director, Member	

1. Background

- 1.1. A meeting of the Committee of Independent Directors 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) and other applicable provisions of the Income Tax Act, 1961.
- 1.2. This report of the Committee is made in compliance with the requirement of the Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated 20th June, 2023, as amended from time to time, (**SEBI Circular**), issued by the Securities Exchange and Board of India (**SEBI**). In terms of the SEBI Circular, a report from the Committee is required, recommending the draft Scheme, after taking into consideration, *inter alia*, that the draft Scheme is not detrimental to the shareholders of the listed entity.
- 1.3. The following documents were placed before the Committee for its consideration:
 - (a) the draft Scheme, duly initialled by the Company Secretary of the Company for the purpose of identification;
 - (b) 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'**);
 - (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'**); and

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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



- (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'); and
- (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 the Committee on the Scheme

2.1. Rationale for the Scheme

2.1.1. 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:

- (i) Facilitate focused growth, concentrated approach and increased operational focus for the Dairy business.
- (ii) Enable the structure for attracting strategic partners / investors for the Dairy business
- (iii) Rationalization of operations with greater degree of operational efficiency and optimum utilization of resources.
- (iv) 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.
- (v) Reduction in management overlaps and reduction of legal and regulatory compliances and associated costs due to operation of multiple companies.

2.1.2. 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.

2.2. Salient Features of the Scheme

The Independent Directors 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 Demerged Company/ Amalgamating Company and the Amalgamated 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 respective Companies 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 to 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.

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 applicable accounting standards prescribed under Section 133 of the Companies Act, 2013 and/or generally accepted accounting principles in India.

- (d) The following share entitlement ratio has been determined for the allotment of the equity shares of the 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.
- (e) The following share entitlement ratio has been determined for the allotment of the 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 Amalgamated Company:



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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 only) equity shares held in UDL having face value of INR 5/- each fully paid up.

- (f) 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;
- (g) 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 Amalgamated Company on such increase in its authorised share capital, consequent to the amalgamation.

The Independent Directors 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 Amalgamated Company, Demerged 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. Furthermore, 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 Demerged Company / Amalgamating 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 Independent Directors 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;

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2.3. Valuation Methods Evaluated for the Share Entitlement Ratios

The Committee noted that the Valuation Report, *inter-alia*, recommended:

- (i) Share entitlement ratio for the proposed demerger of Dairy Business Undertaking of Demerged Company into and with the Resulting Company 1; and
- (ii) Share entitlement ratio for the proposed amalgamation of Amalgamating Company into and with the Amalgamated Company.

The Committee then noted the share entitlement ratio as under:

The following share entitlement ratio has been determined for the allotment of equity shares of the Resulting Company 2 having face value of INR 10/- each to the shareholders of the Demerged Company as on the Part B Record Date (as defined in the Scheme), in consideration for the demerger of Demerged Undertaking of Demerged Company and consolidation thereof with and into the Resulting Company 1:

1 (One) equity share of BAFL 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.

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 the Part C Record Date (as defined in the Scheme), in consideration for the amalgamation of Amalgamating Company with and into the Amalgamated Company:

1 (One) equity share of BAFL 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.

2.4. Scheme Not Detrimental to the Shareholders of the Company

The Committee members discussed and deliberated upon the rationale and salient features of the Scheme. In light of the same, and the Valuation Report, the Fairness Opinions and other documents presented before the Committee, the Committee is of the informed opinion that the draft Scheme is in the best interests of the shareholders of the Company and is not detrimental to their interest, including the interest of the minority shareholders of the Company.

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

3. Recommendations of the Committee

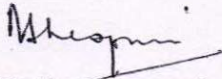
The Committee after due deliberations and due consideration of all the terms of the draft Scheme, the Valuation Report, the rationale provided above, the Fairness Opinions and the specific points mentioned above, including interest of the shareholders of the Company recommends that the draft Scheme is not detrimental to the interest of the shareholders of the Company and further recommends the draft Scheme for favourable consideration and approval by the Board, Stock Exchange, SEBI and other appropriate authorities.

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

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



Rajiv Sheopuri
Independent Director
(Chairman of the Meeting)
DIN: 03450185



Date: 28th June, 2023
Place: New Delhi