

Report of the Audit Committee of DCW Limited recommending the Scheme of Amalgamation between Dhrangadhara Trading Company Private Limited, Sahu Brothers Private Limited and DCW Limited and their respective shareholders

PRESENT:

1. Mr. Krishnamoorthy Krishnan : Chairperson
2. Mr. Mahesh Vennelkanti : Member

In Attendance:

Mr. Dilip Darji : Sr. General Manger (Legal) &
Company Secretary

Invitees:

1. Mr. Amitabh Gupta :Chief Executive Officer
2. Mr. Sudarshan Ganapathy :Chief Operating Officer
3. Mr. Pradipto Mukherjee :Chief Financial Officer
4. Ms. Asha Patel :Partner, V. Sankar Aiyar & Co., Statutory Auditors
5. Mr. Ramanarayanan J. :Partner, PKF Sridhar & Santhanam LLP, Internal Auditor
6. Mr. Vaibhav Anchaliya :Representative, PKF Sridhar & Santhanam LLP, Internal Auditor

1. A meeting of the Audit Committee of DCW Limited (“DCW” or “Company” or “Transferee Company”) was held on February 13, 2025 to inter alia consider and recommend draft Scheme of Amalgamation between Dhrangadhara Trading Company Private Limited (“Transferor Company 1” or “DTCPL”), Sahu Brothers Private Limited (“Transferor Company 2” or “SBPL”) and the Company and their respective shareholders under Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013 (“Scheme”).
2. The Company is a public company, incorporated in India and validly existing as a company for the purposes of Companies Act, 2013 and the equity shares of the Company are listed on BSE Limited (“BSE”) and National Stock Exchange of India Limited (“NSE”).
3. The Transferor Company 1, is part of the promoter group of the Company and holds 0.43% of total equity shares in the Company.
4. The Transferor Company 2, is also part of the promoter group of the Company and holds 17.77% of total equity shares in the Company.
5. The Scheme inter-alia provides for the amalgamation and vesting of the Transferor Companies with and into the Company on a going concern basis.
6. The Company will be filing the Scheme along with the necessary information / documents with the BSE under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

7. This report of the Audit Committee is made in order to comply with the requirements of the circular SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (“SEBI Master Circular”) issued by the Securities and Exchange Board of India (“SEBI”) (including any amendment(s) or modifications(s) thereto).

8. The following documents were, inter alia, placed before the Audit Committee of the Company:

- a. Scheme;
- b. Share swap report dated February 13, 2025, issued by CA Harsh Chandrakant Ruparelia IBBI Regn No. IBBI/RV/05/2019/11106, an Independent Registered valuer, recommending the share swap ratio as set out in the Scheme (“Share Swap Report”);
- c. Fairness Opinion, dated February 13, 2025 of Seren Capital Private Limited, an independent merchant banker, providing the Fairness Opinion on the share swap ratio recommended in the aforesaid Share Swap Report (“Fairness Opinion”);
- d. Draft Certificate from Statutory Auditor of the Company, confirming that the proposed accounting treatment contained in the Scheme is in compliance with the applicable Accounting Standards specified by the Central Government under Section 133 of the Companies Act, 2013;
- e. Latest shareholding Pattern of the Company, the Transferor Company 1 and the Transferor Company 2;
- f. Audited financial statements of the Company, the Transferor Company 1 and the Transferor Company 2 for the last 3 years; and
- g. Report of the Committee of Independent Directors of DCW recommending the Scheme to the Board of Directors of DCW for approval after due consideration to the effect that the Scheme, inter alia is not detrimental to the shareholders of the Company.

9. The Audit Committee has perused the provisions in the Scheme and have noted as under:

A. Need and Rationale for the Scheme and Synergies of the business entities involved in the Scheme

DTCPL, the Transferor Company 1, is part of the promoter group of the Company and holds 0.43% of total equity shares in the Company.

SBPL, the Transferor Company 2, is also part of the promoter group of the Company and holds 17.77% of total equity shares in the Company.

It is proposed to amalgamate the Transferor Companies into the Transferee Company by the Scheme, as a result of which the shareholders of the Transferor Companies

would directly hold shares in the Transferee Company since it is envisaged that the following benefits would, inter alia, accrue to the Transferee Company:

- a) The promoter group of the Transferee Company is desirous of streamlining its holding in the Transferee Company. As a step towards such rationalization, it is proposed to merge the Transferor Companies into the Transferee Company;
- b) The amalgamation will result in the promoters of the Transferor Companies directly holding shares in the Transferee Company, which will lead not only to simplification of the shareholding structure and reduction of shareholding tiers but also demonstrate the promoter group's direct commitment to and engagement with the Transferee Company;
- c) The promoters group would continue to hold the same percentage of shares in the Transferee Company, pre and post the amalgamation. There would also be no change in the paid-up share capital and financial position of the Transferee Company. All the costs and charges arising out of the Scheme shall be borne by the Transferor Companies or the Promoter / Promoter Group of the Transferee Company.
- d) Further, the shareholders of the Transferor Companies shall indemnify the Transferee Company and keep the Transferee Company indemnified for liability, claim, demand, if any, which may devolve on the Transferee Company on account of this amalgamation.

Accordingly, the Board of Directors of the Transferor Companies and the Transferee Company have formulated this Scheme for transfer and vesting of the Transferor Companies with and into the Transferee Company pursuant to the provisions of Section 230-232 and other relevant provisions of the Companies Act, 2013 (including any statutory modification or re-enactment or amendment thereof). In view of the above, the Scheme will not be prejudicial to the interests of the shareholders, employees, creditors, customers and other stakeholders of the Transferor Companies and the Transferee Company, and there is no likelihood that the interests of any stakeholders would be prejudiced as a result of the Scheme.

B. Impact of the Scheme on the Company and its shareholders:

The Scheme does not involve any financial outgo for the Company and hence it should not affect the financial position of the Company.

The promoters/ shareholders would continue to hold the same percentage of shares in the Company, pre and post the amalgamation. There would also be no change in the paid-up share capital and the financial position of the Company.

Considering the above, economic interest of all shareholders of the Company would continue to remain the same, and there would be no adverse impact on the shareholders of the Company, post implementation of the Scheme.

Further, share swap ratio as submitted by CA Harsh Chandrakant Ruparelia IBBI Regn No. IBBI/RV/05/2019/11106, an Independent Registered valuer, in his report dated February 13, 2025, an independent merchant banker is fair to the shareholders as recommended in the Fairness Opinion dated February 13, 2025, issued by Seren Capital Private Limited, an independent merchant banker. The Audit Committee reviewed the Share Swap Report and the Fairness Opinion thereon, after due deliberation, confirmed that the share swap ratio as recommended therein is fair to the shareholders of the Company.

The Audit Committee also noted that the Scheme is subject to the approval of shareholders of the Company. The Audit Committee was of the opinion that the Scheme is not detrimental to the interest of the shareholders of the Company.

C. Cost benefit analysis of the Scheme

The Company would not incur any costs for advisors, stamp duty, any statutory or incidental/ancillary costs in relation to the Scheme and will be directly be met by the Transferor Companies and/ or the promoters/ promoter group of DCW, as also provided in the Scheme.

Further, the Scheme also provides that the shareholders of the Transferor Companies (i.e., promoter/ promoter group of DCW) shall keep DCW indemnified for liability, claim, demand, if any, which may devolve on DCW on account of this amalgamation. Therefore, the implementation of the Scheme foreshadows the longrun benefit of direct commitment by the promoter/ promoter group in the Company through the removal of various shareholding tiers.

D. Need for the merger

The Audit Committee has carefully reviewed and considered the need for the merger as outlined in the rationale of the Scheme as mentioned above in 'A'. After a thorough examination of the relevant information and discussions with the management, the committee concurs that the reasons for the merger remain consistent with those stated in the Scheme's rationale as mentioned above in 'A'.

10. Consideration / Share Swap Ratio

In respect of share swap ratio, the Audit Committee noted, deliberated and confirmed that the report on recommendation of fair share swap ratio as recommended in the Share Swap Report is fair to the shareholders. Upon scheme becoming effective, shares would be issued as under:

- '12,80,500 fully paid equity shares of INR 2/- each of DCW to be issued and allotted to the Equity Shareholders of DTCPL, in proportion to their holdings in DTCPL in the event of amalgamation of DTCPL into DCW' .

- '5,24,59,860 fully paid equity shares of INR 2/- each of DCW to be issued and allotted to the Equity Shareholders of SBPL, in proportion to their holdings in SBPL in the event of amalgamation of SBPL into DCW'

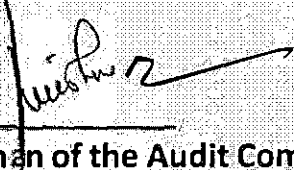
The Fairness Opinion confirmed that the share entitlement in the share swap report is fair. Thus the said Scheme is not detrimental to the shareholders of the Transferor Companies or for the Company itself.

11. The proposed Appointed Date for the Scheme is 1st July, 2024.
12. "Effective Date" means the date on which the Order of the NCLT sanctioning the Scheme is filed with the Jurisdictional Registrar of Companies by the respective companies. Any references in the Scheme to the date of "coming into effect of this scheme" or "effectiveness of this scheme" or "Scheme taking effect" shall mean the Effective Date.
13. Upon the Scheme becoming effective, the equity shares to be issued by DCW to the shareholders of the Transferor Companies as a merger consideration shall be listed on BSE and NSE (subject to trading permission granted by the stock exchanges).
14. The Scheme would be subject to the sanction and approval of the National Company Law Tribunal, SEBI, BSE, NSE, Shareholders and other appropriate authorities;
15. The Scheme is conditional upon approval by the public shareholders of DCW through e-voting in terms of Para I(A)(10) of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 30, 2023, and the Scheme shall be acted upon only if vote cast by the public shareholders in favour of the proposal are more than the number of votes cast by the public shareholders against it.
16. The provisions of the Scheme have been drawn up to comply with the conditions relating to "Amalgamation" as defined under section 2(1B) of the Income Tax Act, 1961 and therefore, may not have any tax implications.

17. Recommendation of the Committee

In light of the foregoing, the Audit Committee after due deliberations and due consideration of all the terms of the Scheme, Report on recommendation of fair equity share entitlement ratio, Fairness Opinion and the specific points mentioned above, recommends the Scheme for favourable consideration by the Board of Directors of the Company.

By Order of the Audit Committee
For DCW Limited



Chairman of the Audit Committee
Krishnamoorthy Krishnan
DIN : 08129657

Date: February 13, 2025
Place: Mumbai