

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF GREENLAM INDUSTRIES LIMITED AT ITS MEETING HELD ON THURSDAY, FEBRUARY 02, 2023, AT THE REGISTERED OFFICE OF THE COMPANY AT 203, 2ND FLOOR, WEST WING, WORLDMARK 1, AEROCITY, IGI AIRPORT, HOSPITALITY DISTRICT, NEW DELHI – 110037, IN ACCORDANCE WITH SECTION 232(2)(c) OF THE COMPANIES ACT, 2013, EXPLAINING EFFECT OF THE SCHEME OF ARRANGEMENT ON EACH CLASS OF SHAREHOLDERS, KEY MANAGERIAL PERSONNEL, PROMOTERS, NON-PROMOTER SHAREHOLDERS LAYING OUT IN PARTICULAR THE SHARE ENTITLEMENT RATIO

DIRECTORS PRESENT

Mr. Shiv Prakash Mittal, Non-Executive Chairman
Mr. Saurabh Mittal, Managing Director & CEO
Ms. Parul Mittal, Whole-time Director
Ms. Matangi Gowrishankar, Independent Director
Mr. Sandip Das, Independent Director
Mr. Yogesh Kapur, Independent Director

IN ATTENDANCE

Mr. Prakash Kumar Biswal, Company Secretary & Vice President – Legal

INVITEES

Mr. Ashok Kumar Sharma, Chief Financial Officer
Mr. Anish Sinha, Practice Head – Infrastructure & SAP Basis, Information Technology Services
Ms. Reema Bajaj, Deputy Manager – Secretarial & Legal

1. BACKGROUND OF THE PROPOSED SCHEME OF AMALGAMATION

- 1.1 A draft of the proposed Scheme of arrangement amongst Greenlam Industries Limited (“**the Company**” or “**Transferee Company**”) and HG Industries Limited (“**Transferor Company**”) and their respective shareholders and creditors which provides for amalgamation of Transferor Company with and into the Company (“**Scheme**”) under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, as amended (“**Companies Act**”) and the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, as amended (“**Merger Rules**”) read with SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, as amended (“**SEBI Master Circular**”), was prepared and placed before the Audit Committee of the Board of Directors of the Company, Committee of Independent Directors of the Company and the Board of Directors of the Company.
- 1.2 The Company is engaged in the business of, *inter alia*, manufacturing of laminates, decorative veneers, engineered wooden flooring, engineered wooden doors and allied products through its factories situated at – a. Behror, Rajasthan, b. Nalagarh, Himachal Pradesh, and c. Prantij, Gujarat. The Company has branches and dealers' network spread all over the country and also exports its products to various countries overseas.



- 1.3 The Company holds 74.91% of the share capital of the Transferor Company.
- 1.4 The Scheme, *inter alia*, provides for the transfer and vesting of all the assets and liability of the Transferor Company, on a going concern basis, to the Company and the consequent payment of consideration by the Company, in lieu of the remaining 25.09% of the total paid up share capital of the Transferor Company which is held by public shareholders, by way of issuance and allotment of 1 number of equity share of INR 1 each fully paid up in the share capital of the Company in respect of 2 equity shares of INR 5 each fully paid up in the share capital of the Transferor Company to the public shareholders of the Transferor Company on the Record Date (as defined in the Scheme).
- 1.5 A Meeting of the Audit Committee of the Board of Directors of the Company was held on June 29, 2022 and a meeting of the Committee of Independent Directors of the Company was held on June 30, 2022, *inter-alia*, to consider and recommend to the Board of Directors of the Company, the proposed Scheme.
- 1.6 Both the Audit Committee and the Committee of Independent Directors of the Company favorably recommend the Scheme to the Board of Directors of the Company ("**Board**") for its approval. The Scheme was then approved by the Board in its meeting dated June 30, 2022.
- 1.7 Under the provisions of Section 232(2)(c) of the Companies Act, a report from the Board of Directors of the Company ("**Report**") is required and this Report must explain effect of the scheme of arrangement on each class of shareholders, key managerial personnel, promoters and non-promoters shareholders lying out in particular the share exchange ratio, specifying any special valuation difficulties (if any).
- 1.8 This Report is made in compliance with the Section 232(2)(c) of the Companies Act.
- 1.9 Capitalized terms used in this Report but not defined shall have the same meaning as defined under the Scheme.

2. **NEED FOR THE AMALGAMATION AND RATIONALE OF THE SCHEME**

- 2.1 The Company holds 74.91% of the share capital of the Transferor Company which was acquired in the financial year (FY) 2021-22. The Company is engaged in the business of, *inter alia*, manufacturing of laminates, decorative veneers, engineered wooden flooring, engineered wooden doors and allied products and the Transferor Company is in the process of setting-up a manufacturing plant at Tindivanam, Tamil Nadu for manufacturing of plywood and allied products. The business activities of the Transferor Company and the Company complement each other. The amalgamation pursuant to this Scheme, would, *inter alia*, have the following benefits:



- a. it would enable the Company to leverage its combined assets and to create a more competitive business, both in scale and operations;
 - b. it would consolidate the businesses of the Transferor Company and the Company which will result in focused growth, operational efficiencies, business synergies and unlock the value of the assets of the Transferor Company;
 - c. it would enhance operational, organizational and financial efficiencies, and achieve economies of scale by pooling of resources and ultimately enhancing overall shareholders value;
 - d. it would achieve synergies in costs (particularly in respect of customer relationship management and establishing sales and marketing channels), operations, stronger and wider capital and financial base for future growth;
 - e. it would allow for an integrated and coordinated approach to investment strategies and more efficient allocation of capital and cash management;
 - f. it would broaden Company's product portfolio by adding plywood and allied products;
 - g. it would prevent overlap of sales and marketing channels of the Transferor Company and the Company;
 - h. it would consolidate administrative and managerial functions and elimination of multiple record-keeping, *inter alia*, other expenditure and optimal utilization of resources by elimination of unnecessary duplication of activities and related costs thus resulting in reduced expenditure.
- 2.2 The amalgamation pursuant to the Scheme is in the interest of both the Transferor Company and the Company, their respective shareholders, creditors and all other stakeholders and is not prejudicial to the interests of the concerned shareholders, creditors or the public at large.

3. SALIENT FEATURES OF THE SCHEME

3.1 The Board discussed and noted the following salient features of the Scheme:

- a. The Scheme provides for amalgamation of the business of Transferor Company with and into the Company in accordance with Section 2(1B) and other applicable provisions of the Income-Tax Act, 1961.



- b. The Scheme shall be effective in its present form or with any modification(s) approved or imposed or directed by the Securities and Exchange Board of India (SEBI), the Stock Exchanges or the Tribunal(s) from the Appointed Date but shall be operative from the Effective Date.
- c. The Scheme is conditional upon and subject to the following:
- i. the Scheme being approved by the respective requisite majorities of the members and / or creditors of the Transferor Company and the Company as required under the Act and as may be directed by the Tribunal(s) and / or any other competent authority and it being sanctioned by the Tribunal(s) and / or any other competent authority, as may be applicable, subject to any dispensation granted by the Tribunal(s) from convening meetings of the members and / or creditors received by the Transferor Company and / or the Company;
 - ii. the Scheme being approved by the public shareholders of the Transferor Company and the Company including through e-voting in accordance with the SEBI Merger Circulars;
 - iii. the requisite sanctions, approvals, no-objections or consents of the SEBI, the Stock Exchanges or any governmental or regulatory authority, as may be required by Applicable Law; and
 - iv. the certified copy of the order of the Tribunal(s) sanctioning the Scheme, being filed with the relevant Registrar of Companies by the Transferor Company and the Company.
- 3.2 Upon the Scheme coming into effect and with effect from the Appointed Date, all the assets and liability of the Transferor Company will be transferred and vested in the Company on a going concern basis and shall become the property of and an integral part of the Company without any further act, deed, matter or thing.
- 3.3 New Equity Shares issued in terms of the Scheme to the eligible shareholders of the Transferor Company pursuant to the Scheme shall subject to receipt of necessary approvals, in compliance with applicable regulations, be listed and admitted to trading on the Stock Exchanges where the equity shares of the Company are listed and admitted to trading.
- 3.4 Upon the Scheme becoming effective, transfer of authorised share capital of the Transferor Company and consequential increase in the authorised share capital of the Company.



- 3.5 Upon the Scheme becoming effective, the Transferor Company shall stand dissolved without being wound-up. Further, on and from the Effective Date, the name of the Transferor Company shall be struck off from the records of the relevant Registrar of Companies.
- 4. DOCUMENT PLACED BEFORE THE BOARD**
- 4.1 Draft Scheme of Amalgamation;
- 4.2 Valuation Report on Fair Share Exchange Ratio dated June 29, 2022 issued by Incwert Advisory Private Limited (IBBI Registration No. IBBI/RV-E/05/2019/108), Registered Valuer ("Valuation Report"), recommending the Share exchange ratio;
- 4.3 Fairness Opinion dated June 29, 2022 issued by SKP Securities Limited, Merchant Banker (SEBI Registered Merchant Banker), providing its opinion on the share entitlement ratio specified in the Valuation Report ("Fairness Opinion");
- 4.4 Statutory Auditors Certificate dated June 29, 2022 issued by M/s. SS Kothari Mehta & Company, Chartered Accountants, the Statutory Auditors of the Company confirming the accounting treatment prescribed in the Scheme.
- 4.5 Report of the Audit Committee of the Company dated June 29, 2022, prepared in terms of the requirements of the SEBI Master Circular; and
- 4.6 Report of the Committee of Independent Directors of the Company dated June 30, 2022, prepared in terms of the requirements of the SEBI Master Circular.
- 4.7 Certificate of post Scheme Net Worth of the Company issued by M/s. SS Kothari Mehta & Company, Chartered Accountants, the Statutory Auditors of the Company dated June 30, 2022 calculated as per SEBI (LODR) Regulations, 2015.
- 4.8 Copy of the last standalone unaudited quarterly and half yearly financial results of the Company as on September 30, 2022.
- 4.9 Audited Consolidated financial details of the Company for last three financial years.
- 4.10 Pre-Scheme and post-Scheme shareholding pattern of the Company, and pre-Scheme shareholding pattern of the Transferor Company.



5. EFFECT OF SCHEME ON STAKEHOLDERS

Sr. No.	Category of Stakeholder	Effect of the Scheme on Stakeholders
(i)	Shareholders	<p>The Company has only one class of shareholders i.e., the equity shareholders and does not have any preference shareholders.</p> <p>The Board noted that the proposed Scheme is in the interest of the shareholders. The Board also noted that pursuant to the Scheme, the entire business, assets and liabilities of the Transferor Company shall vest in the Company.</p> <p>Upon the Scheme becoming effective, the Company, in terms of the Scheme, shall issue and allot its 1 (one) equity shares of the face value of INR 1/- each credited as fully paid up for every 2 (two) fully paid up equity shares of the face value of INR 5/- each held in Transferor Company.</p> <p>The shares allotted to shareholders of the Transferor Company shall rank pari passu in all respects with the then existing shares of the Company.</p> <p>Considering the overall rationale and benefit of the Scheme, the Board is of the view that the Scheme is in the best interest of all shareholders, including the shareholders of the Company, and no shareholder is expected to have disproportionate advantage or disadvantage in any manner.</p> <p>The Scheme is in the best interests of the shareholders of the Company, including the minority shareholders, and will not adversely affect their rights or interest of any shareholder of the Company, in any manner whatsoever.</p>
(ii)	Promoters	<p>The promoters will be treated at par with the other (non-promoter) shareholders of the Company. Please refer to point (i) above of this table for details regarding effect on the shareholders of the Company.</p>
(iii)	Non-Promoter Shareholders	<p>Please refer to point (i) above for details regarding effect on the shareholders.</p>
(iv)	Key Managerial Personnel ("KMPs")	<p>Upon the Scheme becoming effective, no key managerial personnel of the Company are expected to have disproportionate advantage or disadvantage in any manner.</p>



6. SHARE ENTITLEMENT RATIO AND VALUATION

- 6.1 Incwert Advisory Private Limited (IBBI Registration No. IBBI/RV-E/05/2019/108), the Registered Valuer appointed to determine the share entitlement ratio for the amalgamation pursuant to the Scheme and issue the valuation report on fair share exchange ratio in connection with the Scheme. The Registered Valuer has not expressed any difficulty while determining the Share Entitlement Ratio.
- 6.2 In consideration of the transfer of and vesting of the assets and liabilities of the Transferor Company and in terms of the Scheme, the Company shall issue and allot equity shares to the equity shareholders of the Transferor Company, as per the following share entitlement ratio as determined in the Valuation Report:
"1 (one) equity shares of the face value of Re. 1/- each credited as fully paid up in the share capital of Greenlam Industries Limited (Transferee Company) for every 2 (two) fully paid up equity shares of the face value of Rs. 5/- each held in HG Industries Limited (Transferor Company).
- 6.3 The recommendation of the share entitlement ratio has been certified as being fair and has been approved by the Board of the Company.
- 6.4 The Fairness Opinion also does not indicate any special valuation difficulties.

7. ADOPTION OF THE REPORT BY THE DIRECTORS

The Board has adopted this Report after noting and considering the information set forth in this Report. The Board or any duly authorized committee / persons by the Board is entitled to make relevant modifications to this Report, if required and such modifications and amendments shall deem to be form part of this Report.

For and on behalf of the Board of Directors of
GREENLAM INDUSTRIES LIMITED




SAURABH MITTAL
MANAGING DIRECTOR & CEO

DIN: 00273917

Place: New Delhi

Date: February 02, 2023