

REPORT OF THE AUDIT COMMITTEE OF CENTURY PLYBOARDS (INDIA) LIMITED (“COMPANY”) RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN THE COMPANY AND CENTURY INFRA LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS UNDER SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 DISCUSSED AT ITS MEETING HELD ON WEDNESDAY, JULY 20, 2022

The following Audit Committee Members were present during discussion on the Scheme:

1. Shri J. P. Dua
2. Shri Naresh Pachisia
3. Shri Probir Roy
4. Shri Rajesh Kumar Agarwal

1. Background

- 1.1 A meeting of the Audit Committee of Century Plyboards (India) Limited (“Company” or “Transferor company” or “CPIL”) was held on July 20, 2022 to, *inter alia*, consider and recommend the draft Scheme of Arrangement between CPIL and Century Infra Limited (“Transferee company” or “CIL”) and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“Act”) (“Scheme”). This Scheme provides for the transfer and vesting of the Container Freight Station Services Undertaking (as defined in the Scheme) of the Transferor Company to the Transferee Company with effect from the Appointed Date (as defined in the Scheme), as a going concern, on Slump Sale basis, and for which lump sum consideration shall be paid by the Transferee Company to the Transferor Company on the agreed terms and conditions as set out in the Scheme.
- 1.2 The Company is a publicly listed company incorporated on 5th January, 1982 under the provisions of the Companies Act, 1956 and is *inter alia* engaged in business of manufacturing of plyboards, laminates, MDF and Particle Board. The equity shares of the Company are listed on BSE Limited and National Stock Exchange of India Limited.
- 1.3 The Transferee Company is a public company incorporated on 30th December, 2021 under the provisions of the Companies Act, 2013 with an object to, *inter alia*, carry on the business of receivers, general carriers, Container Freight Stations, Internal Container Depots Terminal and aggregation of long distance cargo. The Transferee Company is a wholly owned subsidiary of Transferor Company.
- 1.4 This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (“SEBI”) (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and clause 2(c) of Para A of Part I of the SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 (“SEBI Master Circular”) and as amended from time to time.



1.5 The following documents duly initialed by the Company Secretary of the Company for the purpose of identification were placed and noted by before the Audit Committee of the Company:

- (a) Draft Scheme of Arrangement;
- (b) Certificate dated July 20, 2022 issued by M/s Singhi & Co., Chartered Accountants (ICAI Firm Registration No.- 302049E), Statutory Auditors of the Company, certifying the undertaking clearly stating the reasons for non-applicability of conditions specified in Para (A)(10)(b) of Part I of the SEBI Master Circular;
- (c) Certificate dated July 20, 2022 issued by M/s Singhi & Co., Chartered Accountants (ICAI Firm Registration No. 302049E), Statutory Auditors of the Company, confirming the accounting treatment prescribed in the Scheme; and
- (d) Report by N. S. Kumar & Co., a firm of Independent Chartered Accountants indicating computation of the tax net worth of the Container Freight Station Services Undertaking as on March 31, 2022

2. Proposed Scheme

2.1 Need for the Scheme of arrangement and rationale of the Scheme

The Committee discussed and considered the rationale and need of the transfer of Container Freight Station Services Undertaking from Transferor company to Transferee company as a going concern on slump sale basis, as provided in the draft Scheme, and which is reproduced hereunder:

- a. The Transferor Company and the Transferee Company are part of the same group ('Century Group') and are owned, controlled and managed by the management of the Century Group. The risks and returns involved in the Container Freight Station Services Undertaking are distinct from those of the other businesses of the Transferor Company. The Container Freight Station Services Undertaking attracts a different set of investors and strategic partners. Hence, in order to streamline the current business structure the management of the Transferor Company and the Transferee Company are desirous of entering into a Scheme of arrangement between the Transferor Company and the Transferee Company.
- b. The proposed arrangement will enable optimum running, growth and development of the Container Freight Station Services Undertaking. In addition, the Container Freight Station Services Undertaking will be transferred into the Transferee Company to unlock value of the undertaking. The transfer of the Container Freight Station Services Undertaking from the Transferor Company to the Transferee Company would inter alia achieve the following benefits:

- i. Provide differentiated focus for the Container Freight Station Services Undertaking and help it realise its potential
- ii. Enhanced management focus and operational flexibility in each business vertical; and
- iii. Facilitate mutually beneficial strategic alliances for the Container Freight Station Services Undertaking in the future

The Scheme is in the best interests of the shareholders, employees, and the creditors of both the Transferee Company and the Transferor Company.

2.2 Synergies of business of the companies involved in the Scheme

The background and information of the Transferor Company and the Transferee Company is inter-alia, as under:

- (a) The Transferor Company is engaged in business of manufacturing and supply of plywoods, veneer, laminates and MDF boards.
- (b) The Transferee Company is incorporated to carry on the business of receivers, general carriers, Container Freight Stations, Internal Container Depots Terminal and aggregation of long distance cargo.
- (c) Upon Slump Sale, the benefit and synergies as mentioned in Para 2.1 above shall be derived by the companies.

2.3 Impact of the Scheme on the Company and its Shareholders

- (a) Pursuant to the Scheme, it is proposed to transfer and vest the Container Freight Station Services Undertaking (as defined in the Scheme) of the Transferor Company to the Transferee Company as a going concern, on Slump Sale basis, and the Scheme will result in benefits and / or synergies to the companies as listed in paragraph 2.1 and 2.2 of this report;
- (b) Further, a lump sum consideration of INR 32,71,00,000 shall be discharged by the Transferee Company to the Transferor Company by issuing and allotting 32,71,00,000 fully paid up of Re 1/- each of Transferee Company to the Transferor Company. There will be no change in the economic interest of the shareholders of the Company, before and after the Scheme.



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2.4 Cost Benefit Analysis of the Scheme

Although the Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company.

3. Recommendation of the Audit Committee

The Audit Committee after due deliberations and detailed discussion, and inter alia taking into consideration the draft Scheme, certificate(s) issued by Statutory Auditors of the Company and Report on Tax Net-Worth of the Container Freight Station Services Undertaking, have noted the rationale, benefits and the impact of the Scheme on shareholders and others concerned. Based on the foregoing, the Audit Committee is of the view that the Scheme is in the interests of the Company and all stakeholders and hereby approves and recommends the 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 Century Plyboards (India) Limited


J. P. Dua
Chairman,
Audit Committee
DIN: 02374358



Place: Kolkata
Date: July 20, 2022

