

**REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF DHAMPUR SUGAR MILLS LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN DHAMPUR SUGAR MILLS LIMITED, DHAMPUR BIO ORGANICS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

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**MEMBERS PRESENT:**

1. Shri Ashwani K Gupta, Chairman
2. Shri Priya Brat
3. Shri Mahesh Prasad Mehrotra
4. Shri Satpal Kumar Arora
5. Ms Nandita Chaturvedi

**Also Present:**

1. Shri Akshay K Gupta, Advisor
2. Shri Susheel Mehrotra, Chief Financial Officer
3. Shri Nalin K Gupta, Joint Chief Financial Officer
4. Ms Aparna Goel, Company Secretary

**1. BACKGROUND**

- 1.1 A meeting of the Committee of Independent Directors ("**Committee**") of the Board of Directors of Dhampur Sugar Mills Limited ("**Demerged Company**") was held on 7<sup>th</sup> June, 2021 to consider and, if thought fit, recommend to the Board of Directors of the Demerged Company the draft scheme of arrangement (the "**Scheme**") between Demerged Company and Dhampur Bio Organics Limited ("**Resulting Company**") (Demerged Company and the Resulting Company, together referred to as the "**Companies**"). The proposed Scheme will be effective from the Appointed Date (as defined in the Scheme) and operative from the Effective Date (as defined in the Scheme).
- 1.2 The Scheme *inter alia* provides for the transfer by way of demerger of the Demerged Undertaking (as defined in the Scheme) from the Demerged Company to the Resulting Company and the consequent issue of equity shares to shareholders of the Demerged Company by the Resulting Company as consideration for the transfer of the Demerged Undertaking ("**Demerger**"). Pursuant to the Demerger, all the shareholders of the Demerged Company will be allotted shares in the Resulting Company in proportion to their shareholding in the Demerged Company.
- 1.3 The Scheme will be filed with the National Company Law Tribunal, Allahabad bench ("**NCLT**"), under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, and the rules and regulations issued thereunder. The Scheme will also be in compliance with 2(19AA) and the other applicable provisions of the Income-tax Act, 1961, in each case, as amended and the Master circular bearing number SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 ("**SEBI Master Circular**") consolidating SEBI circulars dated March 10,





2017, March 23, 2017, May 26, 2017, September 21, 2017, January 3, 2018, September 12, 2019 and November 3, 2020 issued by the Securities and Exchange Board of India ("SEBI"), as amended from time to time (collectively the "SEBI Circulars").

- 1.4 The Scheme is subject to receipt of approvals of the board of directors, shareholders and creditors of Companies and approval of other regulatory authorities as may be required, including those of the National Stock Exchange of India Limited and BSE Limited (collectively "Stock Exchanges"), SEBI and the NCLT.
- 1.5 In terms of the SEBI Circulars, a report from the Committee is required for recommending the draft Scheme, taking into consideration *inter alia* that the Scheme is not detrimental to the shareholders of the listed entity. This report of the Committee is made in order to comply with the requirements of the SEBI Circulars.
- 1.6 The following documents were placed before the Committee:
  - (i) The draft Scheme;
  - (ii) Share entitlement ratio report dated 7<sup>th</sup> June, 2021, issued by Anuradha Gupta, Registered Valuer - Securities and other Financial Assets, IBBI Registration No. IBBI / RV /02/2020/12790, jointly appointed by the Demerged Company and the Resulting Company for recommendation of share entitlement ratio under the Scheme ("**Share Entitlement Ratio Report**");
  - (iii) Fairness Opinion dated 7<sup>th</sup> June, 2021 issued by Centrum Capital Limited, an Independent SEBI registered Category-I Merchant Banker, confirming that the share entitlement ratio in the Share Entitlement Ratio Report is fair to the equity shareholders ("**Fairness Opinion**");
  - (iv) Certificate dated 7<sup>th</sup> June, 2021 issued by Atul Garg & Associates, Chartered Accountants, Statutory Auditors of the Demerged Company confirming that the accounting treatment contained in the Scheme is in compliance *inter alia* with all the applicable accounting standards specified by the Central Government under Section 133 of the Act and other generally accepted accounting principles;
  - (v) Audited financial statements of the Demerged Company for the year ending March 31, 2021, March 31, 2020 and March 31, 2019 along with audited financial statements of Resulting Company for the period ended March 31, 2021.

## 2. Salient Features Of The Scheme

The Committee considered and observed that the draft Scheme provides for the following:

- (i) Demerger of the Demerged Undertaking of the Demerged Company and transfer of the same to the Resulting Company, being a wholly owned subsidiary of the Demerged Company;
- (ii) Issue and allotment of equity shares of the Resulting Company to all the shareholders of the Demerged Company in proportion to their shareholding in the Demerged Company, as consideration for the transfer of the Demerged Undertaking as per an identified share entitlement ratio, in such manner that the shareholding of the Demerged Company and Resulting company mirror one another;





- (iii) Immediately upon the issue and allotment of equity shares of the Resulting Company to the shareholders of the Demerged Company, the existing equity shares of the Resulting Company shall stand cancelled;
- (iv) Following the completion of the issuance and allotment of shares of the Resulting Company to all the shareholders of the Demerged Company as above, subsequent transfer by the GV Promoter Group (as defined in the Scheme) of equity shares held by them in the Resulting Company to GT Promoter Group and transfer by the GT Promoter Group (as defined in the Scheme) of the equity shares held by them in the Demerged Company to GV Promoter Group, in accordance with the Scheme;
- (v) The Appointed Date means the opening of business hours on April 1, 2021 or such other date as the NCLT may direct/allow; and
- (vi) The Scheme will come into effect from the Effective Date (as defined in the Scheme), being the date on which all conditions and matters referred to in Clause 31 of the Scheme occur or have been fulfilled, obtained or waived, as applicable, in accordance with the Scheme.

### 3. **Rationale Of The Scheme**

The Committee members discussed and noted the rationale and the benefits of the proposed Scheme and other key financial and other indicators as mentioned below —

- 3.1 The proposed Demerger will create opportunities for pursuing independent growth and expansion strategies in the segregated businesses and effectively unlock value of each of the manufacturing units. The Demerger also represents an opportunity for the public shareholders to exploit the individual potential of both Companies.
- 3.2 The segregation will allow each of the companies to create a strong and distinctive platform with more focused management teams, which will enable greater flexibility to pursue long-term objectives and independent business strategies. The structure will streamline management and provide diversity in decisions regarding the use of respective cash flows for dividends, in capital expenditure or other reinvestment in their respective business, and in being able to explore varied investment opportunities and attract various investors and strategic partners.
- 3.3 The business units of the Demerged Company are independent, self-sufficient in raw material, and standalone integrated, and would continue to function with efficiency, efficacy and synergies after the Demerger, and transition will be largely seamless.
- 3.4 The Demerger at this juncture will also create a framework for succession planning including long term leadership of each Company with a view to ensure that the management and ownership model of the Demerged Company is not hindered by fragmentation of ownership and dispersed leadership over time as the promoter-manager family moves closer to a generational shift, which may be detrimental to the Demerged Company, business and stakeholders. Instead, following the Demerger, the management of each Company and





ownership of the promoter-managers in each Company will remain consolidated within a family group, and will be lean and agile. This will also ensure long term stability including through continued maintenance of goodwill and harmony and allow for succession planning in an orderly and strategic manner without any business disruption.

3.5 Following the Demerger, the shareholding of public shareholders will remain the same in both Companies and shareholder value, across Companies, will be preserved and remain unchanged on account of the Demerger.

#### 4. Valuation methods evaluated for the share entitlement ratio

4.1 The Independent Directors Committee noted that the Share Entitlement Ratio Report issued by the Registered Valuer, *inter-alia* recommended the share entitlement ratio for the proposed demerger of the Demerged Undertaking into the Resulting Company.

4.2 The Committee reviewed the Share Entitlement Ratio Report and noted that it states that the share entitlement ratio and the number of shares to be allotted pursuant to Demerger, under the draft Scheme, is of no material relevance since there will be no loss of economic interest in the hands of shareholders of the Demerged Company. Accordingly, for the purpose of recommending a share entitlement ratio the Registered Valuer has not attempted to arrive at the absolute value of shares of each of the Demerged Company and Resulting Company.

4.3 The Committee then noted the share entitlement ratio as proposed under the Share Entitlement Ratio Report as under:

***“1 (One) fully paid up equity share of Dhampur Bio Organics Limited of INR 10 each shall be issued to the shareholders of Dhampur Sugar Mills Limited for every 1 (one) fully paid up equity share of Dhampur Sugar Mills Limited having face value of INR 10 each held by them.”***

#### 5. Scheme not detrimental to the shareholders of Demerged Company

The Committee members discussed and deliberated upon the rationale and salient features of the Scheme. The Committee noted that proposed Scheme provides for segregation of businesses and effectively the unlocking of value of each of the manufacturing units, thereby creating strong and distinct platforms for the independent management of each of the Companies. This is also expected to facilitate long term stability through continued maintenance of goodwill and harmony and allow for succession planning in an orderly and strategic manner, the absence of which may result in value erosion.

The Scheme provides for potential long-term value creation with short-term value neutrality for all stakeholders of the Companies, while maintaining business efficiencies. Although the proposed Scheme would lead to incurring of some costs towards implementation, the benefits of the said Scheme over a longer period, in the view of the Committee, outweigh such costs for the Demerged Company and Resulting Company stakeholders of the Companies.



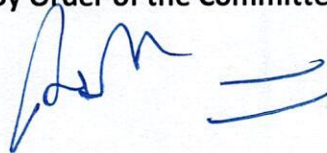
The shareholders of the Demerged Company shall all be issued and allotted a proportionate number of shares in the Resulting Company, in consideration for the transfer of Demerged Undertaking pursuant to the Demerger in accordance with a share entitlement ratio recommended by an independent registered valuer. These shares of the Resulting Company to be issued to the shareholders of the Demerged Company are proposed to be listed on the Stock Exchanges. Thus, the promoter to public shareholding ratio in the Resulting Company pursuant to the Scheme will remain unchanged from that in the Demerged Company as a result of the Demerger. Therefore, on the basis of the above, it is expected that there will not be an adverse impact on the shareholders of the Demerged Company on account of the Demerger.

The Committee noted that the Scheme is subject to approval by the shareholders of the Demerged Company. The Committee also noted that the Scheme will be effected in strict compliance with applicable law, and in accordance with the requirements set out under paragraphs 10(a) and 10(b) of Part-I of the SEBI Master Circular.

#### **6. Recommendations Of The Committee**

The Committee after due deliberations and due consideration of all the terms of the draft Scheme, the above rationale, Share Entitlement Ratio Report, Fairness Opinion and the specific points mentioned above including that the Scheme is not detrimental to the shareholders of the Demerged Company, recommends the draft Scheme for favourable consideration and approval by the Board, Stock Exchanges, SEBI and other appropriate authorities.

**By Order of the Committee of Independent Directors of Dhampur Sugar Mills Limited.**



**Ashwani Kumar Gupta**  
**Chairman of the Committee of Independent Directors**

**Date: 7<sup>th</sup> June, 2021**

**Place: New Delhi**