

ASSOCIATED ALCOHOLS & BREWERIES LIMITED

CIN: L15520MP1989PLC049380

4TH FLOOR BPK STAR TOWER

AB ROAD, INDORE -452008

investorrelations@aabl.in

www.associatedalcohols.com

Exposition on the Proposed Scheme of Amalgamation of Associated Alcohols & Breweries Limited (“AABL” or “Company” or “Transferor Company”) with and into Mount Everest Breweries Limited (“MEBL” or “Transferee Company”) u/s 230 to 232 and other applicable provisions of Companies Act, 2013. (“the Scheme”)

Rationale for the proposed Scheme of Amalgamation:

The Scheme involving merger of AABL into MEBL (subject to the receipt of requisite approvals from statutory authorities and respective shareholders and creditors) has been undertaken by the management with a considered view to create one of the largest Alco-Beverage Supermarket entity housing both spirits (from AABL) and beers (from MEBL), which will act as an enabler for future untapped growth Indian consumption opportunities.

The proposed amalgamation will foster a generic progression of AABL from an existing B2B Company (engaged in pure play spirits sector) to B2C Company (which has full bouquet of Spirit and Beers). With inclusion of MEBL, a well-established company in the beer industry and having an installed capacity of 10 lakh hectoliters (viz. 1.5 million cases per month), the amalgamated entity is expected to be able to better compete with the global players on account of economics of scale and resultant synergies.

MEBL is the largest manufacturers of its own brands in Madhya Pradesh and caters to 50% of the total market share in Madhya Pradesh with expanding reach across other states as well. MEBL’s potential to ride the huge Indian consumption potential sector is a critical decision matrix for the AABL’s management, since the same would facilitate growth of both products (i.e. Spirits and Beers) in the future years.

Snippets of the Indian beer sector & demographics is as follows:

- ✚ Beer is being increasingly accepted as a social drink and the urban youth in particular favors it as the preferred alcoholic beverage (on account of low alcohol contents);
- ✚ Increase in consumption of beer is attributed to change in lifestyle, rapid urbanization and rise in disposable income.
- ✚ Consumption of Beer is expected to double in next 5-7 years (Source – Expert Market Research).
- ✚ Introduction of draught beer has further increased its consumption as the draught beer is fresh and un-pasteurized.

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In India, bottled beer is the most popular, but recently most of the breweries have taken up to canning. Draught beer is becoming popular, particularly in places, where Breweries are situated.

The proposed amalgamation represents amalgamation of a resilient Indian Spirits company with one of the largest & fastest growing Indian Beer companies.

Further, the Scheme is expected to be beneficial to all Stakeholders, including banks, financial institutions, creditors, employees/ workers over and above its shareholders, as it gives an opportunity to consolidate the business and attain higher profitability/margins and to create one of the largest Alco-Beverage Supermarket in India.

Last but not the least, please note that the management have undertaken this path (which has been debated and requested over various investor's call) to create a full bouquet alcohol company which would cater to both segments i.e. B2B and B2C.

Share Swap Ratio provided in the Scheme:

In relation to the Share Exchange Ratio, as mentioned in the Scheme, it may be pertinent to note that the valuation of equity shares of the AABL and MEBL as on the report date is carried out by the registered valuer in accordance with ICAI Valuation Standards and the copy of the same is available on company website.

The values have been derived under commonly used and accepted methods for determining the value of the equity shares of a company (viz. Asset Approach – Net Asset Value method, Market Approach – (a) Market Price method; and (b) Comparable Companies Market Multiple method, and Income Approach – Discounted Cash Flow method). Further, for the purpose of arriving at the fair value, appropriate weights to the value derived under each methodology has been assigned after giving due considerations to qualitative factors relevant to AABL and MEBL, respectively.

The value per share under each of the methods is given hereunder:

Valuation Approach	AABL		MEBL	
	Value per share (INR)	Weight	Value per share (INR)	Weight
Market Approach				
- Comparable Companies Multiple ('CCM') Method	651.8	33.3%	737.2	50.0%
- Market Price Method	458.2	33.3%	NA*	0.0%

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Income Approach – Discounted Cash Flow ('DCF') Method	617.1	33.3%	753.3	50.0%
Asset Approach – Net Asset Value Method	NA#	0.0%	NA#	0.0%
Relative value per share	575.7		745.3	

***Market Price Method:** Equity shares of MEBL are not listed on any stock exchange, hence this method has not been used to arrive at the equity value of MEBL.

#Asset Approach – Net Asset Value Method: NAV Method does not value the future profit earning potential of the business; hence this method is not used to arrive at the equity value of the Transacting Companies.

Availability of Scheme related documents:

Please note that all scheme related documents (i.e. Copy of Scheme, Valuation report, Fairness report, financials of applicant companies, and other ancillary documents) are available on the Company website.

We believe above information provide adequate Scheme related information (in addition to statutory disclosure already undertaken) to the shareholders and investor community in large.

Please feel free to get in touch with us, in case of any clarifications in this regard.

Yours Truly

For Associated Alcohols & Breweries Limited

Sumit Jaitely

Company Secretary

Place: Indore

Date: 12th September 2022