

Fermenta Biotech Limited (formerly known as DIL Limited)

CIN : L99999MH1951PLC008485

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REPORT OF THE AUDIT COMMITTEE OF FERMENTA BIOTECH LIMITED BEARING CIN: L99999MH1951PLC008485 APPROVING THE DRAFT COMPOSITE SCHEME OF AMALGAMATION AND ARRANGEMENT AMONGST DVK INVESTMENTS PRIVATE LIMITED AND AEGEAN PROPERTIES LIMITED AND FERMENTA BIOTECH LIMITED AND THEIR RESPECTIVE SHAREHOLDERS ISSUED AT THE MEETING OF THE AUDIT COMMITTEE OF THE COMPANY HELD ON JANUARY 31, 2022

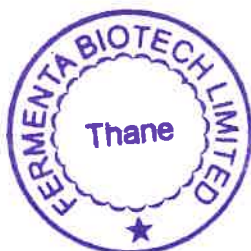
Present Members :

1. Mr. Sanjay Buch (Chairman)
2. Dr. Gopakumar Nair
3. Mr. Vinayak Hajare

1. Background

Based on the recommendation of the Independent Directors' Committee (Business Restructuring) ["Committee of Independent Directors"], the Audit Committee at its meeting held on October 11, 2021, had considered and made recommendation to the Board of Directors for approval of the draft Composite Scheme of Amalgamation and Arrangement (hereinafter referred to as "**Scheme**") amongst DVK Investments Private Limited ("**DVK**" or the "**Transferor Company 1**") and Aegean Properties Limited ("**APL**" or the "**Transferor Company 2**") and Fermenta Biotech Limited ("**FBL**" or the "**Transferee Company**" or "**the Company**") and their respective shareholders.

However, in view of the recent SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated 23rd November 2021 read with BSE Limited's notice no. 20211101-8 dated November 1, 2021 regarding the standard operating procedures on application filed under Regulation 37 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 w.r.t. Scheme of Arrangements ("BSE Notice"), to comply with the applicable requirements, revised proposal had been placed before the Audit Committee at their meeting held on January 31, 2022 which was considered and recommendation has been made to the Board for approval of the draft Composite Scheme of Amalgamation and Arrangement (hereinafter referred to as "**Scheme**") amongst DVK Investments Private Limited ("**DVK**" or the "**Transferor Company 1**") and Aegean Properties Limited ("**APL**" or the "**Transferor Company 2**") and Fermenta Biotech Limited ("**FBL**" or the "**Transferee Company**" or "**the Company**") and their respective shareholders as required by SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, applicable provisions of the Companies Act, 2013 (including relevant rules and regulations) and Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.



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This Report of Audit Committee is made in order to comply with the provisions of the Securities and Exchange Board of India ('SEBI') (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 read with BSE Notice.

The draft Scheme was placed before the Audit Committee to consider and recommend the same to the Board of Directors of the Company after taking into account the following necessary draft documents:

- a) Draft Scheme, duly initialed by the Chairman of the Audit Committee of the Company for the purpose of identification;
- b) Share Exchange Ratio Report dated January 29, 2022 issued by Mr. Niranjana Kumar, Registered Valuer – Securities or Financial Assets, providing the share exchange ratio for the proposed Scheme;
- c) Fairness Opinion dated January 29, 2022 prepared by Kunvarji Finstock Private Limited, a SEBI Registered Category I Merchant Banker, providing the Fairness Opinion on the share exchange ratio ("Fairness Opinion") as recommended by Mr. Niranjana Kumar, Registered Valuer – Securities or Financial Assets; and
- d) Certificate dated October 11, 2021 issued by the Statutory Auditors of the Company i.e., Deloitte Haskins & Sells LLP, Chartered Accountants, to the effect that the Scheme is in compliance with the applicable Accounting Standards as specified by the Central Government under Section 133 of the Companies Act, 2013.

2. Need, Rationale and Synergies of business of the entities involved in the Scheme

At present, DVK holds 51.22% of the share capital of FBL and is disclosed as a "Promoter" in all the statutory filings of FBL. The shareholders to DVK are intending to hold the shares of the Company directly as to demonstrate direct commitment to and engagement with FBL. In this connection, it has been proposed to amalgamate DVK into the Company.

In case of APL, the entire paid up equity share capital of APL is held by FBL and therefore, in order to streamline the group structure, it has been proposed to consolidate the business operations of APL with FBL.

FBL and DVK and APL are desirous of amalgamating DVK and APL as a going concern with the Transferee Company in accordance with sections 230 to 232, and/or other applicable provisions of the Companies Act, 2013.

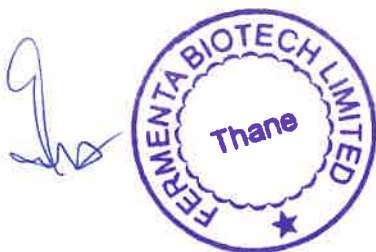


The amalgamation of DVK and APL with FBL is sought to be undertaken to achieve the following benefits

- i. Simplification of the group structure and consolidation of legal entities;
- ii. Reducing the number of legal entities, resulting into lesser administrative and regulatory compliances;
- iii. Simplification of the shareholding structure and reduction of shareholding tiers thereby providing greater transparency in relation to the Promoters' direct engagement with the Transferee Company;
- iv. Improved allocation of capital and optimization of cash flows contributing to the overall growth prospectus of the combined entity;
- v. Creation of a larger asset base by consolidation of the assets and facilitation of access to better financial resources;
- vi. The Transferee Company would benefit from freeing up of management time, and related cost savings, as the simplification of the group structure would reduce intra-group transaction reporting requirements that apply to the Transferee Company;
- vii. Enable greater / enhanced focus of the management on the business; and
- viii. Creating enhanced value for Transferee Company's shareholders and allow a focused strategy in operations, which would be in the best interest of all its shareholders, creditors and all other stakeholders.

There would be no change in the paid-up share capital of FBL, pursuant to the amalgamation of DVK and APL with FBL.

By virtue of the Scheme coming into effect, there would neither be any adverse change in the financial position of FBL nor would there be any change in control over FBL, as the existing shareholders of DVK will continue to jointly exercise control over FBL in a similar manner as they are controlling currently through DVK. Further, the shareholders of DVK shall indemnify FBL and keep FBL indemnified from and against any liability, claim or demand of DVK that may devolve on FBL on account of the Amalgamation.



3. Impact of the Scheme on the shareholders

The proposed amalgamation will result into simplification of group structure and enable the shareholders of Transferor Company 1 to directly hold shares in FBL, which will lead to reduction of shareholding tiers. The said amalgamation shall, demonstrate the Promoter Group's direct commitment to and engagement with the Company.

Creation of a larger asset base by consolidation of the assets of all the companies and facilitation of access to better financial resources may result in creation of enhanced value for shareholders and enable a focused strategy in the operations.

As a part of the Scheme, for amalgamation of DVK into FBL, the issuance of shares to the shareholders of Transferor Company 1 would be based on the share exchange ratio report issued by Mr. Niranjana Kumar, Registered Valuer – Securities or Financial Assets. As per the share exchange ratio report, FBL would be issuing same number of shares to the shareholders of DVK (currently DVK is holding 51.22% of paid up equity shares in FBL) and accordingly, there would be no change in the share capital of FBL.

For amalgamation of APL into FBL, there will be no issuance of shares by FBL as the entire share capital of APL is held by FBL. Thus, the issuance of shares pursuant to the Scheme would not be adversarial to the shareholders of the Transferor Company 1 and Transferor Company 2.

In view of the above, the Scheme will not adversely affect the rights or interest of any shareholder.

4. Cost benefit analysis of the Scheme

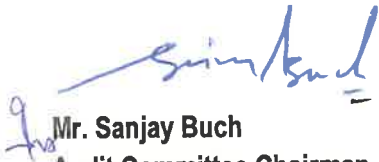
Implementation of the Scheme shall result in appropriate consolidation of activities of Transferor Company 1 and Transferor Company 2 with pooling and more efficient utilization of their resources, reduction in overheads and other administrative expenses. The Company would incur only the cost for advisors and stamp duty as implementation costs for the Scheme. However, the value of assets to be received by FBL from Transferor Company 1 will be far more than the cost of implementation which will be borne by FBL, as FBL is not giving any consideration for these surplus assets. Further, costs incurred towards the implementation of the Scheme foreshadows the long-run benefit that can be derived by achieving greater / enhanced focus of the management on the business.



5. Recommendation of the Audit Committee

On the recommendation of the Committee of Independent Directors (Business Restructuring) and after due deliberations and due consideration of all the terms of the draft Scheme, Share Exchange Ratio Report, Fairness Opinion Report, Certificate from Statutory Auditors and the specific points mentioned above, the Audit Committee recommends the draft Scheme for favourable consideration and approval by the Board of Directors of the Company, BSE, Securities and Exchange Board of India and other statutory / regulatory authorities including National Company Law Tribunal, Mumbai Bench.

For Fermenta Biotech Limited



Mr. Sanjay Buch
Audit Committee Chairman

Date : January 31, 2022

Place: Mumbai



