

REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF ESAAR (INDIA) LIMITED ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN THE COMPANY AND ITS SHAREHOLDERS DATED SEPTEMBER 15, 2020.

To

**The Board of Directors of
Esaar (India) Limited**

204, B-Wing, New Prabhat Chs Ltd,
Chikuwadi, Plot-115, Next to Bisleri Factory,
W. E. Highway, Andheri (East), Mumbai,
Maharashtra - 400099

1. Background

- i. The meeting of the Committee of Independent Directors of the Company was held on September 15, 2020 to consider and recommend the proposed Scheme of Arrangement (Reduction of Capital) between the Company and its shareholders, under the provisions of Section 66 (1)(b)(i), 230-232 of the Companies Act, 2013, (including any statutory modification(s) or re-enactment thereof for the time being in force) and the rules made there under (the "Act") Regulation 37 of SEBI (LODR) Regulation, 2015 and specifically the Hon'ble National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 ("Reduction Rules"), which permits the Company to undertake a reduction of its share capital.
- ii. This report of the Committee is made to comply with the requirements of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI circular number CFD/DIL3/CIR/2017/21 dated March 10, 2017 and as amended from time to time.
- iii. The following documents were placed before the Committee of Independent Directors:
 - (a) Draft Scheme, by the Company Secretary of the Company for identification: and
 - (b) Fairness opinion dated 15th September, 2020 ("Fairness Opinion") prepared by M/s. Gretex Corporate Services Private Limited, independent Merchant Banker providing the Fairness Opinion on the Scheme.
 - (c) Independent Auditor's Certificate in terms of Para (I) (A) (5) of Annexure I of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with SEBI Circular No. CFD/DIL3/CIR/2018/2 dated January 3, 2018 ("Accounting Treatment Certificate") issued by M/s. Harish Arora & Associates, Chartered Accountants (Firm Registration No. 015226C).

2. Proposed Scheme

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



- i. The Company has suffered substantial losses since 2010 and has not been able to scale its business and unleash its full potential for growth and profitability. However, there has been a turnaround in the fortunes of the Company. The Company has in the financial year 2012-13, 2018-19 and 2019-20, reported profits.
- ii. As per the audited financial statements for the year ended March 31, 2020, the Company has accumulated losses amounting to Rs.8.63 crores (Excluding other free and statutory reserves). These accumulated losses have been wiping off the value represented by the share capital. Thus, the financial statements of the Company are not reflective of the financial position of the Company.
- iii. Due to huge accumulated losses of the prior years, the financial statements do not reflect the turnaround in the business of the Company. Thus, with a view to ensure that (a) the financial statements of the Company reflect its true and fair financial health/ position; and (b) to obliterate the share capital being lost and not represented by available assets of the Company, it is necessary to carry out reduction of share capital of the Company.
- iv. The reduction of share capital in the manner proposed herein would enable the Company to rationalise its capital structure and present a true and fair financial position of the Company which commensurate with its business and assets.
- v. Hence, the proposed reduction of share capital is in the interest of the Company and its shareholders, creditors and all concerned.

3. The salient features of the draft Scheme are as under:

- i. Reduction of share capital of the Company on the Record Date (as defined in the Scheme) Such reduction shall be effected by reducing the issued, subscribed and paid-up capital of the Company from Rs. 20,44,25,000/- (Rupees Twenty Crores Forty Four Lakhs Twenty Five Thousand Only) consisting of 2,04,42,500 (Two Crores Four Lakh Forty Two Thousand and Five Hundred) equity shares of Rs. 10/- (Rupees Ten) each to Rs. 13,06,11,230/- (Rupees Thirteen Crores Six Lakhs Eleven Hundred and Two Thirty only) consisting of 1,30,61,123 (One Crore Thirty Lakhs Sixty One Thousand One Hundred and Twenty Three) equity shares of Rs. 10/- (Rupees Ten) each by cancelling and extinguishing, in aggregate, 36.107996% of the total issued, subscribed and paid-up equity share capital of the Company, comprising 73,81,377 (Seventy Three Lakhs Eighty One Thousand Three Hundred and Seventy Seven) Equity Shares of Rs. 10/- (Rupees Ten) each held by the members of the Company.

The capital so reduced will be utilized to write off the accumulated losses of the Company.

- ii. The Committee of Independent Directors reviewed the Fairness Opinion and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the Scheme is fair to the shareholders of the Company.



iii. Further, the Committee reviewed the Accounting Treatment Certificate and noted that that the accounting treatment in the Scheme is in line with generally accepted accounting principles.

iv. Further this Scheme will help to achieve a rational structure which is commensurate with its remaining business and assets.

4. Recommendation of the Committee of Independent Director

Taking into consideration the draft Scheme, Fairness Opinion and Accounting Treatment Certificate as placed. The Committee confirm that draft Scheme is not detrimental to the shareholders of the Company.

**By Order of the Committee of Independent Directors
For and on behalf of Esaar (India) Limited**



**Dipti Shashank Yelve
Chairman**

Place: Mumbai

Date: September 15, 2020

