



**REPORT OF AUDIT COMMITTEE
ON
SCHEME OF MERGER OF GOKAK SUGARS LIMITED WITH SHREE RENUKA SUGARS LIMITED**

In accordance with the requirements of SEBI Circular SEBI /HO/CFD/DIL1/CIR/P/2020/215 dated 3rd November 2020, the Audit Committee (the Committee) of the Board of Directors of Shree Renuka Sugars Limited (SRSL) is required to submit a report recommending the Draft Scheme of merger of Gokak Sugars Limited (GSL) with SRSL, after considering the Valuation Report of both the Companies.

In view of this, the draft Scheme of Merger of GSL with SRSL, Valuation Report of both GSL and SRSL received from Mr. Jayesh Parasmal Shah, Registered Valuer and the Fairness Opinion received from M/s. Arihant Capital Markets Ltd., (Merchant Bankers) was reviewed and was considered and noted by the Members of the Committee in its meeting held on 28th October 2021.

After careful consideration of the aforesaid documents and considering the views of the management of SRSL, the Committee would like to comment as follows:

a) Need for the merger/demerger/amalgamation/arrangement

GSL and SRSL are engaged in the same activity of manufacture of sugar and allied products. This Scheme of merger of GSL into SRSL, will result in consolidation of the business in one entity and strengthening the position of the merged entity, by enabling it to harness and optimize the synergies of the two companies. Accordingly, the merger of GSL with SRSL would be in the best interests of the Transferor Company and the Transferee Company and their respective shareholders, creditors, customers and employees.

The proposed amalgamation of GSL into SRSL will help SRSL achieve size, scale, integration and greater financial strength and flexibility and will help in maximizing shareholder value. The merged entity is likely to achieve higher long-term financial returns than could be achieved by the companies individually. The Company believes that the financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies of the Transferor Company and the Transferee Company pooled in the merged entity, will lead to increased competitive strength, cost reduction and efficiencies, productivity gains, and logistic advantages, thereby significantly contributing to future growth. Therefore, the Committee believes that the Scheme of Amalgamation would benefit the respective companies and other stake holders of respective companies.

Shree Renuka Sugars Limited

Corporate Office: 7th Floor • Devchand House • Shiv Sagar Estate • Dr. Annie Besant Road • Worli Mumbai 400 018 • Maharashtra • India

P +91 22 2497 7744/4001 1400 F +91 22 2497 7747 E info@renukasugars.com

Registered Office: 2nd / 3rd Floor, Kanakshree Arcade, CTS No. 10634, JNMC Road, Nehru Nagar, Po: Belagavi- 590 010 • Karnataka • India

P +91 831 2404000 F +91 831 2404961

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b) Rationale of the scheme

GSL and SRSL are engaged in the same business of manufacture of sugar and allied products. GSL is a subsidiary of SRSL in which SRSL holds 93.64% of the paid up share capital of GSL. and for all purposes, is controlled by SRSL by virtue of its shareholding in the Company. Hence, it is thought fit by the management that GSL be merged with SRSL, which will also reduce operational, financial and compliance costs for the merged entity, and thus optimize the use of resources. Merging GSL with SRSL will also help SRSL to rationalize the group structure by reducing the Companies in the Group.

c) Synergies of business of the entities involved in the scheme

GSL is primarily engaged in the business of:

- i) manufacturing, importing, exporting and dealing in all types and grades of sugar and its allied products as molasses and bagasse, manures, breweries etc.;
- ii) Generation, distribution and supply electricity, all kinds of power and energy out of steam generated in the process of manufacture of sugar and its products.

SRSL is primarily engaged in the business of:

- i) Purchase, manufacture, produce, boil, refine, prepare, brew, import, export, buy, sell and generally to deal in all varieties of sugar, sugar candy, jaggery, khandsari sugar, sugar beet, sugar cane, molasses, syrups, melada, alcohol, spirits and all products and by-products, thereof such as confectionery, glucose, bagasses, bagasse boards, paper, paper pulp, butyl alcohol, acetone, carbon-di-oxide, hydrogen, potash, cane wax, fertilizers, cattle feed and food products generally;
- ii) Generation of power by traditional and/or using, any latest technology for the captive consumption and also to distribute, sell such surplus generation if necessary to outsiders.

Thus, both companies are involved in the same line of business, and therefore, the proposed merger would help the merged entity achieve synergies in operation and operational efficiencies.

d) Impact of the scheme on the shareholders

As per the Valuation Report placed before the Committee, the shareholders of GSL would be entitled to receive 44 fully paid equity shares of SRSL for every 100 equity shares of GSL held by them. By receiving equity shares of SRSL, which is a leading

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manufacturer of sugar and ethanol in India, the shareholders of GSL would also be benefitted as they would be able to unlock the real potential of their investments in GSL, as the equity shares of SRSR are listed on both BSE Ltd. and National Stock Exchange of India Ltd. As per the data as on 27th October 2021, the market capitalization of SRSR stands at around Rs. 6300 Crores . SRSR is also part of the Wilmar Group, the world-wide leaders in agri-commodities business.

The shareholders of SRSR would be benefitted by the rationalization of costs and efficiencies of scale that the merged entity would be able to achieve as a result of the proposed merger.

Considering the benefits as discussed above, the proposed scheme of merger would be in the best interests of the shareholders of both SRSR and GSL.

e) Cost benefit analysis of the scheme

Considering the long term benefits of the scheme as discussed above, the scheme is beneficial to the shareholders, creditors and other stakeholders of both the Companies as it would help the merged entity rationalize operational, financial and compliance costs.

CONCLUSION

Considering the benefits as discussed above, we recommend that the scheme of merger as placed before the Committee, be approved by the Board of Directors, subject to such changes as it may deem fit, and subject to such regulatory approvals as prescribed by the Companies Act, 2013 read with the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015.

**On behalf of the Audit Committee of
Shree Renuka Sugars Limited**

A handwritten signature in black ink, appearing to read 'Madhu Rao', is written over a horizontal line.

Madhu Rao
Chairman of Audit Committee
(DIN: 02683483)

28th October 2021

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