

RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN I) EFC (I) LIMITED AND ITS SHAREHOLDERS AND CREDITORS; AND II) WHITEHILLS INTERIOR LIMITED AND ITS SHAREHOLDERS AND CREDITORS (“SCHEME”) ADOPTED AT ITS MEETING HELD ON 20-07-2023.

The following members of the Audit Committee were present:

- a. Gayathri Srinivasan Iyer- Chairman
- b. Mangina Srinivas Rao- Member
- c. Rajesh Chandrakant Vaishnav- Member

1. Background

1.1 The draft Scheme of Arrangement between i) EFC (I) LIMITED (“Transferee Company”) and its shareholders and creditors; and ii) WHITEHILLS INTERIOR LIMITED (“Transferor Company”) and its shareholders and creditors, under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“Scheme”), was presented to the Committee at its meeting held on 20-07-2023, for its consideration and making recommendation to the Board of Directors of the Company (“Board”).

1.2 The Transferee Company is a company incorporated under the Companies Act, 1956. The Company, inter alia, viz., EFC (I) Limited. The Transferee Company is a listed company and listed on BSE Limited.

1.3 The Transferor Company is a company incorporated under the Companies Act, 2013. The Company, inter alia, viz., Whitehills Interior Limited an unlisted public company (as defined in the Scheme) and is a subsidiary of EFC (I) LIMITED. The equity shares of the Transferor Company are presently not listed on the Stock Exchanges.

1.4 The Promoters of both the companies are same. The Transferor Company is a subsidiary of the Transferee Company. The promoter along with other shareholders of the Transferee Company also holds 49% of the Issued and subscribed share capital of the Transferee Company.

1.5 This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) and SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 as amended (“SEBI Circular”) read with SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021.

1.6 Related party Transaction

The committee considered the fact that the Promoters of both the companies are same. The Transferor Company is a subsidiary of the Transferee Company. The promoter along with other shareholders of the Transferee Company also holds 49% of the Issued and subscribed share capital of the Transferee Company and shares will be issued on a swap basis, hence falls under the ambit of related party transactions.

1.7 Following documents were considered by the Committee:

- a. Draft Scheme, duly initiated by the Company Secretary of the Company for the purpose of identification;
- b. Share entitlement ratio report dated 20-07-2023 issued by Mr. Bhavesh M Rathod, independent Registered Valuer (“Share Entitlement Ratio Report”);

- c. Fairness opinions each dated 20-07-2023 issued by Navigant Corporate Advisors Limited, Independent Merchant Bankers (“Fairness Opinions”);
- d. The committee considered the fact that the Promoters of both the companies are same. The Transferor Company is a subsidiary of the Transferee Company. The promoter along with other shareholders of the Transferee Company also holds 49% of the Issued and subscribed share capital of the Transferee Company and shares will be issued on a swap basis, hence falls under the ambit of related party transactions.
- e. Draft certificate of the Statutory Auditors of the Company, on the accounting treatment prescribed in the Scheme (“Auditors Certificate”); and
- f. Draft undertaking to be given by the Company confirming that approval of majority of public shareholders as prescribed under Paragraph (A)(10)(b) of Part I of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 is applicable to the Scheme along with draft certificate of the Statutory Auditors of the Company, certifying the said undertaking.

2. Salient feature of the Scheme

2.1 The Scheme, inter alia, provides for —

- a. merger, transfer and vesting of the transferor company (as defined in the Scheme) from the transferor Company into the Transferee Company on a going concern basis, and issue of equity shares by the Transferee Company to the shareholders of the transferor Company, in consideration thereof, in accordance with the provisions of Income Tax Act, 1961; and
- b. reduction and cancellation of the entire pre-scheme share capital of the Transferor Company.

The Scheme also provides for various other matters consequent and incidental thereto.

2.2 The Transferee Company New Equity Shares that are to be issued in terms of the Scheme shall be issued in dematerialised form and shall be listed on BSE Limited in compliance with the SEBI Circular and other relevant provisions as may be applicable.

2.3 The Appointed Date for the Scheme is 01-04-2023 or such other date as may be approved by the Boards of the Transferor Company and the Transferee Company.

2.4 The Effective Date for the Scheme is the day on which all conditions precedent set forth in Clause 25 (Conditions Precedent) of the Scheme are fulfilled or the Appointed Date, whichever is later.

2.5 The Scheme is subject to necessary statutory / regulatory approvals under applicable laws including approvals of respective shareholders and creditors, approval of the Stock exchange, Securities and Exchange Board of India, Reserve Bank of India, the National Company Law Tribunal and all other regulators / authorities as may be required.

3. Comments by the Audit Committee on the Scheme

3.1 Need for the merger and rationale of the Scheme

The Committee noted the following rationale and benefits of the Scheme:

The Amalgamation of the subsidiary company into the Holding Transferee company pursuant to this Scheme would, inter alia, have the following benefits:

- (i) The Transferor Company is in the business in India as stated in **Clause A** of the Scheme, the Transferor Companies have decided to undertake amalgamation of the business of

the Transferor Company with the Transferee Company because of the business lines which presently complements the Businesses of the Transferor Company.

- (ii) The Promoter(s)/ ultimate beneficiary owner of all the Companies are same. After the amalgamation, the promoters will give and devote more time to look after the day to day activities of the Company. The Shareholders/ Directors are mainly common for both the Transferee and Transferor Companies. The Transferee Company presently holding 51% of the issued and paid up capital of the Transferor Company.
- (iii) The Amalgamation is in line with the Transferee Company's strategy to build a sustainable and profitable business in India. The Transferor Company and the Transferee Company expect significant synergies through supply chain opportunities and operational improvements, go-to-market and distribution network optimization, scale efficiencies in cost areas such as marketing, and optimization of overlapping infrastructure.
- (iv) It would be advantageous to combine the activities and operations of the all the companies into a single Company for synergistic linkages and the benefit of combined financial resources. This will be reflected in the profitability of the Transferee Company.
- (v) Amalgamation of the Transferor Company with the Transferee Company will also provide an opportunity to leverage combined assets and build a stronger sustainable business. Specifically, the merger will enable optimal utilization of existing resources and provide an opportunity to fully leverage strong assets, capabilities, experience, expertise and infrastructure of both the companies. The merged entity will also have sufficient funds required for meeting its working capital needs and other purposes raised as provided for in the scheme.
- (vi) The Scheme of arrangement will result in cost saving for both the companies as they are capitalizing each other's core competency and market which is expected to result in higher profitability levels and cost savings for the merged Company.
- (vii) The Accumulated Losses of the Transferor Company (if any) will be absorbed with the profits of the merged entity as per the provisions of the Income Tax Act, 1961.

The Amalgamation is in accordance with the Section 2(IB) of the Income Tax Act, 1961 and the Transferor Company as well as the Transferee Company will be able to avail of the benefits available under the Income tax Act, 1961 and any other provisions applicable and available under the Indian laws.

- (viii) The Transferee Company will have the benefit of the combined resources of Transferor and Transferee Companies i.e. Reserves, investments, goodwill, manpower, finances, customers, distributors, brands etc. at its disposal for meeting its requirements.
- (ix) Transferor as well as Transferee Company share common fundamental management philosophies viz. better corporate Transparency and better Governance. The Companies also share common corporate values.

3.2 Synergies of businesses of the entities involved in the Scheme

Transferor company is into interior designing, interior designing consultancy, manufacturers, assembling, reassembling, repairing, importing, exporting, selling, buying, exchanging,

altering, letting on hire, distributing or dealing in all kinds of ceramic items for homes and offices, curtains, panel products, household utensils, china and glass goods, floorings, wallpapers, kitchenware, carpets and other decorative and utility items etc. business which complement the business of transferee company i.e. developing, buying, selling or renting out serviced and virtual office space, meeting rooms, office equipments, storage facilities, software development centers, network infrastructure, business executive suites, furnished meeting space and any other infrastructure projects including software parks, health care centers and business of software development, web site development, training, exporting, importing, buying, selling, distributing or otherwise deal in any other manner in computer software, computer programming, system software, data processing, data entry data warehousing, systems, software procedures, peripheral products, to commercialize the results in the areas of software engineering, generating technology, software development, and methodology. Hence the business activities are vertically complementing each other. So, in this merger the transferee company will be benefited with these business activities.

3.3 Impact of the Scheme on the shareholders

There will be no Impact on the Shareholders as the Company is Holding Listed Company and the valuation is as per the accounting standard

The promoters of the Transferee Company are by the Scheme consolidating their holding and by virtue of the scheme the promoter holding increase from 54.91% to 69.08%.

3.4 Cost benefits analysis of the Scheme

The subsidiary transferor company presently having profit after tax of Rs. 86.02 Lakh and it has been anticipated that each year the profit increases at a ratio of 30.60 % (average rate of next 6 years), as the said company entered few MOU for expansion.

Post-Merger the Transferor Company's entire business line i.e. interior designing, interior designing consultancy, manufacturers, assembling, reassembling, repairing, importing, exporting, selling, buying, exchanging, altering, letting on hire, distributing or dealing in all kinds of ceramic items for homes and offices, curtains, panel products, household utensils, china and glass goods, floorings, wallpapers, kitchenware, carpets and other decorative and utility items etc. would be added up to the business line of Transferee Company and for the same reason the Profit After Tax of the Transferee Company exponentially increases and will benefit all the Shareholders including the minority stakeholders.

4. Recommendation of the Audit Committee

In view of the above and after taking into consideration the Share Entitlement Ratio Report and the Fairness Opinions, terms and conditions of the Scheme, and its impact on the stakeholders, the Committee recommends the Scheme to the Board of Directors for its consideration and approval.

By Order of the Audit Committee
For EFC (I) Limited

Umesh Kumar Sahay
Managing Director
DIN: 01733060

Dated on this July 20, 2023 at Pune.

