

ANNEXURE- D

REPORT OF THE AUDIT COMMITTEE OF CHORDIA FOOD PRODUCTS LIMITED ('THE COMPANY') RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN CHORDIA FOOD PRODUCTS LIMITED AND AVEER FOODS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AT ITS MEETING HELD ON WEDNESDAY 5TH DAY OF FEBRUARY, 2020 AT 2:00 PM. AT THE CORPORATE OFFICE OF THE COMPANY AT 38/39 TARKAR COMPOUND, ABOVE S K AGENCIES, HADAPSAR INDUSTRIAL ESTATE HADAPSAR PUNE-411013

MEMBERSPRESENT:

1. Mr. Vijaykumar Kankaliya - Chairman
2. Mr. Pradeep Chordia- Member
3. Dr. Ajit Mandlecha- Member
4. Mrs. Zalak Shah- Member

IN ATTENDANCE:

1. Mr. Babu Gavhane- Executive Director & CFO
2. Ms. Tejashree Bhalerao- Company Secretary

1. Background:

The Company is operating in Two Business Divisions 'Food Division' and 'Food Infra Division/ Business since 25th January 2019.

'Food Division' consists of manufacturing of Food Products including manufacturing facilities, processes, recipes, technical know-how, for manufacturing of pickles, ketchups, papads and other food products manufactured & marketed by the Company under brand name 'Pravin', 'Navin', 'Toofan', 'Suhana-Pravin.'

'Food Infra Division' consists of all Assets including all Land & Buildings and other Immovable Properties owned by the Company pertaining to the Factories, Offices, Cold Storages, Warehouses, Tiny Units, Agri Tech Center, Block Shed and the Food Infra Business run thereon and all other businesses including Contract manufacturing but other than business and movable Assets of Food Division.

These Two Businesses are matured and developed and are currently at different stages of Maturity. To focus and develop these Two businesses independently the Company has been advised by the Experts in the field to demerge Food Division / Food Business in a separate Company – Aveer Foods Ltd., which is 100% Subsidiary of the Company i.e. Chordia Food Products Limited.

CHORDIA FOOD PRODUCTS LTD.

Office : Above S. K. Agencies, 38/39, Tarkar Compound, Hadapsar Industrial Estate, Hadapsar, Pune - 411 013.

Tel.: 020 - 26871500 **Email:** fcd@chordiafoods.com **Web.:** www.chordiafoods.com

Registered Office : 399 / 400, Sangavi (Shirwal), Tal. Khandala, Dist. Satara - 412 801.

Tel.: 9922990065 **CIN :** L15995PN1982PLC026173



Accordingly a meeting of the Audit Committee of Chordia Food Products Limited ('the Company') was held on Wednesday 5th Day of February, 2020 to inter-alia consider the draft 'Scheme of Arrangement' between Chordia Food Products Limited (Demerged Company) and Aveer Foods Limited (Resulting Company) and their respective shareholders ('Scheme') under Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013 which provides for the demerger and vesting of the "Demerged Undertaking" (as defined in the Scheme) from the Demerged Company (as defined in the Scheme) to the Resulting Company (as defined in the Scheme) on a going concern basis and the consequent issue of shares by the Resulting Company (as defined in the Scheme) in the manner set out in the Scheme, to the Shareholders of the Demerged Company.

The Draft Scheme of Arrangement between Chordia Food Products Limited (Demerged Company) and Aveer Foods Limited (Resulting Company) and their respective shareholders was placed before the Audit Committee for consideration and if thought appropriate to recommend the Scheme to the Board of Directors for its final consideration.

In order to comply with the requirements of the Securities and Exchange Board of India ('SEBI') (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI Circular No. CFD/DIL3/CIR/2017 /21 dated 10 March 2017 ('SEBI Circular') and any amendments / modifications thereof and applicable provisions of the Companies Act, 2013 and Rules made thereunder a report of Audit Committee is required to be submitted at the time of submission of the Scheme to BSE/ SEBI.

2. Report of the Audit Committee:

This report of the Audit Committee is prepared to comply with the requirements of the Circular and after considering the following documents:

- (a) Valuation Report dated 4th February 2020 issued by Haresh Upendra & Co Chartered Accountants; and
- (b) Fairness Opinion Report dated 5th February, 2020 issued by M/s Navigant Corporate Advisors Limited Category- I SEBI Merchant Banker on the valuation done by Haresh Upendra & Co Chartered Accountants.

3. Proposed Scheme of Arrangement:

The Committee noted that salient features of the Scheme were as under:

The Salient features of the Scheme are as under:

It is proposed to demerge the Demerged Undertaking (Food Division) of Chordia Food Products Limited into Aveer Foods Limited. This arrangement would *inter alia* have the following benefits:

- 3.1 Segregation of business of the food division of the Demerged Company into Resulting Company in a manner provided in this scheme resulting into enhanced strategic flexibility to build a viable platform solely focusing on each of the business.

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- 3.2 Allowing management of each company to pursue independent growth strategies and unlock significant value for shareholders
- 3.3 Allow in creating the ability to achieve valuation based on respective risk-return profile and cash flow, attracting right investors and thus enhancing flexibility in accessing capital;
- 3.4 Provide scope of separate companies for independent collaboration and expansion including expanding potential Clients/Customer market for each business
- 3.5 Abeer Foods Limited will acquire the Food Division on going concern basis from Chordia Food Products Limited. Chordia Food Products Limited will focus on other commercial activities/businesses mainly Food Infra Business and all other businesses including contract manufacturing. The demerger will ensure focused management attention and resources and skill set allocation.
- 3.6 The nature of Technology, Risk, Competition and capital intensity involved in each of the Undertakings of the Demerged Company is distinct from each other. Consequently, each Undertaking of the Demerged Company is capable of addressing independent business opportunities, deploying different technologies and attracting different set of Investors, Strategic Partners, Lenders and Other Stakeholders. Hence as a part of overall business reorganization plan, it is considered desirable and expedient to reorganize and reconstruct the Demerged Company by Demerging the Demerged Undertaking to the Resulting Company in the manner and on the terms and conditions contained in the Scheme.
- 3.7 Upon the scheme becoming operative, the investment in shares held in AFL as appearing in the Books of Accounts of CFPL shall stand cancelled and extinguished and result in Capital Reduction in the Resulting Company. This would enable the shareholders of the Demerged Company to hold shares in the Resulting Company in the same proportion in which they currently hold shares in the Demerged Company.

4. Recommendations of the Audit Committee:

The Audit Committee considered the Scheme in detail considering the Rational and Salient features of the Scheme and the Value addition to the Shareholders value.

The Audit Committee passed the following Resolution unanimously and none of the Members voted against the Resolution: -

“RESOLVED THAT the Valuation Report dated 4th February, 2020 issued by Haresh Upendra & Co Chartered Accountants Pune and fairness Report issued by M/s Navigant Corporate Advisors Limited, SEBI registered Category I Merchant Banker, dated 5th February, 2020 be and are hereby received, considered and noted.

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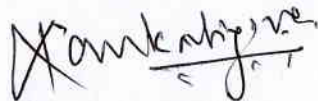
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RESOLVED FURTEHR THAT the draft 'Scheme of Arrangement' between Chordia Food Products Limited (Demerged Company) and Aveer Foods Limited (Resulting Company) and their respective shareholders ('Scheme') under Sections 230 to 232 of Companies Act, 2013 for demerger of Food Division of Chordia Food Products Limited into Aveer Foods Limited and continuation of Remaining Business in Chordia Food Products Limited , be and is hereby received considered and approved.

RESOLED FURTEHR THAT the said Scheme of Arrangement as initialed by the Chairman of the Meeting be and is hereby recommended to the Board of Directors of the Company for its consideration and its approval if thought fit.”

For Chordia Food Products Limited



(Vijaykumar Kankaliya)
Chairman of Audit Committee
Date: 5thFebruary, 2020



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