

**REPORT OF THE AUDIT COMMITTEE OF ULTRATECH CEMENT LIMITED
RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT BETWEEN
KESORAM INDUSTRIES LIMITED AND ULTRATECH CEMENT LIMITED AND THEIR
RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HELD ON
THURSDAY, 30TH NOVEMBER, 2023 AT 2.15 PM AT MUMBAI**

The following Audit Committee Members were present:

1. Mr. S. B. Mathur, Chairman
2. Mr. Arun Adhikari
3. Mr. K. K. Maheshwari

Permanent Invitee:

1. Mr. K. C. Jhanwar, Managing Director
2. Mr. Atul Daga, Wholetime Director and Chief Financial Officer

In attendance:

Mr. Sanjeeb Kumar Chatterjee, Company Secretary

1. BACKGROUND

- 1.1. A meeting of the Audit Committee of UltraTech Cement Limited was held on 30th November, 2023 to, *inter alia*, consider and recommend the proposed draft Composite Scheme of Arrangement between Kesoram Industries Limited ("**Demerged Company**") and UltraTech Cement Limited ("**Resulting Company**") and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") ("**Scheme**").
- 1.2. The Demerged Company was incorporated under the provisions of the Indian Companies Act, 1913. The equity shares of the Demerged Company are listed on BSE Limited ("**BSE**"), the National Stock Exchange of India Limited ("**NSE**") and the Calcutta Stock Exchange Limited. The non-convertible debentures ("**NCDs**") of the Demerged Company are listed on BSE. The global depository receipts of the Demerged Company are listed on Luxembourg Stock Exchange.
- 1.3. The Resulting Company was incorporated under the provisions of the Companies Act, 1956. The equity shares of the Resulting Company are listed on BSE and NSE. The NCDs and commercial papers of the Resulting Company are listed on NSE. The global depository receipts of the Resulting Company are listed on Luxembourg Stock Exchange and the sustainability linked bonds of the Resulting Company are listed on the Singapore Exchange Securities Trading Limited.
- 1.4. This report of the Audit Committee 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 (c) of Para A of Part I of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated 20th June, 2023 ("**SEBI Master Circular**") and as amended from time to time.

CERTIFIED TRUE COPY.

For UltraTech Cement Limited



Sanjeeb Kumar Chatterjee
Company Secretary



- (b) Joint share entitlement ratio report dated 30th November, 2023 issued by Bansi S. Mehta Valuers LLP, Registered Valuer (Registration No. IBBI/RV-E/06/2022/172) and PwC Business Consulting Services LLP, Registered Valuer (Registration No. IBBI/RV-E/02/2022/158), Registered Valuers ("**Share Entitlement Ratio Report**"), describing the methodology adopted by them in arriving at the share exchange ratio;
- (c) Fairness Opinion dated 30th November, 2023 issued by ICICI Securities Limited, an Independent SEBI registered Category – I Merchant Banker, ("**Fairness Opinion**"), providing its opinion on the fairness of share entitlement ratio specified in the Share Entitlement Ratio Report;
- (d) The draft certificate dated 30th November, 2023 issued by BSR & Co. LLP, Chartered Accountants (Firm Registration No.:101248W/W-100022) and KKC & Associates LLP, Chartered Accountants (Firm Registration, No.:105146W/W 100621), Joint Statutory Auditors of the Resulting 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; and
- (e) The draft certificate dated 30th November, 2023 issued by BSR & Co. LLP, Chartered Accountants (Firm Registration No.:101248W/W-100022) and KKC & Associates LLP, Chartered Accountants (Firm Registration No.:105146W/W 100621), Joint Statutory Auditors of the Resulting Company, certifying the payment/ repayment capability of the Resulting Company against outstanding listed NCDs of the Demerged Company and the Resulting Company and 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;

2. SALIENT FEATURES OF THE SCHEME

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

- a) The 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, 1961 and other applicable laws, if any. The Scheme provides for: (i) the demerger of the Demerged Undertaking (*as defined in the Scheme*) from the Demerged Company and its transfer to and vesting into the Resulting Company on a going concern basis, and issue of shares by the Resulting Company to the shareholders of the Demerged Company; and (ii) reduction and cancellation of the Preference Share Capital of the Demerged Company (*as defined in the Scheme*).
- b) The appointed date is opening business hours of 1st April, 2024 or such other date as may be mutually agreed by the respective Board of the Demerged Company and the Resulting Company, subject to receipt of regulatory approvals from the Competition Commission of India ("CCI") or any other Appropriate Authority ("**Appointed Date**").

2.2. Upon the Scheme becoming effective, all assets, liabilities, debentures, contracts, employees, records etc. pertaining to the Demerged Undertaking of the Demerged Company shall stand transferred to the Resulting Company as a going concern subject to the provisions of the Scheme.



- 2.3. From the date of approval of the Scheme by the respective Board of the Demerged Company and the Resulting Company and upto the Effective Date (*as defined in the Scheme*), the Demerged Company shall carry on its business and activities in relation to the Demerged Undertaking with reasonable diligence and business prudence.
- 2.4. The effectiveness of the Scheme is contingent upon certain conditions as mentioned in the Scheme.

3. PROPOSED SCHEME OF ARRANGEMENT

3.1. Need for the demerger and rationale of the Scheme

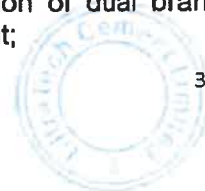
The Committee noted the need and rationale of the demerger, which are stated as below:

- i. expansion in markets where the Resulting Company has no physical presence;
- ii. creating value for shareholders by acquiring ready to use assets which shall create operational efficiencies and reduce time to markets vis-à-vis greenfield projects which are time consuming on account of acquisition of land and limestone mining leases;
- iii. good fit for serving existing markets and catering to additional cement volume requirements in new markets;
- iv. the transaction will provide UltraTech the opportunity to extend its footprint in the highly fragmented, competitive and fast growing Western and Southern markets in the country;
- v. it will help enhance the Resulting Company's geographic reach in Southern markets;
- vi. synergies in manufacture and distribution process and logistics alignment leading to economies of scale and creation of efficiency by reducing time to market and benefiting customers.

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

The background and information of the Demerged Company and the Resulting Company is, *inter-alia*, as under:

- (a) The Demerged Company is, *inter alia*, engaged, directly or indirectly through its subsidiaries, in the businesses of manufacture and sale of grey cement, rayon, transparent paper and chemicals;
- (b) The Resulting Company is, *inter alia*, engaged in the business of manufacture and sale of various grades and types of cement, ready mix concrete and other building solutions related products; and
- (c) Upon demerger, the benefits and synergies as mentioned in paragraph 3.1 above shall be derived by the Resulting Company.
- (d) The Scheme is expected to provide opportunity to the Resulting Company to accelerate and unlock potential synergies on the following areas:
 - a. Revenue and distribution: Ability to cross-selling products through the respective distribution channels and faster implementation of dual brands strategy in the high growth cement manufacturing segment;



- b. Manpower: Increased management's focus in decision making and execution; and
- c. Supply chain and efficiencies: Efficient materials management, warehouse rationalization, better resource allocation, unified approach on customer engagement and the legal and regulatory compliances of both the listed entities will be unified and streamlined.

3.3. Impact of the Scheme on the Resulting Company, its shareholders and NCD holders

(A) Upon the Scheme coming into effect and in consideration of and subject to the provisions of the Scheme, the Resulting Company shall, without any further application, act, deed, consent, acts, instrument or deed, issue and allot, to each shareholder of the Demerged Company as follows:

- i. 1 (one) fully paid-up equity share of Rs. 10 (rupees ten) each of the Resulting Company for every 52 (fifty-two) fully paid-up equity shares of Rs. 10 (rupees ten) each of the Demerged Company held by equity shareholder, on a proportionate basis, whose name is recorded in the register of members and records of the depository as a member of the Demerged Company as on the Record Date (as defined in the Scheme);
- ii. 54,86,608 (fifty-four lakhs eighty-six thousand six hundred eight) fully paid-up 7.3% non-convertible redeemable preference shares of Rs. 100 (rupees one hundred) each of the Resulting Company for 90,00,000 (ninety lakhs) 5% cumulative non-convertible redeemable preference shares of Rs. 100 (rupees one hundred) each of the Demerged Company ("NCRPS") held by the preference shareholder in the Demerged Company as on the Effective Date; and
- iii. 8,64,275 (eight lakhs sixty-four thousand two hundred seventy-five) fully paid-up 7.3% non-convertible redeemable preference shares of Rs. 100 (rupees one hundred) each of the Resulting Company for 19,19,277 (nineteen lakhs nineteen thousand two hundred seventy-seven) zero% optionally convertible redeemable preference shares of Rs. 100 (rupees one hundred) each of the Demerged Company ("OCRPS") held by the preference shareholder in the Demerged Company as on the Effective Date.

The equity shares of the Resulting Company to be issued and allotted under the Scheme, shall hereinafter be referred to as "**New Equity Shares**". The non-convertible redeemable preference shares of the Resulting Company to be issued and allotted under above clauses ii and iii shall hereinafter be referred to as "**RPS of the Resulting Company**". The principal terms and conditions of the RPS of the Resulting Company have been set out in **Schedule 4** to the Scheme.

In the event, the NCRPS and/ or the OCRPS held by the shareholders of the Demerged Company are redeemed prior to the Effective Date, no shares i.e., RPS of the Resulting Company will be issued in terms of the Scheme.

(B) In view of the above mentioned share entitlement ratio, the equity shareholders of the Demerged Company will become equity shareholders of the Resulting Company and the preference shareholders of the Demerged Company will become preference shareholders of the Resulting Company. There will be no change in the economic interest of the equity shareholders (promoter and public shareholders) of the Resulting Company, before and after the effectiveness of the Scheme;



- (C) The New Equity Shares shall be subject to the provisions of the memorandum of association and articles of association of the Resulting Company, as the case may be, and shall rank pari passu in all respects with any existing equity shares of the Resulting Company, as the case may be, after the Effective Date including with respect to dividend, bonus, right shares, voting rights and other corporate benefits attached to the equity shares of the Resulting Company.
- (D) In view of the RPS of the Resulting Company being issued to the holders of the preference shares of the Demerged Company, the entire Preference Share Capital of the Demerged Company shall stand cancelled and reduced, without any consideration, which shall be regarded as reduction of share capital of the Demerged Company, pursuant to Sections 230 to 232 of the Act as an integral part of the Scheme;
- (E) Pursuant to the Scheme, there will be no change in the terms and conditions of the NCDs of the Resulting Company as set out in Schedule 5 of the Scheme. Pursuant to the Scheme, the NCD holders of the Resulting Company as on the Effective Date will continue to hold the NCDs of the Resulting Company, without any interruption, on the same terms, including the coupon rate, the tenure, the redemption price, quantum, and the nature of security, etc. The NCDs of the Resulting Company, as on the Effective Date, will continue to be freely tradable and listed on the Stock Exchanges, thereby providing exit option and liquidity to the holders of the NCDs of the Resulting Company. The NCDs of the Demerged Company as set out in Schedule 2 of the Scheme, form part of the Demerged Undertaking and will be transferred to the Resulting Company, pursuant to the Scheme. It is clarified that NCDs of the Demerged Company, forming a part of the Demerged Undertaking as on the Effective Date, will be transferred to the Resulting Company pursuant to the Scheme; and
- (F) After the effectiveness of the Scheme and subject to the receipt of regulatory approvals, the equity shares of the Resulting Company issued as consideration pursuant to the Scheme, shall be listed on BSE and NSE. The RPS of the Resulting Company will not be listed on any stock exchanges.

3.4. 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 consolidation of business. This is primarily on account of various cost and operational synergies which are expected to accrue to the Resulting Company on account of the Scheme and more particularly detailed out in paragraph 3.1 and 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 of the Resulting Company.

4. RECOMMENDATION OF THE AUDIT COMMITTEE

Taking into consideration the draft Scheme, Share Entitlement Ratio Report, Fairness Opinion and draft certificate(s) issued by Statutory Auditors of the Resulting Company, need and rationale of the Scheme, synergies of the business of the companies, impact of the Scheme on the Resulting Company, its shareholders and NCD holders, cost benefit analysis of the Scheme and other documents placed before the Audit Committee, the Audit Committee recommends the draft Scheme for the favorable consideration and approval by the Board of Directors of the Resulting Company.



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

By Order of the Audit Committee
For and on Behalf of **UltraTech Cement Limited**



S. B. Mathur
Chairman,
Audit Committee
DIN: 00013239



Place: Mumbai
Date: 30th November, 2023