



MTR FOODS PRIVATE LIMITED

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF MTR FOODS PRIVATE LIMITED AT ITS MEETING HELD ON 20 OCTOBER 2021 EXPLAINING THE EFFECT OF THE SCHEME OF AMALGAMATION OF EASTERN CONDIMENTS PRIVATE LIMITED WITH MTR FOODS PRIVATE LIMITED ON THE SHAREHOLDERS, KEY MANAGERIAL PERSONNEL, PROMOTERS AND NON-PROMOTER SHAREHOLDERS PURSUANT TO THE PROVISIONS OF SECTION 232(2)(C) OF THE COMPANIES ACT, 2013. ("REPORT")

1. Background

- (i) The Board of Directors of MTR Foods Private Limited ("**Board**") approved the Scheme of Amalgamation between Eastern Condiments Private Limited ("**Transferor Company**" or "**ECPL**") with MTR Foods Private Limited ("**Transferee Company**" or "**MTR**") and their respective shareholders and creditors ("**Scheme**"), at its board meeting held on 20 October 2021, and the directors attending the meeting have voted unanimously in favour of the approval of the Scheme.
- (ii) In terms of Section 232(2)(c) of Companies Act, 2013 ("**Act**"), the Board has adopted a report explaining the effect of the Scheme on each class of shareholders, key managerial personnel ("**KMPs**"), promoters and non-promoter shareholders of MTR laying out in particular the share exchange ratio and specifying any special valuation difficulties, if any, and the same is required to be circulated as part of the notice of the meeting(s) to be held for the purpose of approving the Scheme.
- (iii) Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Scheme.

2. Rationale of the Scheme

The rationale for the amalgamation of the Transferor Company with the Transferee Company is, *inter alia*, as follows:

- (i) Both the Transferor Company and the Transferee Company are currently engaged in similar business activities, i.e., manufacturing, distribution and sale of spices and condiments, convenience foods and other food products. Hence, the amalgamation will result in (i) the optimum utilization of resources by bringing them under one entity and consequent consolidation of technical and managerial expertise of the two companies, (ii) the expansion of the existing business operations of the Transferee Company by combining with the business of the Transferor Company, (iii) the creation of enhanced value for the shareholders of both the Transferee Company and the Transferor Company by way of improved financial structure and cash flow, enhanced asset base, consolidated revenues and higher profitability, (iv) improved product availability for customers due to significant synergies in research and development enabling the amalgamated entity to cater to a larger array of consumers and the existing customers with a better selection of products; (v) enhanced scale of operations by optimal utilization of resources and distribution network of the combined entity.

Further, the amalgamation will make available the following benefits to the amalgamated entity and its shareholders:

- (a) operational synergies, centralisation, simplification, streamlining and facilitation of efficient administration and reduction of administrative costs and productivity gains by pooling of financial,

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managerial and technical resources, personnel capabilities, skills, expertise and technologies of the Parties;

- (b) enhanced potential for higher revenues and profits for the amalgamated entity and its shareholders. The amalgamation would provide synergistic linkages besides economies of scale by combining the businesses and operations of the Transferor Company and the Transferee Company, and thus contribute to the profitability of the amalgamated entity by *inter alia* rationalization of management and administrative structure;
 - (c) the amalgamation would remove the multiplicity of legal and other regulatory compliances, required to be carried out by the Transferor Company and the Transferee Company separately; and
 - (d) the amalgamation would significantly reduce the various running costs and overheads involved in running the business.
- (ii) In order to achieve the above-mentioned objectives, the respective Boards of Directors of the Transferor Company and the Transferee Company have approved the proposed Scheme and decided to make an application to the National Company Law Tribunal, Bengaluru Bench under Section 230 to 232 and other applicable provisions of the Act for the sanction of the Scheme for the amalgamation of the Transferor Company into the Transferee Company. The Scheme also makes provisions for various other matters which are consequential or integral to the proposed amalgamation

3. Effect of Scheme on each class of Shareholders, Key Managerial Personnel, Promoters and Non-Promoter Shareholders:

- (i) There is expected to be no adverse effect of the Scheme on the key managerial personnel, directors, promoters, non-promoter shareholders, creditors and employees of either the Transferor Company or the Transferee Company.
- (ii) The Scheme shall also not have any effect on the material interests of any of the directors or key managerial personnel of the Transferor Company or the Transferee Company. Any outstanding amounts payable by the Transferor Company shall stand transferred onto the Transferee Company and shall be payable by the Transferee Company. Further, the services of all transferred employees and/ or managerial personnel of the Transferor Company to the Transferee Company will be treated as having been continuous for the purpose of the aforesaid employee benefits and/ or liabilities.

A. Shareholders, Key Managerial Personnel and Promoter & Non-Promoter Shareholders:

- (a) Upon approval of the Scheme, the amalgamation will result in all the shareholders of the Transferor Company and Transferee Company deriving value for their shares as a result of their direct shareholding in the combined business, leading to a larger and diversified shareholder base, better trading and liquidity position in the equity shares and relatively higher market capitalization.
- (b) The directors of the Transferor Company will cease to be directors of the Transferor Company consequent to the dissolution without winding up of the Transferor Company pursuant to the Scheme.

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- (c) The Scheme will have no effect on the office of existing directors of the Transferee Company. It is clarified that following the approval of the Scheme, the composition of the Boards of Directors of the Transferor Company or the Transferee Company may change by appointments, retirements or resignations in accordance with the provisions of the Companies Act, 2013 and the Memoranda and Articles of Association of such companies, but the Scheme itself does not affect the office of directors of the Transferee Company.

B. Staff, Workmen & Employees

- (a) All staff, workmen and employees of the Transferor Company in service on the Appointed Date and who continue to be in service on the Effective Date shall be deemed to have become staff, workmen and employees of the Transferee Company without any break or interruption in their service and on the basis of continuity of service, with effect from the later of the Appointed Date or the actual date of joining the Transferor Company.
- (b) It is expressly provided that, on the Scheme becoming effective, the provident fund, gratuity fund, superannuation fund or any other special funds or trusts, if any, created or existing for the benefit of the staff, workmen and employees of the Transferor Company shall become funds of the Transferee Company for all purposes whatsoever in relation to the administration or operation of such funds or in relation to the obligation to make contributions to the said funds in accordance with the terms provided in the respective trust deeds, if any, to the end and intent that all rights, duties, powers and obligations of the Transferor Company in relation to such funds shall become those of the Transferee Company. It is clarified that for the purpose of administration of the said funds, the services of the staff, workmen and employees of the Transferor Company will be treated to be continuous with the Transferee Company from the date of employment as reflected in the records of the Transferor Company.

C. Creditors

It is hereby submitted that scheme of amalgamation does not affect the rights of the creditors of the Transferor Company or the Transferee Company, and all debts, liabilities, duties and obligations of the Undertaking outstanding as on the Effective Date, whether or not provided for in the books of account of the Transferor Company shall without any further act or deed, be transferred to or be deemed to be transferred to the Transferee Company so as to become, the debts, liabilities, duties and obligations of the Transferee Company.

4. Adoption of the Report by the Directors:

- (i) Upon considering all relevant factors and circumstances, the Valuation Report dated 20 October 2021 has been issued by CA Harsh Chandrakant Ruparelia, Chartered accountant and Registered Valuer - Securities or Financial Assets, having IBBI Registration No. IBBI/RV/05/2019/11106; and Membership No. ICMAI RVO/S&FA/00054, the Board has adopted this report after noting and considering the information set forth in the report.
- (ii) The Board is entitled to make relevant modifications to this report, if required and such modification or amendments shall be deemed to form part of this report.



By Order of the Board
MTR Foods Private Limited

Sd/-

Company Secretary

BRC Certified Company
CIN: U15136KA 1996PTC021007
Orkla Group Company

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