



REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF GRASIM INDUSTRIES LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN GRASIM INDUSTRIES LIMITED ("COMPANY") AND INDORAMA INDIA PRIVATE LIMITED ("TRANSFEREE COMPANY") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Members present:

- | | |
|--------------------------------|------------------------|
| 1. Mr. Arun Thiagarajan | - Independent Director |
| 2. Ms. Anita Ramachandran | - Independent Director |
| 3. Dr. Thomas M. Connelly, Jr. | - Independent Director |

Comments received from-

- | | |
|----------------|-----------------------------------|
| Mr. N Mohanraj | - Independent Director (via mail) |
|----------------|-----------------------------------|

1. Background of the proposed scheme of arrangement

A meeting of Committee of Independent Directors ("ID Committee") was held on 12th November 2020 to consider and, if thought fit, recommend the proposed scheme of arrangement between the Company, Transferee Company and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Act") and in accordance with Section 2(42C) of the Income Tax Act, 1961, for the purpose of transfer of the Company's business of manufacture, trading and sale of urea, customised fertilisers, agri-inputs, crop protection, plant and soil health products and specialty fertilisers ("IGF Business") as a going concern, by way of a slump sale, to the Transferee Company for a lump sum cash consideration ("Scheme"). The Scheme is proposed to be effective from the Appointed Date (*as defined in the Scheme*) and operative from the Effective Date (*as defined in the Scheme*).

The Scheme will be filed before the Tribunal(s) (*as defined in the Scheme*) under Sections 230-232 and other applicable provisions of the Act, the rules and regulations made thereunder, and will also be in compliance with Section 2(42C) of the Income Tax Act, 1961 and the circular no. CFD/DIL3/CIR/2017/21 dated 10th March 2017 issued by SEBI (as amended *inter alia* by circular no. CFD/DIL1/CIR/P/2020/215 dated 3rd November, 2020) ("Scheme Circular").



Grasim Industries Limited

Aditya Birla Centre, 'A' wing, 2nd Floor, S.K. Ahire Marg, Worli, Mumbai 400 030, India
T: +91 22 6652 5000 / 2499 5000 | F: +91 22 6652 5114 / 2499 5114
E: grasim.secretarial@adityabirla.com | W: www.grasim.com | CIN: L17124MP1947PLC000410

Regd. Office : P.O. Birlagram, Nagda – 456 331 (M.P.)



In terms of the Scheme Circular, a report from the ID 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. This report of the ID Committee is made in order to comply with the requirements of the Scheme Circular.

The following documents were placed before the ID Committee:

- (a) the draft Scheme, the draft implementation agreement and the draft non-compete agreement between the Company and the Transferee Company.
- (b) Valuation report dated 12th November 2020 issued by Drushti R. Desai (IBBI Registration No. IBBI/RV/06/2019/1 0666), a registered valuer pursuant to Section 247 of the Act, stipulating *inter alia* the methodology adopted and the valuation arrived at in relation to the Divestment Business Undertaking ("**Valuation Report**");
- (c) Fairness opinion dated 12th November 2020 issued by Kotak Mahindra Capital Company Limited, Merchant Banker, (bearing registration number INM000008704), a SEBI registered merchant banker, to the Company, providing its opinion on the fairness of the valuation of Divestment Business Undertaking ("**Fairness Opinion**");
- (d) Undertaking on non-applicability of para I(A)(9)(b) of Annexure I of the SEBI Scheme Circular to the Scheme and the draft auditor's certificate, certifying the said undertaking; and
- (e) Draft auditor's certificate pursuant to para I(A)5 of Annexure I of the SEBI Scheme Circular in the prescribed format to the effect 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, read with applicable rules and/or the accounting standards and principles.



Grasim Industries Limited

Aditya Birla Centre, 'A' wing, 2nd Floor, S.K. Ahire Marg, Worli, Mumbai 400 030, India
T: +91 22 6652 5000 / 2499 5000 | F: +91 22 6652 5114 / 2499 5114
E: grasim.secretarial@adityabirla.com | W: www.grasim.com | CIN: L17124MP1947PLC000410

Regd. Office : P.O. Birlagram, Nagda – 456 331 (M.P.)



2. Salient features of the Scheme

The ID Committee discussed and noted the rationale and the benefits of the proposed Scheme, key financial and other indicators, impact of the Scheme on the shareholders and cost benefit analysis of the Scheme, as below:

- (a) The draft Scheme provides for transfer of the Divestment Business Undertaking (*as defined in the Scheme*) of the Company, which pertain to the IGF Business, to the Transferee Company, as a going concern.
- (b) The Appointed Date (*as defined in the Scheme*) for the transfer of Divestment Business Undertaking is the same as the Effective Date (*as defined in the Scheme*).
- (c) Upon effectiveness of the Scheme and with effect from the Appointed Date, the Divestment Business Undertaking shall, subject to the provisions of the Scheme and pursuant to Section 232(4) of the Act, be transferred to and vested in the Transferee Company, in accordance with the Scheme;
- (d) Rationale of the Scheme: The transfer of the Divestment Business Undertaking pursuant to this Scheme would *inter alia* result in the following benefits in case of the Company:
 - (i) Further enabling the Company to pursue growth opportunities in its core business(es) with increased focus and more optimized utilization of its capital and resources; and
 - (ii) Unlocking value for the Company with overall improvement in working capital cycle due to release of blocked funds from long receivable cycle in IGF Business.
- (e) The transfer of Divestment Business Undertaking shall constitute sale and transfer of an undertaking on a 'slump sale' basis, for a lump sum consideration as contemplated under the provisions of Section 2(42C) of the Income Tax Act, 1961.



Grasim Industries Limited

Aditya Birla Centre, 'A' wing, 2nd Floor, S.K. Ahire Marg, Worli, Mumbai 400 030, India
 T: +91 22 6652 5000 / 2499 5000 | F: +91 22 6652 5114 / 2499 5114
 E: grasim.secretarial@adityabirla.com | W: www.grasim.com | CIN: L17124MP1947PLC000410

Regd. Office : P.O. Birlagram, Nagda – 456 331 (M.P.)



826

- (f) In consideration for the transfer of the Divestment Business Undertaking by Company to the Transferee Company, pursuant to the Scheme, the Transferee Company shall pay a lump sum (i.e., Final Purchase Consideration (*as defined in the Scheme*)) of Rs. 2,649 Crore only, as adjusted by increase / (decrease) in Working Capital Adjustment (*as defined in the Scheme*) and (increase) / decrease in Capex Adjustment (*as defined in the Scheme*) adjusted amount, upon the effectiveness of the Scheme.
- (g) The Company and the Transferee Company shall follow the method of accounting as per the applicable accounting principles as prescribed under the Companies (Indian Accounting standards) Rules, 2015 (Ind AS) as notified under Section 133 of the Act, as may be amended from time to time and relevant clarifications issued by Institute of Chartered Accountants of India.
- (h) The Scheme is subject to various conditions precedent specified in the Scheme, including:
- (i) approval of the Scheme by the requisite majorities of shareholders and/or creditors of each of the Transferor Company and the Transferee Company as required under Sections 230-232 of the Act;
 - (ii) approval of the Scheme by the BSE Limited and the National Stock Exchange of India Limited ("**Stock Exchanges**"), and approval by Securities and Exchange Board of India ("**SEBI**"), pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (as amended) and the circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (as amended) on Schemes of Arrangement by Listed Entities and Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 issued by the Securities and Exchange Board of India ("**SEBI Scheme Circular**");
 - (iii) the Scheme being sanctioned by each jurisdiction Tribunal (*as defined in the Scheme*) in terms of Sections 230-232 of the Act;
 - (iv) the receipt or waiver (where permissible) of any approvals from third parties as mutually agreed in writing between the Company and the Transferee Company, as being required prior to effectiveness of this Scheme;



Grasim Industries Limited

Aditya Birla Centre, 'A' wing, 2nd Floor, S.K. Ahire Marg, Worli, Mumbai 400 030, India

T: +91 22 6652 5000 / 2499 5000 | F: +91 22 6652 5114 / 2499 5114

E: grasim.secretarial@adityabirla.com | W: www.grasim.com | CIN: L17124MP1947PLC000410

Regd. Office : P.O. Birlagram, Nagda – 456 331 (M.P.)



827

- (v) the Competition Commission of India (or any appellate authority in India having appropriate jurisdiction) having granted or deemed to have granted approval, if applicable, to the transaction envisaged under the Scheme in form and substance reasonably acceptable to the Company and the Transferee Company, pursuant to the provisions of the Competition Act, 2002 and the rules and regulations thereunder; and
- (vi) the certified copies of the Tribunal Order(s) (*as defined in the Scheme*) sanctioning this Scheme being filed with the respective jurisdictional RoC by the Company and the Transferee Company.

3. Scheme not detrimental to the shareholders of the Company

The ID Committee discussed and deliberated upon the rationale and expected benefits of the Scheme. In light of the same and the valuation report, fairness opinion, and other documents presented before the ID Committee, it noted that the proposed Slump Sale as envisaged in the Scheme is expected to allow the Transferor Company to utilise its existing resources and the consideration realised pursuant to the proposed Scheme for its core business where it enjoys leadership position and thereby unlock shareholders' value. There is also no proposed change in the shareholding pattern of the Company pursuant to the proposed Scheme since the consideration is in the form of cash. The ID Committee was of the opinion that the Scheme is expected to be in the best interests of the shareholders.

4. Recommendation of the ID Committee

In light of the aforesaid, the ID Committee recommends the draft Scheme, *inter alia* taking into consideration, impact of Scheme on the shareholders and other stakeholders, to the Board of Directors, Stock Exchanges and SEBI for its approval.





This report of the ID Committee is made in order to comply with the requirement of the Scheme Circular after considering the necessary documents.

By order of the ID Committee of Grasim Industries Limited.

A handwritten signature in blue ink, appearing to read "Arun Thiagarajan".

Arun Thiagarajan
Chairman of the ID Committee

DIN: 00292757

Place: Bangalore

Date: 30.11.2020



Grasim Industries Limited

Aditya Birla Centre, 'A' wing, 2nd Floor, S.K. Ahire Marg, Worli, Mumbai 400 030, India
T: +91 22 6652 5000 / 2499 5000 | F: +91 22 6652 5114 / 2499 5114
E: grasim.secretarial@adityabirla.com | W: www.grasim.com | CIN: L17124MP1947PLC000410

Regd. Office : P.O. Birlagram, Nagda – 456 331 (M.P.)