



REPORT ADOPTED BY THE COMMITTEE OF INDEPENDENT DIRECTORS OF TATA CONSUMER PRODUCTS LIMITED ("THE COMPANY") RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT AMONGST THE COMPANY, TATA COFFEE LIMITED AND TCPL BEVERAGES & FOODS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

1 Background

- 1.1 A meeting of the Committee of Independent Directors of the Company was held on March 29, 2022, to consider and recommend to the Board of Directors, the proposed composite scheme of arrangement amongst the Company, Tata Coffee Limited ("**TCL**") and TCPL Beverages & Foods Limited ("**TBFL**") (the Company, TCL and TBFL are collectively referred to as, the "**Companies**") and their respective shareholders and creditors pursuant to Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, the rules and/ or regulations made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) ("**Companies Act**") and other applicable laws including the master circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 issued by the Securities and Exchange Board of India ("**SEBI**") on November 23, 2021 (as amended from time to time) or any other circulars issued by SEBI applicable to schemes of arrangement from time to time ("**SEBI Scheme Circular**") and such scheme, the "**Scheme**").
- 1.2 The Company is a listed public limited company incorporated under the provisions of the Companies Act, 1956. The equity shares of the Company are listed on BSE Limited ("**BSE**"), National Stock Exchange of India Limited ("**NSE**") and the Calcutta Stock Exchange Limited ("**CSE**") (CSE, BSE and NSE are collectively referred to as the "**Stock Exchanges**").
- 1.3 TCL is a listed public limited company incorporated under the provisions of the Companies Act, 1913, and is a subsidiary of the Company. The equity shares of TCL are listed on the BSE and NSE.
- 1.4 TBFL is a public limited company incorporated under the provisions of the Companies Act, 2013, and is a wholly owned subsidiary of the Company.
- 1.5 In terms of the SEBI Scheme Circular, a report from the Committee of Independent Directors recommending the draft Scheme is required, taking into consideration, *inter alia*, that the Scheme is not detrimental to the shareholders of the Company. This report of the Committee of Independent Directors is made in compliance with the requirements of the SEBI Scheme Circular issued by SEBI pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI LODR Regulations**").



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2 Salient features of the Scheme

2.1 *Inter alia* the following are proposed under the Scheme:

- (a) as a first step, the demerger of the Demerged Undertaking (*as defined in the Scheme*) (comprising of the Plantation Business (*as defined in the Scheme*)) of TCL into TBFL and in consideration, the consequent issuance of equity shares by the Company (*as the holding company of TBFL*) to all the shareholders of TCL (other than the Company) in accordance with the Share Entitlement Ratio (*as defined in the Scheme*), pursuant to the provisions of Section 2(19AA) read with Section 2(41A) and other relevant provisions of the Income Tax Act, 1961 (including any statutory modifications, re-enactments or amendments thereof and the rules made thereunder, for the time being in force) (“**IT Act**”) (“**Demerger**”);
- (b) as a second step, followed immediately by the amalgamation of TCL (*comprising the Remaining Business of TCL (as defined in the Scheme)*) with the Company and in consideration, the consequent issuance of equity shares by the Company to all the shareholders of TCL (other than the Company) in accordance with the Share Exchange Ratio (*as defined below*), pursuant to the provisions of Section 2(1B) and other relevant provisions of the IT Act (“**Amalgamation**”); and
- (c) various other matters consequential or otherwise integrally connected therewith.

2.2 Upon the Scheme becoming effective and in consideration of the Demerger, the Company shall issue and allot equity shares, credited as fully paid-up to the members of TCL (except the Company) who are holding fully paid up equity shares and whose names appear in the register of members, including register and index of beneficial owners maintained by the depositories under Section 11 of the Depositories Act, 1996, of TCL, on the record date or to such of their respective heirs, executors, administrators or other legal representative or other successors in title as on the record date in the following manner:

“1 (one) fully paid up equity share of Re. 1/- each of the Company shall be issued and allotted for every 22 (twenty-two) fully paid up equity shares of Re. 1/- each held in TCL. (“**Share Entitlement Ratio**”)”

2.3 Upon the Scheme becoming effective and in consideration of the Amalgamation, the Company shall issue and allot equity shares, credited as fully paid-up to the members of TCL (except the Company) holding fully paid up equity shares and whose names appear in the register of members, including register and index of beneficial owners maintained by the depositories under Section 11 of the Depositories Act, 1996, of TCL, on the record date or to such of their respective heirs, executors, administrators or other legal representative or other successors in title as on the record date in the following manner:

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“14 (fourteen) fully paid up equity shares of Re. 1/- each of the Company shall be issued and allotted for every 55 (fifty-five) fully paid up equity shares of Re. 1/- each held in TCL. (“Share Exchange Ratio”)”

- 2.4 The issuance of equity shares in accordance with paragraph 2.2 above, in consideration of the Demerger and in accordance with paragraph 2.3 above in consideration of the Amalgamation, will be undertaken simultaneously following effectiveness of the Scheme. Following the issuance of the equity shares in accordance with paragraph 2.3 above, the existing shareholding of the Company in TCL shall stand cancelled and extinguished without any further act, instrument or deed.
- 2.5 The equity shares to be issued by the Company to the members of TCL (other than the Company) who hold shares of TCL on the record date, pursuant to the Scheme, will be listed and admitted to trading on the Stock Exchanges.
- 2.6 The Appointed Date for the proposed Scheme is the same date as the Effective Date or such other date as may be mutually agreed by the Companies. The Effective Date for the proposed Scheme is the date which will be the first day of the month following the month in which the last of the conditions and matters referred to in Clause 29.1 of the Scheme occur or have been fulfilled, obtained or waived, as applicable, in accordance with the Scheme.
- 2.7 On the Effective Date, the Demerger shall be made effective and operative first; and the Amalgamation shall be made effective immediately after the Demerger.
- 3 **Rationale of the Scheme** - the Committee of Independent Directors noted the rationale and the benefits of the Scheme which, *inter-alia*, are as stated below
- 3.1 The Company is currently engaged in a consumer product business, with a food and beverage portfolio, with operations across the globe. The operations of TCL and its subsidiaries are substantially in instant coffee extraction, branded coffee and plantation businesses. TCL is currently a subsidiary of the Company. The Scheme is being proposed with a view to simplifying the management and operational structures of the Companies in order to increase efficiencies and generate synergies.
- 3.2 The proposed Scheme would be in the best interest of the Companies and their respective shareholders, employees, creditors and other stakeholders as the proposed restructuring pursuant to the Scheme is expected, *inter alia*, to result in the following benefits:

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Benefits of the Demerger

- (a) Creating a dedicated plantation vertical with focused attention on the plantation business, which will enable increased efficiencies and generate synergies amongst the various plantation businesses wholly or partly owned by the Company and better resource allocation, resulting in enhancement of shareholders' value.
- (b) The shareholders of TCL (other than the Company) will be allotted shares of the Company and therefore will be shareholders of a larger branded consumer products business with multiple growth avenues and at the same time, will continue to participate in the plantation business.
- (c) The profile, operations, management risk and return associated with the Plantation Business is distinct from that of the Remaining Business and therefore the Scheme would lead to sharper focus on both the businesses.

Benefits of the Amalgamation

- (a) Integration of TCL and the Company's extraction business activities under a single entity through the amalgamation will result *inter alia* in focused management attention, operational efficiencies, revenue and cost synergies including from commonality of customers, sales and supply chain opportunities through enhanced geographical reach with a wider variety of product offerings which will help in gaining market share, optimization of capital, operational (including promotion) expenditure, leveraging sales and distribution network and simplification of overlapping infrastructure.
- (b) The amalgamation of TCL with the Company would bring about synergy of operations and benefit of scale and additionally, the legal and regulatory compliances of both the listed entities will be unified and streamlined.
- (c) The amalgamation will enable efficient consolidation of ownership interests in the international branded business owned by the Company and TCL which will result in cost benefits, higher operating efficiencies and other efficiencies.

3.3 Therefore, in view of the above, the implementation of the Scheme will result in the following benefits:

- (a) Dedicated and specialized management focus on the specific needs of the respective businesses.
- (b) Having one listed company for consumer and related businesses and convergence of minority interests from TCL into the Company.

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- (c) Benefit to all the stakeholders of the Company, TCL and TBFL, leading to opportunity for growth and value creation in the long run and maximizing the value and returns to the shareholders.
- (d) Unified approach on customer engagement, distribution and supply chain management would lead to operational and financial efficiencies in all these functions.

4 Documents placed before the Committee of Independent Directors

- (a) Draft Scheme, duly initialed by the Company Secretary of the Company for the purpose of identification;
- (b) **Independent Valuation Report** dated March 29, 2022 ("**Valuation Report**") issued jointly by SSPA & Co, Independent Chartered Accountants & Registered Valuers, (IBBI Registered Valuer Number IBBI/RV-E/06/2020/126) and PWC Business Consulting Services LLP, Registered Valuers, (IBBI Registered Valuer Number IBBI/RV-E/02/2022/158), describing, *inter alia*, the methodologies adopted by them in arriving at the recommended Share Entitlement Ratio and Share Exchange Ratio and setting out the detailed computation of Share Entitlement Ratio for the proposed Demerger and the Share Exchange Ratio for the proposed Amalgamation;
- (c) **Fairness opinion** dated March 29, 2022 ("**Fairness Opinion**") issued by Kotak Mahindra Capital Company Limited, SEBI registered Category I Merchant Banker, Mumbai (SEBI Registration No. INM000008704), providing its opinion on the fairness of the Share Entitlement Ratio and the Share Exchange Ratio, as recommended in the Valuation Report;
- (d) **Auditors' Certificate** dated March 29, 2022 issued by Deloitte Haskins & Sells LLP (Firm Registration No. 117366W/W-100018), the statutory auditors of the Company, as required under Section 232(3) of the Companies Act certifying that the accounting treatment contained in the draft Scheme is in conformity with the accounting standards prescribed under Section 133 of the Companies Act; and
- (e) other presentations, reports, documents and information made to/ furnished before the Committee of Independent Directors pertaining to the draft Scheme

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5 Scheme not detrimental to the shareholders of the Company

- 5.1 The members of the Committee of Independent Directors discussed and deliberated upon the rationale and salient features of the Scheme.
- 5.2 The Company will issue and allot equity shares, credited as fully paid-up to the shareholders of TCL, in the manner as set out in paragraphs 2.2 and 2.3 above, and in accordance with the recommendations under the Valuation Report and the Fairness Opinion. The equity shares to be issued by the Company to the members of TCL pursuant to the Scheme shall rank *pari passu* in all respects with the then existing equity shares of the Company.
- 5.3 Accordingly, there will be no detrimental impact on the shareholders of the Company due to the proposed Scheme.
- 5.4 Thus, on the basis of the above, the Scheme is not detrimental to the shareholders of the Company.

6 Recommendation of the Committee of Independent Directors

- 6.1 The Committee of Independent Directors after due deliberations and due consideration of all the terms of the draft Scheme, the above rationale, the Valuation Report, Fairness Opinion and the specific points mentioned above including that the Scheme is not detrimental to the shareholders of the Company, recommends the draft Scheme for favourable consideration and approval by the Board of Directors of the Company, Stock Exchanges, SEBI and other appropriate authorities.

Dr. K.P. Krishnan
Chairman of the meeting
Committee of Independent Directors
DIN: 01099097



Date: March 29, 2022

Place: Mumbai

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