

**Report of Audit Committee Meeting of****UPPER GANGES SUGAR & INDUSTRIES LIMITED****Present Members**

Mr. Ishwari Prosad Singh Roy	-	Chairman
Mr. Pradeep Kumar Singhi	-	Member
Mr Bal Kishore Malpani	-	Member

**In attendance**

Mr. Santosh Kumar Poddar, Company Secretary

**Invitee:**

Mr G L Choudhury ..... Representing Statutory Auditors

**1. Background**

The Company has placed before the Audit Committee a Draft Composite Scheme of Arrangement between The Oudh Sugar Mills Limited ('Oudh Sugar'), Upper Ganges Sugar & Industries Limited ('Upper Ganges'), Palash Securities Limited ('Palash Securities'), Allahabad Canning Limited ('Allahabad Canning'), Ganges Securities Limited ('Ganges Securities'), Cinnatolliah Tea Limited ('Cinnatolliah Tea'), Vaishali Sugar & Energy Limited ('Vaishali Sugar'), Magadh Sugar & Energy Limited ('Magadh Sugar'), Avadh Sugar & Energy Limited ('Avadh Sugar') and their respective Shareholders and Creditors for recommendation of the Scheme, by the Audit Committee to the Board of Directors of the Company in accordance with the requirement of the SEBI Circular No. CIR/CFD/DIL/5/2013 dated 4<sup>th</sup> February 2013 read with SEBI Circular dated 21<sup>st</sup> May 2013 ("Circular").

This report of the Audit Committee is made in order to comply with the requirements of the circular after considering the following documents:

- A. Draft Comprehensive Scheme of Arrangement
- B. Valuation reports dated 12<sup>th</sup> March, 2015 issued by M/s Walker Chandiook & Co. LLP
- C. Fairness Opinion Report dated 12<sup>th</sup> March, 2015 issued by M/s Corporate Professionals Capital Private Limited.



Upper Ganges Sugar & Industries Limited



## 2. Proposed Composite Scheme of Arrangement

A. The Audit Committee noted the Composite Scheme of Arrangement between Oudh Sugar, Upper Ganges, Palash Securities, Allahabad Canning, Ganges Securities, Cinnatollah Tea, Vaishali Sugar, Magadh Sugar, Avadh Sugar and their respective Shareholders and Creditors for re-alignment of multiple businesses of Upper Ganges and Oudh Sugar.

### B. The salient features of the Scheme are as under:

- The Scheme provides for the following:
  - Demerger of Food Processing & Investments Business Undertaking from Oudh Sugar to Palash Securities at book value
  - Transfer of Food Processing Business Undertaking from Palash Securities to Allahabad Canning at book value
  - Demerger of Tea & Investments Business Undertaking from Upper Ganges to Ganges Securities at book value
  - Transfer of Tea Business Undertaking from Ganges Securities to Cinnatollah Tea at book value
  - Transfer of Bihar Sugar Business Undertaking of Oudh Sugar to Vaishali Sugar & Energy at book value
  - Demerger of Bihar Sugar Business Undertaking of Upper Ganges to Magadh Sugar at book value
  - Merger of Vaishali Sugar with Magadh Sugar at fair value
  - Merger of Residual Oudh Sugar & Residual Upper Ganges (both housing UP Sugar Business Undertaking) with Avadh Sugar at fair value.



Upper Ganges Sugar & Industries Limited



• **Based on the swap ratio:**

- Equity shares issued by Palash Securities pursuant to the Scheme would be listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).
- Equity shares issued by Ganges Securities, Magadh Sugar and Avadh Sugar pursuant to the Scheme would be listed on BSE, NSE and Calcutta Stock Exchange (CSE).

**3. Recommendations of the Audit Committee**

The Audit Committee recommends the draft Composite Scheme of Arrangement inter-alia taking into consideration the Valuation Reports dated 12<sup>th</sup> March, 2015 issued by M/s Walker Chandiook & Co. LLP for favorable consideration by the Board, Stock Exchanges and SEBI.

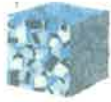
Date: 12<sup>th</sup> March, 2015  
Place: Kolkata



*S.P. Singh*  
**Chairman, Audit Committee**  
*Full Signature*



Upper Ganges Sugar & Industries Limited



## Report of the Audit Committee Meeting of UPPER GANGES SUGAR & INDUSTRIES LIMITED

### Present Members:

Mr. Ishwari Prosad Singh Roy – Chairman  
Mr. Pradeep Kumar Singhi – Member

### In attendance:

Mr. Santosh Kumar Poddar – Company Secretary

### Invitee:

Mr. Kamal Agarwal – Representing Statutory Auditors M/s S. R. Batliboi & Co. LLP  
Mr Ankush Kumar – Representing Statutory Auditors M/s S. R. Batliboi & Co. LLP  
Mr. Manish Kapur – Representing KPMG  
Ms Suvira Agarwal – Representing KPMG

### 1. Background

In accordance with the requirement of the SEBI Circular No. CIR/CFD/DIL/5/2013 dated 4<sup>th</sup> February 2013 read with SEBI Circular dated 21<sup>st</sup> May 2013, the Composite Scheme of Arrangement ('the Scheme') entered into between The Oudh Sugar Mills Limited ('Oudh Sugar'), Upper Ganges Sugar & Industries Limited ('Upper Ganges' / 'the Company'), Palash Securities Limited, Allahabad Canning Limited, Ganges Securities Limited, Cinnatollah Tea Limited, Vaishali Sugar & Energy Limited, Magadh Sugar & Energy Limited, Avadh Sugar & Energy Limited was recommended by this Audit Committee in the meeting held on March 12, 2015, inter-alia taking into consideration the Valuation Report dated March 12, 2015 issued by M/s. Walker & Chandiook & Co. LLP.

### 2. Proposed Modifications in the Composite Scheme of Arrangement

As part of the Scheme, various assets and liabilities (including redeemable preference share capital) were allocated to business units of the company.

The Company has an issued 12% Non-Convertible Cumulative Redeemable Preference Share Capital of INR 30 crores. Further, the Company has inter-corporate / inter unit debts which were not assigned for any specific business unit.



Upper Ganges Sugar & Industries Limited





As per the Scheme approved by the Committee on March 12, 2015 and by the Board on March 13, 2015, the aforesaid redeemable preference share capital of INR 30 Crs had been allocated to Residual Upper Ganges (UP Sugar Undertaking).

Subsequently, the management has had various discussions with the lenders of the company i.e. inter corporate lenders and preference shareholders, for allocation of redeemable preference shares and inter corporate / inter unit debts to Tea and Investments Business Undertakings, Bihar Sugar Undertaking and Residual Upper Ganges.

Therefore, the management has in accordance with the aforesaid discussions and to ensure compliances with the provisions of the Income Tax Act, 1961, decided to allocate the said preference shares and inter corporate / inter unit debts as under:

(Rs in Crores)

Business Unit	Redeemable Preference Shares	Inter Corporate / Inter Unit Debts
Residual Upper Ganges (UP Sugar Undertaking)	17.00	44.75
Bihar Sugar Undertakings	11.50	40.95
Tea & Investments Undertaking	1.50	(1.50)

The above allocation of debt and redeemable preference share capital was discussed with M/s KPMG, Consultants to the Scheme as well as with the M/s Walker Chandiook & Co LLP, the Independent Valuers who had given the equity share swap report for the Scheme. M/s Walker Chandiook & Co LLP has also issued a certificate dated July 30, 2015 stating that there would no change in the business valuation and equity share swap report as a result of the aforesaid allocation of debt and redeemable preference share capital.

The aforesaid certificate was placed on record for the consideration of the Board members.



Upper Ganges Sugar &amp; Industries Limited





Consequently, the Scheme was required to be modified to capture the revised allocation of redeemable preference share capital to be issued by Ganges Securities Limited, Magadh Sugar & Energy Limited and Avadh Sugar & Energy Limited and therefore correlated clauses for issue of shares, accounting treatment, share capital etc. would also be revised.

A revised Scheme with the said modifications, signed by the Chairman for the purpose of identification, was also placed before the Audit Committee for recommendation.

### 3. Recommendation of the Audit Committee

The audit committee recommends the revised Composite Scheme of Arrangement for favourable consideration by the Board, Stock Exchanges and SEBI, inter-alia taking into consideration the Certificate issued by M/s Walker Chandiook & Co LLP dated July 30, 2015 stating that there would no change in the business valuation and equity share swap report as a result of the aforesaid re-allocation of debts (including redeemable preference share capital).

Date: 04.08.2015  
Place: Kolkata



*S. P. Singh Roy*  
Chairman, Audit Committee



Upper Ganges Sugar & Industries Limited

*S.P.S.*