

**REPORT ADOPTED BY THE BOARD OF DIRECTORS OF KESORAM INDUSTRIES LIMITED AT ITS MEETING HELD ON 30<sup>th</sup> DAY OF NOVEMBER, 2023 AT 8<sup>th</sup> FLOOR, BIRLA BUILDING, 9/1 RN MUKHERJEE ROAD, KOLKATA 700001 AT 1.30 PM EXPLAINING THE EFFECT OF SCHEME ON SHAREHOLDERS, KEY MANAGERIAL PERSONNEL, PROMOTERS AND NON-PROMOTER SHAREHOLDERS UNDER SECTION 232(2)(c) OF THE COMPANIES ACT, 2013 AND ON HOLDERS OF NON-CONVERTIBLE DEBENTURES AS PER SEBI CIRCULAR.**

**1.0 Background:**

1.1 The Board of Directors of Kesoram Industries Limited (hereinafter referred to as “the Demerged Company”/“the Company”) at its meeting held on November 30, 2023 approved the draft of the proposed Composite 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**”) which involves, *inter alia*, the following:-

1.1.1 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

1.1.2 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.

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 Demerged Company and the Resulting Company (together “**the Parties**”) shall negotiate in good faith to be in compliance with such provisions.

1.2 The provisions of Section 232(2)(c) of the Act requires the Board to adopt a report explaining the effect of the Scheme 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 (“**Report**”). This Report of the Board is accordingly being made in pursuance to the requirements of Section 232(2)(c) of the Companies Act, 2013.

**2.0 The Scheme is subject to the following approvals:**

2.1 Approval from the Competition Commission of India;

2.2 No objection on the draft Scheme from the BSE Limited, the National Stock Exchange of India Limited and the Calcutta Stock Exchange Limited;



- 2.3 Approval of shareholders and creditors of both the Demerged Company and the Resulting Company as may be directed by the National Company Law Tribunal (“NCLT”);
- 2.4 Orders of Kolkata Bench and/or Mumbai Bench of the NCLT (as the case may be) approving the Scheme.
- 2.5 Any other authorities or persons that the Kolkata Bench and/or Mumbai Bench of the NCLT may direct.

**3.0 Documents placed before the Board:**

The following documents were placed before the Board:

- 3.1 Draft Scheme of Arrangement duly initialed by the Chairman of the Company.
- 3.2 Implementation Plan agreed between the Demerged Company and the Resultant Company.
- 3.3 Joint Share Swap Report dated November 30, 2023 issued by PWC Business Consulting Services LLP, Registered Valuer (appointed by the Demerged Company) and Bansi 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.
- 3.4 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;
- 3.5 Statutory Auditors’ Certificate dated November 30, 2023, issued by Walker Chandiok & Co., LLP, Chartered Accountants, the statutory auditors of the Demerged Company as required under Section 232(3) of the Companies Act, 2013 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/ 0000000103 and updated as on 1 December 2022 (hereinafter referred to as “the SEBI Circular”) certifying that the accounting treatment in the draft Scheme is in accordance with the accounting standards and the Resulting Company is capable of payment of interest/ repayment of principal on the non-convertible debentures issued by the Demerged Company which form part of the Demerged Undertaking;
- 3.6 A copy of Audit Committee Report dated November 30, 2023 in terms of the requirement of the SEBI Circular.
- 3.7 A copy of the Committee of Independent Director’s report dated November 30, 2023 in terms of the requirement of the SEBI Circular.



#### 4.0 Rationale of the Scheme:

4.1 The transfer of the Demerged Undertaking from the Demerged Company to the Resulting Company pursuant to this Scheme would, *inter alia*, result in the following benefits for the Demerged Company and the Resulting Company:

4.1.1 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.

4.1.2 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.

4.2 The Scheme is in the best interest of all stakeholders including the shareholders, employees and creditors.

#### 5.0 Effect of the Scheme on the stakeholders:

Sl. No.	Category of Stakeholders	Effect of the Scheme on the Stakeholder
5.1	Shareholders:	1. Under the Scheme, an arrangement is sought to be entered into between the Demerged Company and the Resulting Company and their respective shareholders and creditors.



Sl. No.	Category of Stakeholders	Effect of the Scheme on the Stakeholder
		<p>2. 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:</p> <p>(a) 1 (one) fully paid-up equity shares of INR 10 (Ten) each of the Resulting Company for every 52 (fifty-two) fully paid-up equity share of INR 10 (Ten) each of the Demerged Company held by such 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>New Equity Shares</b>");</p> <p>(b) 54,86,608 (fifty-four lakhs eighty-six thousand six hundred eight) fully paid-up 7.3% non-convertible redeemable preference shares of Rs. 100 (rupees one hundred) each of the Resulting Company ("<b>RPS 1 of the Resulting Company</b>") in proportion of the 90,00,000 5% cumulative non-convertible cumulative redeemable preference shares of INR 100 (Hundred) each of the Demerged Company ("<b>NCRPS</b>") held by the shareholders as on the Effective Date; and</p> <p>(c) 8,64,275 (eight lakhs sixty-four thousand two hundred seventy-five) fully paid-up 7.3% non-convertible redeemable preference shares of Rs. 100 (rupees one hundred) each of the Resulting Company ("<b>RPS 2 of the Resulting Company</b>") in proportion of the 19,19,277 zero % optionally convertible redeemable preference shares of INR 100 (Hundred) each of the Demerged Company ("<b>OCRPS</b>") held by the shareholders in the Demerged Company as on the Effective Date</p> <p>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 "<b>New Shares</b>".</p> <p>3. 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 <i>pari passu</i> 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</p> <p>4. 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.</p> <p>5. 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</p>



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		<p>GDR Depository shall hold such New Equity Shares on behalf of the holders of the Demerged Company GDRs;</p> <p>6. 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 ("<b>Resulting Company Depository</b>") 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 ("<b>Resulting Company GDR Program</b>").</p> <p>7. In the event the Board of the Resulting Company decides not to constitute the Resulting Company GDR Program as stated in Clause 9.14.2, the GDR Depository shall sell the New Equity Shares issued to the GDR Depository in terms of Clause 9.14.1 and distribute the proceeds to such Demerged Company GDR holders in accordance with the depositary agreement entered into between the Demerged Company and the GDR Depository</p>
5.2	Non Convertible Debenture holders	<p>1. Pursuant to this Scheme, there will be no change in terms and conditions of the Non-Convertible Debentures ("<b>NCDs</b>") of the respective Parties.</p> <p>2. The NCDs of the Demerged Company that form of the Demerged Undertaking and will be transferred to the Resulting Company pursuant to this Scheme.</p> <p>3. Pursuant to the Scheme, the 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. Further, the NCD holders of the Resulting Company as on the Effective Date will continue to hold NCDs of the Resulting Company, without any interruption, on same terms, including the coupon rate, tenure, redemption price, quantum, and nature of security, ISIN, etc.</p> <p>4. The NCDs of the respective Parties, as on the Effective Date, will continue to be freely tradable and listed on the Stock Exchanges, thereby providing exit option and liquidity to holders of the NCDs of the respective Parties.</p> <p>5. The Scheme will not have any adverse impact on the holders of the NCDs.</p>
5.3	Employees	<p>1. Under Clause 7, with effect from the Effective Date, the Resulting Company to engage, without any interruption in service, all employees of the Demerged Company, engaged in or in relation to the Demerged Undertaking ("<b>Employees</b>"), on the terms and</p>



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		<p>conditions not less favourable than those on which they are engaged by the Demerged Company.</p> <ol style="list-style-type: none"> <li>2. The Resulting Company to continue to abide by any agreement/settlement or arrangement, if any, entered into or deemed to have been entered into by the Demerged Company with any of the Employees or union representing them in relation to the Demerged Undertaking.</li> <li>3. The services of all such Employees with the Demerged Company prior to the demerger shall be taken into account by the Resulting Company for the purposes of all existing benefits to which the said Employees may be eligible, including for the purpose of payment of any retrenchment compensation, gratuity, leave encashment and other retirement/terminal benefits.</li> <li>4. The decision on whether or not an employee is part of the Demerged Undertaking shall be decided by the Board of the Demerged Company and shall be final and binding on all concerned.</li> <li>5. The accumulated balances, if any, standing to the credit of the Employees (excluding such Employees covered below) in the existing provident fund, gratuity fund and superannuation fund of which they are members, as the case may be and corresponding investments and fund balances, will be transferred respectively to such provident fund, gratuity fund and superannuation funds nominated by the Resulting Company and/or such new provident fund, gratuity fund and superannuation fund to be established in accordance with the applicable law and caused to be recognized by the appropriate authorities. Pending the transfer as aforesaid, the provident fund, gratuity fund and superannuation fund dues of the said Employees would continue to be deposited in the existing provident fund, gratuity fund and superannuation fund, respectively, of the Demerged Company, if required.</li> <li>6. In relation to the Employees who are not covered under the provident fund trust of the Demerged Company and for whom the Demerged Company is making contributions to the government provident fund, the Resulting Company shall stand substituted for the Demerged Company, for all purposes whatsoever, including in relation to the obligation to make contributions to the said government provident fund in accordance with the provisions of such fund, bye laws, etc. in respect of such Employees.</li> </ol>
5.4	Creditors	<ol style="list-style-type: none"> <li>1. Under the Scheme, no arrangement is sought to be entered into between the Demerged Company and its secured and unsecured creditors.</li> </ol>



Sl. No.	Category of Stakeholders	Effect of the Scheme on the Stakeholder
		impacted in any manner.

## 6.0 Valuation:

Fair Share Exchange Ratio

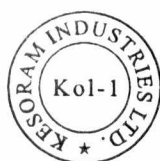
- 6.1 For the purpose of arriving at the Share Swap Ratio, the Share Swap Ratio Report was obtained by the Company in terms of the SEBI Circular.
- 6.2 The Valuers have not expressed any difficulty while carrying out the valuation.
- 6.3 The Valuers have adopted the valuation under Market Approach by averaging the value derived under Market Approach, Income Approach and cost approach, as applicable. The value under Market Approach is computed by averaging the values under Market price, comparable companies' multiple methods and comparable transaction multiple method (as applicable).
- 6.4 The recommendation of the Share Swap Ratio had been certified as being a fair valuation and has been approved by the Audit Committee of the Demerged Company, the Board of the Demerged Company, Board of the Resulting Company and the Audit Committee of the Resulting Company.

## 7.0 Adoption of the Report by the Directors:

The Directors of the Company have adopted this Report after noting and considering the information set forth in this Report. The Board or any duly authorised committee by the Board is entitled to make relevant modifications to this Report, if required, and such modification or amendments shall be deemed to form part of this Report.

By order of the Board

**Kesoram Industries Limited**



A handwritten signature in black ink, appearing to read "P. Radhakrishnan".

**P. Radhakrishnan**

**Whole-time Director and Chief Executive Officer**

Date: November 30, 2023

Place: Kolkata