Annexure 4- Audit Committee Report.

HG INDUSTRIES LIMITED
(Formerly Himalaya Granites Limited)

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF HG INDUSTRIES LIMITED *(FORMERLY HIMALAYA GRANITES LIMITED)* RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN HG INDUSTRIES LIMITED (THE COMPANY OR TRANSFEREOR COMPANY) AND GREENLAM INDUSTRIES LIMITED (TRANSFEREE COMPANY) AND THEIR RESPECTIVE SHAREHOLDERS AND ALL CONCERNED FOR THE AMALGAMATION OF THE TRANSFEROR COMPANY WITH AND INTO THE TRANSFEREE COMPANY

MEMBERS PRESENT

1. Mr. Manojit Dash, Chairman
2. Mr. Ramesh Kumar Haritwal, Member
3. Mr. Shalabh Jalan, Member

IN ATTENDANCE

Mr. Hariom Pandey, Company Secretary

INVITEES

Mr. Jayasankar Ramalingam, Chief Financial Officer
Mr. Punit Khandelwal, Director of Incwert Advisory Private Limited (Registered Valuer)

1. BACKGROUND

1.1 Meeting of the Audit Committee of the Board of Directors of HG Industries Limited *(Formerly Himalaya Granites Limited)* was held on June 30, 2022, *inter alia,* to consider and recommend the proposed draft Scheme of Arrangement between HG Industries Limited (**'the Company' or 'Transferor Company'**) and Greenlam Industries Limited (**'Transferee Company')** and their respective shareholders and all concerned under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (**'Act')** read with SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 **("SEBI Master Circular")**, as amended from time to time, for the amalgamation of the Transferor Company with and into the Transferee Company.

1.2 The Transferor Company is a subsidiary of the Transferee Company and a public limited Company, incorporated on December 11, 1987 as Himalaya Granites Private Limited under the Companies Act, 1956, the Transferor Company was then converted to a public limited company with effect from March 21, 1994. Further, the name of the Company was changed to HG Industries Limited with effect from July 02, 2021. The Transferor Company's Corporate Identification Number is L20100TN1987PLC015161. The equity shares of the Transferor Company are listed on BSE Limited (**'BSE'**).

1.3 Transferee Company is a public limited company and was incorporated on August 12, 2013 under the Companies Act, 1956. The Transferee Company's Corporate Identification Number is L21016DL2013PLC386045. The equity shares of the Transferee Company are listed on BSE and the National Stock Exchange of India Limited (**'NSE'**) and the Non-Convertible Debentures of the Transferee Company are listed on NSE.

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1.4 This recommendation of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India ("**SEBI**") (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and Clause 2 (c) of Para A of Part I of the SEBI Master Circular and has been recorded after taking into consideration the following documents, as placed before the Audit Committee:

a) Draft Scheme;
b) Valuation Report on Fair Share Exchange Ratio dated June 29, 2022 issued by Incwert Advisory Private Limited (IBBI Registration No. IBBI/RV-E/05/2019/108), Registered Valuer (**"Valuation Report"**), recommending the Share exchange ratio;
c) Fairness Opinion dated June 29, 2022 issued by Srujan Alpha Capital Advisors LLP, Merchant Banker (SEBI REGN. No. INM000012829), (**"Fairness Opinion"**), providing its opinion on the share entitlement ratio specified in the Valuation Report;
d) Statutory Auditors Certificate dated June 29, 2022 issued by M/s. S. P. Shaw & Co., confirming the accounting treatment prescribed in the Scheme.

2. PROPOSED SCHEME OF ARRANGEMENT

2.1 NEED FOR THE AMALGAMATION AND RATIONALE OF THE SCHEME

The Transferee Company holds 74.91% of the share capital of the Transferor Company which was acquired in the financial year (FY) 2021-22. The Transferee Company is engaged in the business of, *inter alia*, manufacturing of laminates, decorative veneers, engineered wooden flooring, engineered wooden doors and allied products and the Transferor Company is in the process of setting-up a manufacturing plant at Tindivanam, Tamil Nadu for manufacturing of plywood and allied products. The business activities of the Transferor Company and the Transferee Company complement each other. The amalgamation pursuant to this Scheme, would, *inter alia*, have the following benefits:

2.1.1 it would enable the Transferee Company to leverage its combined assets and to create a more competitive business, both in scale and operations;

2.1.2 it would consolidate the businesses of the Transferor Company and the Transferee Company which will result in focused growth, operational efficiencies, business synergies and unlock the value of the assets of the Transferor Company;

2.1.3 it would enhance operational, organizational and financial efficiencies, and achieve economies of scale by pooling of resources and ultimately enhancing overall shareholders value;

2.1.4 it would achieve synergies in costs (particularly in respect of customer relationship management and establishing sales and marketing channels), operations, stronger and wider capital and financial base for future growth;

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2.1.5 it would allow for an integrated and coordinated approach to investment strategies and more efficient allocation of capital and cash management;

2.1.6 it would broaden the Transferee Company's product portfolio by adding plywood and allied products;

2.1.7 it would prevent overlap of sales and marketing channels of the Transferor Company and the Transferee Company;

2.1.8 it would consolidate administrative and managerial functions and elimination of multiple record-keeping, *inter alia*, other expenditure and optimal utilization of resources by elimination of unnecessary duplication of activities and related costs thus resulting in reduced expenditure.

2.2 SYNERGIES OF THE SCHEME

The Scheme of Arrangement is expected to have the following synergies:

2.2.1 it would consolidate the businesses of the Transferor Company and the Transferee Company which will result in focused growth, operational efficiencies, business synergies and unlock the value of the assets of the Transferor Company;

2.2.2 it would achieve synergies in costs (particularly in respect of customer relationship management and establishing sales and marketing channels), operations, stronger and wider capital and financial base for future growth;

2.2.3 it would broaden the Transferee Company's product portfolio by adding plywood and allied products;

2.2.4 it would consolidate administrative and managerial functions and elimination of multiple record-keeping, *inter alia*, other expenditure and optimal utilization of resources by elimination of unnecessary duplication of activities and related costs thus resulting in reduced expenditure.

2.3 IMPACT OF THE SCHEME ON THE SHAREHOLDERS OF THE COMPANY

The amalgamation pursuant to the Scheme is in the interest of both the Transferor Company and the Transferee Company, their respective shareholders, creditors and all other stakeholders and is not prejudicial to the interests of the concerned shareholders, creditors or the public at large.

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2.4 COST BENEFIT ANALYSIS OF THE SCHEME

The Scheme is expected to provide an opportunity to improve the economic value for both the Transferor Company and the Transferee Company and their stakeholders. The amalgamation is expected to enhance the value of the Companies on account of benefits and synergies as detailed above. Therefore, the benefits of the Scheme over a longer period are expected to outweigh the costs.

3. RECOMMENDATION OF THE AUDIT COMMITTEE

The Audit Committee, after due deliberations and detailed discussions, *inter alia*, taking into consideration draft Scheme, Valuation Report, Fairness Opinion and certificate issued by the Statutory Auditors of the Company, have noted the rationale, benefits and the impact of the Scheme on shareholders and other concerned. Based on the foregoing, the Audit Committee is of the view that the Scheme is in the interest of the Company and all the stakeholders, and hereby recommends the Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee
For **HG INDUSTRIES LIMITED**

MANOJIT DASH
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Date: 2022.06.30 17:30:15 +05'30'

MANOJIT DASH
CHAIRMAN
AUDIT COMMITTEE
DIN: 08960450

Place: New Delhi
Date: June 30, 2022

HG INDUSTRIES LIMITED