

**REPORT OF THE MEETING OF AUDIT COMMITTEE OF SAURASHTRA CEMENT LIMITED ("COMPANY")
RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF GUJARAT SIDHEE CEMENT LIMITED
WITH THE COMPANY AND THEIR RESPECTIVE SHAREHOLDERS UNDER SECTIONS 230 AND 232 AND
OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AT ITS MEETING HELD ON
SATURDAY, 5TH FEBRUARY 2022 AT 1.30 P.M.**

The following Directors of the Company were present through video conferencing during discussion on the Scheme.

Mr. M. N.Rao	-	Chairman (Independent Director)
Mrs. Bhagyam Ramani	-	Independent Director
Mr. K. N.Bhandari	-	Independent Director
Mr.M.S.Gilotra	-	Managing Director

The following were present through video conferencing during discussion on the Scheme

In attendance:

Ms. Sonali Sanas - President (CS, Legal & Strategy)

By invitation:

Mr. Rakesh Mehta - CFO

Mr. V.R. Mohnot - CFO & Company Secretary of Gujarat Sidhee Cement Limited,
as Associate Company

1. Background

- 1.1. A meeting of the Audit Committee of the Company was held on 5th February 2022 to consider and recommend the proposed Scheme of Amalgamation of Gujarat Sidhee Cement Limited ("Transferor Company") with Saurashtra Cement Limited ("Transferee Company") and their respective shareholders under Sections 230 and 232 and other applicable provisions of the Companies Act, 2013 ("Act") ("Scheme").
- 1.2. The Equity Shares of the Company are listed on BSE Limited ('BSE'). The Company will be filing the Scheme along with necessary information / documents with BSE for their approval under Regulation 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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**Sonali Sanas
President (CS, Legal & Strategy)**



- 1.3. This report of the Audit Committee is made to comply with the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 ("Listing Regulations") and SEBI Master Circular issued in this regard from time to time after considering the following:
- 1.3.1 Draft Scheme of Amalgamation initiated by the Managing Director for identification,
- 1.3.2 Certificate dated 5th February 2022, obtained from the Statutory Auditors of the Company viz., Messrs. Manubhai & Shah LLP, Chartered Accountants (ICAI Firm Registration No. 106041W/W100136), specifying that the accounting treatment mentioned in the Scheme is in accordance with Section 133 of the Act;
- 1.3.3 Valuation report dated 5th February 2022 issued by independent valuers viz., M/s SSPA & Co, Chartered Accountants and IBBi Registered Valuers (IBBi Registration Number – IBBi/RV-E/06/2020/126) (Jointly with the valuers of Transferor Company) determining the share exchange ratio for the amalgamation ("Valuation Report"), and
- 1.3.4 Fairness Opinion dated 5th February 2022 issued by M/s. J. M. Financial Limited, Category I Merchant Banker ("Fairness Opinion") on the share exchange ratio determined in the Valuation Report.

2. Rationale and Benefits of the Scheme

The Audit Committee of the Company noted the rationale of the Scheme which, *inter-alia*, are as follows:

- 2.1 The Transferor Company and the Transferee Company have similar businesses of cement and clinker and operating under their respective brand names in the State of Gujarat. Further, the Transferee Company has recently ventured into the paint business including cement paints which complements the existing business of the Transferee Company. As such the businesses of the Transferor Company and the Transferee Company can be combined conveniently and carried on in conjunction more advantageously and no useful purpose is being served in continuing with two separate legal entities. Amalgamation of the two companies is proposed accordingly.

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- 2.2 In such circumstances, for the optimum running, cost optimising, growth and development of the restructured businesses and undertakings of the Transferor Company and the Transferee Company with their combined resources and a larger capital and asset base, it is considered desirable and expedient to amalgamate the Transferor Company with the Transferee Company in the manner and the terms and conditions stated in this Scheme of Amalgamation.
- 2.3 The proposed amalgamation will help pooling of resources of the Transferor Company and the Transferee Company, streamlining the corporate structure and consolidation of investments within the Transferee Company and act as a gateway for growth and expansion of business operations and presence in India and abroad.
- 2.4 The infrastructure resources of the Companies complement each other and as such the proposed amalgamation will enable appropriate consolidation and integration of operations and activities of the Transferor Company and the Transferee Company thereby ensuring better management and enable the merged entity to offer a comprehensive package of solutions from one entity as opposed to multiple entities.
- 2.5 The business of the amalgamated entity will be carried on more efficiently and economically as a result, inter alia, of pooling and usage of common resources in manufacturing, engineering, manpower and other infrastructure, thus leading to optimum utilisation and elimination of duplication of administrative expenses and responsibilities which will be facilitated by and follow the amalgamation.
- 2.6 The proposed amalgamation will create better opportunities and improvement in competitive position of the Transferee Company as a combined entity and achieving economies of scale including enhanced access to marketing resources/networks/customers. The amalgamated Transferee Company will have increased capability for offering products and services by virtue of its enhanced resource base and deeper client relationship, resulting in better and greater realisation of the potential of the business and prospects of the Transferor Company and the Transferee Company in the merged entity

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- 2.7 The consolidation of business would lead to development of long term internal and core competencies, augment the manufacturing footprint and capabilities of the amalgamated entity by increasing the scale of manufacturing operations, thereby helping in rationalising the number of vendors, aggregating the purchases and managing the supply chain more effectively and efficiently.
- 2.8 The proposed amalgamation will enable the merged entity to compete and bid for new projects more competitively and effectively with the combined credentials, experience and track record of both the Companies.
- 2.9 As such the amalgamation of the Transferor Company with the Transferee Company will also enhance the financial profile with higher growth, margin expansion and increased cash flows which will provide further headroom for inorganic growth opportunities and result in the formation of a larger and more profitable and broad based company having greater capacity to raise and access funds for growth and expansion of its business.
- 2.10 Additionally, the amalgamated entity will provide greater impetus to the paint business which has been recently acquired by the Transferee Company and result in unlocking greater value to the shareholders of the Transferor Company with access to the paint business.
- 2.11 The Scheme shall not in any manner be prejudicial to the interests of the concerned shareholders, creditors or general public at large.

The Scheme is in the best interests of the shareholders, employees and the creditors of each of the Parties.

3. Synergies of business of the entities involved in the Scheme

- 3.1 The Transferor Company is engaged in the business of manufacture and sale of cement and clinker and markets cement under the brand name "SIDHEE". The equity shares of the Transferor Company are listed on the BSE Limited and the National Stock Exchange of India Limited.



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3.2 The Transferee Company is engaged in the business of manufacture and sale of cement and clinker and markets cement under the renowned brand name "HATHI" As part of an overall strategy for diversification, growth and development, the Transferee Company acquired "Snowcem" Paint business through slump sale with effect from 1 May 2021. The said acquisition marks the Transferee Company's foray into acquiring and investing in the paint industry. In view of the aforesaid, Snowcem which has been one of the pioneers to introduce 'Cement Paints' used in exteriors is now part of the Paint Division of the Transferee Company. Under the aegis of the Snowcem brand, the Transferee Company is looking to offer attractive range of quality products for a wide spectrum of consumers. The Transferee Company which currently has presence primarily in the State of Gujarat, will now have diversified businesses at the PAN India level. The equity shares of the Transferee Company are listed on BSE Limited.

4. Impact of the Scheme on the shareholders of the Company

- 4.1. Equity Shares shall be issued and allotted by the Transferee Company to the shareholders of the Transferor Company in the manner as stated in the Scheme on a proportionate basis as per the share exchange ratio determined by the registered Valuer in the Valuation Report and recommended by the Category I Merchant Banker in the Fairness Opinion.
- 4.2. The Scheme does not involve either a diminution of liability in respect of unpaid share capital or payment of paid up share capital.
- 4.3. The proposed Scheme is expected to be beneficial to the Company and its shareholders and all other stakeholders in large and is not detrimental to the shareholders of the Company.
- 4.4. It is also observed that as per the terms of the proposed Scheme, it shall be acted upon only if the votes cast by the public shareholders in favour of the proposal are more than the number of votes cast by the public shareholders, of the Transferor Company and the Transferee Company against it as required under the SEBI Circular issued in this regard.

5. Cost benefit analysis of the Scheme

Although the proposed 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 Company.



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6. Consideration for the Amalgamation

The Audit Committee reviewed and noted the Equity Share Exchange Ratio Report / Valuation Report and recommended the following:

62 (Sixty Two) fully paid up equity shares of INR 10 (Rupees Ten only) each of the Transferee Company, credited as fully paid up, for every 100 (One Hundred) equity shares fully paid up of INR 10 (Rupees Ten only) each of the Transferor Company held by such shareholder

The Fairness Opinion confirmed that the Equity Share Exchange Ratio determined as consideration for the amalgamation is fair.

7. Accounting Treatment

- 7.1 The amalgamation shall be accounted for in the books of account of the Transferee Company pursuant to the pooling of interest method prescribed for business combinations of entities under common control in Appendix C of Indian Accounting Standard (Ind AS) 103 notified under the Companies (Indian Accounting Standards) Rules, 2015, to the extent applicable.
- 7.2 Accordingly on and from the Appointed Date and subject to the provisions hereof and such other corrections and adjustments as may, in the opinion of the Board of Directors of the Transferee Company, be required and except to the extent required otherwise by law, all assets and liabilities of the Transferor Company transferred to the Transferee Company under the Scheme shall be recorded in the books of accounts of the Transferee Company at the book values as recorded in the Transferor Company's books of accounts
- 7.3 All reserves of the Transferor Company shall be incorporated in the books of account of the Transferee Company in the same form in which they appear in the books of the Transferor Company.
- 7.4 To the extent there are inter-company loans, advances and any other balances whatsoever between the Transferor Company and Transferee Company, the same shall stand cancelled without any further act or deed, upon the Scheme becoming operative. The corresponding assets and liabilities in the books of account shall be reduced accordingly.

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- 7.5 The difference between the amount recorded as share capital issued by the Transferee Company and the amount of Share Capital of the Transferor Company shall be adjusted in capital reserves in the books of the Transferee Company.
- 7.6 The identity of the reserves shall be preserved and shall appear in the financial statements of the Transferee Company in the same form in which they appeared in the financial statements of the Transferor Company.
- 7.7 In case of any difference in accounting policy between the Transferor Company and the Transferee Company, the impact of the same till the Appointed Date will be quantified and adjusted in the Capital Reserves of the Transferee Company to ensure that the financial statements of the Transferee Company reflect the financial position on the basis of consistent accounting policy.
- 7.8 The Board of Directors may adopt any other accounting treatment for the Amalgamation which is in accordance with accounting standards notified under the 2013 Act read with Companies (Indian Accounting Standards) Rules, 2015.
- 7.9 Since the Transferor company shall stand dissolved without being wound up upon the scheme becoming effective and all such assets and liabilities of the Transferor Company shall be transferred to the Transferee Company in terms of the Scheme, no accounting treatment is prescribed under this scheme with regard to the Transferor Company

8. Dissolution of the Transferor Company

On the Scheme becoming effective, the Transferor Company shall stand dissolved without winding up and the Board and any committees thereof of the Transferor Company shall without any further act, instrument or deed be and stand discharged and all other assets and liabilities of the Transferor company shall be transferred to the Transferee company. The name of the Transferor Company shall be struck off from the records of the concerned Registrar of Companies.



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9. Recommendation of the Audit Committee

The Audit Committee, *inter alia*, having noted the rationale, benefits and the impact of the Scheme on shareholders and others concerned and in particular the fact that the Scheme is not detrimental to the interests of shareholders of the Company and in consideration of the documents placed before it, approves and recommends the Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Members of the Audit Committee


For and on Behalf of SAURASHTRA CEMENT LIMITED



M. N. Rao
Chairman of the Audit Committee
Place: Hyderabad
Date: 5th February 2022

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Sonali Sanas
President (CS, Legal & Strategy)