



(Formerly known as Superb Papers Limited)

CIN: L74110MH1989PLC289950

REPORT ON RECOMMENDATIONS OF THE AUDIT COMMITTEE ON DRAFT SCHEME OF MERGER BY ABSORPTION BETWEEN GUJJUBHAI FOODS PRIVATE LIMITED ("GFPL" OR "TRANSFEROR COMPANY") WITH SUMUKA AGRO INDUSTRIES LIMITED ("SAIL" OR "TRANSFeree COMPANY") AND THEIR RESPECTIVE SHAREHOLDERS ("SCHEME").

The Securities and Exchange Board of India ("SEBI") vide its Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 as further clarified by Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017, Circular No. CIR/IMD/DF/50/2017 dated May 26, 2017, Circular No. CFD/DIL3/CIR/2018/2 dated January 3, 2018, master circular bearing reference no. SEBI /HO/ POD-2/ P/ CIR /2023 /93 dated June 20, 2023 (hereinafter collectively referred to as "**Circulars**") has amongst other requirements, sought a report from Audit Committee of Listed Companies recommending the draft scheme under section 230-232 of the Companies Act, 2013 (Including any statutory modification(s) or re-enactment(s) thereof) ("**Act**").

Present:

Mr. Amitkumar Rath	: Chairman
Mr. Mangina Srinivas Rao	: Member
Ms. Shaili Vijaybhai Patel	: Member

In Attendance:

Ms. Shaili Patel	: Chief Financial Officer
Ms. Mona Poriya	: Company Secretary & Compliance Officer

Background:

A meeting of the Audit Committee was held on August 14, 2023 to consider and, if thought fit, recommend the proposed Scheme of Merger by Absorption ("**Scheme**") between Sumuka Agro Industries Limited ("**Company**" / "**Transferor Company**" / "**SAIL**"), Gujjubhai Foods Private Limited ("**Transferee Company**" / "**GFPL**"), and their respective shareholders wherein the Transferor Company would stand transferred to and vested in Transferee Company and Transferor Company Stands Dissolved without being winding up with effect from the appointed date i.e. April 1, 2023 in accordance with the terms of the Scheme and pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") and the rules and regulations made thereunder, as amended from time to time (including any statutory modification(s) or re-enactment thereof for the time being in force) and regulation 11, 37 and 94 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015 ("SEBI LODR Regulations"), the Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 and master circular dated June 20, 2023 bearing reference no. SEBI /HO/ POD-2/ P/ CIR /2023 /93 issued by the Securities and Exchange Board of India ("**SEBI Circular**"), as amended from time to time.

The Company is incorporated under the provisions of the Companies Act, 1956. The equity shares of the Company are listed on BSE Limited (referred as "**Stock Exchange/ BSE**").

This report of the Audit Committee is made in order to comply with the requirements of SEBI LODR Regulations and SEBI Circular.

Regd Off: Shop No. 1 & 7, Ground Floor, Empress Chambers, Plot No. 89 A & B, Sector No. 1, Opp1.

NKGSB Bank, Kandivalli (West), Mumbai-400067

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The following documents were placed before the Audit Committee:

Draft Scheme of Merger by Absorption;

Valuation Report dated August 14, 2023, issued by Resurgent Valuers Private Limited, Registered Valuer (IBBI Registration No. IBBI/RV-E/02/2020/125 for determination of Share Entitlement Ratio under the Scheme ("Valuation Report");

Fairness Opinion dated August 14, 2023, prepared by Expert Global Consultants Private Limited, Category - I SEBI registered Merchant Banker, (SEBI Registration No: INM000012874), providing a fairness opinion on the valuation of the shares and the share entitlement ratio as recommended in the Valuation Report. ("Fairness Opinion");

Certificate dated August 14, 2023 issued by M/s. Malay Agarwal, Chartered Accountants, Statutory Auditors of Transferor and M/s. S K Jha & Co. Statutory Auditors of Transferee Company confirming that the accounting treatment contained in the Scheme is in compliance with all the applicable accounting standards specified by the Central Government under Section 133 of Companies Act, 2013 and other generally accepted accounting principles; and

Audited financial statements of the Transferee Company for the year ending March 31, 2023, March 31, 2022 and March 31, 2021 and unaudited financial statement for period ended June 30, 2023. Audited financial statements of the Transferor Company for the year ending March 31, 2022, March 31, 2021 and March 31, 2020 and unaudited financial statement for the year ending March 31, 2023 and for period ended June 30, 2023.

Proposed Scheme

Salient Features

The Audit Committee considered and observed that the draft Scheme provides for the following:

i) The rationale of the scheme is as under :

- a) Gujjubhai and Sumuka both are engaged in the business of manufacturing, buying and selling of packaged snacks foods items. Gujjubhai is engaged in the business of trading food products. Sumuka is mainly engaged in the business of manufacturing and marketing of different types of ready to cook items, dry foods, namkeen and snacks, sweet and spices, selling of packaged foods online, etc.;
- b) The Scheme will lead to consolidation of business and assets, synergy of operations and networks of both the Companies. This will help achieve better and more efficient utilization of available resources, benefits of internal economies, diversification to mitigate risks and improving organizational efficiencies.

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- ii) The appointed date for the Scheme shall be April 1, 2023.
- iii) In consideration of the transfer of and vesting of the Undertaking of the Transferor Company in the Transferee Company and in terms of the Scheme, the Transferee Company shall, without any further application, act, instrument or deed, issue and allot to the equity shareholders of the Transferor Company (whose names are registered in the Register of Members of the Transferor Company /register of beneficial owner with depository on the Record Date, or his /her/its legal heirs, executors or administrators or, as the case may be, successors) ("**Share Exchange Ratio**"):

SAIL shall be issued and allotted 7 (Seven) fully paid Equity Shares of Rs. 10/- each of SAIL for every 4 (Four) Equity Shares of Rs. 10/- each held in GFPL, in consideration of the proposed Scheme, the Transferee Company will issue and allot equity shares, to each shareholder of the Transferor Company, whose names appear in the register of members of Transferor Company on the record date as may be fixed for the purpose by the Board of Transferee Company in consultation with the Transferor Company (hereinafter referred to as "**the Record Date**"), in the following manner:

The equity shares proposed to be allotted by the Transferee Company will be listed on BSE Limited recognized stock exchange having a nationwide trading platform.

The Transferor Company and the Transferee Company shall follow the method of accounting as per the applicable accounting principles as prescribed under the Companies (Indian Accounting standards) Rules, 2015 (Ind AS) as notified under Section 133 of the Act, as may be amended from time to time and relevant clarifications issued by Institute of Chartered Accountants of India.

This Scheme is and shall be conditional upon and subject to:

- The requisite consents, no-objections and approvals of the Stock Exchange and SEBI to the Scheme in terms of the SEBI Circular.
- The approval of the Scheme by the respective requisite majorities in number and value of the shareholders of the Companies in accordance with section 230 to 232 of the Act;
- The Scheme being sanctioned by the Tribunal in terms of sections 230 to 232 and other relevant provisions of the Act and the requisite orders of the Tribunal and
- Certified copies of the orders of the Tribunal sanctioning this Scheme being filed with the relevant Registrar of Companies by Transferor Company and Transferee Company as per the provisions of the Companies Act.

Need and Rationale of the Scheme

The Audit Committee noted the rationale and need for the merger of the Transferor Company into Transferee Company, as provided in the draft scheme of merger by absorption, and which is reproduced hereunder:

- a) Gujjubhai and Sumuka both are engaged in the business of manufacturing, buying and selling packaged snacks/namkeen foods items. Gujjubhai is engaged in the business of trading food products. Sumuka is mainly engaged in the business of manufacturing and marketing different types of ready-to-cook items, dry fruits, namkeen and snacks, sweets and spices, selling packaged foods online, etc.;

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- b) The Scheme will lead to consolidation of business and assets, synergy of operations and networks of both the Companies. This will help achieve better and more efficient utilization of available resources, benefits of internal economies, diversification to mitigate risks and improving organizational efficiencies.

The merger is in the interest of both the companies, their shareholders and all other stakeholders of the respective companies and is not prejudicial to the interests of the concerned shareholders or the public at large.

Synergies of business of the entities involved in the Scheme:

GFPL is engaged in the manufacturing and selling of packaged snacks products in different sectors/markets and they have a wide network for supply of packaged snacks products while SAIL is a well-known brand in supply of delicious snacks food items in India and they have also wide network across India where they supply varieties of Namkeen and dry fruits to different categories of customer.

The Scheme will enable the combined business to develop stronger relationships across its partner ecosystem, using the augmented intellectual capital and the resultant stronger implementation capabilities.

The combined business experience and expertise will result in tier-status upgrades with some clients. It will also enhance customer relationships and value creation for clients through the 360-degree offering capabilities. In addition, it will give rise to combined collaboration opportunities with several unique partners.

The Scheme of the two companies, which are both engaged in manufacturing/supply of snacks/namkeen is a perfect fit and a win-win situation for the shareholders of both companies. It will create a larger and stronger entity by combining the expertise, experience, resources and client base of the two companies and offering a larger bouquet of services. It will result in the streamlining of operations and cost efficiency and will result in accelerated business growth and significantly enhance shareholders' value.

The impact of the Scheme on the shareholders is as under:

- The shareholders of the Transferor Company as on the Record Date shall be entitled to equity shares in the Transferee Company basis the share entitlement ratio determined by Resurgent Valuers private Limited, Registered Valuer (IBBI Registration No. IBBI/RV-E/02/2020/125), in the valuation report submitted to this Committee;
- The Scheme will not adversely affect the rights or interest of any shareholder of the Transferor and Transferee Company or their respective shareholders, in any manner whatsoever;
- It is expected that the combined business will augment revenue growth and profitability. The combined entity will have vastly improved financial strength and the larger bouquet of offerings will result in accelerated revenue growth and profitability;
- The combined balance sheet will provide diverse strategic options and flexibility;
- The scheme will result in significant cost efficiencies and synergies such as optimization of sales, general and administration costs as well as consolidation of delivery operations in domestic as well as overseas markets.

Cost benefits analysis of the Scheme are as under:

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There are no social or environmental impacts of the proposed restructuring. Except for the transaction cost, there are no additional costs involved for the proposed restructuring. The Scheme will significantly enhance the value of the Company primarily on account of the benefits and synergies detailed above.

The Committee is of the opinion that the expected synergies and benefits resulting from the restructuring would far outweigh the impact of such costs for the Company and its stakeholders.

Recommendation of the Audit Committee:

Taking into consideration the Scheme, Valuation Report, Fairness Opinion, Accounting Treatment Certificate, Audited Financial statements of the Transferor and Transferee Company and other documents, as placed, the Audit Committee recommends the draft Scheme for favourable consideration by the Board of Directors of the Company, Stock Exchange and The Securities Exchange Board of India.

For and Behalf of the Audit Committee

For Sumuka Agro Industries Limited



Mr. Amitkumar Rathi
Chairman of the Audit Committee
DIN : 00965930

Date: August 14, 2023

Place: Mumbai