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REPORT OF AUDIT COMMITTEE OF PRATIK PANELS LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT OF PRATIK PANELS LIMITED ("FIRST TRANSFEROR COMPANY"/ "PRATIK" / "the Company") AND SANGEETA TEX.DYES PRIVATE LIMITED ("SECOND TRANSFEROR COMPANY" / "SANGEETA") AND KRISHNA FANCYFAB PRIVATE LIMITED ("THIRD TRANSFEROR COMPANY" / "KRISHNA") WITH HARIT INDUSTRIES PRIVATE LIMITED ("TRANSFEE COMPANY" / "HARIT") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS ISSUED AT THE MEETING OF THE AUDIT COMMITTEE HELD ON FRIDAY, JUNE 2, 2023 AT ITS REGISTERED OFFICE AT 11:00 AM.

PRESENT:

1. Piyush Upadhyay - Chairman
2. Nikhil Vishambharlal Vyas - Member
3. Devyani Pankaj Mishra - Member

IN ATTENDANCE:

1. Ms. Ankita Dhabhai - Company Secretary

SPECIAL INVITE

1. Mr. Pankaj Chandrakant Mishra - Chairman and Non-Executive Director
2. Mrs. Devyani Pankaj Chandrakant Mishra - Non-Executive Director

1. Background

- 1.1. A meeting of the Audit Committee of PRATIK was held on Friday, June 2, 2023 to consider and recommend to the Board of Directors the draft Scheme of Arrangement ('Scheme') involving amalgamation of Pratik Panels Limited ("First Transferor Company"/ "PRATIK") and Sangeeta Tex.Dyes Private Limited ("Second Transferor Company" / "SANGEETA") and Krishna Fancyfab Private Limited ("Third Transferor Company" / "KRISHNA") with Harit Industries Private Limited ("Transferee Company" / "HARIT") and their respective shareholders and creditors ("the Draft Scheme" / "the Scheme") 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 the Pratik Panels Limited ("First Transferor Company" or "PRATIK") and Sangeeta Tex.Dyes Private Limited ("Second Transferor Company" or "SANGEETA") and Krishna Fancyfab Private Limited ("Third Transferor Company" or "KRISHNA") With Harit Industries Private Limited ("Transferee Company" or "HARIT") and Conversion of



Transferee Company into Public Company and the issue of Bonus Shares to shareholders of Transferee Company, in accordance with the relevant provisions of the Act, Section 2(1B) of the Income Tax Act, 1961, the relevant provisions of SEBI circular (as defined below), the relevant provisions of the Listing Regulations and other applicable Laws. The Scheme shall be filed with the National Company Law Tribunal, Mumbai Bench ("NCLT") under Sections 230 to 232 and other applicable provisions of the Act and has been drawn in compliance with Section 2(18) 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 24, 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 Pankaj Mishra, Director of the Company for the purpose of identification,
- b) Valuation Report dated **Friday, June 2, 2023** issued by Mr. Ramesh Chand Kumawat, Registered Valuer Securities or Financial Assets, providing the share exchange ratio for the proposed Scheme;
- c) Fairness Opinion dated **Friday, June 2, 2023** prepared by Navigant Corporate Advisors Limited, an independent SEBI Registered Category I Merchant Banker providing the Fairness Opinion on the share exchange ratio ("Fairness Opinion") as recommended by Mr. Ramesh Chand Kumawat, Registered Valuer Securities or Financial Assets;
- d) Certificate dated **Friday, June 2, 2023** issued by the Statutory Auditors of the Company i.e., M/s. R Shah & 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 Appointed Date" For the purpose of this Scheme and for Income Tax Act, 1961, the "Appointed Date" means 1st April, 2023 or such other date as the National Company Law Tribunal NCLT Mumbai or any other Competent Government Authority may direct, which shall be the date

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with effect from which this Scheme shall become effective and with effect from which date the Transferor Companies shall amalgamate with the Transferee Company in terms of the Scheme, upon the order sanctioning this Scheme becoming effective.

- 2.2. "Effective Date" or "upon the Scheme becoming effective" or "effectiveness of the Scheme" means the last of the dates on which all the conditions specified in Clause 21 of this Scheme are satisfied or complied with and Scheme comes into effect.
- 2.3. Based on the Valuation report dated May 22, 2023 issued by Mr. Ramesh Chand Kumawat, Registered Valuer (Reg. No. IBBI/RV/06/2020/13084), 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:
- "6 (Six) equity shares of HARIT having a face value of INR 1/- (Rupee One only) each fully paid-up shall be issued for every 100 (One Hundred) equity shares held in PRATIK having a face value of INR 1/- (Rupee One only) each fully paid-up"
- 2.4. Further, as explained by the Management and the draft Scheme, SANGEETA and KRISHNA are Wholly-Owned Subsidiaries of HARIT. Therefore, there shall be no issue of shares to the Shareholders of SANGEETA and KRISHNA.
- 2.5. 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.
- 2.6. Further, M/s. R Shah & 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.
- 2.7. Upon the Scheme becoming effective, Transferee Company i.e., HARIT shall be a Public Limited Company and the equity shares of HARIT shall be listed on BSE Ltd.

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 which will result in cost benefits, higher operating and other efficiencies. This Scheme will also result in pooling of financial, managerial and technical resources.

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 Companies 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:

1. The management of the Transferor Companies and the Transferee Company believe that the business existing in the Transferor Companies should be consolidated with the Transferee Company for the following primary reasons:
 - i. The amalgamation of the Transferor Companies with and into the Transferee Company will enable consolidation of the business and operations of the Transferor Companies 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 the Transferor Companies 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.
 - v. The combined managerial resources of Transferor Companies would enhance the capability of the Transferee Company to invest in larger and

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sophisticated projects to ensure rapid growth and would consolidate the strategic strength of the Amalgamated Company/ Transferee Company

- vi. It would also lead to growth prospects for the personnel and organizations connected with these Companies.
2. Rule 19(1) of Securities Contracts (Regulation) Rules, 1957 the Company seeking listing on any Recognised Stock Exchange shall be a Public Company. Therefore, as an integral part of the Scheme, upon the Scheme being effective, the Transferee Company shall stand converted into a 'public company' in terms of the Sections 13, 18 and other applicable provisions of the Act and rules made thereunder.
3. The Management of the Companies deliberated on the condition of BSE requiring the Transferee Company to have minimum paid up Share Capital of 3 Crores post the Scheme of Arrangement. Therefore, in order to comply with the Condition of BSE, the Board of Transferee Company proposes to issue 12,00,00,000 Bonus Equity Shares to Shareholder of the Transferee Company after giving effect of the Amalgamation, as an integral part of the Scheme, upon the Scheme being effective. The Management of the Transferee Company states that the Company, post Arrangement, would have sufficient reserves to facilitate the said Bonus issue and the said Issue is in compliance with Conditions laid in Section 63 of the Act read with Rule 9 of the Companies (Share Capital and Debentures) Rules, 2014 and Chapter XI of Securities And Exchange Board Of India (Issue Of Capital And Disclosure Requirements) Regulations, 2018.
4. The Transferee Company shall make an application to BSE for listing of its Equity Share Capital on BSE under Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957.
5. The Scheme is in the best interests of the shareholders, employees, creditors and all stakeholders of each of the Parties (as defined hereinafter).

3.3. Synergies of business of the entities involved in the scheme

The Scheme would enable integration of Transferor Companies and the Transferee Company'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

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expected to provide opportunity to the Transferee 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

HARIT holds 100% Share Capital of SANGEETA and KRISHNA. Therefore, there shall be no issue of shares in consideration of transfer of undertakings of SANGEETA and KRISHNA.

Both the promoter and non-promoter shareholders of the PRATIK will receive equity shares in the Transferee Company in accordance with Clause 9.1 of the Scheme. The share swap worked out by the Management is in consonance with the Valuation Report dated May 22, 2023 issued by Mr. Ramesh Chand Kumawat, Registered Valuer.

None of the Transferor Company hold shares into Transferee Company.

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.

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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.

3.6. 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 Pratik Panels Limited**



**Piyush Upadhyay
Chairman of Audit Committee**

