

**BENGAL & ASSAM COMPANY LIMITED**Secretarial Deptt. : 'Gulab Bhawan', 3<sup>rd</sup> Floor, 6A, Bahadur Shah Zafar Marg, New Delhi - 110 002

Telephone: 011 - 68201888, 68201899, Fax: 011-23739475

**Report of the Audit Committee of Bengal & Assam Company Limited at its meeting held on Wednesday, 28<sup>th</sup> 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 Bakul Jain	Independent Director	... In the Chair
Shri Shailendra Swarup	Independent Director, Member	
Shri A.K. Kinra	Non-Executive Director, Member	

**1. Background**

- 1.1 A meeting of the Audit Committee of Bengal & Assam Company Limited (**Company**) was held on 28<sup>th</sup> June 2023, *inter alia*, to consider and if thought fit, to recommend to the Board of Directors of the Company (**Board**), the draft Scheme of Arrangement amongst Umang Dairies Limited (**UDL/ Demerged Company/ Amalgamating Company**), Panchmahal Properties Limited (**PPL/ Resulting Company 1**) and Bengal & Assam Company Limited (**BACL/ Resulting Company 2/ Amalgamated Company/ 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/CFD/POD-2/P/CIR/2023/93 dated 20<sup>th</sup> 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, 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 28<sup>th</sup> 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'**);
  - fairness opinion dated 28<sup>th</sup> 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'**);



**BENGAL & ASSAM COMPANY LIMITED**Secretarial Deptt. : 'Gulab Bhawan', 3<sup>rd</sup> Floor, 6A, Bahadur Shah Zafar Marg, New Delhi - 110 002

Telephone: 011 - 68201888, 68201899, Fax: 011-23739475

- (d) fairness opinion dated 28<sup>th</sup> 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) Statutory Auditors' certificate dated 28<sup>th</sup> 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.
- (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-



**BENGAL & ASSAM COMPANY LIMITED**Secretarial Deptt. : 'Gulab Bhawan', 3<sup>rd</sup> Floor, 6A, Bahadur Shah Zafar Marg, New Delhi - 110 002

Telephone: 011 - 68201888, 68201899, Fax: 011-23739475

**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 UDL 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 synergies. The Audit Committee is of the opinion that the expected synergies and 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 that exist 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.

**2.5 Salient Features of the Scheme**

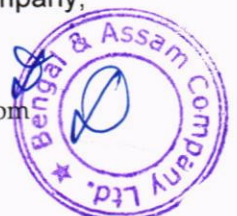
The Audit Committee considered and observed the following salient features in relation to the draft Scheme –

- (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 1<sup>st</sup> 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 an 'observation letter' or a '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;



A

-3-



**BENGAL & ASSAM COMPANY LIMITED**Secretarial Deptt. : 'Gulab Bhawan', 3<sup>rd</sup> Floor, 6A, Bahadur Shah Zafar Marg, New Delhi - 110 002

Telephone: 011 - 68201888, 68201899, Fax: 011-23739475

- (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 and the 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) the 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) the 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) the certified copy of the order of the NCLT sanctioning the Scheme being filed with the jurisdictional Registrar of Companies by each of the Companies.
- (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 into and with 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 only) equity shares held in UDL having face value of INR 5/- each fully paid up.

- 4 -



**BENGAL & ASSAM COMPANY LIMITED**Secretarial Deptt. : 'Gulab Bhawan', 3<sup>rd</sup> Floor, 6A, Bahadur Shah Zafar Marg, New Delhi - 110 002

Telephone: 011 - 68201888, 68201899, Fax: 011-23739475

- (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, the Scheme falls within the purview of the definition of Related Party Transactions, read with regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI LODR]. 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 June 20, 2023.

Further, there are common promoters in the Company, Amalgamating Company and Resulting Company 1. Promoter and Promoter Group holds 72.66% directly or indirectly in the Amalgamated Company and holds 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 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 Opinion. The aforementioned Valuation Report and Fairness Opinion have duly been considered by the Audit Committee.

Further, M/s. BGJC & Associates LLP, 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.

-5-



**BENGAL & ASSAM COMPANY LIMITED**Secretarial Deptt. : 'Gulab Bhawan', 3<sup>rd</sup> Floor, 6A, Bahadur Shah Zafar Marg, New Delhi - 110 002

Telephone: 011 - 68201888, 68201899, Fax: 011-23739475

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.

### 3. Recommendations of the Audit Committee

Taking into consideration the draft Scheme and its rationale and benefits, the Valuation Report, the Fairness Opinion, 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 Bengal & Assam Company Limited**

  
 (Bakul Jain)  
 Chairman of the Audit Committee Meeting  
 DIN: 00380256



Date: 4<sup>th</sup> July, 2023  
 Place: Mumbai

①

A

