

**Report of the Audit Committee of JK Paper Limited on the draft Composite Scheme of Arrangement between JK Paper Limited ("Transferee Company"), JKPL Utility Packaging Solutions Private Limited (Formerly Manipal Utility Packaging Solutions Private Limited) ("Transferor Company 1"), Securipax Packaging Private Limited ("Transferor Company 2"), Horizon Packs Private Limited ("Transferor Company 3"), Enviro Tech Ventures Limited ("Demerged Company for Part 'E' of the Scheme" and "Transferor Company 4 for Part 'F' of the Scheme") and PSV Agro Products Private Limited ("Resulting Company") and their respective shareholders under sections 230-232 read with section 66 and other applicable provisions of the Companies Act, 2013.**

**The following members of the Audit Committee were present:**

1. Shri Anoop Seth, Chairman of the Committee
2. Shri A.S. Mehta
3. Shri Harshavardhan Neotia
4. Shri S.K. Roongta

## **1. Background**

1.1 The Audit Committee of JK Paper Limited ('the Company') at its meeting held on 13<sup>th</sup> December 2024 considered a Draft of the Composite Scheme of Arrangement ("Scheme") under Sections 230-232 read with Section 66 and other applicable provisions of the Companies Act, 2013 and the rules and regulations made thereunder between JK Paper Limited ("Transferee Company"), JKPL Utility Packaging Solutions Private Limited (Formerly Manipal Utility Packaging Solutions Private Limited) ("Transferor Company 1"), Securipax Packaging Private Limited ("Transferor Company 2"), Horizon Packs Private Limited ("Transferor Company 3"), Enviro Tech Ventures Limited ("Demerged Company for Part 'E' of the Scheme" and "Transferor Company 4 for Part 'F' of the Scheme") and PSV Agro Products Private Limited ("Resulting Company") and their respective shareholders, as was placed before it by the management for its consideration and recommendation of the said draft of the Scheme to the Board of Directors of the Company. The Transferor Company 1, Transferor Company 2, Transferor Company 3 and Transferor Company 4 are hereinafter collectively referred to as the "Transferor Companies".

1.2 The Scheme would be subject to the sanction and approval of the National Company Law Tribunal ("NCLT"), the Securities and Exchange Board of India ("SEBI"), National Stock Exchange of India Limited ("NSE"), BSE Limited ("BSE"), shareholders and creditors of respective Companies and other appropriate authorities, as may be applicable.





1.3 The equity shares of the Transferee Company are listed on NSE and BSE. The Transferee Company will be filing the draft Scheme along with the necessary information / documents with the NSE and the BSE under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

1.4 The report of the Audit Committee is made in order to comply with the requirements of the circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated 20<sup>th</sup> June, 2023 ("SEBI Master Circular"), including any amendment(s) or modifications(s) thereto, issued by the SEBI. The following documents were considered by the Audit Committee :

- a. Draft Composite Scheme of Arrangement;
- b. Valuation Report dated 13<sup>th</sup> December 2024 of BDO Valuation Advisory LLP (IBBI Registration No. IBBI/RV-E/02/2019/103), an independent registered valuer and its recommendation of the share exchange ratio ("Share Exchange Ratio Report");
- c. Pricing Certificate dated 13<sup>th</sup> December 2024 as required under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 prepared and submitted by M/s. Agarwal Ketan & Co., Chartered Accountants;
- d. Fairness Opinion dated 13<sup>th</sup> December 2024 issued by ICICI Securities Limited, a SEBI registered Merchant Banker (SEBI Regn No. INM000011179), providing the Fairness Opinion on the Share Exchange Ratio Report of BDO Valuation Advisory LLP, registered valuer, on valuation of assets/ shares of the Transferor Companies and the Transferee Company and the fair share exchange ratio recommended;
- e. Shareholding Pattern of the Transferee Company, the Transferor Company 1, Transferor Company 2, Transferor Company 3, Transferor Company 4 and the Resulting Company as at September 30, 2024;
- f. Certificate dated 13<sup>th</sup> December 2024 by Lodha & Co LLP, Chartered Accountants, the Statutory Auditor of the Company, confirming that the Scheme is in compliance with the applicable Accounting Standards specified by the Central Government under Section 133 of the Companies Act, 2013.

## 2. Proposed Composite Scheme of Arrangement.

2.1 The Scheme, inter-alia, provides for the following:

- **Part C of the Scheme** deals with the amalgamation of Transferor Company 1, Transferor Company 2, Transferor Company 3 with and into the Transferee Company;
- **Part D of the Scheme** deals with reduction and conversion of Redeemable Preference Shares of Transferor Company 4 into unsecured loan;



*Amal*

- **Part E of the Scheme** deals with the demerger of Demerged Undertaking of Demerged Company into Resulting Company;
- **Part F of the Scheme** deals with the amalgamation of the Transferor Company 4 with and into the Transferee Company; and
- **Part G of the Scheme** deals with Re-organization of reserves of the Transferee Company post effectiveness of Scheme.

2.2 The proposed Appointed Date 1 is April 1, 2024 for amalgamation of Transferor Company 1, Transferor Company 2, and Transferor Company 3 with and into Transferee Company and Appointed Date 2 is April 1, 2025 for the other parts, as elaborated in the Scheme.

### **3. Need for the Scheme**

The Audit Committee has carefully reviewed and considered the need for the Scheme as outlined in the rationale of the Scheme, as mentioned below. After a thorough examination of the relevant information and discussions with the management, the Audit Committee concurs that the reasons for the Scheme remain consistent with those stated in the Scheme's rationale, as mentioned below.

### **4. Rationale for the Scheme**

#### **a) Object and rationale for amalgamation of Transferor Company 1, Transferor Company 2, Transferor Company 3 with and into Transferee Company:**

The Transferor Company 1, Transferor Company 2, Transferor Company 3 are wholly owned subsidiaries of the Transferee Company. The amalgamation of the Transferor Company 1, Transferor Company 2, Transferor Company 3 with and into the Transferee Company is, inter-alia, expected to yield the following benefits:

- The Transferor Company 1, Transferor Company 2, Transferor Company 3, and the Transferee Company are engaged in similar line of business, and the Board of the respective companies has decided to consolidate all packaging business, manufacturing, and trading entities under the Transferee Company. The proposed consolidation of business operations through amalgamation will therefore lead to more efficient utilization of capital assets, supply chain, and customer relationships, thereby creating a stronger base for future growth;
- Facilitate flexibility in funding the capex of the Transferor Company 1, Transferor Company 2, Transferor Company 3, eliminate intra-group transactions and consequent cash flow blockages which shall result in efficient utilization of capital at a group level;
- Assist in rationalizing the corporate structure and reduction of shareholding tiers;



*Amal K. Singh*



- Reduction in the multiplicity of legal and regulatory compliances required at present to be carried out by the Transferor Company 1, Transferor Company 2, Transferor Company 3 and Transferee Company;
- Result in savings of administration and other costs associated with managing separate entities

**b) Object and rationale for reduction and conversion of Redeemable Preference Shares held by the Transferee Company in the Transferor Company 4 into unsecured loan:**

The reduction and conversion of preference share capital of the Transferor Company 4 into unsecured loan, would, inter alia, entail the following benefits:

- The reduction and conversion of Redeemable Preference Shares (RPS) in the manner proposed in the Scheme would enable the Transferee Company to reflect the true nature of investment in the Transferor Company 4 i.e., as a liability, and thereby, facilitate the demerger from the Transferor Company 4 (as a part of this Scheme);
- The RPS issued by Transferor Company 4 (or the Demerged Company) shall, upon the effectiveness of Part D of the Scheme, be converted into an unsecured loan. Furthermore, upon the effectiveness of Part F of the Scheme, whereby Transferor Company 4 is merging with the Transferee Company, such unsecured loan, previously arising from the conversion of the RPS, shall stand cancelled without any further act, deed, or instrument;
- Facilitate support for organic growth opportunities and eliminating intra-group transactions and consequent cash flow blockages which shall result in efficient utilization of capital at a group level;
- The Scheme would not affect the ability or liquidity of the Transferor Company 4 to meet its obligations / commitments in the normal course of business upon effectiveness of the Part D of the Scheme.

**c) Object and rationale for demerger of Demerged Undertaking into Resulting Company:**

The following benefits would, inter alia, accrue to the Demerged Company and the Resulting Company:

- Facilitate segregation of the Demerged Undertaking from the Demerged Company so that the Resulting Company may focus and expand the business of the Demerged Undertaking subsequent to the demerger;



*Handwritten signature in blue ink.*

9

- The demerger shall allow the Demerged Company to merge the residual business (related to paper and packaging business) with the Transferee Company in Part F of the Scheme, thereby consolidating paper and packaging business, manufacturing, and trading entities under the Transferee Company as part of the overall objective of the restructuring scheme.

**d) Object and rationale for merger of Transferor Company 4 into Transferee Company:**

- Upon effectiveness of Part E of the Scheme, Transferor Company 4 would be left with paper and packaging business and management of Transferor Company 4 and Transferee Company are engaged in the same line of business, and so the Board of the respective companies have decided to consolidate all paper and packaging business, manufacturing, and trading entities under the Transferee Company;
- Assist in rationalizing the corporate structure and reduction of shareholding tiers;
- Reduction in the multiplicity of legal and regulatory compliances required at present to be carried out by both the Transferor Company 4 and Transferee Company;
- Result in savings of administration and other costs associated with managing separate entities.

**e) Rationale for re-organization of reserves of the Transferee Company in the manner set out in the Scheme:**

- The Scheme proposes to set off the debit balance of Credit Reserve arising out of effectiveness of the Scheme as on the Appointed Date against the existing credit balance lying under Transferee Company, in order to right-size the balance sheet;
- The proposed reorganization of the reserves is in the interest of the Transferee Company, shareholders, creditors, and all concerned stakeholders. If the Scheme is approved, the books of the Company would present a fair representation of the financial position of the Transferee Company.

**5. Synergies of the Business of the entities:** As mentioned above, the implementation of the Scheme would result in the following synergies:

- 5.1 The Transferor Company 1, Transferor Company 2 and Transferor Company 3 and the Company are already engaged in the similar and complimentary line of business activities. The proposed merger will enable the integration of the business activities of the Transferor Companies and the Company;



*[Handwritten signature]*



- 5.2 Economies of scale will play a bigger role as the consolidated entity's operational efficiency will increase, which will in turn allow the merged entity to compete on a larger scale in the industry, thus benefiting the merged entity and the shareholders including public shareholders at large;
- 5.3 Rationalization of operations with a greater degree of operational efficiency and optimum utilization of resources;
- 5.4 The combined net worth will enable the merged entity to tap into new business opportunities thereby unlocking growth opportunities for the merged entity;
- 5.5 It would result in the consolidation of business activities and will facilitate effective management of investment and synergies in operations;
- 5.6 Being a part of the same management, this amalgamation would facilitate the simplification of group structures and reducing administrative redundancies; and
- 5.7 Reduction in multiplicity of legal and regulatory compliances, reduction in overheads, including administrative, managerial and other costs amongst all.

## **6. Impact of the Scheme on the Company and its shareholders**

- 6.1 The Scheme will result in consolidation of business of the Transferor Companies and get housed in the Transferee Company. The said consolidation will be in the interest of stakeholders of the Company and Transferor Companies to have an increased capability for running the consolidated business and pursue growth opportunities.
- 6.2 The Audit Committee also noted that the Scheme is subject to the approval, inter alia, of the shareholders of the Company. The Audit Committee was of the opinion that the Scheme is not detrimental to the interest of the shareholders of the Transferee Company, including public shareholders at large.

## **7. Consideration / Share Exchange Ratio**

In respect of share exchange ratio, the Audit Committee noted, deliberated and confirmed that the report on recommendation of fair share entitlement ratio as recommended for Part F of the Scheme, in the report on recommendation of fair share entitlement ratio is fair to the shareholders of the Transferee Company. Upon the Scheme becoming effective, shares would be issued as under:

- 7.1 The Transferor Company-1, Transferor Company-2 and Transferor Company-3 are wholly owned subsidiaries of the Transferee Company and there shall be no issue of shares as a consideration for the amalgamation of the Transferor Company-1,



Transferor Company-2 and Transferor Company-3, into and with the Transferee Company.

7.2 "Upon the Part 'F' of Scheme taking effect and as consideration for the amalgamation of Transferor Company 4 with the Transferee Company, the Transferee Company shall, without any further application, deed, or payment, issue and allot shares of the Transferee Company as under:

• **To Equity Shareholders:**

- 2,635 fully paid equity share of Rs. 10 each of Transferee Company, for every 10,000 equity share of Rs. 10 each held in the Transferor Company 4.

• **To Compulsorily Convertible Preference Shareholders:**

- 21,958 fully paid equity share of Rs. 10 each of Transferee Company, for every 10,000 Series 1 Compulsorily Convertible Preference Share of Rs. 100 each held in the Transferor Company 4.
- 21,958 fully paid equity share of Rs. 10 each of Transferee Company, for every 10,000 Series 2 Compulsorily Convertible Preference Share of Rs. 100 each held in the Transferor Company 4.
- 12,668 fully paid equity share of Rs. 10 each of Transferee Company, for every 10,000 Series 3 Compulsorily Convertible Preference Share of Rs. 100 each held in the Transferor Company 4."

**8. Cost benefit analysis of the Scheme:**

The Scheme is expected to provide the long term benefits such as integration of business activities, economies of scale, operational efficiency, optimum utilisation of resources, unlocking growth opportunities, effective management of investments, simplification of group structure thus reducing redundancies, etc, which cannot be quantified. While the Scheme would lead to incurring some costs towards its implementation, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company.

**9. Recommendation of the Audit Committee**

The Audit Committee after due deliberations and detailed discussions, and inter alia taking into consideration the draft Scheme, Share Exchange Ratio Report, Fairness Opinion, Pricing Certificate and draft certificate of the Statutory Auditors of the Transferee Company, have noted the need and rationale of the Scheme, synergies of the business of the companies, impact of the Scheme on the Transferee Company and its shareholders, cost benefit analysis of the Scheme and other documents placed before




*[Handwritten signature]*



the Audit Committee. Based on the foregoing, the Audit Committee is of the view that the Scheme is in the interest of the Company and all the stakeholders, and hereby recommends the Scheme to the Board of Directors of the Company for its consideration and approval.

By order of Audit Committee

For and on behalf of  
For JK Paper Limited

  
(Anoop Seth)  
Chairman  
Audit Committee

Date: 13th December 2024  
Place: New Delhi

