

REPORT ON RECOMMENDATIONS OF THE AUDIT COMMITTEE OF KESORAM INDUSTRIES LIMITED ON THE DRAFT SCHEME OF ARRANGEMENT BETWEEN KESORAM INDUSTRIES LIMITED AND BIRLA TYRES LIMITED

MEMBERS PRESENT

Amitabha Ghosh Chairman
Kashi Prasad Khandelwal
Sudip Banerjee

BY INVITATION

- | | |
|------------------------|--|
| 1. P. Radhakrishnan | Chief Financial Officer |
| 2. Chandramauli Balan | Chief Operating Officer |
| 3. Soumitra Ganguly | Head Commercial, Tyre Business. |
| 4. Arvind Jhunjhunwala | Khaitan & Company, Advocates |
| 5. Manaswy Kothari | Kothari & Company, Chartered Accountants |
| 6. Sumit Arora | Axis Capital Limited , Merchant Bankers. |

Gautam Ganguli Company Secretary and Secretary to the Audit Committee was in attendance

A quorum was present at the Meeting and remained till the conclusion of the Meeting.

1. Background

- 1.1. A Meeting of the Audit Committee of Kesoram Industries Limited ("Company") was held on 4th December, 2018 to recommend the proposed demerger of the Tyre Business of the Company and transfer the same to Birla Tyres Limited ("BTL") with effect from the Appointed Date, viz. January 1, 2019, in terms of a Scheme of Arrangement ("Scheme") between the Company and BTL and their respective Shareholders under Sections 230 and 232 of the Companies Act, 2013 and other applicable provisions of Companies Act, 2013.
- 1.2. This Report of the Audit Committee is made in order to comply with the requirements of SEBI Circular No Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended by Circular No CFD/DIL3/CIR/2018/2 dated January 3, 2018 and any amendments thereof ("SEBI Circular").

- 1.3. The following documents were placed before the Audit Committee:



- the draft Scheme, duly initialled by the Chairman of the Meeting for the purpose of identification;
- the Share Entitlement Ratio Report dated 4th December, 2018 (“Share Entitlement Ratio Report”) prepared by Kothari & Company, Chartered Accountants, recommending a Share Exchange Ratio;
- Fairness Opinion dated 4th December, 2018 prepared by Axis Capital Limited, a SEBI Registered Merchant Banker, providing a Fairness Opinion on the Share Exchange Ratio (“Fairness Opinion”) computed by Kothari & Co. and

2. Proposed Scheme of Arrangement

2.1. The Audit Committee noted the rationale and the benefits of the Scheme, which, *inter-alia*, were as follows:

- (i) The Company was engaged in 2 (two) distinct lines of business namely:
 - (a) manufacture and distribution of cement through its “Birla Shakti” brand (collectively referred to as the “Cement Business”); and
 - (b) manufacture and distribution of automotive tyre through its Birla Tyres brand (collectively referred to as the “Tyre Business”).
- (ii) The nature of risk and competition involved in each of the two Businesses were distinct, necessitating different management approaches and focus. Moreover, the competitive dynamics of these businesses were also different.
- (iii) The separation of the Tyre Business, by way of the Scheme would lead to significant benefits for both Businesses including:
 - (a) enabling a dedicated management focus and acceleration of the growth of the Tyre Business and Cement Business thereby unlocking significant value for the shareholders of the Company; and
 - (b) accessing varied sources of funds for the rapid growth of both Businesses.
- (iv) With a view to achieve the aforesaid growth potential, the Company proposed to re-organise and segregate, by way of the Scheme, its business, undertaking and investments in the Tyre Business.
- (v) The Scheme does not have any adverse effect on either the shareholders or the employees or the creditors of the Company.



- 2.2. The Audit Committee reviewed the Share Entitlement Ratio Report submitted by Kothari & Co., Chartered Accountants and tabled at the Meeting and noted that such Share Entitlement Ratio Report recommended a Share Exchange Ratio for demerger, as follows:

“Every equity shareholder of the Company would receive 1 (one) fully paid up equity share of BTL of face value Rs. 10/- (Rupee Ten Only) each for every 1 (one) fully paid up equity share of Rs.10 (Rupee Ten only) each held in the Company.”

- 2.3. Further, a Fairness Opinion from Axis Capital Limited, a Category I SEBI registered Merchant Banker had confirmed that the Share Exchange Ratio as per the Share Exchange Report was fair to the shareholders of the Company and BTL.
- 2.4. The equity shares of BTL would be listed on Stock Exchanges in India with nationwide terminals viz. BSE Ltd. and National Stock Exchange of India Ltd. in terms of and in compliance with the SEBI Circular referred to above. BTL was not proposing listing its equity shares on the Calcutta Stock Exchange Limited as the Exchange did not have nationwide trading terminals.

3. **Recommendation of the Audit Committee**

The Audit Committee upon discussion decided to recommend the draft Scheme to the Board of Directors of the Company for approval and for consideration by the Stock Exchange(s) and Securities and Exchange Board of India.

By Order of the Audit Committee
Kesoram Industries Limited

Gautam Ganguli
Secretary to the Audit Committee



Date: Kolkata
Place: 4 December 2018