

To
The Board of Directors
JHS Svendgaard Laboratories Limited
Trilokpur Road, Kheri (Kala Amb), Tehsil - Nahan,
Distt. Sirmour, Himachal Pradesh - 173030

Report on recommendations of Audit Committee of JHS Svendgaard Laboratories Limited on the draft Scheme of Arrangement for Amalgamation of JHS Svendgaard Laboratories Limited ('Transferor Company')/'The Company') with Vedic Cosmeceuticals Private Limited ('Transferee Company')

A meeting of Audit Committee of JHS Svendgaard Laboratories Limited was held on 22nd September, 2023 to consider and recommend the proposed Scheme of Arrangement for Amalgamation of JHS Svendgaard Laboratories Limited ('Transferor Company') with Vedic Cosmeceuticals Private Limited ('Transferee Company') ('the Scheme') under Sections 230 to 232 of the Companies Act, 2013 and in accordance with the SEBI Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023. This report of the Audit Committee of the Company is being made in order to comply with the requirements of the aforesaid circular. The Audit Committee has considered and reviewed the Scheme and drawn out the following major points:

Background of the Companies involved in the proposed Scheme: -

1. **JHS SVENDGAARD LABORATORIES LIMITED** (herein after also referred to as '**JSL**' or '**Transferor Company**'), bearing CIN L74110HP2004PLC027558 was incorporated on 08th October, 2004 under the provisions of Companies Act, 1956 with the name and style of JHS Svendgaard Laboratories Limited having its Registered office of the Transferor Company is situated at Trilokpur Road, Kheri (Kala Amb), Tehsil - Nahan, Distt. Sirmour, Himachal Pradesh - 173030, India. Transferor Company is widely held listed company having its equity shares listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). The Transferee Company is engaged in the business of manufacturing and selling of Toothbrushes, Toothpastes, Mouthwash, Denture Tablets and other allied oral care product. Apart from working on its own brands, the company also offers Contract Manufacturing Partnership to brands in the domestic and the international market.



2. **VEDIC COSMECEUTICALS PRIVATE LIMITED** (hereinafter also referred to as 'VCPL' or 'Transferee Company') is a Private Limited Company bearing CIN U24246DL2003PTC118255. It was incorporated on 1st January 2003 under the provisions of Companies Act, 1956 with the name of "Vedic Cosmeceuticals Private Limited" having its registered office at 21-C, Pocket-C, Gangotri Apartments, Alakananda, New Delhi, - 110019. The Transferee Company is engaged in the development, manufacture, and sale of high quality skincare products made with natural ingredients such as Sunscreens, Face Masks & Packs, Face Washes, Body Washes etc.

Following documents were tabled at the meeting and reviewed by the Audit Committee:

1. Draft of proposed Scheme of Arrangement for Amalgamation of JHS Svendgaard Laboratories Limited ('Transferor Company') with Vedic Cosmeceuticals Private Limited ('Transferee Company');
2. Valuation Report dated 21st September, 2023 issued by Ajay Kumar Siwach, Registered Valuer- Securities or Financial Assets (Registration No. IBBI/RV/05/2019/11412);
3. Fairness opinion dated 21st September, 2023 issued by 3Dimesion Capital Services Limited, SEBI Registered, Category-I, Merchant Banker.

Need and Rationale of Scheme of Arrangement:

The committee noted the following salient features of the Scheme:

The Transferor Company is engaged in the business of manufacturing, selling and exporting Toothbrushes, Toothpastes, Mouthwash, Denture Tablets and other health care products such as Hand Sanitizer, Room Fresheners etc. Apart from this, the Transferor Company also offers contract Manufacturing Partnership to Domestic and International market. On the other hand, the Transferee Company is engaged in developing, manufacturing and selling of high-quality skincare products for Baby care, Hair Care, Body Care, Intimate Care, Pet care, Spa Products and Grooming products. Some prominent brands with whom the Transferee Company is currently working are Unilever, Nykaa, St. Botanica, The Moms Co., Sugar, Sirona, Bombay Shaving Company, Colorban, Beardo, New U, Skinraft, Arata, TNW.



The Transferor Company and Transferee Company belong to the Fast-Moving Consumer Goods (FMCG) Industry and having a similar line of Business and same customer base. Further, the product base of Transferee Company is wider in comparison to that of the Transferor Company and at the same time, has more growth potential from future prospects considering the usage of advanced technology in production.

Accordingly, the management of the Transferor Company and Transferee Company believes that after this proposed merger, the Transferee Company shall be in a position to utilize the manufacturing infrastructure of Transferor Company in a more efficient and better way with its modern and advanced technology.

Moreover, after the effectiveness of the Scheme, the Transferee Company shall apply for listing of its equity shares on BSE and NSE and the same will enhance the business value of both the Companies followed by the enhancement of liquidity and marketability of equity shares which will ultimately be beneficial to the public shareholders.

Furthermore, this Scheme of Arrangement for Amalgamation of the Transferor Company with the Transferee Company would result, inter-alia, in the following additional benefits:

- Enhancement of competitive strengths including financial resources;
- enhancement of economic value addition.
- Both companies operate in the same industry, allowing for diversification of products and a stronger customer base. This can result in improved operational efficiency, economies of scale, and overall competitiveness in the market which can help mitigate risks and increase the overall resilience of shareholders' portfolios;
- Better management and focus on growing the businesses. The merger can create cross-selling opportunities between the merged entity's products. The shared customer base can be leveraged to introduce complementary products, upsell or cross-sell existing products, and maximize revenue potential.
- The combined scale and customer reach of the Merged Entity will enable to it compete effectively in the market;
- A larger growing company will mean enhanced financial and growth prospects for the people and organization connected therewith, and will be in public interest. The

amalgamation will conducive for better and more efficient and economical control over the business and financial conduct of the Companies.

- the merger of Transferor Company into and with the Transferee Company will squarely result in unlocking the value of business of both the companies.

Cost Benefit Analysis of the Scheme:

The Transferor Company and Transferee Company belong to the same industry and the proposed amalgamation would enable the companies to achieve operational efficiency and economies of scale by consolidating their respective resources thereby providing the benefits of cost reduction that can improve financial efficiencies in the long run.

Impact of the Scheme on the Shareholders:

As per the valuation report issued by Ajay Kumar Siwach, Registered Valuer- Securities or Financial Assets (Registration No. IBBI/RV/05/2019/11412) , the share exchange ratio for issuance of new shares by the Transferee Company to the shareholders of the Company is as follows:

Transferee Company shall issue and allot to each of the shareholders of "Transferor Company" (other than the shares already held therein immediately before the amalgamation by the Transferee Company, its Nominee or Subsidiary Company), shares in proportion of 10 (Ten) equity shares of face value of Rs. 10 each in Transferee Company for every 100 (Hundred) equity shares of face value of Rs. 10 each held by them in "Transferor Company" pursuant to this Scheme of Amalgamation.

On approval of the Scheme by the National Company Law Tribunal, the shareholders of the Company shall become the equity shareholders in the Transferee Company which shall be listed on BSE and NSE in accordance with the applicable laws, rules and regulations.

The Scheme will not adversely affect the rights or interest of any stakeholder of the Transferor Company and Transferee Company including their respective shareholders or creditors.

Synergies of business of the entities involved in the Scheme:



The amalgamation of the Transferor Company with the Transferee Company will inter-alia result in the following synergies:

- Enhanced distribution and marketing channels leading to greater revenue in future, pooling of managerial and technical expertise to further progress development.
- The proposed amalgamation would result in reduction of overheads, administrative, managerial and other expenditure and bring about operational rationalization, efficiency and optimum utilization of various resources.
- Better management and focus on growing the businesses. The merger can create cross-selling opportunities between the merged entity's products. The shared customer base can be leveraged to introduce complementary products, upsell or cross-sell existing products, and maximize revenue potential.
- The combined scale and customer reach of the Merged Entity will enable to it compete effectively in the market;
- A larger growing company will mean enhanced financial and growth prospects for the people and the organization connected therewith, along with public interest. The amalgamation will be conducive to more efficient and economical control over the business and better market reach.

Recommendation of the Audit Committee:

Having considered the documents, Valuation Report, Fairness Opinion, the Audit Committee hereby unanimously recommends the draft scheme for favorable consideration by the Board of Directors of the Company, Stock Exchanges and Securities and Exchange Board of India and such other authorities, as applicable.

**By and on behalf of the Audit Committee of
JHS Svendgaard Laboratories Limited**

MUKUL PATHAK
DIN: 00051534
(Chairman of the meeting)
Place: New Delhi
Date: 22.09.2023

