

REPORT OF THE AUDIT COMMITTEE OF ANJANI PORTLAND CEMENT LIMITED (“COMPANY” OR “TRANSFEREE COMPANY”) RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION BETWEEN THE COMPANY AND BHAVYA CEMENTS PRIVATE LIMITED (“TRANSFEROR COMPANY”) AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS.

This report is considered and approved by the Audit Committee of the Company (“Audit Committee”) at its meeting held on January 8, 2024 at 10:00 a.m. at Sigapi Achi Building, 4th Floor, No.18/3, Rukmani Lakshmi pathy Road, Egmore, Chennai – 600 008.

Members present:

1. Mrs. V. Valliammai, Chairperson
2. Mr. N. Venkat Raju, Member
3. Mr. RM. Palaniappan, Member

All the Members of the Committee were present at the meeting.

By invitation:

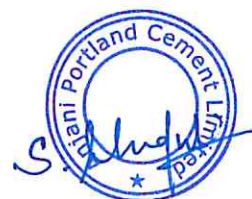
Mr. Rajesh Kumar Dhoot, Chief Financial Officer

In attendance:

Mr. Subhanarayan Muduli, Company Secretary

1. BACKGROUND

- 1.1. A meeting of the Audit Committee of Anjani Portland Cement Limited was held on January 8, 2024, *inter alia*, to consider and recommend the proposed draft Scheme of amalgamation of Bhavya Cements Private Limited (“**Transferor Company**”) with Anjani Portland Cement Limited (“**Company**” or “**Transferee Company**”) and their respective shareholders and creditors (“**the Scheme**”) under Section 230 to 232 and other applicable provisions, if any of the Companies Act, 2013 (“**Act**”) read with the rules made thereunder (including any statutory modification(s) or re-enactment(s) or other amendments thereof for the time being in force), Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 and other applicable laws including SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (“**SEBI Circular**”).
- 1.2. The Company was incorporated under the provisions of the Companies Act, 1956. The equity shares of the Company are listed on the BSE Limited and the National Stock Exchange of India Limited.
- 1.3. The Transferor Company was incorporated under the provisions of the Companies Act, 1956. The Transferor Company is a subsidiary of the Company. The Company holds 99.09% of the total issued and paid-up share capital of the Transferor Company.
- 1.4. As per the SEBI Circular, the Audit Committee of the Board of the Company is required to issue a report recommending the Scheme, taking into consideration *inter alia*, the valuation report and commenting on the need for the Scheme, rationale of the Scheme, synergies of business of the entities involved in the Scheme, impact of the Scheme on the shareholders and cost benefit analysis of the Scheme.



- 1.5. This report of the Audit Committee is made to comply with the requirements of the SEBI Circular.
- 1.6. The following documents were placed before the Audit Committee and while deliberating on the Scheme, the Audit Committee had, *inter alia*, considered and took on record these documents:
- Draft Scheme;
 - Valuation Report dated December 30, 2023, issued by Mr. Vishesh Unni Raghunathan, Registered Valuer (IBBI Registration No. IBBI/RV/05/2019/11260) ("**Valuation Report**"), describing the methodology adopted by him in arriving at the recommended share swap ratio;
 - Fairness opinion dated December 30, 2023, issued by Saffron Capital Advisors Private Limited, an independent SEBI registered Category – I Merchant Banker providing its opinion on the fairness of share swap ratio as recommended in the Valuation Report prepared by Mr. Vishesh Unni Raghunathan ("**Fairness Opinion**"); and
 - Draft Auditor's Certificate, issued by M/s. Ramanatham & Rao, Chartered Accountants (Firm Registration No. S-2934), the Statutory Auditors of the Company confirming that the accounting treatment contained in the Scheme is in compliance with all the Accounting Standards specified by the Central Government under Section 133 of the Act and other applicable provisions of the Act or the Accounting Standards issued by the Institute of Chartered Accountants of India, as applicable, and other generally accepted accounting principles.

2. SALIENT FEATURES OF THE SCHEME

The Audit Committee noted the brief particulars of the Scheme as under:

- This Scheme (*as defined herein*) is presented *inter alia* under Section 230 to 232 and other applicable provisions of the Act, SEBI Circular read with Section 2(1B) and other applicable provisions of the Income Tax (*as defined in the Scheme*) and other applicable law, if any. The Scheme provided for amalgamation of the Transferor Company into and with the Company and dissolution of the Transferor Company without being wound-up and also provides for various other matters consequent and incidental thereto or otherwise integrally connected thereto.
- The appointed date (*as defined in the Scheme*) under Scheme is April 1, 2022 or such other date as the Hon'ble National Company Law Tribunals/ SEBI or any other statutory authorities may direct/fix ("**Appointed Date**").
- Upon the Scheme becoming effective and in consideration for the amalgamation of the Transferor Company with Company, Company shall, without any further application, act, instrument or deed, issue and allot Consideration Equity Shares, on a proportionate basis to the members of Transferor Company (*other than held by the Company*), whose names appear in the Register of Members of Transferor Company as on the Effective Date (*as defined in the Scheme*) or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title in the following manner:

"1,365 fully paid-up Consideration Equity Shares of face value of Rs.10/- each of the Transferee Company shall be issued and allotted for every 15,181 fully paid-up equity shares of Rs.10/- each held in the Transferor Company."

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- d) Upon the Scheme becoming effective and with effect from the Appointed Date, the Transferor Company along with all its assets, liabilities, contracts, employees, records etc. being integral part shall stand transferred to and vested in the Company, as a going concern subject to the provisions of the Scheme. The Transferor Company shall stand dissolved without being wound-up, without any further act or deed.
- e) From the Appointed Date and upto the Effective Date (*as defined in the Scheme*), the Transferor Company and Transferee Company shall carry on its business and activities with reasonable diligence and business prudence.
- f) The effectiveness of the Scheme is contingent upon certain conditions as mentioned in the Scheme.

3. PROPOSED SCHEME OF AMALGAMATION

3.1 Need for the amalgamation and rationale of the Scheme

The Transferor Company is the subsidiary of the Company. It is proposed to integrate their business to achieve the following benefits:

- a) Greater integration and financial strength for the amalgamated entity, which would result in maximising overall shareholder value, and will improve the financial position of the amalgamated entity.
- b) The amalgamation would benefit shareholders and other stakeholders of the respective Companies by consolidating and simplifying the group structure and business operations thereby facilitating in optimal utilization of various resources.
- c) The Transferor and Transferee Company are engaged in the same line of business of manufacturing and sale of various kinds of cement. Hence, the amalgamation would result in achieving greater market synergy for the amalgamated company by virtue of consolidation of brands resulting in better shareholder value for the shareholders of the company.
- d) The amalgamation would lead to greater and efficient use of infrastructure facilities and optimum utilisation of the available resources. There would be greater efficiency in cash management and unfettered access to cash flow generated by the combined business which can be deployed more efficiently to fund growth opportunities, to further improve shareholders' value.
- e) Simplified management structure, leading to better administration and reduction in costs from more focused operational efforts, rationalization, standardization and simplification of business processes, the elimination of duplication, and rationalization of administrative expenses.
- f) Reduction in duplication of regulatory and legal compliances / filings including accounting, reporting requirements, statutory and internal audit requirements, tax filings, etc. and consequential reduction in administrative costs for both the companies on account of holding – subsidiary structured elimination.

The amalgamation is in the best interest of both the companies, their respective shareholders and creditors and is not prejudicial to the interest of the concerned shareholders, creditors and other stakeholders.

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3.2 Synergies of business of the entities involved in the Scheme

The background and information about the Company and Transferor Company are, *inter alia*, as under:

- a) The Transferor Company is, *inter alia*, engaged in the business of providing services relating to produce, manufacture, refine, prepare, import, export, purchase, sell and generally to deal in all kinds of Portland Cement.
- b) The Transferee Company is, *inter alia*, engaged in the business to produce, manufacture, refine, prepare, import, export, purchase, sell and generally to deal in all kinds of Portland Cement (Portland pozzolona cement, Portland slag cement, Portland rapid hardening cement, Portland high alumina, Portland oil well cement, Special cement, masanory cement lime., pozzolona cement, etc.) Cement products of any description.
- c) The amalgamation would benefit shareholders and other stakeholders of the respective Companies by consolidating and simplifying the group structure and business operations thereby facilitating in optimal utilization of various resources.
- d) The Transferor and Transferee Company are engaged in the same line of business of manufacturing and sale of various kinds of cement. Hence, the amalgamation would result in achieving greater market synergy for the amalgamated company by virtue of consolidation of brands resulting in better shareholder value for the shareholders of the company.
- e) The amalgamation would lead to greater and efficient use of infrastructure facilities and optimum utilisation of the available resources. There would be greater efficiency in cash management and unfettered access to cash flow generated by the combined business which can be deployed more efficiently to fund growth opportunities, to further improve shareholders' value.
- f) Simplified management structure, leading to better administration and reduction in costs from more focused operational efforts, rationalization, standardization and simplification of business processes, the elimination of duplication, and rationalization of administrative expenses.

3.3 Impact of the Scheme on the Company and its Shareholders

- a) The Scheme is expected to be beneficial to the shareholders of the Company leading to opportunity for growth and value creation in the long run and maximizing the value and returns to the shareholders, achieving cost and operational efficiencies. The equity shares that will be issued by the Company on account of the Scheme will result in dilution of the existing shareholding in the Company and the shareholders of the Company in turn will benefit on account of: (a) synergies which are expected to accrue to the Company; and (b) cost & operational efficiencies;
- b) In consideration for the amalgamation of the Transferor Company with the Company, the shareholders of the Transferor Company, as on the Effective Date (*as defined in the Scheme*) shall receive equity shares of the Company. Further, the rights and interests of the shareholders of the Company will not be prejudicially affected by the Scheme, and there will be no change in economic interest of the shareholders of the Company, before and after the Scheme. The equity shares to be issued by the Company to the shareholders of the Transferor Company pursuant to the Scheme shall rank *pari passu* in all respects with the then existing equity shares of the Company;

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- c) The shareholders of the Company will continue to be the shareholders of the Company;
- d) Upon the Scheme becoming effective, the Transferor Company shall be dissolved without being wound-up and the shareholders of the Transferor Company shall become "public" shareholders of the Company;
- e) After the effectiveness of the Scheme and subject to the receipt of regulatory approvals, the equity shares of the Company issued as consideration pursuant to the Scheme, shall be listed on BSE Limited and the National Stock Exchange of India Limited.

3.4 Cost benefit analysis of the Scheme

The Scheme is expected to provide an opportunity to improve the economic value for the companies involved in the Scheme and their stakeholders, in view of the consolidation of the business. This is primarily on account of various cost and operational synergies which are expected to accrue to the Company on account of the Scheme and more particularly detailed out in paragraph 3.2 above. While the Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme over a long period would far outweigh such costs for the stakeholders of the Company.

4. RECOMMENDATION OF THE AUDIT COMMITTEE

The Audit Committee has taken on record the Valuation Report and Fairness Opinion and the recommendations made therein.

Taking into consideration the draft Scheme, Valuation Report, Fairness Opinion and Certificate issued by Statutory Auditors of the Company, need and rationale of the Scheme, synergies of the business of the companies, impact of the Scheme on the company and its shareholders, cost benefit analysis of the Scheme and other documents placed before the Audit Committee, the Audit Committee recommends the draft Scheme for the favorable consideration and approval by the Board of Directors of the Company.

V. Valliammai

V. Valliammai
Chairperson – Audit Committee
DIN: 01197421



Date: January 8, 2024
Place: Chennai