



## BUTTERFLY GANDHIMATHI APPLIANCES LIMITED

**REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF BUTTERFLY GANDHIMATHI APPLIANCES LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF BUTTERFLY GANDHIMATHI APPLIANCES LIMITED WITH CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HELD ON SATURDAY, MARCH 25, 2023 AT 11:15 AM**

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### Members Present

1. Mr. P. M. Murty - Chairman
2. Mr. A. Balasubramanian - Member
3. Ms. Smita Anand - Member
4. Mr. M. Padmanabhan - Member
5. Mr. G. S. Samuel - Member
6. Ms. Maheshwari Mohan - Member
7. Mr. T. R. Srinivasan - Member

### In attendance

1. Mr. Viral Sarvaiya - Company Secretary & Compliance Officer

### By invitation

1. Mr. Neeraj Garg - Partner, PwC Business Consulting Services LLP, Registered Valuer
2. Ms. Deepali Talreja - Director, PwC Business Consulting Services LLP, Registered Valuer
3. Ms. Shrutee Wadhwa - Vice President, SBI Capital Markets Limited, Merchant Banker
4. Mr. Nimit Kumar - Asst Vice President, SBI Capital Markets Limited, Merchant Banker
5. Mr. Saksham - Associate, SBI Capital Markets Limited, Merchant Banker
6. Mr. Mehul Shah - Partner, Khaitan & Co, Legal Advisors

### 7. Background

- 7.1. A meeting of the Committee of Independent Directors of Butterfly Gandhimathi Appliances Limited was held on March 25, 2023 to inter alia consider and recommend the proposed draft Scheme of Amalgamation of Butterfly Gandhimathi Appliances Limited ("**Company**" or "**Transferor Company**") with Crompton Greaves Consumer Electricals Limited ("**Transferee Company**") and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") ("**Scheme**").
- 7.2. The Transferee Company is a company incorporated under the provisions of the Act. The equity shares of the Transferee Company are listed on the BSE Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**"). The non-convertible debentures of the Transferee Company are listed on the debt segment of the NSE.

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- 7.3. The Company is incorporated under the provisions of the Companies Act, 1956. The Company is a subsidiary of the Transferee Company. The equity shares of the Company are listed on the BSE and the NSE. The Transferee Company holds 75% of the total issued and paid-up share capital of the Company.
- 7.4. This report of the Committee of Independent Directors is made 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 (i) of Para A of Part I of the SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated 23 November 2021 ("SEBI Master Circular") and as amended from time to time.
- 7.5. **Documents placed before the Committee of Independent Directors**

The following documents, duly initialed by the Company Secretary of the Company for the purpose of identification, were placed before the Committee of Independent Directors:

- (a) Draft Scheme;
- (b) Joint Share Swap Ratio Report dated March 24, 2023 issued by Ernst & Young Merchant Banking Services LLP (Registration No. IBBI/RV-E/05/2021/155), Registered Valuer and PwC Business Consulting Services LLP (Registration No. IBBI/RV-E/02/2022/158), Registered Valuer ("**Joint Share Swap Ratio Report**"), describing the methodology adopted by them in arriving at the share swap ratio;
- (c) Fairness Opinion dated March 25, 2023 issued by SBI Capital Markets Limited, (Registration No. INM000003531), an Independent SEBI registered Category – I Merchant Banker ("**Fairness Opinion**"), providing its opinion on the fairness of the share swap ratio specified in the Joint Share Swap Ratio Report; and
- (d) Statutory Auditors' certificate dated March 25, 2023 issued by M/s. ASA & Associates LLP, Chartered Accountants (Firm Registration No. 009571N/N500006), the Statutory Auditors of the Company, confirming the accounting treatment prescribed in the Scheme is in compliance with the accounting standards prescribed under section 133 of the Companies Act and other generally accepted accounting principles.

### 8. **Salient Features of the Scheme**

The Committee of Independent Directors noted the brief particulars of the Scheme as under:

- a) This Scheme (*as defined herein*) is presented *inter alia* under Sections 230 to 232 and other applicable provisions of the Act, SEBI Master Circular read with Section 2(1B) and other applicable provisions of the Income Tax Act (*as defined in the Scheme*) and other applicable law, if any. The Scheme provides for the amalgamation of the Company with the Transferee Company and dissolution of the Company without winding up and also provides for various other matters consequent and incidental thereto or otherwise integrally connected thereto.

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- b) The appointed date for the amalgamation is April 1, 2023 (“Appointed Date”).
- c) Upon the Scheme coming into effect and in consideration of the amalgamation of the Company with the Transferee Company, the Transferee Company shall, without any further application, act, consent, instrument or deed, issue and allot, on a proportionate basis to each shareholder of the Company (*other than the equity shares of the Transferor Company held by the Transferee Company*), whose name is recorded in the register of members as member of the Company as on the Record Date (*as defined in the Scheme*) or to their respective heirs, executors, administrators or other legal representatives or successors in title in the following manner:
- 22 (*Twenty Two*) equity shares of INR 2 (*Indian Rupees Two*) each of the Transferee Company (“*Transferee Company New Equity Shares*”), credited as fully paid up, for every 5 (*Five*) equity shares of INR 10 (*Indian Rupees Ten*) each of the Company (“*Share Swap Ratio*”).
- d) Upon the Scheme becoming effective, all assets, liabilities, contracts, employees, records etc. of the Company shall stand transferred to the Transferee Company as a going concern subject to the provisions of the Scheme.
- e) From the Appointed Date and upto the Effective Date (*as defined in the Scheme*), the Company and the Transferee Company shall carry on its business and activities with reasonable diligence and business prudence.
- f) The effectiveness of the Scheme is contingent upon certain conditions as mentioned in the Scheme.

### 9. Proposed Scheme of Amalgamation

#### 9.1. Need for the amalgamation and rationale of the Scheme

The Company is the subsidiary of the Transferee Company. It is proposed to integrate their businesses to achieve following benefits:

- (a) Enhancement of operational, organizational and financial efficiencies, and achieve economies of scale by pooling of resources;
- (b) Achieve synergies in revenue, costs, faster Go-To-Market strategy and stronger base for future growth across all parts of India and to enable greater focus on product innovation;
- (c) An integrated and coordinated approach to business and focus on product innovation will allow for a more efficient allocation of capital and resources for growth opportunities;
- (d) Ability to cross-sell products through the respective distribution channels in the high growth appliances segment with premium offering across product categories;

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- (e) Efficient materials management, warehouse rationalization and unified approach on customer engagement;
- (f) Unification and streamlining off legal and regulatory compliances currently required to be carried out by both, the Transferor Company and the Transferee Company;
- (g) Consolidation of administrative and managerial functions and elimination of multiple record-keeping, *inter alia* other expenditure and optimal utilization of resources;
- (h) Adaptation of best practices and in enhancing mechanization / automation of various processes through latest technologies;
- (i) Alignment of interest of all stakeholders of both the companies;
- (j) Streamlining of the corporate structure; and
- (k) Improved organizational capability and leadership, arising from the pooling of human capital that has diverse skills, talent and vast experience to compete in increasingly competitive industry.

The amalgamation is in the interest of both the companies, their respective shareholders and creditors and is not prejudicial to the interests of the concerned shareholders, creditors and other stakeholders.

### 9.2. Synergies of business of the companies involved in the Scheme

The background and information about the Transferee Company and the Company are, *inter-alia*, as under:

- (a) The Transferee Company is, *inter alia*, engaged in the business of manufacturing, trading, selling and distribution of fans, lighting, pumps and appliances.
- (b) The Company is, *inter alia*, engaged in the business of manufacturing and trading of a wide range of domestic kitchen and electrical appliances under the brand 'BUTTERFLY'.
- (c) The Scheme would result in faster integration of business activities of both the Transferor Company and the Company under a single entity which will result *inter alia* in operational efficiencies, accelerating and unlocking various revenue and cost synergies, faster Go-To-Market strategy.
- (d) The Scheme is expected to provide opportunity to the Transferee Company to accelerate and unlock potential synergies on the following areas:
  - i. Revenue and distribution: Ability to cross-selling products through the respective distribution channels in the high growth appliances segment with premium offerings across product categories.
  - ii. Supply Chain: Efficient materials management, warehouse rationalization, better

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resource allocation, unified approach on customer engagement; and

- iii. Other Efficiencies:- Legal and regulatory compliances of both the listed entities will be unified and streamlined.

### 9.3. Impact of the Scheme on the Company and its Shareholders

- (a) In consideration for the amalgamation of the Company with the Transferee Company, the shareholders of the Company, as on the Record Date (*as defined in the Scheme*) shall receive equity shares of the Transferee Company. Further, the rights and interests of the shareholders of the Company will not be prejudicially affected by the Scheme, and there will be no change in the economic interest of the shareholders of the Company, before and after the Scheme. The equity shares to be issued by the Transferee Company to the shareholders of the Company pursuant to the Scheme shall rank *pari passu* in all respects with the then existing equity shares of the Transferee Company;
- (b) All shareholders of the Company will be classified as 'public' shareholder in the Transferee Company, pursuant to the Scheme;
- (c) Upon the Scheme becoming effective, the Company shall be dissolved without being wound up and the shareholders of the Company shall become shareholders of the Transferee Company; and
- (d) After the effectiveness of the Scheme and subject to receipt of regulatory approvals, the equity shares of the Transferee Company issued as consideration pursuant to the Scheme, shall be listed on the BSE and the NSE.

### 9.4. Cost benefit analysis of the Scheme

The Scheme is expected to provide an opportunity to improve the economic value for the companies involved in the Scheme and their stakeholders pursuant to the consolidation of business. This is primarily on account of various cost and operational synergies which are expected to accrue on account of the Scheme and more particularly detailed out in paragraph 3.2 above. While the Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders.

## 10. RECOMMENDATION OF THE COMMITTEE OF INDEPENDENT DIRECTORS

The Committee of Independent Directors has taken on record the Joint Share Swap Ratio Report and the Fairness Opinion and the recommendations made therein.

Taking into consideration the draft Scheme, Joint Share Swap Ratio Report, Fairness Opinion and Certificate(s) issued by Statutory Auditors of the Company, need and rationale of the Scheme, synergies of the business of the companies, impact of the Scheme on the company and its shareholders, cost benefit analysis of the Scheme and other documents placed before the Committee of Independent Directors, the Committee of Independent Directors is of the view that

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the Scheme is not detrimental to the interests of the shareholders of the Company and recommends the draft Scheme for favorable consideration and approval by the Board of Directors of the Company.

A handwritten signature in black ink, appearing to read 'P M Murty', written over the printed name.

**P M Murty**

**Chairman – Committee of Independent Directors**

**DIN: 00011179**

**Place: Chennai**

**Date: March 25, 2023**

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