

**REPORT OF THE AUDIT COMMITTEE OF KESORAM INDUSTRIES LIMITED RECOMMENDING COMPOSITE SCHEME OF ARRANGEMENT BETWEEN KESORAM INDUSTRIES LIMITED AND ULTRATECH CEMENT LIMITED**

**1.0 Background:**

- 1.1 A meeting of the Audit Committee of Kesoram Industries Limited (hereinafter referred to as “the Demerged Company”/“the Company”) was held on November 30, 2023 to consider and, if thought fit, recommend the proposed Scheme of Arrangement between the Demerged Company and UltraTech Cement Limited (hereinafter referred to as “Resulting Company”) and their respective shareholders and creditors on a going concern basis (“the Scheme”).

*The Demerged Company and the Resulting Company are together referred to as Parties. Capitalized terms used but not defined in this Report shall have the meaning ascribed to such terms in the Scheme.*

- 1.2 The Demerged Company is a company incorporated under the provisions of the Indian Companies Act, 1913 (hereinafter referred to as the “**Demerged Company**”). The Demerged Company is, *inter alia*, engaged, directly or indirectly through its subsidiary, in the businesses of manufacture and sale of cement, rayon, transparent paper and chemicals. The equity shares of the Demerged Company are listed on BSE Limited, the National Stock Exchange of India Limited and the Calcutta Stock Exchange Limited. The non-convertible debentures of the Demerged Company are listed on BSE Limited. The global depository receipts of the Demerged Company are listed on Luxembourg Stock Exchange.
- 1.3 The Resulting Company is a company incorporated under the provisions of the Companies Act. 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 cement related products. The equity shares of the Resulting Company are listed on BSE Limited and the National Stock Exchange of India Limited. The non-convertible debentures and commercial papers of the Resulting Company are listed on the National Stock Exchange of India Limited. 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 The Scheme is in compliance with the requirements under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”) and SEBI Circular dated 20 June 2023, bearing reference number SEBI/HO/CFD/POD-2/P/CIR/2023/93 read with SEBI Circular dated 29 July 2022, bearing reference number SEBI/HO/DDHS/DDHS\_Div1/P/CIR/2022/000000103 and updated as on 1 December 2022 (“**SEBI Circulars**”).
- 1.5 While deliberating on the Scheme, the Audit Committee has considered, *inter alia*, and has taken on record the following documents:



- 1.5.1 Draft Scheme duly initialed by the Dy. Company Secretary of the Demerged Company for the purpose of identification.
- 1.5.2 Joint Share Swap Report dated November 30, 2023 issued by PWC Business Consulting Services LLP, Registered Valuer (appointed by the Demerged Company) and Bansil S Mehta Valuers LLP, Registered Valuer (appointed by the Resulting Company), describing inter alia the methodology adopted by them in arriving at the valuation of the Demerged Undertaking and including the share swap ratio and setting out details of computation of fair share entitlement ratios for the proposed demerger of the Demerged Undertaking of the Demerged Company into the Resulting Company.
- 1.5.3 Fairness Opinion Report dated November 30, 2023, issued by DAM Capital Advisors Limited, a SEBI Registered Merchant Banker, providing its opinion on the fairness of the valuation of the Demerged Undertaking as recommended by the aforesaid Registered Valuers;
- 1.5.4 Statutory Auditors' Certificate dated November 30, 2023, issued by Walker Chandok & Co., LLP, Chartered Accountants, the statutory auditors of the Demerged Company as required under Section 232(3) of the Companies Act, 2013 and as per the SEBI Circulars certifying that the accounting treatment in the draft Scheme is in accordance with the accounting standards.

## 2.0 Salient Features of the Scheme

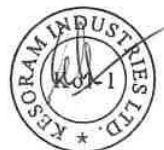
### 2.1 The Scheme *inter alia* provides for the following:

- 2.1.1 the demerger of the cement business (hereinafter referred to as "the Demerged Undertaking") 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
- 2.1.2 reduction and cancellation of the Preference Share Capital of the Demerged Company and issuance of new Preference Shares on identical terms in lieu thereof by the Resultant Company;

pursuant to Sections 230 to 232 and other relevant provisions of the Companies Act, 2013 ("**the Act**") in the manner provided for in the Scheme.

The Scheme also provides for various other matters consequent and incidental thereto.

- 2.2 The New Shares that are to be issued in terms of this Scheme shall be issued in dematerialised form and New Equity Shares shall be listed on the BSE Limited and the National Stock Exchange of India Limited in compliance with the SEBI Circulars and the relevant provisions as may be applicable.



- 2.3 This Scheme complies with definition of “demerger” as per Sections 2(19AA), 2(19AAA), 2(41A), 47, 72A and other provisions of the Income Tax Act. If any terms are found to be or interpreted to be inconsistent with provisions of Income Tax Act, the Parties shall negotiate in good faith to be in compliance with such provisions.
- 2.4 The Appointed Date under the Scheme is 1 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.
- 2.5 The Effective Date is the day on which all conditions precedent specified in Clause 21 of the Scheme are complied with or otherwise waived.
- 2.6 The Scheme is subject to necessary statutory/regulatory approvals under applicable laws including approvals of respective shareholders and creditors, approval of the Stock Exchanges, Competition Commission of India, National Company Law Tribunal and all other regulators/authorities as may be required.

### **3.0 Proposed Scheme of Arrangement:**

#### **3.1 Need for the demerger and rational of the Scheme:**

The Audit Committee noted that the transfer of the Demerged Undertaking from the Demerged Company to the Resulting Company pursuant to this Scheme benefits all stakeholders in the Company including its shareholders, employees and creditors as the Scheme would, *inter alia*, result in the following benefits:

##### **3.1.1 in case of the Demerged Company:**

- A. unlocking the value of the cement business for the shareholders of the Demerged Company; and
- B. assisting in the de-leveraging of its balance sheet including wiping of its entire debt and outflow of interest that had become unsustainable as well as creation of value for its shareholders.; and
- C. focusing on core business areas such as rayon, transparent paper and chemicals.

##### **3.1.2 in case of the Resulting Company:**

- A. expansion in markets where the Resulting Company has no physical presence;
- B. 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
- C. good fit for serving existing markets and catering to additional cement volume



requirements in new markets;

- D. the transaction will provide the Resulting Company the opportunity to extend its footprint in the highly fragmented, competitive and fast growing Western and Southern markets in the country;
- E. it will help enhance the Resulting Company's geographic reach in Southern markets; and
- F. 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 businesses of the entities involved in the Scheme

The Committee noted that the Scheme provides for demerger of the Cement Business of the Company. The said demerger will entail the benefits as illustrated in para 3.1 above.

### 3.3 Impact of the Scheme on the Shareholders

3.3.1 Upon the Scheme coming into effect in terms of Clause 9.1 of the Scheme, the Resulting Company shall issue and allot the following to each shareholder of the Demerged Company:

- (a) 1 (One) fully paid-up equity share of INR 10 (Indian Rupees Ten only) each of the Resulting Company for every 52 (Fifty-Two) fully paid-up equity share of INR 10 (Indian Rupees Ten only) 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;
- (b) 54,86,608 (Fifty-Four Lakhs Eighty-Six Thousand Six Hundred Eight) fully paid-up 7.3% non-convertible redeemable preference shares of INR 100 (Indian Rupees One Hundred only) each of the Resulting Company for 90,00,000 (Ninety Lakhs) 5% cumulative non-convertible redeemable preference shares of INR 100 (Indian Rupees One Hundred only) each of the Demerged Company ("NCRPS") held by the preference shareholder in the Demerged Company as on the Effective Date; and
- (c) 8,64,275 (Eight Lakhs Sixty Four Thousand Two Hundred Seventy Five) fully paid-up 7.3% non-convertible redeemable preference shares of INR 100 (Indian Rupees One Hundred only) each of the Resulting Company for 19,19,277 (Nineteen Lakhs Nineteen Thousand Two Hundred Seventy-Seven) zero% optionally convertible redeemable preference shares of INR 100 (Indian Rupees One Hundred only) each of the Demerged Company ("OCRPS") held by the preference shareholder in the Demerged Company as on the Effective Date.

The New Equity Shares, RPS 1 of the Resulting Company and RPS 2 of the Resulting Company shall hereinafter be collectively be referred to as "New Shares".



- 3.3.2 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.
- 3.3.3 The new equity shares to be issued to the shareholders of the Demerged Company will be listed with BSE Limited and National Stock Exchange of India Limited and admitted for trading.
- 3.3.4 Upon the Scheme coming into effect and in consideration of and subject to the provisions of this Scheme, the Resulting Company shall issue to the GDR Depository in relation to the Demerged Company GDRs, the New Equity Shares in accordance with paragraph 2. The GDR Depository shall hold such New Equity Shares on behalf of the holders of the Demerged Company GDRs;
- 3.3.5 The Board of the Resulting Company may, in consultation with the GDR Depository, and by entering into appropriate agreements with the GDR Depository or any other Depository appointed by the Resulting Company for the issuance of GDRs ("**Resulting Company Depository**") and by taking all approvals and steps as necessary, instruct such Resulting Company Depository to issue GDRs of the Resulting Company representing the New Equity Shares to the holders of the Demerged Company GDRs on a pro rata basis ("**Resulting Company GDR Program**").
- 3.3.6 NCD holders of the Demerged Company as on the Effective Date will be transferred to the Resulting Company on same terms, including the coupon rate, tenure, redemption price, quantum, and nature of security, etc.

Based on the above and after taking into consideration the Share Swap Ratio and Fairness Opinion, the Committee is of the view that the Scheme is in the interest of the shareholders of the Demerged Company.

#### 3.4 Cost Benefit Analysis of the Scheme.

Although the Scheme would entail certain incidental costs like transaction costs, implementation costs, regulatory fees, filing fees and stamp duties, the benefits under the Scheme as listed in Para 3.1 would be far more than such ancillary costs.

#### 4.0 Recommendation of the Audit Committee

The Audit Committee, after taking into consideration the provisions, rationale and benefits of the Scheme along with the Share Swap Ratio Report, the Fairness Opinion and the Auditor's Certificate,



and its impact on all the stakeholders, recommends the draft Scheme to the Board of Directors of for its consideration and favorable approval.



**By Order of the Audit Committee  
Kesoram Industries Limited**

A handwritten signature in black ink, appearing to be 'Gautam Ganguli'.

**Gautam Ganguli  
Company Secretary and Secretary to the Audit Committee**

Date: November 30, 2023  
Place: Kolkata

A large handwritten checkmark in black ink.

A long, sweeping handwritten signature in black ink.