



REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF BOARD OF DIRECTORS OF ESCORTS LIMITED (“COMPANY”) FOR RECOMMENDING THE DRAFT SCHEME OF SELECTIVE REDUCTION OF CAPITAL OF THE COMPANY AT ITS MEETING HELD ON FEBRUARY 18, 2022 at ESCORTS CORPORATE CENTRE, 15/5, MATHURA ROAD, FARIDABAD – 121003

Members Present:

Mr. P.H. Ravikumar - Chairman

Dr. Sutanu Behuria - Member

Background:

A meeting of the Committee of Independent Directors (“**Committee**”) of the board of directors of the Company (“**Board**”) was held on February 18, 2022, to *inter alia*, consider and recommend the draft scheme for selective reduction of 2,14,42,343 (Two Crore Fourteen Lakhs Forty Two Thousand Three Hundred and Forty Three) equity shares of face value INR 10 (Indian Rupees Ten) per equity share of the Company held by Escorts Benefit and Welfare Trust (“**EBWT**”) from the share capital of the Company, under the provisions of Section 66 read with Section 52 and other applicable provisions of the Companies Act, 2013 (“**Act**”) read with the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 (“**Rules**”) and Regulations 11, 37 and 94 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015 (“**SEBI LODR Regulations**”) and Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, issued by the Securities and Exchange Board of India (“**SEBI**”), read with SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, issued by SEBI (“**SEBI Circular**”), as amended from time to time (“**Scheme**”). The Scheme provides that 2,14,42,343 (Two Crores Fourteen Lakhs Forty Two Thousand Three Hundred and Forty Three) fully paid-up equity shares of INR 10 (Indian Rupees Ten) each of the Company held by EBWT with a value of investment aggregating to INR 198,04,23,438 (Indian Rupees One Hundred and Ninety Eight Crore Four Lakhs Twenty Three Thousand Four Hundred and Thirty Eight) shall stand cancelled without payment of any consideration to EBWT, and corresponding adjustments shall be made by way of debit to: (i) the outstanding paid-up equity share capital for INR 21,44,23,430 (Indian Rupees Twenty One Crore Forty Four Lakhs Twenty Three Thousand Four Hundred and Thirty); and (ii) the securities premium account of the Company for INR 176,60,00,008 (Indian Rupees One Hundred and Seventy Six Crore Sixty Lakhs and Eight).

The draft Scheme is and shall be conditional upon and subject to:

- (a) approval of the Board and the members of the Company through special resolution and provided that the votes cast by the public shareholders in favour of the Scheme are more than the number of votes cast by the public shareholders against it through e-voting in terms of the SEBI Circular;
- (b) approval of the creditors of the Company as prescribed under the Act and/or as may be directed by the National Company Law Tribunal, Chandigarh Bench (“**NCLT**”), and/or any other appropriate authority as may be applicable;

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- (c) the Company obtaining the observation letter/no-objection letter from the relevant stock exchanges for the implementation of the Scheme;
- (d) sanction by the NCLT under Section 66 and any other applicable provision of the Act;
- (e) certified copy of the order of the NCLT sanctioning the Scheme and the minute of the reduction being filed with the Registrar of Companies, National Capital Territory of Delhi and Haryana (“**RoC**”) by the Company; and
- (f) the requisite, consent, approval or permission of the Central Government or any other statutory or regulatory authority, if any, which by law may be necessary for the implementation of the Scheme.

In terms of the SEBI Circular, a report from the Committee is required, recommending the draft Scheme, taking into consideration, *inter alia*, that the draft Scheme is not detrimental to the shareholders of the Company.

The following documents were placed before the Committee:

- (a) Draft Scheme;
- (b) Valuation report dated February 18, 2022 issued by Mr. Niranjana Kumar, registered valuer (“**Valuation Report**”);
- (c) Fairness opinion dated February 18, 2022 issued by Fedex Securities Private Limited (“**Fairness Opinion**”);
- (d) Statutory Auditor’s Certificate dated February 18, 2022 issued by M/s Walker Chandiook & Co LLP, chartered accountants certifying that the accounting treatment under the draft Scheme is in compliance with all the accounting standards specified by the Central Government under the Act read with the rules framed thereunder, and other generally accepted accounting principles.

Proposed Scheme:

Salient features of the proposed draft Scheme are as follows:

- (a) Cancellation and extinguishment of 2,14,42,343 (Two Crore Fourteen Lakhs Forty-Two Thousand Three Hundred and Forty-Three) fully paid-up equity shares of INR 10 (Indian Rupees Ten) (“**Trust Shares**”) each of the Company held by EBWT for the sole benefit of the Company without payment of any consideration to EBWT.
- (b) Upon the Scheme becoming effective, Trust Shares held by EBWT shall stand cancelled and, accordingly, the value of investment representing Trust Shares recorded as a non-current investment in the books of the Company as ‘sole beneficiary interest in EBWT, *i.e.*, INR 198,04,23,438/- (Indian Rupees One Hundred and Ninety Eight Crore Four Lakhs Twenty Three Thousand and Four Hundred Thirty Eight) shall be cancelled, with corresponding adjustments by way of debit to: (i) the outstanding paid-up equity share capital for INR 21,44,23,430 (Indian Rupees Twenty One Crore Forty Four Lakhs Twenty Three Thousand Four Hundred and Thirty); and (ii) the securities premium account of the Company for INR 176,60,00,008 (Indian Rupees One Hundred and Seventy Six Crore Sixty Lakh and Eight), in compliance with the generally accepted accounting principles in India.
- (c) The Scheme shall be effective from the date on which the certified copy of the order passed by the NCLT sanctioning the Scheme and the minute of the reduction is filed with the RoC.



Rationale of the Scheme:

The background and reasons/ rationale, commercial justification of the proposed Scheme are as follows:

- (a) The proposed reduction of the equity share capital of the Company is being undertaken in accordance with the provisions of Section 66 read with Section 52 of the Act and the rules made thereunder and specifically the Rules, as amended from time to time, which permit a company to undertake a reduction of its share capital in any manner, read with the SEBI LODR Regulations and the SEBI Circular.
- (b) Hon'ble High Court of Punjab and Haryana ("**High Court**") vide its order dated August 09, 2012, read with order dated September 05, 2012, had approved the scheme of arrangement and amalgamation of Escorts Construction Equipment Limited, Escotracs Finance and Investment Private Limited, Escorts Finance Investments and Leasing Private Limited with the Company ("**2012 Scheme**").
- (c) Upon effectiveness of the 2012 Scheme, *inter alia*, 3,73,00,031 (Three Crore Seventy-Three Lakhs and Thirty-One) equity shares of face value INR 10 (Indian Rupees Ten) per equity share of the Company were issued / vested with EBWT for the sole benefit of the Company and its successors in interest.
- (d) Subsequently, by way of an order dated December 23, 2021, the NCLT, had approved the cancellation of 1,22,57,688 (One Crore Twenty Two Lakhs Fifty-Seven Thousand Six Hundred and Eighty Eight) fully paid-up equity shares of INR 10 (Indian Rupees Ten) each of the Company held by EBWT ("**First Capital Reduction**"). The First Capital Reduction was made effective by the Company on December 27, 2021.
- (e) As on the date of this report, EBWT holds Trust Shares of the Company through its trustees, namely, Dr. Sutanu Behuria, Mr. Pawan Kumar Bhalla and Mr. Satyendra Chauhan, amounting to 16.25% (Sixteen Point Twenty Five percent) of the total issued and paid-up share capital of the Company.
- (f) The Board in its meeting held on November 18, 2021, *inter alia*, decided to consider and evaluate the feasibility of the reduction of the share capital of the Company by cancelling and extinguishing of Trust Shares held by EBWT, without payment of any consideration to EBWT.
- (g) The Board in its meeting held on November 18, 2021 also approved preferential issue of 93,63,726 (Ninety Three Lakhs Sixty Three Thousand and Seven Hundred Twenty Six) equity shares of the Company of the face value of INR 10/- (Indian Rupees Ten only) each at an issue price of INR 2,000 (Indian Rupees Two Thousand only) each keeping in view the future outlook of the Company, its growth targets and prospects, and additional funding requirements. Following the allotment of said shares to Kubota Corporation, the Company will be adequately capitalized towards achieving its business objectives.
- (h) Amongst others, the objectives of EBWT, which holds equity shares of the Company, were: (i) to hold the trust funds exclusively for the benefit of the beneficiary (i.e., the Company) and sell the shares in accordance with the provisions of the trust deed dated February 14, 2012, read with amended trust deed dated March 20, 2020, and amended trust deed dated May 13, 2020 ("**EBWT Trust Deed**"), and the applicable provisions of the Act; (ii) forthwith remit the proceeds to the Company; and (iii) undertake such other incidental and ancillary activities in a manner as provided for under the EBWT Trust Deed. Over a period of time, EBWT, acting through its trustees and in accordance with the EBWT Trust deed, has sold certain shares and later consented to the First Capital Reduction, which was implemented by the Company.



- (i) The proposed reduction of the equity share capital of the Company would not have any adverse effect on the creditors of the Company or the Company's ability to fulfil its commitments or meet its obligations in the ordinary course of business as there is no payout resulting from the proposed capital reduction. Further, the proposed capital reduction shall result in an increase in proportionate shareholding of other shareholders of the Company, including public shareholders.

Scheme Not Detrimental to the Shareholders of the Company:


The Committee members discussed and deliberated upon the rationale and salient features of the draft Scheme, Valuation Report, Fairness Opinion and other documents presented before the Committee. In terms of the draft Scheme, upon the Scheme becoming effective, 2,14,42,343 (Two Crores Fourteen Lakhs Forty Two Thousand Three Hundred and Forty Three) fully paid-up equity shares of INR 10 (Indian Rupees Ten) each of the Company held by EBWT shall stand cancelled and, accordingly, value of investment representing 2,14,42,343 (Two Crores Fourteen Lakhs Forty Two Thousand Three Hundred and Forty Three) fully paid-up equity shares of INR 10 (Indian Rupees Ten) equity shares of the Company recorded as non-current investment in the books of the Company as 'sole beneficiary interest in EBWT' i.e. INR 198,04,23,438/- (Indian Rupees One Hundred Ninety Eight Crore Four Lakhs Twenty Three Thousand and Four Hundred Thirty Eight) shall be cancelled, with corresponding adjustments by way of debit to: (i) the outstanding paid-up equity share capital for INR 21,44,23,430 (Indian Rupees Twenty One Crore Forty Four Lakhs Twenty Three Thousand Four Hundred and Thirty); and (ii) the securities premium account of the Company for INR 176,60,00,008 (Indian Rupees One Hundred and Seventy Six Crore Sixty Lakh and Eight), in compliance with the generally accepted accounting principles in India. The capital reduction will not cause any prejudice to the creditors of the Company as there will not be any reduction in the amount payable to the respective creditors. Further, in the absence of any payments to EBWT pursuant to the capital reduction, it does not alter, vary or affect the rights of the creditors in any manner whatsoever. The Company has a positive net worth, and therefore, the proposed capital reduction will not adversely affect the ordinary operations of the Company or the ability of the Company to honour its commitments or to pay its debts in the ordinary course of business.

The Committee is of the informed opinion that the proposed Scheme is in the best interests of the shareholders of the Company and not detrimental to the interest of the shareholders, including the minority shareholders of the Company.

Recommendation of the Committee:

The Committee after an independent assessment of the draft Scheme, due deliberations and taking into consideration of all the terms of the draft Scheme, Valuation Report, Fairness Opinion and other documents placed before the Committee and the specific points mentioned above including interest of shareholders of the Company, recommends the draft Scheme for favourable consideration and approval by the Board, stock exchange(s), the Securities Exchange Board of India and other appropriate authorities.

**For and on behalf of Committee of Independent Directors of
Escorts Limited**


P.H. Ravikumar
(Chairman of Committee of Independent Directors)

Place: Mumbai
Dated: February 18, 2022

