

**Report of the Audit Committee of Tata Global Beverages Limited (the "Company")
recommending the draft Scheme of Amalgamation of Mount Everest Mineral Water
Ltd with the Company**

Members

Mr. V. Leeladhar	Chairman (Independent)
Mrs. Ranjana Kumar	Member (Independent)
Mr. Darius Pandole	Member (Independent)
Mr. S. Santhanakrishnan	Member (Non Independent)

In Attendance

Mr. Harish Bhat	Managing Director
Mr. Ajoy Misra	Executive Director
Mr. L Krishnakumar	Executive Director
Mr. K. Venkataramanan	Vice President -Finance
Mr. V Madan	Vice President & Company Secretary

1. Background

- 1.1 A draft Scheme of Amalgamation of Mount Everest Mineral Water Ltd (“MEMW”) with the Company has been placed before the Audit Committee by the management for it to consider recommending the said draft Scheme to the Board taking into account, *inter alia*, the Valuation Report by independent Chartered Accountants, in terms of SEBI Circular No. CIR/CFD/DIL/5/2013 dated 4th February, 2013 (**‘Circular’**).
- 1.2 In view of the above, members of the Audit Committee of the Board of Directors of the Company have discussed and recommends the draft Scheme vide a resolution passed at its meeting held on November, 12, 2013 and have made this report, after perusing the following necessary documents:
- Draft Scheme of Amalgamation.
 - Valuation Report dated 12th November 2013 issued by SSPA & Co. and Haribhakti & Co., two firms of Chartered Accountants.
 - Fairness Opinion Report dated 12th November 2013 issued by Rothschild (India) Private Limited, Merchant Bankers.

This report of the Audit Committee is issued in terms of the Circular.



2. Proposed Scheme of Arrangement

2.1 The Audit Committee noted the rationale of the proposed merger, which is, *inter alia*, as follows:

- a. In view, *inter alia*, of the commonality of business interests, portfolio fit and objectives of the Transferor Company and the Transferee Company and synergies between them, it is considered desirable and expedient to amalgamate the Transferor Company with the Transferee Company in the manner and on the terms and conditions stated in the draft Scheme.
- b. The amalgamation will enable the amalgamated entity to grow the 'Himalayan' brand of natural mineral water and pursue such business and other business in the 'Good for you ready to drink natural beverages' segment more effectively in the domestic and international markets.
- c. The consolidation of operations of the Transferor Company and the Transferee Company by way of amalgamation will lead to a more efficient utilization of capital, superior deployment of brand promotion, sales and distribution strategies and create a consolidated and diversified base for future growth of the amalgamated entity with a wider presence in the premium water/beverages segment. The amalgamation would facilitate greater cohesiveness in gaining market share through core market competencies which are hallmarks of the Transferee Company with increased brand and customer recognition. The amalgamation will result in administrative and operational rationalization and promote organizational efficiencies. It will prevent cost duplication that can erode financial efficiencies of the holding structure and the resultant operations will be more cost-efficient with greater economies of scale, reduction in overheads and improvement in various other operating parameters.
- d. The amalgamation will result in the formation of a stronger company with a larger capital and asset base and enable the combined business to be pursued and carried on more conveniently and advantageously. The amalgamation will have beneficial results for the amalgamating companies, their stakeholders and all concerned.

2.2 The salient features of the draft Scheme are, *inter alia*, as under:

- a. The draft Scheme provides for the amalgamation of MEMW with TGBL.
- b. The Appointed Date for the draft Scheme is fixed as opening of business hours on 1st April, 2013.



- c. The draft Scheme provides for transfer of the entire undertaking of MEMW with its assets and liabilities to TGBL as a going concern basis.
- d. Based on the swap ratio of 3 equity shares of Re. 1/- each of TGBL for every 4 equity shares of Rs. 10/- each held of MEMW, as recommended by the valuers and fairness opinion provided by the merchant banker, TGBL will have to issue equity shares to the shareholders of MEMW (excepting TGBL) as appearing on the record date.
- e. Equity Shares thus issued by TGBL to the public shareholders of MEMW pursuant to the draft Scheme would be listed on BSE Limited, National Stock Exchange of India Limited and The Calcutta Stock Exchange Assn. Ltd.
- f. TGBL holds 50.07% of the total issued, subscribed and paid-up share capital of MEMW and the shares held by TGBL in MEMW shall stand extinguished. No shares will be issued by TGBL in lieu of such shares of MEMW.

3. Recommendation of the Audit Committee

- 3.1 The Audit Committee has considered and noted the aforementioned documents and the Draft Scheme, and recommends the Draft Scheme, *inter alia* taking into consideration the said Valuation Report dated 12th November 2013 issued jointly by SSPA & Co. and Haribhakti & Co. and the fairness Opinion Report dated 12th November 2013 issued by Rothschild (India) Private Limited, Merchant Bankers.

Date: 12th November 2013

Place: Mumbai



V. Leeladhar

Chairman, Audit Committee