

Dhelakhat Tea Co. Ltd.

(CIN : L15492WB1917PLC002894)

Regd. Office : 4, Dr. Rajendra Prasad Sarani (Clive Row), Kolkata - 700 001

Phone : 033 2230-4351, (5 Lines), 033-3028 0530

Fax : (+91) 33 2230 7555, Website : www.dhelakhat.com

GSTIN: 19AABCD0386Q1Z5

REPORT OF THE AUDIT COMMITTEE OF DHELAKHAT TEA COMPANY LTD IN ITS MEETING HELD ON 25.06.2024 ON THE PROPOSED DRAFT SCHEME OF AMALGAMATION OF DHELAKHAT TEA COMPANY LTD WITH RYDAK SYNDICATE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Members

Sl. No.	Name	Designation
1.	Mr. Rajvinder Singh	Chairperson of Audit Committee
2.	Ms. Suparna Chakrabortti	Member of the Audit Committee
3.	Mr. Ravindra Suchanti	Member of the Audit Committee

1. Background

- A meeting of the Audit Committee of Dhelakhat Tea Company Ltd (the "Company/ Transferor Company") was held on 25th June, 2024 *inter-alia* to consider and if thought fit, to recommend to the Board of Directors, the proposed Scheme of Amalgamation of the Company with Rydak Syndicate Limited ("Transferee Company") and their respective Shareholders and Creditors.
- The Scheme of Amalgamation ('Scheme'), that provides for merger of the Transferor Company with the Transferee Company is framed in terms of the provisions of Sections 230 read with 232 of the Companies Act, 2013 ('the Act'), and the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, together with Section 2 (1B) of the Income Tax Act, 1961, the SEBI Master Circular dated 20th June, 2023 on the Scheme of Arrangements and other applicable provisions, as may be applicable.
- The Transferor and the Transferee Company, both are listed in Calcutta Stock Exchange, therefore, in terms of the SEBI Master Circular dated 20th June, 2023 on Scheme of Arrangements, the Companies shall choose one of the stock exchanges having nationwide trading terminal as the designated stock exchange for the purpose of coordinating with SEBI.
- Accordingly, the proposed Scheme is subject to the receipt of approval from the Board of Directors and (a) requisite majority of the shareholders of the respective Transferor Company and Transferee Company (collectively "Companies"), (b) Competent Authority (as defined in the Scheme), (c) SEBI (d) The Designated Stock Exchange (as may be chosen by the Board of directors of the Companies) and (e) such other approvals, permissions and sanctions of regulatory and other statutory or governmental authorities/ quasi-judicial authorities, as may be necessary as per applicable laws



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- e. In terms of the SEBI Master Circular dated 20th June, 2023, a report from the Audit Committee is required recommending the draft Scheme, taking into consideration *inter alia* the Valuation Report (as defined hereinafter), and commenting of the need of the Scheme, rationale of the Scheme, cost benefit analysis, impact of the scheme on the shareholders and synergies of the business of the companies involved. This report is prepared to comply with the said requirement.
- f. For the purpose of this report, following documents are placed before the Committee:
 - (a) A draft of the proposed Scheme;
 - (b) Draft valuation report issued by Ms. Madhumita Karar, Registered Valuer (Reg. No.: IBBI/RV/06/2018/10341), the Registered valuer, recommending share exchange ratio for the scheme;
 - (c) Report on Fairness Opinion on the Report of Valuation of Shares and Share Exchange Ratio, dated 25th June, 2024, issued by Corpwis Advisors Private Limited, a SEBI Registered merchant banker providing an opinion on the fairness of the valuation of assets/ shares and share exchange ratio recommended in the Valuation Report by Ms. Madhumita Karar, Registered Valuer (Reg. No.: IBBI/RV/06/2018/10341);
 - (d) Draft auditors' certificate from the statutory auditors of the Company to the effect that the Scheme is in conformity with the Accounting Standard specified in section 133 of the Companies Act, 2013.
 - (e) Pre and post amalgamation shareholding pattern as on 25th June, 2024 of Transferee company; and
 - (f) Audited Financial Statements as on 31st March, 2024 and of last 3 years;

2. **Salient features of the Scheme**

The Committee noted that the salient features of the Scheme of Amalgamation inter-alia are as follows:

- i. The Transferor Company will amalgamate into the Transferee Company in accordance with Sections 230 to 232 of the Companies Act and other applicable laws.
- ii. The Appointed Date for the Scheme will be 1st April, 2024 ('Appointed date') or such other date as may be mutually decided by the Board of Directors of the Transferor Company and the Transferee Company after the approval of the Hon'ble National Company Law Tribunal; or such other date as the Hon'ble National Company Law Tribunal or any other competent authority may approve.

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- iii. Upon approval of the Scheme, all the assets and liabilities of the Transferor Company will be transferred to and vest in the Transferee Company
- iv. Upon approval of the Scheme, all the employees of the Transferor Company in service as on the Effective Date shall become employees of the Transferee Company with effect from the Appointed date without any break or interruption in their service and upon terms and conditions not less favorable than those applicable to them in the Transferor Company on the Effective Date
- v. The Share Exchange Ratio for Amalgamation will be as follows:

Transferee Company will issue 27 fully paid-up Equity Shares of face value of ₹10 each, to the Equity Shareholders of Transferor Company for every 100 Equity Share of face value of ₹10 each, held by them in the Transferor Company.

- vi. The Equity Shares of both the Companies are listed on Calcutta Stock Exchange ('CSE') Limited. Accordingly, the Companies are required to choose one of the stock exchanges having nationwide trading terminals as the designated stock exchange for the purpose of coordinating with SEBI. The Committee recommends choosing BSE Ltd as a Designating Stock Exchange for the purpose of the proposed Scheme of Amalgamation.
- vii. The Scheme shall be effective subject to the following:
 - a. Approval of the Scheme by the Designated stock exchange and the Securities and Exchange Board of India ('SEBI'), pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) and the SEBI Master Circular
 - b. Approval of the Scheme by the requisite majority of Shareholders and/or Creditors of both the transferor and the transferee company as may be directed by the Hon'ble NCLT
 - c. Approval of the Scheme by the public shareholders through e-voting in terms of Para 'A' '10(b)' of Part-I of the SEBI Scheme Circular.

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d. Sanction of the Scheme by the NCLT having jurisdiction.

e. Filing of the certified copies of the NCLT's Order sanctioning the Scheme to the respective jurisdictional Registrar of Companies by the Transferor and Transferee Company

- viii. New shares will be issued by the Transferee Company to the shareholders of the Transferor Company upon approval of the Scheme.
- ix. The Transferor Company shall be dissolved without winding up upon approval of the Scheme.

3. Need for the Scheme

Both the companies are in the same line of business. The amalgamation will consolidate the business of Transferor Company and Transferee Company which will result in focused growth, operational efficiencies, and business synergies. In addition, the resulting corporate holding structure will bring enhanced agility to the business ecosystem of the merged entity.

4. Rationale behind the Proposed Scheme

The circumstances which justify and/or necessitate the proposed Scheme of Amalgamation and benefits of the proposed amalgamation to the shareholders and other stakeholders are, *inter alia*, as follows:

- i. The merger with the Transferee Company offers a strategic opportunity to maximize shareholder value by providing an exit route for shareholders of the Company, ensuring equitable consideration for their investment while enabling them to participate in the future growth prospects of the Transferee Company;
- ii. The merger is expected to enhance the market competitiveness of the Transferee Company by leveraging synergies, combining complementary strengths, and expanding market reach, thereby strengthening its position as a leading tea manufacturer in the industry and enabling it to capitalize on emerging opportunities;
- iii. While the Company will dissolve post the merger becoming effective, its legacy, values, and contributions will be honored and integrated into the culture and operations of the Transferee Company, ensuring continuity, fostering a sense of pride, and preserving the heritage of the Company within the tea business community.

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5. Synergies of business of the entities involved in the Proposed Scheme -

The proposed Scheme will result into following synergies:

- (a) **Operational efficiencies:** Centralized sourcing would result in procurement synergies and reduction in stores through common inventory management. The proposed amalgamation would also result in sharing of best practices, cross functional learnings, better utilisation of common facilities and greater efficiencies in debt and cash management;
- (b) **Simplified structure and management efficiency:** the amalgamation will simplify shareholding holding structure, improve agility to enable quicker decision making, eliminate administrative duplications, consequently reducing administrative costs of maintaining separate entities;
- (c) **Sharing of best practices In sustainability, safety, health and environment:** Adoption of improved safety, environment and sustainability practices owing to a centralized committee at combined level to provide focused approach towards safety, environment and sustainability practices resulting in overall improvement. Further, overall technology maturity can be enhanced by the merged entity through unfettered access to each other's information technology applications and systems

6. Cost benefit analysis of the Proposed Scheme

Considering a fair value of the business as substantiated by the fair equity's shares swap ratio recommended in the Valuation Report and Fairness Opinion obtained by the Company in relation to the amalgamation, the Scheme would entail some costs towards implementation. All costs, charges, taxes including duties (including the stamp duty, if any, applicable in relation to this Scheme), 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 carrying out and implementing this Scheme and matters incidental thereto shall be borne and paid by the Transferee Company.

However, the benefits of the Scheme over a longer period are expected to far outweighs such costs for the stakeholders of the concerned companies.

7. Recommendation of the Audit Committee

The Audit Committee, after due deliberations and due consideration of all the terms of the draft Scheme of Amalgamation, Equity Share Exchange Ratio/ Valuation Report, Fairness Opinion, Rationale of the Scheme, Accounting treatment, impact of the Scheme on the Shareholders and other stakeholders Synergies of business and cost benefit analysis of the Scheme and the specific matters mentioned above, recommends the draft Scheme of

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Amalgamation for favorable consideration by the Board of Directors of the Company, the Stock Exchange(s), SEBI and other applicable regulatory authorities.

Further, the Board of Directors or any committee thereof or such other person as may be authorised by the Board shall carry out such modifications, alterations and changes as may be expedient or necessary or as the Board may think fit.

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

For and on behalf of

Audit Committee of Dhelakhat Tea Company Ltd



Rajvinder Singh

Chairman of the Audit Committee

DIN: 06931916