

REPORT OF THE AUDIT COMMITTEE OF PRIMA PLASTICS LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT AMONG PRIMA PLASTICS LIMITED (DEMERGED COMPANY) AND PRIMA INNOVATION LIMITED (RESULTING COMPANY AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITIORS (UNDER SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER) AT ITS MEETING HELD ON TUESDAY, NOVEMBER 12, 2024.

Members Present

1. Mr. Shailesh S. Shah - Chairman
2. Mr. Dilip M. Parekh - Member
3. Mr. Snehal N. Muzoomdar - Member
4. Mrs. Daxa J. Baxi - Member

In attendance

1. Mr. Dharmesh R. Sachade - Chief Financial Officer
2. Mr. Manoj Toshniwal - VP- Accounts and Finance
3. Ms. Prachi M. Mankame - Company Secretary and Compliance Officer

By invitation

1. Mr. Manish Jain - Beehive Capital Advisors Private Limited, Advisor to Transaction

1. Background

A meeting of the Audit Committee of Prima Plastics Limited was held on November 12, 2024, to consider and recommend the draft Scheme of Arrangement amongst Prima Plastics Limited ("Demerged Company" or "the Company" or "PPL") and Prima Innovation Limited ("Resulting Company" or "PIL") and their respective Shareholders and creditors under sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Act") and the rules made thereunder ("Scheme") subject to receipt of necessary approvals including from the stock exchange, the Securities and Exchange Board of India ("SEBI"), National Company Law Tribunal ("NCLT"), and other authorities as may be required under the applicable law ("Proposed Transaction").

- 1.1. The Demerged Company was incorporated under the provisions of the Companies Act, 1956. The Demerged company is one of the leading plastic furniture and moulding articles manufacturing company in India. The equity shares of the Demerged Company are listed on BSE Limited.
- 1.2. The Resulting Company was incorporated under the provisions of the Companies Act, 2013. The Resulting Company is a wholly owned subsidiary of the Demerged Company.
- 1.3. This report of the Audit Committee is made to comply with the requirements of the 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 No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("SEBI Master Circular") and as amended from time to time.



1.4. Documents placed before the Audit Committee

The Audit Committee has discussed and has made this report after perusing the following documents:

- (a) The draft scheme;
- (b) The Share Entitlement Ratio Report dated November 12, 2024 issued by ICON VALUATION LLP, Registered Valuer having Registration No. IBBI/RV-E/06/2019/107 bearing LLPIN: AAC-7924. ("Valuation Report")
- (c) Fairness opinion dated November 12, 2024 issued by Kunvarji Finstock Private Limited, a Category – I Merchant Banker registered with SEBI having Registration No. INM000012564 ("Fairness Opinion");
- (d) Undertaking on non-applicability of conditions specified in Paragraph 10(a) read with Paragraph 10(b) of Part I of the SEBI Master Circular and certificate dated July 03, 2023 given by the Company and certified by M/s. CNK & Associates LLP, Chartered Accountants, (ICAI Firm Registration No. 101961W/W-100036), the Statutory Auditor of the Company pursuant to paragraph 10.C of Part 1 of the Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 dated June 30, 2023;
- (e) The draft certificate dated November 12, 2024 obtained from M/s. CNK & Associates LLP, Chartered Accountants, (ICAI Firm Registration No. 101961W/W-100036), the Statutory Auditor of the Company, confirming that the accounting treatment stated in the Scheme is in compliance with the accounting standards prescribed under Section 133 of the Act and other generally accepted accounting principles;
- (f) Draft of detailed compliance report to be filed with the stock exchange;
- (g) Undertaking on non-applicability of requirements given in Regulation 158 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 read with Regulation 37 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 given by the Company and certified by M/s. CNK & Associates LLP, Chartered Accountants, (ICAI Firm Registration No. 101961W/W-100036), the Statutory Auditor of the Company; and
- (h) Undertaking on non-applicability of requirements given in proviso to the paragraph (A)(1)(b) of Part II of SEBI Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 read with Regulation 37 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 given by the Company and certified by M/s. CNK & Associates LLP, Chartered Accountants, (ICAI Firm Registration No. 101961W/W-100036), the Statutory Auditor of the Company.




2. Salient Features of the Scheme

The Audit Committee noted the brief particulars of the Scheme as under:

- a) This Scheme is presented *inter alia* under Sections 230 to 232 and other applicable provisions of the Act, SEBI Master Circular read with Section 2(19AA) and other applicable provisions of the Income Tax Act (*as defined in the Scheme*) and other applicable law, if any.
- b) The Scheme provides demerger, transfer and vesting of the Demerged Undertaking (*as defined in the Scheme*) from the Demerged Company into the Resulting Company on a *going concern* basis, and issue of equity shares by the Resulting Company to all the equity shareholders of the Demerged Company, in consideration thereof on a proportionate basis, in accordance with the provisions of Section 2(19AA) of the Income Tax Act (*as defined in the Scheme*) and various other matters consequential or otherwise integrally connected therewith including changes in share capital and reduction and cancellation of the entire pre-scheme share capital of the Resulting Company.
- c) The Appointed Date for the Scheme is July 1, 2024.
- d) Demerger of the Rotational Moulding Business ("Roto Business" or "Demerged Undertaking") from Prima Plastics Limited ("Demerged Company" or "the Company" or "PPL") into Prima Innovation Limited ("Resulting Company" or "PIL"), shall be in accordance with section 2(19AA) of the Income Tax Act, 1961.
- e) Upon effectiveness of this Scheme and in consideration of and subject to the provisions of this Scheme, and in consideration for the demerger of the Demerged Undertaking from the Demerged Company, the Resulting Company shall, without any further application, act, deed, consent, acts, instrument or deed, issue and allot, on a proportionate basis to the shareholders of the Demerged Company whose name is recorded in the register of members and records of the depository as shareholders of the Demerged Company as on the Record Date, as under:

1 (One) fully paid-up equity share of the Resulting Company having face value of INR 5/- (Rupees Five) each for every 1 (One) fully paid-up equity share of INR 10/- (Rupees Ten) each of the Demerged Company.

- f) With effect from Appointed Date all the assets, liabilities, contracts, employees, licenses, records, approvals etc., of the Demerged Undertaking shall get transferred to and vest in or shall be deemed to have been transferred to and vested in the Resulting Company, as a going concern, without any further act, instrument or deed, together with all its properties, assets, liabilities, rights, benefits and interest therein, subject to the provisions of the Scheme, in accordance with Sections 230 – 232 of the Act, Section 2(19AA) of the Income Tax Act, 1961 and applicable provisions, if any.



- g) The Networth of the Demerged Undertaking will be debit to the respective reserves of the Demerged Undertaking on a proportionate basis. Accordingly, the net-worth of the Demerged Company will be reduced to that extent, there will be no change in the equity capital structure of the Demerged Company and shareholding pattern of the Demerged Company will all remain unchanged.
- h) During the period between the approval of the Scheme by the respective Boards of Demerged Company and Resulting Company and up-to the Effective Date (*as defined in the Scheme*), the Demerged Company shall carry on its business and activities of the Demerged Undertaking with reasonable diligence and business prudence.
- i) The effectiveness of the Scheme is contingent upon certain conditions as mentioned in the Scheme including receipt of regulatory and other applicable approvals.

3. Proposed Scheme of Arrangement

3.1. Need for the demerger and rationale of the Scheme

- a. The Demerged Company is 100% holding company of the Resulting Company.
- b. The Demerged Company proposes to demerge and transfer the Demerged Undertaking (*as defined in the scheme*) from the Demerged Company to the Resulting Company and in consideration thereof, the Resulting Company will issue their equity shares to the shareholders of the Demerged Company.
- c. As part of an overall strategy for the optimum running, growth and development of the businesses of the Demerged Company, it is considered desirable and expedient to reorganise and reconstruct the Demerged Company by segregating its Roto Business from its Remaining Business (i.e furniture and other allied businesses). This will result in the creation of two separate robust listed entities viz., the Resulting Company focusing exclusively on Roto Business and the Demerged Company shall continue to be in the Remaining Business (i.e furniture and other allied businesses).
- d. These listed entities will be subject to public, media, analysts and regulatory review. A clean corporate structure with no cross holdings will ensure transparency, accountability, highest standards of corporate governance and compliance. It also enhances operational flexibility and helps quick response to competitive or environmental challenges.
- e. The said demerger will enable the Parties (*as defined in the scheme*) to concentrate its resources and managerial bandwidth entirely to such businesses which would enable focused strategy, better coordination and cohesiveness in their working and assist in standardization of its business processes as may be prevalent to the specific businesses. The proposed restructuring pursuant to the said Scheme is expected, *inter alia*, to result in following benefits for the Parties.
 - i. the distinctive profile and established business model of Roto Business (*as defined in the*




scheme) makes it suitable to be housed in a separate listed entity, allowing sharper strategic focus in pursuit of its independent value creation trajectory;

- ii. segregating different businesses would result in better and efficient control and management for the segregated Roto business having different risk and return profiles, and also providing investors with better flexibility to select investments which best suit their investment strategies and risk profile;
- iii. unlocking the value of the Demerged Undertaking for the shareholders of the Demerged Company;
- iv. attracting investors and providing better flexibility in accessing capital;
- v. effective utilisation of cash flows of different businesses;
- vi. enabling focused growth strategy for each of the businesses for exploiting opportunities specific to each business;
- vii. greater visibility on performance of each of the businesses;
- viii. operational efficiency; and
- ix. focused management approach for pursuing the growth in the respective business verticals and de-risk the businesses from each other.

f. The Scheme is in the interests of all stakeholders (shareholders, creditors, employees, and all other stakeholders) of the Demerged Company and the Resulting Company.

3.2. Rationale of the Scheme

The proposed restructuring pursuant to the said Scheme is expected, *inter alia*, to result in following benefits for the Parties.

- (i) the distinctive profile and established business model of Roto Business (as defined in the Scheme) makes it suitable to be housed in a separate listed entity, allowing sharper strategic focus in pursuit of its independent value creation trajectory;
- (ii) segregating different businesses would result in better and efficient control and management for the segregated Roto business having different risk and return profiles, and also providing investors with better flexibility to select investments which best suit their investment strategies and risk profile;
- (iii) unlocking the value of the Demerged Undertaking for the shareholders of the Demerged Company;
- (iv) attracting investors and providing better flexibility in accessing capital;




- (v) effective utilisation of cash flows of different businesses;
- (vi) enabling focused growth strategy for each of the businesses for exploiting opportunities specific to each business;
- (vii) greater visibility on performance of each of the businesses;
- (viii) operational efficiency; and
- (ix) focused management approach for pursuing the growth in the respective business verticals and de-risk the businesses from each other.

3.3. Synergies of business of the companies involved in the Scheme

The background and information about the Demerged Company and Resulting Company are, *inter alia*, as under:

- (i) **Prima Plastics Limited ("Demerged Company")**, is a public company, limited by shares, incorporated under the provisions of the Companies Act, 1956 bearing corporate identification number ("CIN") L25206DD1993PLC001470 and having its registered office 98/4 Prima House, Daman Industrial Estate, Kadaiya, Nani Daman, Daman – 396 210. The Demerged company is one of the leading plastic furniture and moulding articles manufacturing company in India. The equity shares of the Demerged Company are listed on BSE Limited.
- (ii) **Prima Innovation Limited ("Resulting Company")** is a public company, limited by shares, incorporated under the provisions of the Companies Act, 2013 bearing corporate identity number ("CIN") U22207DD2024PLC010039 and its registered office at Survey No. 85/1-2, 86/1, Daman Ind Estate, Kadaiya, Daman, Daman and Diu, India – 396 210. The Resulting company is newly incorporate Company proposed to be engaged in Rotational Moulding Business (as defined in the Scheme). The Resulting Company is currently a wholly owned subsidiary of the Demerged Company.
- (iii) The Proposed Scheme would provide all the benefits and synergies as mentioned in Para 3.1 above.

3.4. Impact of the Scheme on the Company, its shareholders

The proposed Scheme would be in the best interest of the Demerged Company and their respective shareholders, employees, creditors and other stakeholders as it will yield advantages *inter alia* as set out below:

- (i) Pursuant to the Scheme, it is proposed to demerge, transfer and vest the Demerged Undertaking (as defined in the Scheme) from the Company into the Resulting Company, on a going concern basis and the Scheme will result in benefits and/or synergies to the Company as listed in Paragraph 3.1 and 3.2 of this report;




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- (ii) Further, in consideration for the transfer and vesting of the Demerged Undertaking of the Company to the Resulting Company, all the equity shareholders (promoter and non-promoters) of the Company, as on the Record Date (as defined in the Scheme) shall receive equity shares of the Resulting Company in the same proportion as their holding in the Company. There will be no change in the economic interest of the shareholders of the Company, before and after Scheme. Further, once the Scheme is effective, the Resulting Company will have replica/ mirror shareholding of the Demerged Company; and
- (iii) Upon the effectiveness of the Scheme and subject to receipt of regulatory approvals, the equity shares of the Resulting Company issued as consideration to the shareholders of the Company in terms of the Scheme, will be listed on BSE Limited.

3.5. Cost benefit analysis of the Scheme

Although the Scheme involves certain costs such as transaction cost, implementation cost, regulatory fees, stamp duties, etc. The Scheme is expected to provide an opportunity to provide flexibility to the shareholders to hold the shares in 2 listed companies with different business, risk and rewards. However, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company entailing benefits specified in Paragraph 3.1 above.

4. RECOMMENDATION OF THE AUDIT COMMITTEE

4.1. Pursuant to the above, the Audit Committee has;

- (i) confirmed the Valuation Report and the Fairness Opinion, Certificates issued by the Statutory Auditors; and
- (ii) recommend to the Board that the Entitlement Ratio is fair to the shareholders of the Company i.e Prima Plastics Limited.

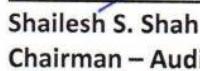
4.2. The Audit Committee after due deliberations and detailed discussions, and inter alia taking into consideration the draft Scheme, Share Entitlement Ratio Report, Fairness Opinion and draft certificates to be issued by the Statutory Auditor of the Company, further having noted the rationale, benefits and the impact of the Scheme on shareholders, including the minority shareholders and other concerned, recommends the draft Scheme and related documentation to the Board, in its present form for favourable consideration by the Board.

4.3. In the opinion of the members of the Audit Committee present at the Meeting, draft Scheme are in the best interest of all the shareholders of Prima Plastics Limited and the Share Entitlement Ratio as mentioned in the Valuation Report is fair and reasonable.



In order for the Company to comply with the requirements of extant regulations applicable to the listed companies undertaking any scheme of arrangement under the Act, this report of the Audit Committee may please be taken on record by the Board while considering the Scheme for approval and further authorisations.

For and on behalf of the Audit Committee of Prima Plastics Limited



Shailesh S. Shah

Chairman – Audit Committee

DIN: 01172073



Date: November 12, 2024

Place: Mumbai



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