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Report of the Board of Directors on effect of the Scheme

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF SAURASHTRA CEMENT LIMITED AT ITS MEETING HELD ON 18TH MAY 2020 THROUGH VIDEO CONFERENCE EXPLAINING EFFECT OF THE SCHEME ON EACH CLASS OF SHAREHOLDERS, KEY MANAGERIAL PERSONNEL, PROMOTERS, NON-PROMOTER SHAREHOLDERS, LAYING OUT IN PARTICULAR THE SHARE ENTITLEMENT RATIO

The amalgamation of Parsec Enterprises Private Limited ('Parsec' or 'the Transferor Company') with Saurashtra Cement Limited ('SCL' or 'the Transferee Company' or 'the Company'), through a Scheme of Amalgamation ('the Scheme') under Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification or re-enactment or amendment thereof) and enabling clauses of the Memorandum of Association of the Company and subject to the requisite approvals and sanction of the National Company Law Tribunal, Ahmedabad Bench ('NCLT') or such other competent authority as may be applicable and subject to the approval of shareholders and / or creditors of the Company, Central Government, or such other competent authority as may be directed by the NCLT, has been approved by the Board of Directors in its meeting held on 18th May 2020.

The Transferor Company is a Promoter Group Company of the Transferee Company. Pursuant to the Scheme, the Transferee Company shall, without any application, act or deed, issue and allot equity shares, credited as fully paid up, to the extent indicated below, to the members of the Transferor Company holding fully paid-up equity shares of the Transferor Company and whose names appear in the register of members of the Transferor Company as on the Record Date, or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Directors of the Transferor Company / Transferee Company in the following proportion: "1,35,38,370 fully paid up equity share of Rs.10/- each of the Transferee Company shall be issued and allotted as fully paid up to the equity shareholders of the Transferor Company in proportion of their holding in the Transferor Company" (New Equity Shares).

Further, the investment held by the Transferor Company in the equity share capital of the Transferee Company shall, without any further application, act, instrument or deed stand cancelled and the shares held by the Transferor Company in dematerialized form shall be extinguished, on and from such issue and allotment of New Equity Shares.

The Transferor Company is a promoter group company holding 19.47% stake in the Company.

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As per Section 232(2)(c) of the Companies Act, 2013, a report adopted by the Directors explaining the effect of compromise on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders laying out in particular the share exchange ratio, specifying any special valuation difficulties. The said report is required to be circulated to the members of the Company along with the notice for convening the meeting of the members and/or the creditors, as may be required, to be ordered by the Hon'ble National Company Law Tribunal, Ahmedabad Bench ("NCLT"). This report of the Board is accordingly being made in pursuant to the requirement of Section 232(2)(c) of the Act.

The following documents were also perused by the Board :

1. Draft Scheme as recommended by the Audit Committee of the Board of Directors of the Company and Report of the Audit Committee thereon;
2. Valuation Report dated 18th May 2020 by M/s.SSPA & Co, Chartered Accountants, Registered Valuers recommending Fair Share Exchange Ratio; and
3. Fairness Report dated 18th May 2020 by M/s.Fortress Capital Management Services Private Limited, a Category I Merchant Banker giving fairness opinion on Share Exchange Ratio.

Proposed Scheme of Amalgamation:

- I. The Board noted the objective and the benefits of the Scheme which inter-alia, are as follows:

The principal advantages and benefits of the proposed Scheme are as follows:-

- a) The Transferor Company is desirous of streamlining its holding in the Transferee Company. As a step towards such rationalization, it is proposed to merge the Transferor Company into the Transferee Company. By amalgamation, there will be reduction in administrative management and compliance cost.
- b) Synergies of operations would be achieved, through effective coordination and better control over the activities would allow optimum utilization of resources, ultimately resulting into better profitability for the Transferee Company.
- c) The benefits of combined resources, assets and cash flows would enhance capability of the Transferee Company to face competition effectively.
- d) Pooling of financial resources and unfettered access to cash flows generated by the combined business would enable the Transferee Company to deploy funds in organic and inorganic growth opportunities and in capital expenditure.
- e) Cost savings are expected from more focused operational efforts, rationalization, standardization of business processes, elimination of duplication of work/ functions and rationalization of administrative expenses.
- f) The Scheme shall be beneficial to and in the best interest of the shareholders, creditors and employees of the Transferor Companies and Transferee Company, public at large and all concerned.

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SCL
SHARATHRA CEMENT LIMITED

II. Pursuant to the Scheme, the entire business and the whole of the undertaking of the Transferor Companies shall be transferred to and shall vest in the Transferee Company with effect from the Appointed Date, viz. 1 April 2020 or such other date as the National Company Law Tribunal, Ahmedabad Bench may direct or approve under the relevant provisions of the Act.

Effect of the Scheme of amalgamation on equity shareholders (promoter and non-promoter shareholders) of SCL:

- a) Upon amalgamation of the Transferor Company into the Transferee Company in terms of the Scheme, the Transferee Company shall, without any application, act or deed, issue and allot new equity shares, to the extent indicated below, to the members of the Transferor Company holding fully paid-up equity shares of the Transferor Company and whose names appear in the register of members of the Transferor Company as on the Record Date, or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Directors of the Transferor Company / Transferee Company in the following proportion: *"1,35,38,370 fully paid up equity share of Rs. 10/- each of the Transferee Company shall be issued and allotted as fully paid up to the equity shareholders of the Transferor Company in proportion of their holding in the Transferor Company" (New Equity Shares)*
- b) The investment held by the Transferor Company in the equity share capital of the Company shall, without any further application, act, instrument or deed stand cancelled and the shares held by the Transferor Company in dematerialized form shall be extinguished, on and from such issue and allotment of New Equity Shares.
- c) Thus, the Scheme provides for issuing exactly same number of shares to the shareholders of the Transferor Company in proportion to their holding in Transferor Company (i.e. 1,35,38,370 equity shares of the face value of Rs.10/- each fully paid-up) in the Company and shall rank pari passu in all respects, including dividend with the existing equity shares of Transferee Company.
- d) The promoter group shareholding in the Company will continue to remain same i.e. 73.48%, post amalgamation. Further the public shareholding of the Company will continue to remain same i.e. 26.52%, post amalgamation. All cost, charges and expense relating to the Scheme would be borne by the Transferor Company.
- e) Existing equity shares held by the Transferor Company (i.e. 1,35,38,370 equity shares of the face value of Rs.10/- each fully paid up) representing 19.47% of the total paid up capital of the Company shall stand cancelled, without any further application, act, instrument or deed, upon this Scheme effective.
- f) The new equity shares of the Company to be issued to the Shareholders of the Transferor Company will be listed for trading on the stock exchange where the shares of the Company are listed.

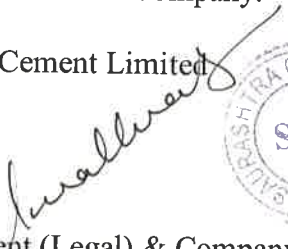
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Effect of the Scheme of Amalgamation on Directors and Key Managerial personnel of SCL:

1. The Scheme is not expected to have any effect on the directors and key managerial personnel of the Company. Further, no change in the Board of Directors of the Company is envisaged on account of the Scheme.
2. The directors holding the shares of the Company do not have any other interest in the Scheme otherwise than that as shareholders in general.
3. There will be no adverse effect of the said Scheme on the equity shareholders (the only class of shareholders), key managerial personnel, promoters and non-promoter shareholders of the Company.

For Saurashtra Cement Limited


Sonali Sanas
Sr. Vice President (Legal) & Company Secretary
Mem.No.16690



Dated: 18th May 2020