

# HIMALCHULI FOOD PRODUCTS LIMITED

Reg Off : B-102, Saraswati Apt. Radhakrishna, Marg Mogra  
Village, Andheri (East), Mumbai - 400069

Phone: 022-26875180

Email : himalchulifoodproducts@gmail.com

Website: www.hfpltd.in

CIN: L15400MH1986PLC316001

REPORT OF THE AUDIT COMMITTEE OF HIMALCHULI FOOD PRODUCTS LIMITED ("COMPANY") RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT AND AMALGAMATION BETWEEN RKD TRENDY RETAILERS PVT LTD AND HIMALCHULI FOOD PRODUCTS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AT ITS MEETING HELD ON 31<sup>ST</sup> DECEMBER, 2018 AT THE REGISTERED OFFICE OF THE COMPANY AT 2.00 P.M.

## Directors Present

Mr. Rashmikant Ratilal Desai

Mrs. Reenaben Bipinchandra Joshi

Mr. Samirkumar Bharatbhai Sampat

## In Attendance:

Mr. Nilesh Malshi Savla Chief Financial Officer

## 1. BACKGROUND

A meeting of the Audit Committee of the company was held on 31<sup>st</sup> December, 2018 to consider and recommend the proposed composite Scheme of Arrangement and Amalgamation (Scheme) between R.K.D. Trendy Retailers Private Limited (Transferor company) and Himalchuli Food Products Limited (Transferee company) and their shareholders under Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013.

The Transferor Company is an existing Private Limited company incorporated under the provisions of the Companies Act, 1956.

The Transferee Company is an existing listed public Limited company incorporated under the provisions of the Companies Act, 1956.



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The Draft Composite Scheme of Arrangement and Amalgamation of R.K.D. Trendy Retailers Private Limited (the Transferor Company) with Himalchuli Food Products Limited (the Transferee Company) and their Respective Shareholders ("the Scheme") was placed before the Audit Committee for its consideration and recommendation to the Board of Directors of the Company as required vide SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ("Circular").

In view of the said circular, the Audit Committee of the Company considered, discussed and recommended the Composite Scheme and made this report after reviewing the following documents:

1. Draft Composite Scheme of Arrangement and Amalgamation;
2. Audited Financial Statements of R.K.D. Trendy Retailers Private Limited and Himalchuli Food Products Limited for the financial year 2015-16, 2016-17 and 2017-18 and Unaudited Financial Statements for the 6 months ended 30<sup>th</sup> September, 2018;
3. Valuation Report in the matter of Composite Scheme of R.K.D. Trendy Retailers Private Limited and Himalchuli Food Products Limited dated 31<sup>st</sup> December, 2018 issued by M/s Yogesh N. Shah, Chartered Accountants.
4. Fairness opinion dated 31<sup>st</sup> December, 2018 issued by Ashika Capital Limited, Mumbai;
5. Certificate issued by M/s M. M. Gala & Associates, Chartered Accountants, Statutory Auditors of the Company as required under Para 1(A)(5)(a) of Annexure I of the Circular, to the effect that the accounting treatment contained 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 framed there under or the Accounting Standards issued by ICAI, as applicable, and other generally accepted accounting principles.



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## 2. Proposed Composite Scheme of Arrangement and Amalgamation:

The Audit Committee noted the rationale and the benefits of the Scheme which, inter-alia, are as follows:

- a. Continuous losses have substantially wiped off the value represented by the Share Capital thus the financial statements do not reflect the correct picture of the health of the Company.
- b. For ensuring that the financial statements of the Company reflect the real picture and the Capital which is lost, is not continued to be shown on the face of balance sheet it is necessary to carry out reduction of capital of the Company.
- c. Since writing off of losses has become inevitable for growth of the Company and its shareholders, the Company is now proposing to undertake a financial restructuring exercise whereby the Company would create a "Capital Restructuring Account" from its paid up Equity Share Capital.
- d. The reduction of capital in the manner proposed would enable the Company to have a rational capital structure which is commensurate with its remaining business and assets.
- e. This Composite Scheme of Arrangement and Amalgamation is presented with a view to achieve Restructuring of the Transferee company which would result in increase in the net worth of the Transferee Company and improvement in financial health as more business activities shall be brought into the Transferee Company thereby preventing it from becoming a sick company
- f. The restructuring of the Transferee Company proposed under the Scheme does not envisage any payment to any shareholder of any paid-up share capital.
- g. Hence, the proposed reduction will be for the benefit of the Company and its shareholders, creditors and all concerned as a whole.
- h. Himalchuli Food Products Limited and RKD Trendy Retailers Private Limited both are with a view to take advantage of consolidation in the current competitive environment, it is proposed to consolidate operations and amalgamate the two companies, which would result in benefits from economies of scale of operations and increased market share.
- i. Simplified group and business structure.



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- j. The existence of independent companies at times result in duplication of efforts and the integration and combination of such businesses will lead to greater and optimal utilization of resources. The amalgamation would, therefore, enable the Transferee Company to increase operations and confer a competitive advantage on the entire business. With integrated processes, the Transferee Company can achieve higher scales of operation.
- k. Greater integration and greater financial strength and flexibility for the amalgamated entity, which would result in maximizing overall shareholder value, and will improve the competitive position of the combined entity.
- l. Better efficiency in cash management of the amalgamated entity, and unfettered access to cash-flow generated by the combined business which can be deployed more efficiently to fund organic and inorganic growth opportunities, to maximize shareholder value.
- m. The amalgamated company will have the benefit of synergy, optimum use of manpower for executing and management of various projects, expertise, and stability of operations and would help to achieve economies of scale through efficient utilization of resources and facilities.
- n. Pursuant to the implementation of the Scheme, the objects of the Transferor Company and the Transferee Company can be conveniently, advantageously and economically carried on by a single entity.
- o. The restructuring proposed under the Scheme will not affect the normal business operations of the Transferee Company, but would improve the same.
- p. To achieve the desired objectives, a Scheme of Arrangement and Amalgamation has been arrived at by the Board of Directors of the aforesaid companies and it has been decided to make the requisite application before the Hon'ble National company Law Tribunal Mumbai bench, Mumbai under Sections 230 to 232 read along with Section 66 of the Companies Act, 2013 for the sanction of the following Scheme of Arrangement and Amalgamation (hereinafter referred to as the 'Scheme') of the aforesaid companies.



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The salient features of the draft Scheme are as under:

- a) The Scheme provides for the reduction of the equity share capital of HIMALCHULI FOOD PRODUCTS LIMITED pursuant to Section 66 read with Sections 230 to 232 and other relevant provisions of the Companies Act, 2013.
- b) The Scheme provides for the reconstruction by writing off the debit balance of Profit & Loss account against the paid up Capital of HIMALCHULI FOOD PRODUCTS LIMITED pursuant to Section 66 and other relevant provisions of the Companies Act, 2013.
- c) The Scheme provides for the amalgamation of RKD TRENDY RETAILERS PVT LIMITED with HIMALCHULI FOOD PRODUCTS LIMITED pursuant to Sections 230 to 232 of the Companies Act, 2013.
- d) The Scheme also provides for various other matters consequential, supplemental and /or otherwise integrally connected herewith.

The Audit Committee reviewed the Valuation Report and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the Share Exchange Ratio in the Valuation Report is fair to the shareholders of the Company.

### 3. Recommendation of the Audit Committee:

Taking into consideration the draft Scheme, Valuation Report, Fairness Opinion and other documents, as placed, the Audit Committee recommends the Draft 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  
Himalchuli Food Products Limited



Chairman  
Audit Committee



Place: Mumbai

Date: 31<sup>st</sup> December, 2018