



REPORT ADOPTED BY THE COMMITTEE OF INDEPENDENT DIRECTORS OF TATA COFFEE LIMITED (“THE COMPANY”) RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT AMONGST TATA CONSUMER PRODUCTS LIMITED, THE COMPANY AND TCPL BEVERAGES & FOODS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

1. Background

- 1.1. A meeting of the Committee of Independent Directors of the Company was held on March 29, 2022, to consider and recommend to the Board of Directors, the proposed composite scheme of arrangement amongst Tata Consumer Products Limited (“TCPL”), the Company and TCPL Beverages & Foods Limited (“TBFL”) (TCPL, the Company and TBFL are collectively referred to as the “Companies”) and their respective shareholders and creditors pursuant to Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, the rules and/or regulations made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) (“Companies Act”) and other applicable laws including the master circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 issued by the Securities and Exchange Board of India (“SEBI”) on November 23, 2021 (as amended from time to time) or any other circulars issued by SEBI applicable to schemes of arrangement from time to time (“SEBI Scheme Circular” and such scheme, the “Scheme”).
- 1.2. The Company is a listed public limited company incorporated under the provisions of the Companies Act, 1913, and is a subsidiary of TCPL. The equity shares of the Company are listed on BSE Limited (“BSE”) and, National Stock Exchange of India Limited (“NSE”).
- 1.3. TCPL is a listed public limited company incorporated under the provisions of the Companies Act, 1956. The equity shares of the TCPL are listed on the BSE, NSE and the Calcutta Stock Exchange Limited (“CSE”) (CSE, BSE and NSE collectively referred to as, the “Stock Exchanges”).
- 1.4. TBFL is a public limited company incorporated under the provisions of the Companies Act, 2013, and is a wholly owned subsidiary of TCPL.
- 1.5. In terms of the SEBI Scheme Circular, a report from the Committee of Independent Directors recommending the draft Scheme is required, taking into consideration, *inter alia*, that the Scheme is not detrimental to the shareholders of the Company. This report of the Committee

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of Independent Directors is made in compliance with the requirements of the SEBI Scheme Circular issued by SEBI pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”).

2. Salient features of the Scheme

2.1. *Inter alia* the following are proposed under the Scheme:

- (a) as a first step, the demerger of the Demerged Undertaking (*as defined in the Scheme*) (comprising of the Plantation Business (*as defined in the Scheme*)) of the Company into TBFL and in consideration, the consequent issuance of equity shares by TCPL (*as the holding company of TBFL*) to all the shareholders of the Company (other than TCPL) in accordance with the Share Entitlement Ratio (*as defined in the Scheme*), pursuant to the provisions of Section 2(19AA) read with Section 2(41A) and other relevant provisions of the Income Tax Act, 1961 (including any statutory modifications, re-enactments or amendments thereof and the rules made thereunder, for the time being in force)(“IT Act”) (“Demerger”);
- (b) as a second step, followed immediately by the amalgamation of the Company (*comprising the Remaining Business (as defined in the Scheme) of the Company*) with TCPL and in consideration, the consequent issuance of equity shares by TCPL to all the shareholders of the Company (other than TCPL) in accordance with the Share Exchange Ratio (*as defined below*), pursuant to the provisions of Section 2(1B) and other relevant provisions of the IT Act (“Amalgamation”); and
- (c) various other matters consequential or otherwise integrally connected therewith.

2.2. Upon the Scheme becoming effective and in consideration of the Demerger, TCPL shall issue and allot equity shares, credited as fully paid-up to the members of the Company (except TCPL) who are holding fully paid up equity shares and whose names appear in the register of members, including register and index of beneficial owners maintained by the depositories under Section 11 of the Depositories Act, 1996, of the Company, on the record date or to such of their respective heirs, executors, administrators or other legal representative or other successors in title as on the record date in the following manner:



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“1 (one) fully paid up equity share of Re. 1/- each of TCPL shall be issued and allotted for every 22 (twenty-two) fully paid up equity shares of Re. 1/- each held in the Company. (“Share Entitlement Ratio”)”

- 2.3. Upon the Scheme becoming effective and in consideration of the Amalgamation, TCPL shall issue and allot equity shares, credited as fully paid-up to the members of the Company (except TCPL) holding fully paid up equity shares and whose names appear in the register of members, including register and index of beneficial owners maintained by the depositories under Section 11 of the Depositories Act, 1996, of the Company, on the record date or to such of their respective heirs, executors, administrators or other legal representative or other successors in title as on the record date in the following manner:

“14 (fourteen) fully paid up equity shares of Re. 1/- each of TCPL shall be issued and allotted for every 55 (fifty-five) fully paid up equity shares of Re. 1/- each held in the Company.”
(“Share Exchange Ratio”)

- 2.4. The issuance of equity shares in accordance with paragraph 2.2 above, in consideration of the Demerger and in accordance with paragraph 2.3 above in consideration of the Amalgamation, will be undertaken simultaneously following effectiveness of the Scheme. Following the issuance of the equity shares in accordance with paragraph 2.3 above, the existing shareholding of TCPL in the Company shall stand cancelled and extinguished without any further act, instrument or deed.
- 2.5. The equity shares to be issued by TCPL to the members of the Company (other than TCPL) who hold shares of the Company on the record date, pursuant to the Scheme, will be listed and admitted to trading on the Stock Exchanges.
- 2.6. The Appointed Date for the proposed Scheme is the same date as the Effective Date or such other date as may be mutually agreed by the Companies. The Effective Date for the proposed Scheme is the date which will be the first day of the month following the month in which the last of the conditions and matters referred to in Clause 29.1 of the Scheme occur or have been fulfilled, obtained or waived, as applicable, in accordance with the Scheme.
- 2.7. On the Effective Date, the Demerger shall be made effective and operative first; and the Amalgamation shall be made effective immediately after the Demerger.



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3. **Rationale of the Scheme** - The Committee of Independent Directors noted the rationale and the benefits of the Scheme which, *inter-alia*, are as stated below
- 3.1. TCPL is currently engaged in a consumer product business, with a food and beverage portfolio, with operations across the globe. The operations of the Company and its subsidiaries are substantially in instant coffee extraction, branded coffee and plantation businesses. The Company is currently a subsidiary of TCPL. The Scheme is being proposed with a view to simplifying the management and operational structures of the Companies in order to increase efficiencies and generate synergies.
- 3.2. The proposed Scheme would be in the best interest of the Companies and their respective shareholders, employees, creditors and other stakeholders as the proposed restructuring pursuant to the Scheme is expected, inter alia, to result in the following benefits:

Benefits of the Demerger

- (a) Creating a dedicated plantation vertical with focused attention on the plantation business, which will enable increased efficiencies and generate synergies amongst the various plantation businesses wholly or partly owned by TCPL and better resource allocation, resulting in enhancement of shareholders' value.
- (b) The shareholders of the Company (other than TCPL) will be allotted shares of TCPL and therefore will be shareholders of a larger branded consumer products business with multiple growth avenues and at the same time, will continue to participate in the plantation business.
- (c) The profile, operations, management risk and return associated with the Plantation Business is distinct from that of the Remaining Business and therefore the Scheme would lead to sharper focus on both the businesses.



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Benefits of the Amalgamation

- (a) Integration of the Company and TCPL's extraction business activities under a single entity through the amalgamation will result *inter alia* in focused management attention, operational efficiencies, revenue and cost synergies including from commonality of customers, sales and supply chain opportunities through enhanced geographical reach with a wider variety of product offerings which will help in gaining market share, optimization of capital, operational (including promotion) expenditure, leveraging sales and distribution network and simplification of overlapping infrastructure.
- (b) The amalgamation of the Company with TCPL would bring about synergy of operations and benefit of scale and additionally, the legal and regulatory compliances of both the listed entities will be unified and streamlined.
- (c) The amalgamation will enable efficient consolidation of ownership interests in the international branded business owned by TCPL and the Company which will result in cost benefits, higher operating and other efficiencies.

3.3. Therefore, in view of the above, the implementation of the Scheme will result in the following benefits:

- (a) Dedicated and specialized management focus on the specific needs of the respective businesses.
- (b) Having one listed company for consumer and related businesses and convergence of minority interests from the Company into TCPL.
- (c) Benefit to all the stakeholders of TCPL, the Company and TBFL, leading to opportunity for growth and value creation in the long run and maximizing the value and returns to the shareholders.
- (d) Unified approach on customer engagement, distribution and supply chain management would lead to operational and financial efficiencies in all these functions.



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4. Documents placed before the Committee of Independent Directors

- (a) Draft Scheme, duly initialed by the Company Secretary of the Company for the purpose of identification;
- (b) **Independent Valuation Report** dated March 29, 2022 (“**Valuation Report**”) issued jointly by SSPA & Co, Independent Chartered Accountants & Registered Valuers, (IBBI Registered Valuer Number IBBI/RV-E/06/2020/126) and PWC Business Consulting Services LLP, Registered Valuers, (IBBI Registered Valuer Number IBBI/RV-E/02/2022/158), describing, *inter alia*, the methodologies adopted by them in arriving at the recommended Share Entitlement Ratio and Share Exchange Ratio and setting out the detailed computation of Share Entitlement Ratio for the proposed Demerger and the Share Exchange Ratio for the proposed Amalgamation;
- (c) **Fairness opinion** dated March 29, 2022 (“**Fairness Opinion**”) issued by ICICI Securities Limited, SEBI registered Category I Merchant Banker, Mumbai (SEBI Registration No. MB / INM000011179), providing its opinion on the fairness of the Share Entitlement Ratio and the Share Exchange Ratio, as recommended in the Valuation Report;
- (d) **Auditors’ Certificate** dated March 29, 2022 issued by Deloitte Haskins & Sells LLP (Firm Registration No. 117366W/W-100018), the statutory auditors of the Company, as required under Section 232(3) of the Companies Act certifying that the accounting treatment contained in the draft Scheme is in conformity with the accounting standards prescribed under Section 133 of the Companies Act; and
- (e) other presentations, reports, documents and information made to/ furnished before the Committee of Independent Directors pertaining to the draft Scheme

5. Scheme not detrimental to the shareholders of the Company

- 5.1. The members of the Committee of Independent Directors discussed and deliberated upon the rationale and salient features of the Scheme.
- 5.2. TCPL will issue and allot equity shares, credited as fully paid-up to the shareholders of the Company, in the manner as set out in paragraphs 2.2 and 2.3 above, and in accordance with the



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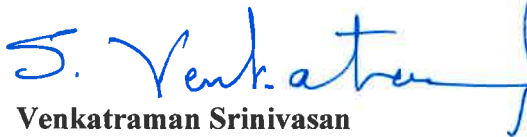


recommendations under the Valuation Report and the Fairness Opinion. The equity shares to be issued by TCPL to the members of the Company pursuant to the Scheme (i) shall rank *pari passu* in all respects with the then existing equity shares of TCPL and (ii) *will be listed and/ or admitted to trading on the Stock Exchanges.*

- 5.3. There will be no detrimental impact on the shareholders of the Company due to the proposed Scheme, given that equity shares of TCPL, which is a listed entity, will be allotted to the shareholders of the Company pursuant to the Scheme and in accordance with the Share Entitlement Ratio and Share Exchange Ratio, which ratios have been recommended under the Valuation Report and in relation to which, the Fairness Opinion has been provided to the Company.
- 5.4. Thus, on the basis of the above, the Scheme is not detrimental to the shareholders of the Company.

6. Recommendation of the Committee of Independent Directors

- 6.1. The Committee of Independent Directors after due deliberations and due consideration of all the terms of the draft Scheme, the above rationale, the Valuation Report, Fairness Opinion and the specific points mentioned above including that the Scheme is not detrimental to the shareholders of the Company, recommends the draft Scheme for favourable consideration and approval by the Board of Directors of the Company, NSE, BSE, SEBI and other appropriate authorities.



Venkatraman Srinivasan
Chairman
Meeting of the Independent Directors
DIN: 00246012




Date: March 29, 2022

Place: Mumbai

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