



**REPORT OF THE AUDIT COMMITTEE OF TATA GLOBAL BEVERAGES LIMITED
RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT AMONGST TATA
CHEMICALS LIMITED (“DEMERGED COMPANY”) AND TATA GLOBAL BEVERAGES
LIMITED (“RESULTING COMPANY”) AND THEIR RESPECTIVE SHAREHOLDERS AND
CREDITORS (“SCHEME”).**

1. Background

- 1.1. A meeting of the Audit Committee of the Company was held on May 15, 2019, to consider and recommend to the Board of Directors, the proposed Scheme of Arrangement (“**Scheme**”) for the demerger of the ‘Consumer Products Business’ of Tata Chemicals Limited (“**Demerged Company**”) to Tata Global Beverages Limited (“**Resulting Company**”) to be implemented under Sections 230 to 232 of the Companies Act, 2013 (“**Companies Act**”) and other applicable laws including the Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (as amended from time to time) (“**SEBI Circular**”) issued by the Securities and Exchange Board of India (“**SEBI**”).
- 1.2. The Company is a listed public company incorporated under the provisions of the Companies Act, 1956. The equity shares of the Company are listed on BSE Limited, National Stock Exchange of India Limited and The Calcutta Stock Exchange Limited.
- 1.3. The Demerged Company is a listed public company incorporated under the provisions of the Companies Act, 1913. The equity shares of the Demerged Company are listed on the BSE Limited, National Stock Exchange of India Limited.
- 1.4. This report of the Audit Committee is made in order to comply with the requirements of the SEBI circular number CFD/DIL3/CIR/2017/21 dated March 10, 2017, including amendments thereto, issued under the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”).

2. Salient features of the Scheme

- 2.1. It is proposed to demerge the Consumer Products Business (as defined in the Scheme) of the Demerged Company into the Resulting Company vide a scheme of arrangement under sections 230 to 232 and other applicable provisions of the Companies Act, 2013.
- 2.2. Appointed Date for the proposed Scheme is April 1, 2019.

3. Rationale of the Scheme

- 3.1. The Audit Committee noted the rationale and the benefits of the Scheme which, *inter-alia*, are as follows:
 - a) The Demerged Company is engaged in diversified businesses dealing in basic chemistry products and specialty products and in the Consumer Products Business (*more particularly defined hereinafter*). The Resulting Company is engaged, *inter alia*, in the business of





marketing, distribution and/or sales of tea, coffee and water.

- b) The Demerged Company is one of the key participants in the foods category, selling products under iconic brands such as 'Tata Salt' and 'Tata Sampann' among others. The Resulting Company is one of the key participants in the beverages category, selling products globally under iconic brands such as 'Tata Tea' and 'Tetley' among others. The Resulting Company is expected to gain from the consumer market growth.
- c) With the view to enable the Demerged Company to focus on its basic chemistry and specialty products business and to integrate the consumer products business activities undertaken by both, the Demerged Company and the Resulting Company, under a single entity, it is proposed that the Consumer Products Business of the Demerged Company be demerged and transferred to the Resulting Company under the terms and conditions of the Scheme
- d) The Scheme shall not in any manner be prejudicial to interest of the concerned shareholders, creditors or general public at large.

3.2 The Scheme would *inter alia* have the following benefits:

- a) enable the Resulting Company to expand its presence in the fast moving consumer goods categories in India and abroad;
- b) result in revenue and cost synergies including from supply chain opportunities, operational improvements, logistics alignment leading to economies of scale, creation of efficiencies and optimization of capital and operational expenditure, leveraging distribution networks, and optimization of overlapping infrastructure;
- c) enhance the financial profile with higher growth, margin expansion and increased cash flows which will provide further headroom for inorganic growth opportunities in India and abroad; and
- d) the shareholders of the Demerged Company will continue to participate in the growth of a larger consumer focused company i.e. the Resulting Company, while continuing to own shares in the Demerged Company which will remain focused on its basic chemistry and specialty products businesses

3.3 The Scheme would be in the best interest of the shareholders of the Demerged Company and the Resulting Company and shall not in any manner be prejudicial to the interests of the concerned shareholders and creditors or general public at large.

4. Documents placed before the Audit Committee

- (a) Draft Scheme, duly initialed by the Company Secretary of the Company for the purpose of identification;
- (b) Valuation report/Share Entitlement Ratio report dated May 15, 2019 issued by M/s. Bansi S. Mehta, independent Chartered Accountants ("Share Entitlement Ratio Report") describing the share exchange ratio issued as consideration for the proposed Scheme;

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- (c) Fairness opinion dated May 15, 2019 issued by DSP Merrill Lynch Limited, Independent Category-I Merchant Bankers, ("**Fairness Opinion**") certifying fairness of the share exchange ratio as determined in the Share Entitlement Ratio Report; and
- (d) Certificate dated May 15, 2019, obtained from the Statutory Auditors of the Company viz. Deloitte Haskins & Sells LLP, Chartered Accountants, confirming that the accounting treatment prescribed in the Scheme is in compliance with applicable accounting standards.

5. Recommendation of the Audit Committee

- (a) The Audit Committee reviewed the Share Entitlement Ratio Report and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the share exchange ratio in the Share Entitlement Ratio Report is fair to the shareholders of the Company.
- (b) Taking into consideration the draft Scheme, Share Entitlement Ratio Report, Fairness Opinion and other documents, as placed, the Audit Committee recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee

For and on Behalf of
TATA GLOBAL BEVERAGES LIMITED

V. Leeladhar
Chairman,
Audit Committee
Place: Mumbai
Date: May 15, 2019

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