JUBILANT INDUSTRIES

Report of the Audit Committee of Jubilant Industries Limited recommending the draft composite scheme of arrangement between HSSS Investment Holding Private Limited, KBHB Investment Holding Private Limited, SSBPB Investment Holding Private Limited, Jubilant Industries Limited and Jubilant Agri and Consumer Products Limited and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 at its meeting held on August 12, 2022, through Video Conferencing

Present at the meeting

Mr. Ravinder Pal Sharma	Chairman of the Committee
Ms. Shivpriya Nanda	Member
Mr. Manu Ahuja	Member
Mr. Radhey Shyam Sharma	Member

Invitees

Mr. Umesh Sharma	Chief Financial Officer

In Attendance

Mr. Abhishek Mishra	Company Secretary

In accordance with Para A. 2. (c) of Part I of the master circular dated November 23, 2021 bearing SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 ("**Master Circular**") issued by the Securities and Exchange Board of India ("**SEBI**"), a draft composite scheme of arrangement ("**Scheme**") between HSSS Investment Holding Private Limited ("**Amalgamating Company-1**"), KBHB Investment Holding Private Limited ("**Amalgamating Company-2**"), SSBPB Investment Holding Private Limited ("**Amalgamating Company-3**") (collectively, the "**Amalgamating Companies**"), Jubilant Industries Limited ("**Company**") and Jubilant Agri and Consumer Products Limited ("**Amalgamated Company**" or "**JACPL**", which together with the Amalgamating Company and the Company are referred to as the "**Companies**") and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Companies Act**") was placed before the Audit Committee of the Company for its consideration and recommendation to the board of directors of the Company ("**Board**").

This report has been made by the Audit Committee after considering the following:

A. Background

(1) Recommendations of the Restructuring Committee which were based on (a) the documents mentioned in paras A(2) to A(8) below (which have also been shared with the Audit Committee), (b) the presentations / confirmations given by the below mentioned advisors as mentioned in the para A(1)(i) to A(1)(v), (c) the clarifications provided by the management on the queries from the members of the Restructuring Committee and (d) the deliberations of the Restructuring Committee members:

(i) The AZB & Partners, Advocates and Solicitors (legal advisors to the transaction) on the legal aspects.

(ii) Mr. Subodh Kumar (Registered Valuer issuing the Share Entitlement Report) of Agora Capital LLP, on the valuation related aspects.

(iii) The Fast Track Finsec Private Limited (Merchant Banker issuing the Fairness Opinion) on the fairness opinion.

(iv) The Ernst & Young (tax advisors to the transaction) on the taxation related aspects.

(v) the Statutory Auditor of the Company briefed that the accounting treatment contained in the Scheme is in conformity with the applicable accounting standards in accordance with Para A.2(g) of the Master Circular and Section 230 to Section 232 of the Companies Act, 2013.

(vi) Certified reference balance sheets as on July 1, 2022 (i.e. Appointed Date) in respect of the Amalgamating Companies, forming part of the Scheme ("**Reference Balance Sheets**") presented by Mr. Sanjay Gupta during the meeting.

Mr. Gupta informed that based on the Reference Balance Sheets, the Amalgamating Companies' assets consist of investments in the equity shares of the Company and certain cash and cash equivalents and that the Amalgamating Companies have no contingent liabilities. With respect to certain non-substantial liabilities appearing in the Reference Balance Sheets, Mr. Gupta informed that the same are capable of being discharged by the cash and cash equivalents available with the Amalgamating Companies so it can be ensured that the Amalgamating Companies shall have no liabilities on the Effective Date.

(2) Draft Scheme

Salient Features of the Scheme

(i) The Scheme provides for:

(b) the amalgamation of the Amalgamating Companies into the Company, on a going concern basis ("**Amalgamation-1**"), which is dealt with under Part B of the Scheme; and

(b) following Amalgamation-1, the amalgamation of the Company into the Amalgamated Company, on a going concern basis ("**Amalgamation-2**"), which is dealt with under Part C of the Scheme.

(collectively, the "**Amalgamations**")

Additionally, the Scheme also provides for the various other matters consequential or otherwise integrally connected with the Scheme as well as (a) reclassification of the authorised share capital of the Amalgamating Companies/ combination of the authorized share capital of the Amalgamating Companies into the Company as a part of Amalgamation-1 and (b) combination of the authorised share capital of the Company into the Amalgamated Company/ reclassification of the authorised share capital of the Amalgamated Company as a part of Amalgamation-2.

Once the Scheme becomes effective , JACPL will apply for listing of its equity shares on the National Stock Exchange of India Limited ("**NSE**") and BSE Limited ("**BSE**") (together the "**Stock Exchanges**").

(ii) The Appointed Date for the Amalgamations under the Scheme is July 1, 2022.

(iii) The Effective Date for the Amalgamations under the Scheme is the date when all the Companies have filed the certified copy of the National Company Law Tribunal's order sanctioning the Scheme with the concerned Registrar of Companies.

(iv) *Amalgamation-1*: Upon the Effective Date and with effect from the Appointed Date, the Amalgamating Companies shall stand amalgamated and all their respective assets, liabilities, rights and obligations, be transferred and vested in the Company, on a going concern basis, so as to become as and from the Appointed Date, the assets, liabilities, interests and obligations of the Company.

(v) *Issuance/cancellation of shares pursuant to the amalgamation of the Amalgamating Company-1 into the Company as part of Amalgamation-1:*

(a) the Amalgamating Company-1 holds 71,64,048 equity shares in the Company and the entire issued and paid-up equity and preference share capital of the Amalgamating Company-1 is held by Hari Shanker Bhartia Family Trust ("**HSB Family Trust**") and Shyam Sunder Bhartia Family Trust ("**SSB Family Trust**"), in equal proportion, through their respective trustees/nominees.

(b) Upon the Effective Date, 71,64,048 equity shares held by the Amalgamating Company-1 in the Company shall stand cancelled and be of no effect on and from the Effective Date.

(c) Simultaneously and concurrent with the above cancellation, the Company shall issue and allot the same number of equity shares to the HSB Family Trust and the SSB Family Trust, respectively, in equal proportion, through their respective trustees/nominees.

(vi) *Issuance/cancellation of shares pursuant to the amalgamation of the Amalgamating Company-2 into the Company as part of Amalgamation-1:*

(a) the Amalgamating Company-2 holds 17,36,415 equity shares in the Company and the entire issued and paid-up equity and preference share capital of the Amalgamating Company-2 is held by HSB Family Trust, through its trustees/nominees, being the sole equity and preference shareholder of the Amalgamating Company-2.

(b) Upon the Effective Date, 17,36,415 equity shares held by the Amalgamating Company-2 in the Company shall stand cancelled and be of no effect on and from the Effective Date.

(c) Simultaneously and concurrent with the above cancellation, the Company shall issue and allot the same number of equity shares to the HSB Family Trust, through its trustees/nominees.

(vii) *Issuance/cancellation of shares pursuant to the amalgamation of the Amalgamating Company-3 into the Company as part of Amalgamation-1:*

(a) the Amalgamating Company-3 holds 16,51,879 equity shares in the Company and the entire issued and paid-up equity and preference share capital of the Amalgamating Company-3 is held by SSB Family Trust, through its trustees/nominees, being the sole equity and preference shareholder of the Amalgamating Company-3.

(b) Upon the Effective Date, 16,51,879 equity shares held by the Amalgamating Company 3 in the Company shall stand cancelled and be of no effect on and from the Effective Date.

(c) Simultaneously and concurrent with the above cancellation, the Company shall issue and allot the same number of equity shares to the SSB Family Trust, through its trustees/nominees.

(viii) *Adjustments to the number of shares issued:* In the event the Amalgamating Company-1, Amalgamating Company-2 and/ or Amalgamating Company-3 acquire(s) any additional equity shares of the Company, without incurring any additional liability, or there occurs a reduction in the existing shareholding of the Amalgamating Company-1, Amalgamating Company-2 and/ or Amalgamating Company-3 in the Company, for any reason, whatsoever, as on the Effective Date, such additional/ reduced number of equity shares of the Company, as may be held by the Amalgamating Company-1, Amalgamating Company-2 and/ or Amalgamating Company-3 in the Company as on the Effective Date, shall also be cancelled; and the same number of equity shares shall also be issued and allotted to the equity and preference shareholders of the Amalgamating Company-1, Amalgamating Company-2 and/ or Amalgamating Company-3 pursuant to the Scheme.

(ix) *Rationale for Amalgamation-1:*

(a) Currently, a significant portion of the promoters' shareholding in the Company is held indirectly, through the Amalgamating Companies. The proposed amalgamations will result in simplification and streamlining of the shareholding structure by elimination of shareholding tiers and simplification of a large part of the indirect promoters' shareholding into a clearer structure directly identifiable with the promoters;

(b) Further, such a simplified direct holding structure is expected to bring greater transparency in the promoters' shareholding and demonstrate promoters' direct commitment and engagement from a shareholders' perspective; and

(c) The proposed simplification of holding structure will also make it simpler to identify the ultimate beneficial owner for various applicable know your customer (KYC) requirements.

(x) *Amalgamation-2*: Upon the Effective Date and with effect from the Appointed Date, the Company shall stand amalgamated and all its assets, liabilities, rights and obligations, be transferred and vested in the Amalgamated Company, on a going concern basis, so as to become as and from the Appointed Date, the assets, liabilities, interests and obligations of the Amalgamated Company.

(xi) *Issuance/cancellation of shares pursuant to the amalgamation of the Company into the Amalgamated Company as part of Amalgamation-2:*

(a) The Amalgamated Company is a wholly owned subsidiary of the Company. In relation to Amalgamation-2.

(b) upon the Effective Date, the equity shares of the Amalgamated Company held by the Company shall be automatically cancelled and have no effect on and from the Effective Date.

(c) Simultaneously and concurrent with the above cancellation, the Amalgamated Company shall issue and allot equity shares, such that for every 1 (one) fully paid up equity share of Rs. 10/- each of the Company held by the equity shareholders of the Company as of the record date, 1 (one) equity share shall be issued and allotted by the Amalgamated Company, to each equity shareholder of the Company whose name is recorded in the register of members of the Company as holder of shares as of the record date.

(xii) *Rationale for Amalgamation-2:*

(a) The shareholders of the Company would directly hold shares in an operating company (i.e. the Amalgamated Company) instead of holding shares in a holding company (i.e. the Company), which would also lead to greater operational efficiencies, reduction in management overlaps and reduction in compliance requirements of multiple companies and associated expenses; and

(b) Reduction in overheads, administrative, managerial and other expenditure, and optimal utilization of various resources due to consolidation of activities.

(xiii) *No change in Shareholding*: There would neither be any change in the existing number of shares nor in the percentage shareholding of the promoters on an aggregate basis in the Company and the Amalgamated Company pursuant to the Amalgamations.

(xiv) *Costs & Expenses*:

(a) Amalgamation-1: All costs, charges, expenses and taxes (including stamp duty, registration charges and statutory amounts) arising out of or in connection with Amalgamation-1 shall be borne by the respective Amalgamating Companies and the balance, if any, shall be borne by SPB Trustee Company Private Limited and SS Trustee Company Private Limited (on behalf of Shyam Sunder Bhartia Family Trust) and HSB Trustee Company Private Limited and HS Trustee Company Private Limited (on behalf of Hari Shanker Bhartia Family Trust) ("**Identified Promoters**").

(b) Amalgamation-2: All costs, charges, expenses and taxes (including stamp duty, registration charges and statutory amounts) arising out of or in connection with Amalgamation-2 shall be borne solely by the Amalgamated Company.

(xv) *Indemnity*: The Identified Promoters shall keep the Amalgamated Company indemnified against liability, claims, demands, of past, present and future on account of the Amalgamations.

(3) Fair share entitlement ratios report dated August 9, 2022 ("**Share Entitlement Report**") issued by an independent registered valuer, Mr. Subodh Kumar (IBBI Registration No. IBBI/RV/05/2019/11705) of Agora Capital LLP obtained in accordance with Para A. 2. (b) of Part I of the Master Circular;

(4) Fairness opinion on the fair share entitlement ratios dated August 9, 2022 ("**Fairness Opinion**") issued by Fast Track Finsec Private Limited ("**Fast Track Finsec**"), an independent SEBI

Registered (Category-I) Merchant Banker (Registration No. INM000012500) obtained in accordance with Para A. 2. (d) of Part I of the Master Circular;

(5) Draft detailed compliance report obtained in accordance with Para A. 2. (h) of the Master Circular; and

(6) Memo from AZB & Partners, Advocates and Solicitors dated August 2, 2022 in relation to whether the Scheme does not violate or override or circumscribe provisions under applicable laws where it was opined that the Company can issue the confirmations to the Stock Exchanges as required pursuant to S. No. 1 of Annexure F of the NSE checklist and Para (a) of Annexure XI of the BSE checklist, respectively, in connection with the Company's application to the Stock Exchanges under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(7) Memo from AZB & Partners, Advocates and Solicitors dated August 8, 2022 in relation to whether the Scheme is prejudicial to the interests of the public shareholders of the Company, where it was opined that there is good basis for the Company to conclude that the Scheme is not prejudicial to the interests of the public shareholders of the Company.

(8) Certificate from the statutory auditor of the Amalgamating Companies certifying that as on July 1, 2022 (i.e. Appointed Date):

(a) the Company does not have any liabilities other than those stated in the Reference Balance Sheets.

(b) the Amalgamating Companies do not have any contingent liabilities.

(c) the Amalgamating Companies' assets consist of investments in the equity shares of the Company and certain cash and cash equivalents.

(d) there are sufficient cash and cash equivalents available with the Amalgamating Companies to discharge the liabilities stated in the Reference Balance Sheets.

(e) that there are no litigations pending against the Amalgamating Companies.

(9) Draft report explaining the effect of the Scheme on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders under Section 232(2)(c) of the Companies Act.

B. Impact of the Scheme on the Shareholders of the Company

In view of the above, the Committee noted the following:

(1) The Committee of Independent Directors, in its meeting held on August 9, 2022, recommended that the draft Scheme is not detrimental to the shareholders of the Company.

(2) The Amalgamations would be value neutral to the Company and its public shareholders, since:

(i) there would neither be any change in the existing number of shares nor in the percentage shareholding of the promoters on an aggregate basis in the Company and the Amalgamated Company pursuant to the Amalgamations.

(ii) the Scheme does not provide for any reduction in the public shareholding percentage in the Company and post effectiveness of the Scheme, a mirror shareholding pattern of the Company will be created in the Amalgamated Company pursuant to the Amalgamations.

(iii) based on the Reference Balance Sheets, it appears that the Amalgamating Companies' assets consist of investments in the equity shares of the Company and certain cash and cash equivalents and that the Amalgamating Companies have no contingent liabilities. With respect to certain non-substantial liabilities appearing in the Reference Balance Sheets, we understand from the management that the same are capable of being discharged by the cash and cash equivalents available with the Amalgamating Companies. Further it is stated in the Scheme that the Amalgamating Companies shall have no liabilities on the Effective Date.

(iv) there are no litigations pending against the Amalgamating Companies.

(v) all costs, charges, expenses and taxes (including stamp duty, registration charges and statutory amounts) arising out of or in connection with Amalgamation-1 will be borne by the respective Amalgamating Companies and the balance, if any, by the Identified Promoters.

(vi) the Identified Promoters shall keep the Amalgamated Company indemnified against liability, claims, demands, of past, present and future on account of the Amalgamations.

(3) A Fairness Opinion has been obtained in respect of the Share Entitlement Report.

(4) The Scheme would be subject to the approval of the Stock Exchanges and SEBI in terms of the Master Circular.

(5) In terms of Section 230(6) of the Companies Act, the Scheme shall be considered approved by the equity shareholders, secured creditors and unsecured creditors of the Company if the Scheme has been approved at the court convened meeting by a majority of persons representing three-fourths in value of the equity shareholders, secured creditors and unsecured creditors, respectively, of the Company.

(6) Moreover, the Scheme shall also be conditional upon being approved by the public shareholders of the Company (i.e. excluding the promoters) through e-voting in terms of Para 10(b) of Part I of the Master Circular and the Scheme shall be acted upon only if vote cast by the public shareholders of the Company in favour of the proposal are more than the number of votes cast by the public shareholders against it.

(7) Pursuant to the Scheme coming into effect, JACPL will apply for listing of its shares on the Stock Exchanges in accordance with the Master Circular.

Accordingly, the Committee was of the opinion that the Scheme does not appear to be detrimental to the interests of the public shareholders of the Company.

C. **Need for Amalgamations:** The rationale, purpose and object of the Scheme are set out in Para A (2) above.

D. **Cost benefit analysis of the Scheme:** The Audit Committee noted that the Amalgamations contemplated in the Scheme would be value neutral to the Company and its public shareholders as mentioned above in para B (2). Although, the Scheme would entail some costs towards its implementation, however, the benefits of the Scheme over a longer period are expected to far outweigh such costs for the stakeholders of the Company.

E. **Synergies of business of the entities involved in the Scheme:** The rationale, purpose and object of the Scheme are set out in Para A above.

Recommendation

After due deliberations, and considering the recommendations of the Restructuring Committee (as mentioned in para A(1) above) and all the documents placed before the Audit Committee (as mentioned in para A(2) to (9) above) and having regard to the impact of the Scheme on the shareholders of the Company and cost benefit analysis of the Scheme, the Committee hereby recommends the draft Scheme to the Board of Directors of the Company for their approval.

For and on behalf of the Audit Committee of Jubilant Industries Limited

Ravinder Pal Sharma
Chairman of the Committee

Date: August 12, 2022
Place: New Delhi