



REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS ("COMMITTEE") OF ESCORTS KUBOTA LIMITED RECOMMENDING THE COMPOSITE SCHEME OF AMALGAMATION AMONGST ESCORTS KUBOTA LIMITED, ESCORTS KUBOTA INDIA PRIVATE LIMITED, KUBOTA AGRICULTURAL MACHINERY INDIA PRIVATE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS.

Members Present:

Sl. No.	Name of Committee Members	Designation
1.	Mr. Manish Sharma	Chairman
2.	Mr. Vimal Bhandari	Member
3.	Mr. Kenichiro Toyofuku	Member

1. BACKGROUND

A meeting of the Committee of Escorts Kubota Limited ("**Company**") was held on September 15, 2022, to consider and, if thought fit, to recommend to the board of directors of the Company ("**Board**"), the draft composite scheme of amalgamation of Escorts Kubota India Private Limited ("**Amalgamating Company No. 1**"), and Kubota Agricultural Machinery India Private Limited ("**Amalgamating Company No. 2**"), (Amalgamating Company No.1 and Amalgamating Company No.2 are together referred to as the "**Amalgamating Companies**") into and with the **Company**(together referred to as the "**Companies**"), and their respective shareholders and creditors ("**Scheme**"), pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") and the rules and regulations made thereunder, read with Section 2(1B) and other applicable provisions of the Income Tax Act, 1961.

This report of the Committee is made in compliance with the requirement of the Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, read with Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, on scheme of arrangements by listed entities ("**SEBI Circular**"), as amended from time to time, issued by the Securities Exchange and Board of India ("**SEBI**"). In terms of the SEBI Circular, a report from the Committee is required, recommending the draft Scheme, taking into consideration, *inter alia*, that the draft Scheme is not detrimental to the shareholders of the listed entity.

The effectiveness of this draft Scheme is conditional upon and subject to the following:

- (a) receipt of an 'Observation Letter' or a 'No-objection Letter' from the National Stock Exchange of India Limited and the BSE Limited for the implementation of the draft Scheme, as required under the applicable laws, are, in form and substance, acceptable to the Amalgamating Companies and the Company, each acting reasonably and in good faith;

Escorts Kubota Limited

(Formerly Escorts Limited)

Corporate Secretarial & Law

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Corporate Identification Number L74899HR1944PLC039088

- (b) the Scheme being approved by the requisite majorities of such classes of shareholders and creditors of the Companies, as may be required under applicable laws, or as may be directed by the National Company Law Tribunal, Chandigarh Bench ("**NCLT**");
- (c) the Scheme being approved by the shareholders of the Companies, provided that the votes cast by public shareholders of the Company in favour of the Scheme are more than the number of votes cast by public shareholders against it, through e-voting in terms of Paras (A)(10)(a) and (A)(10)(b) of Part I of the SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021;
- (d) the sanction to the Scheme by the NCLT under the relevant provisions of the Act;
- (e) compliance with such conditions as may be imposed by the NCLT;
- (f) receipt of the approval from the Competition Commission of India ("**CCI**") in respect of the Scheme, if applicable, in accordance with the provisions of the Competition Act, 2002, pursuant to a joint application filed by the Companies, which shall be in form and substance acceptable to the Companies, each acting reasonably and in good faith, or the waiting period during which the CCI is required to provide its decision in respect of the application for approval in respect of the Scheme contemplated herein, together with any extensions thereof, shall have expired;
- (g) the receipt of such other approvals including, approvals of any governmental authority as may be necessary under applicable laws or under any material contract to make the Scheme or the relevant Part of the Scheme effective or on the expiry of any statutory time period pursuant to which such approval is deemed to have been granted; and
- (h) the certified copies of the order of the NCLT sanctioning the Scheme (wholly or partially) being filed with the Registrar of Companies by each of the Companies.

The following documents were placed before the Committee for its consideration:

- (a) the draft Scheme, duly initialled by Company Secretary of the Company for the purpose of identification;
- (b) valuation report dated September 15, 2022, issued by Mr. Niranjana Kumar, Registered Valuer (IBBI Registration No. – IBBI/RV/06/2018/10137), for the determination of share entitlement ratios under the draft Scheme ("**Valuation Report**");
- (c) fairness opinion dated September 15, 2022, prepared by Fedex Securities Private Limited, an Independent SEBI registered Category-I Merchant Banker (Registration Number – INM000010163), confirming that the share exchange ratios in the Valuation Report are fair to the Companies and their respective shareholders and creditors ("**Fairness Opinion**"); and
- (d) auditors' certificate dated September 15, 2022, pursuant to paragraph A.5 of Part I of the SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, confirming that the accounting treatment contained in the draft Scheme is in compliance with all the applicable accounting standards specified by the Central Government under Section 133 of the Act read with applicable rules and/ or the accounting standards issued by the Institute

of Chartered Accountants of India and other generally accepted accounting principles.

2. SALIENT FEATURES OF THE SCHEME

The Committee considered and observed the following salient features in relation to the draft Scheme:

- (a) The draft Scheme provides for the amalgamation of the Amalgamating Companies into and with the Company (including cancellation of inter-company investments held by the Company in the Amalgamating Companies), in the manner set out in the draft Scheme;
- (b) The Appointed Date means April 1, 2023, with effect from which the Scheme will be deemed to be effective in the manner described in in the Scheme;
- (c) Upon the Scheme becoming effective, with effect from the Appointed Date, the Company shall account for the amalgamation in its books of accounts, as per 'Pooling of Interest Method' in accordance with the accounting principles as laid down in Ind AS-103 notified under Section 133 of the Act and under the Companies (Indian Accounting Standards) Rules, 2015, as may be amended from time to time;
- (d) Upon the Scheme becoming effective on the Effective Date, Amalgamating Company No. 1 and Amalgamating Company No. 2 shall stand automatically dissolved as an integral part of the Scheme; and
- (e) Upon the Scheme becoming effective on the Effective Date, the authorised share capital of Amalgamating Company No.1 and Amalgamating Company No. 2 as on the Effective Date shall stand transferred to and be merged/ amalgamated with the authorised share capital of the Company, and the fee, if any, paid by Amalgamating Company No. 1 and Amalgamating Company No. 2 on their respective authorised share capital shall be set off against any fee payable by the Company on such increase in its authorised share capital, consequent to the amalgamation.

3. RATIONALE FOR THE SCHEME

- (a) The Company proposes to enter into the Scheme with Amalgamating Company No. 1 and Amalgamating Company No. 2, such that the Company becomes the exclusive vehicle for the agri-machinery business in India. The amalgamation is proposed to consolidate their respective manufacturing/ service capabilities thereby increasing efficiencies in operations and use of resources, to consolidate their diversified product and services portfolio for improving overall customer satisfaction, to pool their human resource talent for optimal utilization of their expertise, to integrate the marketing and distribution channels for better efficiency, to have a larger market footprint domestically and globally and to ensure optimization of working capital utilization.
- (b) The managements of the Companies respectively, are of the view that the amalgamation proposed under the Scheme is, in particular, expected to have the following benefits:
 - (i) Reduction in management overlaps and reduction of legal and regulatory compliances and associated costs due to operation of multiple companies;

- (ii) Optimization of the allocated capital and availability of funds which can be deployed more efficiently to pursue the operational growth opportunities;
- (iii) Consolidation of funds and resources will lead to optimization of working capital utilization and stronger financial leverage given the simplified capital structure, improved balance sheet, and optimized management structure;
- (iv) Consolidation of businesses under the amalgamation, which would result in the pooling of financial, managerial, technical, and human resources, thereby creating a stronger base for future growth and value accretion for the stakeholders; and
- (v) Consolidation of production capabilities, integration and efficiency of operations, economies of scale, to create a larger scale of business and operations to cater to the demand of the agro-machinery industry. Consolidation of the complementing strengths will enable the Company to be the exclusive vehicle for the agri-machinery business in India.

4. VALUATION METHODS EVALUATED FOR THE SHARE EXCHANGE RATIO

The Committee noted that the Valuation Report, inter-alia recommended:

- (a) Share exchange ratio for the proposed amalgamation of Amalgamating Company No. 1 into and with the Company; and
- (b) Share exchange ratio for the proposed amalgamation of Amalgamating Company No. 2 into and with the Company.

The Committee was informed by Mr. Niranjana Kumar that three methods were evaluated for the purpose of valuation namely Market Price method / Comparable Companies Multiple method; Discounted Cash Flow method; and Net Assets Value method.

The Committee noted the above explanation on valuation methodology and agreed with the recommendation of registered valuer.

The Committee then noted the share exchange ratio as under:

The following share exchange ratio has been determined for the allotment of the equity shares of the Company having face value of Rs. 10 each to the shareholders of Amalgamating Company No. 1 as on the Effective Date (as defined in the Scheme), in consideration for the amalgamation of Amalgamating Company No. 1 with and into the Company:

"5 (Five) equity shares of Amalgamated Company having face value of INR 10 each fully paid up shall be issued for every 129 (One Hundred Twenty-Nine) equity shares held in Amalgamating Company No. 1 having face value of INR 100 each fully paid up."

The following share exchange ratio has been determined for the allotment of the equity shares of the Company having face value of Rs. 10 each to the shareholders of Amalgamating Company No. 2

as on the Effective Date (as defined in the Scheme), in consideration for the amalgamation of Amalgamating Company No. 2 with and into the Company:

"5 (Five) equity shares of Amalgamated Company having face value of INR 10 each fully paid up shall be issued for every 220 (Two Hundred Twenty) equity shares held in Amalgamating Company No. 2 having face value of INR 10 each fully paid up."

The representatives of Fedex Securities Private Limited, thereafter confirmed that the proposed share swap ratio involving issue of shares by the Company as mentioned above are fair from a financial point of view.

5. SCHEME NOT DETRIMENTAL TO THE SHAREHOLDERS OF THE COMPANY

The Committee members discussed and deliberated upon the rationale and salient features of the Scheme. In light of the same, and the Valuation Report, the Fairness Opinion and other documents presented before the Committee, the Committee is of the informed opinion that the draft Scheme is in the best interests of the shareholders of the Company and is not detrimental to their interest, including the interest of the public shareholders of the Company. The Committee members, however, discussed and deliberated on the fact that there will be proportionate dilution of all the shareholders including the public shareholders of the Company due to issuance of shares to Kubota Corporation, as existing shareholder of Amalgamating Company No. 1 and Amalgamating Company No. 2.

6. RECOMMENDATIONS OF THE COMMITTEE

The Committee after due deliberations and due consideration of all the terms of the draft Scheme, the Valuation Report, the rationale provided above, the Fairness Opinion and the specific points mentioned above, including interest of the shareholders of the Company, recommends the draft Scheme for favourable consideration and approval by the Board, stock exchange(s), SEBI and other appropriate authorities.

This report of the Committee is made in order to comply with the requirements of the SEBI Circular after considering the necessary documents.

By Order of the Committee of Independent Directors

For and on behalf of the Committee of Independent Directors of Escorts Kubota Limited

Manish Sharma
Independent Director
(Chairman of the Committee)

DIN: 06549914

Date: September 15, 2022

Place: Gurugram