

REPORT OF AUDIT COMMITTEE OF ASSOCIATED ALCOHOLS & BREWERIES LIMITED
RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF ASSOCIATED ALCOHOLS &
BREWERIES LIMITED ('TRANSFEROR COMPANY' OR 'AABL' OR 'THE COMPANY') WITH AND INTO
MOUNT EVEREST BREWERIES LIMITED ('TRANSFeree COMPANY' OR 'MEBL') ISSUED AT THE
MEETING OF THE AUDIT COMMITTEE HELD AT ITS REGISTERED OFFICE AT 4th FLOOR, BPK STAR
TOWER, A.B. ROAD, INDORE – 452 008, (M.P.) INDIA ON TUESDAY, 9th AUGUST 2022 AT 11:00 AM.

PRESENT:

1. Mr. Nitin Tibrewal - Chairman
2. Ms. Homai A Daruwalla – Member – Present Though VC
3. Mr. Tushar Bhandari - Member
4. Ms. Apurva P Joshi - Member

IN ATTENDANCE:

1. Mr. Sumit Jaitely – Company Secretary

SPECIAL INVITEE:

1. Mr Sanjay Kumar Tibrewal – Whole Time Director
2. Mr Debashis Das – Non Executive Non Independent Director

1. Background

- 1.1 A meeting of the Audit Committee of AABL was held on Tuesday, 09th August 2022 to consider and recommend to the Board of Directors the draft Scheme of Amalgamation ('Scheme') of AABL with and into MEBL and their respective shareholders and creditors under Sections 230 to 232 and applicable provisions of the Companies Act 2013 ('the Act').
- 1.2 The draft Scheme provides for the amalgamation of AABL with and into MEBL and related connected matters. The Scheme shall be filed with the National Company Law Tribunal, Indore Bench ("NCLT") under Sections 230 to 232 and other applicable provisions of the Act and has been drawn in compliance with Section 2(1B) and other applicable provisions of the Income-tax Act, 1961 and other applicable laws including Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 read with the SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 ("SEBI Circular").

- 1.3 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, and commenting on the need for the Scheme, rationale for the Scheme, cost benefit analysis of the Scheme, synergies of business of the entities involved in the Scheme and impact of the Scheme on the shareholders of the Company. This report of the Audit Committee is made in order to comply with the requirements of the SEBI Circular.
- 1.4 The following documents were placed before the Audit Committee:
- (a) Draft Scheme duly initialled by Mr Tushar Bhandari, Whole Time Director of the Company for the purpose of identification;
 - (b) Valuation Report dated 09th August 2022 issued by Mr. Niranjan Kumar, Registered Valuer – Securities or Financial Assets, providing the share exchange ratio for the proposed Scheme;
 - (c) Fairness Opinion dated 09th August 2022 prepared by Kunvarji Finstock Private Limited, an Independent SEBI Registered Merchant Banker providing the Fairness Opinion on the share exchange ratio ("Fairness Opinion") as recommended by Mr. Niranjan Kumar, Registered Valuer – Securities or Financial Assets;
 - (d) Certificate dated 09th August 2022 issued by the Statutory Auditors of the Company i.e., M/s. Singhi & Co., Chartered Accountants, to the effect that the accounting treatment contained in the Scheme is in compliance with the applicable Accounting Standards as specified by the Central Government under Section 133 of the Act.

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

- 2.1 The "Appointed Date" means the opening of business hours on April 1, 2022, or such other date as the NCLT may direct, with effect from which this Scheme will be deemed to be effective.
- 2.2 The "Effective Date" means the date or the last of the dates on which the certified copy of the Order of the Hon'ble NCLT of Indore Bench is filed with the jurisdictional Registrar of Companies, by the Transferor Company and Transferee Company.



- 2.3 Based on the Valuation report dated 09th August 2022 issued by Mr. Niranjn Kumar, Registered Valuer (IBBI Registration No - IBBI/RV/06/2018/10137), appointed for the purpose of the amalgamation as prescribed in Para (A)(4) of Part I of the SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, the following share exchange ratio is proposed:

"773 (Seven Hundred and Seventy-Three) equity shares of MEBL having a face value of INR 10/- (Rupees Ten only) each fully paid-up shall be issued for every 1,000 (One thousand) equity shares held in AABL having a face value of INR 10/- (Rupees Ten only) each fully paid-up"

- 2.4 The Fairness Opinion confirmed that the share exchange ratio in the Valuation Report is fair to the Transferor Company and the Transferee Company and their respective shareholders.
- 2.5 Further, M/s. Singhi & Co., Statutory Auditors of the Company have confirmed that the accounting treatment as specified in the Scheme are in accordance with applicable Accounting Standards specified by the Central Government in Section 133 of the Act.
- 2.6 Upon the Scheme becoming effective, the share capital of the Transferee Company, as held by AABL, shall be cancelled and extinguished without any further act, deed or instrument as an integral part of this Scheme.
- 2.7 The equity shares of MEBL pursuant to the Scheme shall be listed on BSE and NSE.

3. Comments by the Audit Committee on the Scheme

The Audit Committee reviewed and provided the following comments on the Scheme:

3.1 Need for the Amalgamation

The amalgamation will enable efficient consolidation of ownership interests in the business owned by AABL and MEBL which will result in cost benefits, higher operating and other efficiencies. This Scheme will also result in unification of business to increase geographical reach and wider variety of products offering.



3.2 Rationale of the Scheme

The Audit Committee noted that the rationale of the Scheme of Amalgamation (as contained in the draft Scheme) will inter-alia result in:

The management of the Transferor Company and the Transferee Company believe that the business existing in the Transferor Company should be consolidated with the Transferee Company for the following primary reasons:

- (i) *The amalgamation of the Transferor Company with and into the Transferee Company will enable consolidation of the business and operations of the Transferor Company into the Transferee Company, which complement the business of the Transferee Company and which will provide substantial impetus to growth, enable synergies, reduce operational costs, increase operational efficiencies, manage working capital and enable optimal utilization of various resources as a result of pooling of financial, managerial and technical resources, and technologies of both the Transferor Company and the Transferee Company, thereby significantly contributing to business efficiency, future growth and maximizing shareholder value;*
- (ii) *The amalgamated company will be well positioned to compete effectively with its peers in the markets;*
- (iii) *The combined entity would be able to effectively optimize the overall administration and statutory compliances by eliminating duplication of functions (viz. secretarial, finance);*
- (iv) *The transactions contemplated in the scheme provides opportunities that benefits all the stakeholders of the Parties. This will result in enhanced shareholder value pursuant to economies of scale and business efficiencies.*

3.3 Synergies of business of the entities involved in the scheme

The Scheme would enable integration of AABL and MEBL's business activities under a single entity which will result *inter alia* in focused management attention, operational efficiencies, revenue and cost synergies including from commonality of customers, sales and supply chain opportunities through enhanced geographical reach with a wider variety of product offerings which will help in gaining market share, optimization of capital, operational (including promotion) expenditure, leveraging sales and distribution network and simplification of overlapping

infrastructure. The Scheme is expected to provide opportunity to the Company to unlock potential synergies in the following areas:

- Revenue and distribution: Integration of business, leveraging sales and distribution network and simplification of overlapping infrastructure. Supply chain opportunities through enhanced geographical reach with wider variety of product offerings.
- Manpower: Dedicated and specialized management focus on the specific needs of the respective business and optimization of cost structure.
- Other efficiencies: Better resource allocation, unified approach on customer engagement and the legal and regulatory compliances of both the entities will be unified and streamlined.

3.4 Impact of the Scheme on the Shareholders

Both the promoter and non-promoter shareholders of the Transferor Company will receive equity shares in the Transferee Company in accordance with Clause 4.6 of the Scheme.

Further, the existing equity share capital of the Transferee Company, held by the Transferor Company, shall stand cancelled in terms of the Clause 4.6.14 of the Scheme. The cancellation of equity share capital will be effected as part of the Scheme in accordance with provision of Section 66 of the Act and the order of the NCLT shall be deemed to be the order under the applicable provisions of the Act for confirming the cancellation of share capital.

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.

3.5 Cost benefit analysis of the Scheme

The consideration (as defined in the Scheme) represents a fair value of business as substantiated by the valuation report and fairness opinion report, obtained in this regard.

All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) of the Transferor Company and the Transferee Company arising out of or

incurred in connection with and implementing this Scheme and matters incidental thereto on or prior to the Effective Date shall be borne by the respective Parties.

All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) of the Transferor Company and the Transferee Company arising out of or incurred in connection with and implementing this Scheme and matters incidental thereto after the Effective Date shall be borne by the Transferee Company.

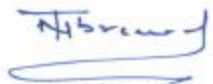
Keeping in view of synergies and the cost benefit expected from the Scheme, Audit Committee is of the view that the cost incurred towards the implementation of the Scheme foreshadows the long-run benefit that can be derived by achieving strategic and operational synergies envisaged under the Scheme.

4. Recommendations of the Audit Committee

After due consideration of the draft Scheme, the members of the Audit Committee formed an opinion that the implementation of the proposed Scheme of Amalgamation is in the interest of the Company and its shareholders, creditors and other stakeholders.

The Audit Committee hereby approves and recommends the draft scheme for favourable consideration by the board of directors, Stock Exchange(s), SEBI and other appropriate regulatory authorities.

**For and on behalf of Audit Committee
of Associated Alcohols & Breweries Limited**



Nitin Tibrewal

Chairman of Audit Committee

Place: Indore

Dated: 9th August 2022

