REPORT OF THE AUDIT COMMITTEE OF JTEKT INDIA LIMITED RECOMMENDING THE DRAFT COMPOSITE SCHEME OF AMALGAMATION BETWEEN JTEKT INDIA LIMITED ('THE AMALGAMATED COMPANY' OR 'JTEKT' OR 'THE COMPANY') AND JTEKT FUJI KIKO AUTOMOTIVE INDIA LIMITED ('THE AMALGAMATING COMPANY') AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Members Present

1.	Mrs. Hiroko Nose	:	Chairperson
2.	Mr. Inder Mohan Singh	:	Member
3.	Lt.Gen. Praveen Bakshi (Retd.)	:	Member
4.	Mr. Satoshi Komeda	:	Member

Special Invitees

1.	Mr. Hitoshi Mogi	:	Chairman & Managing Director
2.	Mr. Rajiv Chanana	:	C.F.O. & Director
3.	Mr. Sudhir Chopra	:	Senior Advisor
4.	Mr. Yasushi Toratani	:	Special Invitee (Group entity)

In Attendance

Mr. Ashish Srivastava, Company Secretary

1. Background of the proposed scheme:

1.1 A draft Composite Scheme of Amalgamation under Section 230 to 232 and other applicable provisions, if any, of the Companies Act, 2013, ("the Act") including rules made thereunder, between JTEKT India Limited (the '**Amalgamated Company**' or '**JTEKT**' or '**the Company**') and JTEKT Fuji Kiko Automotive India Limited (the '**Amalgamating Company**') and their respective shareholders and creditors ('**Scheme**' or '**the Scheme**' or '**this Scheme**') has been placed before the Audit Committee by the Management to consider recommending the said draft scheme to the Board of Directors. Words and expressions, used in capitalized form but not defined in this report, shall have the meaning ascribed to them in the Scheme.

1.2 The Scheme, *inter-alia* provides for the following:

(i) the transfer and vesting of all the assets and liabilities (as more specifically defined in the proposed Scheme) of the Amalgamating Company with and into the Amalgamated Company and the consequent issue of equity shares by the Amalgamated Company to the shareholders of the Amalgamating Company;

(ii) listing of the share capital of the Amalgamated Company, consisting of the fully paid-up equity shares of the Amalgamated Company issued as consideration for the transfer and vesting of the undertaking of the Amalgamating Company with and into the Amalgamated Company under the Scheme to the shareholders of the Amalgamating Company (except the Amalgamated Company), on the National Stock Exchange of India Limited and BSE Limited (collectively "**Stock Exchanges**") after the effectiveness of this Scheme in accordance with the provisions of the circular number SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 issued by the Securities and Exchange Board of India ("**SEBI**") (the "**SEBI Circular**"); and

(iii) various other matters consequential or otherwise integrally connected therewith.

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1.3 The equity shares of the Company are listed on the Stock Exchanges. Accordingly, the Company will file the said Scheme along with necessary information / documents with the Stock Exchanges.

1.4 The Scheme will also be presented before the National Company Law Tribunal, New Delhi Bench ("**NCLT**") in terms of the provisions of section 230 to 232 and other applicable provisions of the Act, the rules and regulations made thereunder, and will also be in compliance with applicable sections of the Income Tax Act, 1961, the SEBI Circular and other applicable laws.

1.5 The report of the Audit Committee is made in order to comply with the requirements of the SEBI Circular read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 after considering the following:

(i) Draft Composite Scheme, duly initialled by the Chairperson of the Audit Committee for the purpose of identification;

(ii) Valuation report containing the share entitlement ratio dated June 30, 2022 and a confirmation letter dated July 6, 2022 confirming the share exchange ratio dated June 30, 2022 and that the same is in compliance with the pricing guidelines as per Chapter V of SEBI (ICDR) Regulations on the relevant date, issued by Mr. Rahul Bansal, a Registered Valuer ("**Valuation Report**");

(iii) Fairness Opinion dated July 6, 2022 as obtained from Corporate Professionals Capital Private Limited, a SEBI Registered Category I Merchant Banker ("**Fairness Opinion**"); and

(iv) A certificate dated July 6, 2022 as obtained from B S R & Co. LLP, the Statutory Auditors of the Company ('**Statutory Auditors**') certifying that the accounting treatment in the Scheme is in accordance with the accounting standards prescribed under Section 133 of the Act and other applicable laws, as required under Paragraph of Annexure I of the SEBI Circular.

2. **Need and Rationale of the Scheme and synergies involved therein:**

The Audit Committee took note of the rationale of the Scheme, which *inter-alia* is as follows:

(a) The Amalgamating Company is a joint venture between the Amalgamated Company and Fuji Kiko, Japan which is a wholly owned subsidiary of JTEKT Corporation . Apart from essentially being under one management, both the Amalgamating Company and the Amalgamated Company also have business and operational synergies. The Amalgamating Company is primarily engaged in making Columns / Column Parts which is in turn an input for steering systems manufactured by the Amalgamated Company. The proposed consolidation will bring this entire value chain under one umbrella, driving sharper focus for smooth and efficient management of the value chain requirements with scale and agility.

(b) It will lead to cost savings owing to more focused operational efforts, rationalization, standardization and simplification of business processes, elimination of duplication and rationalization of administrative expenses.

(c) It will help in achieving consolidation, greater integration and flexibility that will maximize overall shareholder's value and improve the competitive position and negotiating power of the combined entity.

(d) It will improve organizational capability and leadership, arising from the pooling of human capital who have the diverse skills, talent and vast experience to compete successfully in an increasingly competitive industry.

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(e) It will result in reduction of multiplicity of entities, thereby reducing compliance cost of multiple entities viz.; statutory filings, regulatory compliances, labour law / establishment related compliances.

3. Valuations Report containing Share Entitlement Ratio and confirmation on accounting treatment:-

(a) The Audit Committee took note of the Valuation Report which, *inter-alia,* recommended the following Share Entitlement Ratio for the proposed amalgamation of the Amalgamating Company with and into the Amalgamated Company:

> "*For every 100 equity shares of Amalgamating Company of face value of INR 10/- each held in Amalgamating Company, every equity shareholder of the Amalgamating Company other than Amalgamated Company, shall without any application, act or deed, be entitled to receive 200 equity shares of face value INR 1/- each of the Amalgamated Company, credited as fully paid up on the same terms and conditions of issue as prevalent in Amalgamating Company*".

(b) The Fairness Opinion confirmed that the fair equity share entitlement ratio as set out in the Valuation Report is fair to the Company and their respective shareholders.

(c) B S R & Co. LLP, Chartered Accountants, Statutory Auditors of the Company have confirmed that the accounting treatment as specified in the Scheme are in accordance with applicable Accounting Standards specified by the Central Government in Section 133 of the Act.

4. Salient Features of the Scheme

The Audit Committee considered and took note of the salient features of Scheme, which *inter-alia* are as under:

(a) The proposed Appointed Date of the Scheme will be April 1, 2022.

(b) **"Effective Date"** means the date on which the Scheme shall become effective pursuant to Clause 10 of the Scheme. Any references in the Scheme to "upon this Scheme becoming effective" or "effectiveness of this Scheme" or "after this Scheme becomes effective" means and refers to the Effective Date;

(c) The Scheme shall be effective from the Appointed Date and operative from the Effective Date

(d) The coming into effect of the Scheme is conditional upon and subject to:

(i) The receipt of the no-objection from the Stock Exchanges;

(ii) The approval by the requisite majorities of the classes of persons, The approval by the requisite majorities of the classes of persons, including shareholders, creditors of the Amalgamating Company and Amalgamated Company as may be directed by the NCLT under Section 230- 232 of the Act;

(iii) The approval of the Scheme by the public shareholders of the Amalgamated Company in accordance with Para A.10 (a) & (b) of Part I of the SEBI Circular provided that the same shall be acted upon only if the votes cast by the public shareholders in favour of the Scheme are more than the votes cast by the public shareholders against it;

(iv) The sanctioning of this Scheme by the NCLT, whether with any modifications or amendments as NCLT may deem fit or otherwise;

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(v) The filing of the certified copies of the orders of the NCLT with the Registrar of Companies, National Capital Territory of Delhi and Haryana, by the Amalgamating Company and Amalgamated Company, as the case may be;

(vi) Any other sanctions and orders as may be directed by the NCLT in respect of the Scheme; and

(vii) Any other condition as mentioned in the scheme.

5. Upon effectiveness of the Scheme:

(a) The Amalgamated Company shall issue and allot 98,00,014 fully paid equity shares to the shareholders of the Amalgamating Company (except the Amalgamated Company) as per the fair equity share entitlement ratio as specified in the Scheme and the said equity shares shall rank pari-passu in all the respects as the existing equity shares of the Amalgamated Company;

(b) The equity shares of the Amalgamated Company issued in terms of the Scheme will be listed and/ or admitted to trading on the Stock Exchanges where the shares of the Amalgamated Company are listed on the Effective Date and;

(c) The 50,99,993 equity shares held by the Amalgamated Company in the Amalgamating Company shall stand cancelled;

(d) The Amalgamated Company shall apply to all the Stock Exchanges (where the shares of the Amalgamated Company are listed) and SEBI for listing and admission to trading of all the equity shares issued to the shareholders of the Amalgamating Company pursuant to the Scheme in terms of the SEBI Circular read with any other applicable laws.

(e) The Amalgamating Company shall stand dissolved.

6. Cost Benefit Analysis

Keeping in view the rationale and purpose of the amalgamation as mentioned in the Scheme, the Audit Committee is of the view that post-amalgamation, there would be synergies of business, cost reduction, increase in efficiencies, and logistical advantages, thereby contributing to future growth and enhancement of shareholder value

7. Impact on the Scheme on the Shareholders

The Audit Committee discussed and deliberated upon the rationale and expected benefits of the Scheme. The Audit Committee also noted that upon the Scheme becoming effective, pursuant to the transfer and vesting of the undertaking of the Amalgamating Company into the Amalgamated Company, and in consideration for the said transfer, the shareholders of the Amalgamating Company (except the Amalgamated Company) would be issued and allotted fully paid up equity shares in the Amalgamated Company as per the Fair Equity Share Entitlement Ratio.

In light of the above discussions, Valuation Report, Fairness Opinion and other documents presented before the Audit Committee, the Committee was of the opinion that the proposed Scheme is expected to be beneficial to the Company and its shareholders and all other stakeholders at large and is not detrimental to any of the shareholders of the Company.

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8. Recommendation of the Audit Committee:

The Audit Committee, after due deliberation and due consideration of all terms of the draft Scheme, Valuation Report, Fairness Opinion Report, certificates, confirmations and undertaking from Statutory Auditors, other presentations, reports, documents and information made to/furnished before the Audit Committee in relation to the said Scheme and the specific points mentioned above, recommends the draft Scheme for favourable consideration by the Board, Stock Exchange(s), SEBI, NCLT and other regulatory authorities, as may be applicable.

By order of the Audit Committee
For and on behalf of JTEKT India Limited

Hiroko Nose
Chairperson - Audit Committee
DIN -06389168

Date: 6th July, 2022

Place: New Delhi

Certified True Copy
For JTEKT INDIA LIMITED

Ashish Srivastava
Company Secretary