

Saurashtra Cement Limited

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REPORT OF THE MEETING OF COMMITTEE OF INDEPENDENT DIRECTORS 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 4.00 P.M.

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

- Mr. M. N. Rao - Independent Director
- Mr. Bimal Thakkar - Independent Director
- Mr. Ashwani Kumar - Independent Director
- Mr. K. N. Bhandari - Independent Director
- Mrs. Bhagyam Ramani - Independent 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 Committee of Independent Directors of the Company ("**Committee of Independent Directors**") 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**").

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For Saurashtra Cement Limited

Sonali Sanas
President (CS, Legal & Strategy)



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- 1.2. This report of the Committee is made to comply with the requirements of the Securities and Exchange Board of India ("SEBI") (Listing Obligations and Disclosure Requirements) Regulations 2015 ("SEBI LODR") and SEBI Master Circular issued on 23rd November 2021 in this regard and as amended from time to time. In terms of the said SEBI Circular, a report from the Committee is required recommending the draft Scheme, taking into consideration inter alia that the Scheme is not detrimental to the shareholders of the listed entity.
- 1.3. The proposed Scheme has been approved by the Audit Committee of the Company and the same is subject to the approval of the Board of Directors, shareholders, creditors, the relevant sectoral and regulatory authorities and the National Company Law Tribunal having jurisdiction over the Company.
- 1.4. The following documents were placed before the Committee of Independent Directors:
- 1.3.1 Draft Scheme of Amalgamation;
- 1.3.2 Certificate dated 5th February 2022, obtained from the Statutory Auditors of the Company viz., M/s. 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 the 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 the Need of the Scheme

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

- i. 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



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- 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.
- ii. 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.
 - iii. 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.
 - iv. 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.
 - v. 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.
 - vi. 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.

K. S. Handan
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Sorali Sanas
For Saurashtra Cement Limited

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President (CS, Legal & Strategy)



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- vii. 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.
- viii. 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.
- ix. 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.
- x. 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.
- xi. 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.
- 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

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 President (CS, Legal & Strategy)

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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.
- 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.

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.



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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.
- 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.

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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 RoC.

9. Salient Features of the Scheme

The Committee observed that the draft Scheme provides for the following:-

9.1 The Appointed Date is 1 January 2022;

9.2 In consideration of the proposed Scheme, the Transferee Company will issue and allot New Equity Shares to each of the shareholders of the Transferor Company on a proportionate basis to each shareholder of the Transferor Company, whose name is recorded in the register of members as member of the Transferor Company as on the Record Date (which shall fixed by the Board of the Transferee Company, for the purpose of determining the shareholders of the Transferor Company for issue of the shares of the Transferee Company, pursuant to the Scheme);

9.3 The Transferee Company shall apply for listing of the New Equity Shares on BSE Limited (being the Stock Exchange where the equity shares of the Transferee Company is listed) in terms of and in compliance of SEBI Circular and other relevant provisions as may be applicable. The New Equity Shares allotted by the Transferee Company, pursuant to the Scheme, shall remain frozen in the depository system till listing/ trading permission is given by the designated Stock Exchange.

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President (CS, Legal & Strategy)



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10. Conditionality of the Scheme


The Committee considered that the Draft Scheme is conditional upon and subject to: -

- 10.1 Obtaining no-objection/ observation letter from the Stock Exchanges in relation to the Scheme under Regulation 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015;
- 10.2 Approval of the Scheme by the requisite majority of each class of shareholders of the Parties and such other classes of persons of the said Companies, if any, as applicable or as may be required under the Act and as may be directed by the Tribunal;
- 10.3 the Transferor Company and the Transferee Company, as the case may be, complying with other provisions of the SEBI Circular, including seeking approval of the shareholders of the Transferor Company and the Transferee Company through e-voting, as applicable. The Scheme 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. The term 'public' shall carry the same meaning as defined under Rule 2 of Securities Contracts (Regulation) Rules, 1957;
- 10.4 Sanctions and orders of the Tribunals, under Sections 230 to 232 of the Act for approving the Scheme, being obtained by the Parties; and
- 10.5 Certified/ authenticated copies of the order of the Tribunal, sanctioning the Scheme, being filed with the concerned Registrar of Companies having jurisdiction over the Transferor Company and the Transferee Company by the Transferor Company and the Transferee Company each.

11. Recommendation of the Committee of Independent Directors

The Committee of Independent Directors, *inter alia*, having noted the rationale, benefits and the impact of the Scheme on shareholders 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 Committee of the Independent Directors
 For and on Behalf of SAURASHTRA CEMENT LIMITED


 K. N. Bhandari
 Chairman of the Meeting

Place: Jodhpur
 Date: 5th February 2022



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 Sonali Sanas
 President (CS, Legal & Strategy)

UNDERTAKING BY THE SAURASHTRA CEMENT LIMITED (TRANSFEROR COMPANY) FOR OBTAINING NO OBJECTION CERTIFICATE (NOC) FROM THE LENDING SCHEDULED COMMERCIAL BANKS/FINANCIAL INSTITUTIONS/DEBENTURE TRUSTEES

We hereby confirm that we have initiated the process of obtaining the No Objection Certificate from the lending scheduled commercial banks/financial institutions/debenture trustees as required under Para A (2) (k) of Part I of SEBI Master Circular dated November 23, 2021 and we shall submit the same with the Exchange before the receipt of the No-objection letter from stock exchange in terms of Regulation 37(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

For Saurashtra Cement Limited



Sonali Sanas
President (CS, Legal & Strategy)

