

**REPORT OF THE AUDIT COMMITTEE OF GRANDEUR PRODUCTS LIMITED RECOMMENDING THE SCHEME OF AMALGAMATION BETWEEN GRANDUER PRODUCTS LIMITED (TRANSFEROR) AND TIERRA AGROTECH PRIVATE LIMITED (TRANSFEEE) AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS PURSUANT TO SECTIONS 230-232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013**

**PRESENT:**

Mr. Ramesh Babu Nemani : Chairman  
Mrs. Sridevi Dasari : Member  
Mr. Vijay Kumar Deekonda : Member

**IN ATTENDANCE:**

Ms. Renuka Gunasekhar : Company Secretary

**BY INVITATION:**

Mr. R. Srinivasu : Representative of M/s. NSVR & Associates, Internal Auditors  
Mr. Murali Krishna Reddy Talluri : Representative of M/s. Ramasamy Koteswara Rao & Co. LLP, Statutory Auditors  
Mrs. N. Vanitha : Secretarial Consultant

**I. BACKGROUND:**

The Company had placed before the Audit Committee the Scheme of Amalgamation of Grandeur Products Limited (Transferor Company) and its wholly-owned subsidiary company, Tierra Agrotech Private Limited (Transferee Company), and their respective shareholders and creditors ("the Scheme of Amalgamation"/ "the Scheme"), for consideration and recommendation of the Scheme to the Board of Directors, as required in terms of SEBI Circular No. CFD/DIL3/CIR/2017/21 dated 10<sup>th</sup> March, 2017.

In this regard, the Audit Committee considered, inter-alia, the following:

The draft Scheme of Amalgamation

Certificate issued by M/s. Ramasamy Koteswara Rao & Co LLP, statutory auditors of the Company, to the effect that the accounting treatment proposed in the Scheme is in compliance with all the Accounting Standards specified by the Central Government under Section 133 of the Companies Act, 2013 read with the rules made thereunder or the Accounting Standards as issued by the Institute of Chartered Accountants of India, as applicable, and other generally accepted accounting principles.

The Audit Committee also took note of the fact that, pursuant to SEBI Circular No. CFD/DIL3/CIR/2017/21 dated 10<sup>th</sup> March, 2017 and Circular No. CFD/DIL3/CIR/2018/2 dated 03<sup>rd</sup> January, 2018 read with Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated 03<sup>rd</sup> November, 2020, Valuation Report of an Independent Chartered Accountant/ Registered Valuer is not

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applicable in the instant Scheme of Amalgamation as the shareholding of the equity shareholders of the Transferor Company shall remain the same in the Transferee Company, and as such, there shall be no change in the shareholding pattern of the resultant company.

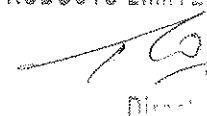
## **II. SALIENT FEATURES OF THE SCHEME:**

1. The Scheme provides for the amalgamation of Grandeur Products Limited (Transferor Company) with its wholly-owned subsidiary, Tierra Agrotech Private Limited (Transferee Company pursuant to Section 230 to 232 and other relevant provisions of the Companies Act, 2013.
2. The Appointed Date for the Scheme is 01<sup>st</sup> April, 2020.
3. Since the Transferee Company is a wholly owned subsidiary of the Transferor Company, pursuant to the sanction of the Scheme by Hon'ble NCLT, Hyderabad Bench, the shareholders holding shares in the Transferor Company as on the Record Date (as may be decided by the Board of Directors of the Transferee Company) shall continue to hold such shareholding in the Transferee Company and the Transferee Company shall not allot any new shares to the shareholders of the Transferor Company.
4. Upon the coming into effect of the Scheme, the assets, liabilities and undertakings of the Transferor Company shall, without any further act, instrument or deed be merged and transferred to and vested in or be deemed to have been transferred to and vested as a going concern in the Transferee Company pursuant to the applicable provisions of the Act on and from the Appointed Date.
5. Upon the Scheme being effective, the Authorized Share Capital of the Transferor Company shall be consolidated with the Authorized Share Capital of the Transferee Company and the Authorized Share Capital shall be further increased by such amount as would be eligible to be accommodated taking into consideration the combined fee and stamp duty paid by the Transferor Company and Transferee Company, from time to time, for increase of their respective Authorized Share Capital.
6. Upon the Scheme becoming effective, the name of the Transferee Company shall, without any further act, deed or thing, be changed from Tierra Agrotech Private Limited to Tierra Agrotech Limited.
7. Upon the Scheme becoming effective, the Transferor Company shall, without any further act, deed or thing, be dissolved without being wound-up.

## **III. NEED FOR THE MERGER:**

1. To achieve a simplified group and business structure.
2. To assist the Transferee Company and its management in meeting the funding requirements through a common funding mechanism, thereby resulting in effective management and utilization of funds for capital expenditure and working capital.

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Director

3. To achieve greater integration and greater financial strength and flexibility for the amalgamated entity, which would result in maximizing overall shareholder value.

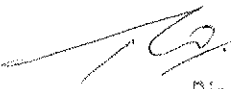
#### **IV. RATIONALE OF THE SCHEME:**

1. The Transferor Company is a listed company incorporated in the year 1983 and currently its main objects include seed research and development, production, sales and marketing. The Transferor Company, through two of its subsidiaries, has also forayed into developing innovative seeds stacked with proprietary traits that not only provide significant yields and cost advantage to farmers but also have a positive impact on the environment.
2. The Transferee Company is engaged in developing innovative seeds and agribusiness. Recognising the potential in such business, the Transferor Company acquired the entire share capital of the Transferee Company from its promoters and the Transferee Company is accordingly a wholly owned (100%) subsidiary of the Transferor Company.
3. The undertakings and business of the Transferor Company and the Transferee Company can be combined, held and pursued in one entity more conveniently and advantageously with better capacity for fund raising, growth and expansion.
4. In the circumstances, it is considered desirable and expedient to amalgamate the Transferor Company with the Transferee Company resulting in benefits of economies of scales, reduction in multiplicity of legal and regulatory compliances, rationalisation, standardisation and simplification of business processes leading to increase in operational feasibility in future, reduction of multi- company inefficiencies and optimal utilisation of resources.
5. The amalgamation will enable appropriate consolidation and integration of the operations and activities of the Transferor Company and the Transferee Company and result in the formation of a larger and more broad-based company having greater capacity to raise and access funds for growth and expansion of its business, marketing and selling its products and services and conducting trade on more favourable terms.
6. The business of the amalgamated entity will be carried on more efficiently and economically as a result, inter alia, of pooling and more effective utilisation of the combined resources of the said companies and substantial reduction in costs and expenses. As such the amalgamation of the Transferor Company with the Transferee Company will enable greater realisation of the potential of the business of the Transferor Company and the Transferee Company in the merged entity and have beneficial results for the said Companies, their shareholders and all concerned.

#### **V. SYNERGIES OF BUSINESS OF THE ENTITIES INVOLVED IN THE SCHEME:**

1. The amalgamation will result in achieving business and administrative synergies for the group. Considering the business prospects in future, this consolidation would result in enhancement of scale of operations and reduction in overheads, administrative, managerial and other expenditure, operational rationalization, organizational efficiency and optimal utilization of various resources by avoiding duplication of efforts.

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Director

2. The amalgamation will result in financial, managerial and technical resources being pooled in and will lead to increased competitive strength, cost reduction and efficiencies, productivity gains and logistic advantages to the business operations.
3. The consolidation will also result in optimizing working capital usage, which is very critical for operations considering the circumstances for availing working capital credit.
4. Strengthened leadership in the Industry, in terms of the asset base, revenues, product range, production volumes and market share of the combined entity.

**VI. IMPACT OF THE SCHEME ON THE SHAREHOLDERS:**

The proposed Scheme will have no detrimental impact on the shareholders of the Transferor Company as the Transferee Company shall, in consideration of the amalgamation, issue and allot to the members of the Transferor Company holding fully paid-up equity shares in the Transferor Company and whose names appear in the Register of Members of the Transferor Company on such date ("Record Date") as the Board of Directors of the Transferee Company shall determine, One (01) equity share of the face value of Rs. 10/- (Rupees Ten Only) each in the Transferee Company, credited as fully paid up with rights attached thereto, for every One (01) equity share of the face value of Rs. 10/- (Rupees Ten Only) each held by them in the Transferor Company.

**VII. COST BENEFIT ANALYSIS:**

The sales and marketing activities of various seeds is happening in the Transferee Company and the appointment of dealers, distributors and marketing network is also a part of the Transferee Company. In nutshell, the whole of the sales, marketing and commercial activities are being carried out in the Transferee Company, whereas the resources of Transferor Company are being used only to augment the activities of Transferee Company. With this merger, the raising of the resources and carrying out of activities shall be part of the same Transferee Company, upon dissolution of the parent company (Transferor Company) on the successful receipt of the order of the Hon'ble NCLT, Telangana.

**VIII. RECOMMENDATION:**

Having considered all of the above, the Audit Committee recommends the Scheme for the favourable consideration of the Board of Directors.



**Ramesh Babu Nemani**  
Chairman  
DIN: 08089820



Place: Hyderabad  
Date : 12.11.2020

