ANNEXURE II

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132, Cathedral Road
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India.
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Rane Brake Lining Limited

Rane

REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS ("COMMITTEE") OF RANE BRAKE LINING LIMITED ("COMPANY") AT ITS MEETING NUMBER SMID/01/2023-24 HELD ON FRIDAY, FEBRUARY 09, 2024, RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF RANE ENGINE VALVE LIMITED AND RANE BRAKE LINING LIMITED WITH AND INTO RANE (MADRAS) LIMITED THEIR RESPECTIVE SHAREHOLDERS.

Present:

S. No.	Name of Committee Members	Designation
1.	C N Srivatsan	Independent Director, Chairman
2.	Ashok Malhotra	Independent Director, Member
3.	Brinda Jagirdar	Independent Director, Member

1. Background

1.1. A meeting of the Committee of Independent Directors of Rane Brake Lining Limited ("**Company**") was held on February 09, 2024, to, *inter alia*, consider and if thought fit, recommend to the Board of Directors of the Company ("**Board**"), the draft Scheme of Amalgamation of Rane Engine Valve Limited ("REVL" / "Transferor Company 1") and Rane Brake Lining Limited ("RBL" / "Transferor Company 2" / "Company") with and into Rane (Madras) Limited ("RML" / "Transferee Company") (together referred to as "**Participating Companies / Companies**") and their respective shareholders ("**Draft Scheme**"), pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") and the rules made thereunder.

1.2. This report of the Committee is made in compliance with the requirement of the Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, as amended from time to time ("**SEBI Circular**"), issued by the Securities Exchange and Board of India ("**SEBI**"). In terms of the SEBI Circular, a report from the Committee is required, recommending the draft Scheme, after taking into consideration, *inter alia*, that the draft Scheme is not detrimental to the shareholders of the listed entity.

1.3. Following documents were placed before the Committee for its consideration:

a) the draft Scheme, duly initialled by the Company Secretary of the Company for purpose of identification;

b) Joint valuation report dated February 09, 2024 issued by M/s. PwC Business Consulting Services LLP, a Registered Valuer (Securities or Financial Assets) IBBI Registration No. – IBBI/RV-E/02/2022/158 and M/s. Bansi S. Mehta Valuers LLP, a Registered Valuer (Securities or Financial Assets) IBBI Registration No. – IBBI/RV-E/06/2022/172 recommending the Share Entitlement Ratios (as defined hereunder) for the draft Scheme ("**Valuation Report**");

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c) fairness opinion dated February 09, 2024, prepared by M/s. Motilal Oswal Investment Advisors Limited, an Independent SEBI registered (Category-I) Merchant Banker, confirming that the Share Entitlement Ratios in the Valuation Report are fair to the Companies and their respective shareholders and creditors ("**Fairness Opinion**"); and

d) Statutory Auditors' certificate dated February 09, 2024, confirming that the accounting treatment contained in the draft Scheme is in compliance with the applicable accounting standards specified by the Central Government under Section 133 of the Act read with applicable rules, and/or the accounting standards issued by the Institute of Chartered Accountants of India and other generally accepted accounting principles.

2. Observations of the Committee on the Scheme

2.1. Rationale for the Scheme

2.1.1. Part III of the Scheme which deals with the Amalgamation of the Transferor Companies with and into the Transferee Company. The proposed scheme would be in best interest of the Companies and their respective shareholders, employees, creditors and other stakeholders as the proposed reorganization pursuant to this Scheme is expected, inter alia, to yield advantages as set out below:

2.1.1.1. The companies to the scheme viz., the Transferor Companies and the Transferee Company are engaged in the manufacturing of auto components parts such as steering gears, braking products, engine valves, etc. and are subject to the same industry risk. Hence, consolidation of all operating businesses under a single listed entity will simplify the group structure.

2.1.1.2. Consolidation of shareholdings in a single listed entity will align interests of all the shareholder groups and allow them to participate in the growth prospects of a larger diversified auto component player.

2.1.1.3. Integration of businesses under a common unified platform will enable more coordinated and comprehensive business management with greater focus and attention.

2.1.1.4. Amalgamation will help achieve revenue and cost synergies and enhance operational, organizational and financial efficiencies from increase in scale of operations. Further, the merged entity will benefit from economies of scale by pooling resources.

2.1.1.5. The amalgamation will increase product offerings of the combined entity and will diversify its revenue stream.

2.1.1.6. Unified approach on customer engagement and service delivery, supply chain management, procurement etc. would enhance operational and financial synergies.

2.1.1.7. Optimization of support and administration functions.

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2.1.1.8. Consolidation of funds and resources would lead to improved availability of capital which could be allocated more efficiently / optimally to pursue growth opportunities under the respective businesses.

2.1.1.9. Improved organization capability and leadership, arising from pooling of human capital.

2.1.2. The Management of the respective Participating Companies are of the view that this Scheme is in the interest of the customers, employees, lenders, shareholders and all other stakeholders of the respective Participating Companies.

2.2. Salient Features of the Scheme

The Audit Committee considered and observed the following salient features in relation to the draft Scheme –

a) The draft Scheme provides for the Amalgamation of the Transferor Company 1 and Transferor Company 2 with and into Transferee Company.

b) The Appointed Date for the scheme shall be April 01, 2024, or such other date as may be fixed or approved by the jurisdictional National Company Law Tribunal(s), ("**NCLT**"/ "**Tribunal**"), being the date with effect from which this Scheme shall be deemed to be operative and effective.

c) The effectiveness of this Scheme is conditional upon and subject to the following:

i) Receipt of approval of the Scheme by the Stock Exchanges and Securities and Exchange Board of India, pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, as amended from time to time, wherever applicable.

ii) The approval by the requisite majorities of the respective members and/or creditors (where applicable) of the Transferor Companies and/or the Transferee Company, if directed by the NCLT or any other competent authority, as may be applicable.

iii) The scheme is conditional upon approval by the public shareholders of the Transferee Company through e-voting in terms of Part - I (A)(10)(a) of SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, and the scheme shall be acted upon only if vote cast by the public shareholders of the Transferee Company in favour of the proposal are more than the number of votes cast by the public shareholders of the Transferee Company against it.

iv) The sanction of the Scheme by the NCLT under Sections 230 to 232 and other applicable provisions, if any, of the Act.

v) All other sanctions and approvals as may be required by law in respect of this Scheme being obtained.

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d) Upon the Scheme becoming operative on the Effective Date, with effect from the Appointed Date, amalgamation of the Transferor Company 1 and Transferor Company 2 with and into Transferee Company shall be accounted for in the books of the Company in accordance with the applicable accounting standards prescribed under Section 133 of the Companies Act, 2013 and/or generally accepted accounting principles in India.

e) The following share entitlement ratio have been determined as per Valuation Report for the allotment of equity shares of the Transferee Company, having face value of INR 10/- each to the shareholders of Transferor Company 1 and Transferor Company 2 as on the Record Date (*as defined in the Scheme*), in consideration for the amalgamation:

For Transferor Company 1
9 (Nine) equity shares of RML having face value of INR 10 each fully paid up shall be issued for every 20 (Twenty) equity share held in REVL having face value of INR 10 each fully paid up.'

For Transferor Company 2
21 (Twenty One) equity shares of RML having face value of INR 10 each fully paid up shall be issued for every 20 (Twenty) equity share held in RBL having face value of INR 10 each fully paid up.'

f) Further, M/s. BSR & Co LLP, Chartered Accountants, Statutory Auditors of the Company, vide their certificate dated February 09, 2024, have confirmed that the accounting treatment as specified in the draft Scheme is in accordance with the applicable Indian Accounting Standards issued by the Institute of Chartered Accountants of India and as notified by MCA, read together with Section 133 of the Act and the Companies (Indian Accounting Standards) Rules, 2015.

g) Upon the Scheme being sanctioned by an Order made by the Tribunal under Sections 230 to 232 of the Act, the Transferor Companies shall stand dissolved without winding up on the Scheme becoming effective from the Effective Date in accordance with the Act and the relevant rules;

h) Upon the Scheme becoming operative on the Effective Date, the authorised share capital of the Transferor Companies shall stand combined with the authorised share capital of the Transferee Company, and the filing fees and stamp duty, if any, paid by the Transferor Companies on its authorised share capital shall be set off and be deemed to have been so paid by the Transferee Company on the combined authorised share capital.

2.3. Valuation Methods Evaluated for the Share Entitlement Ratios

The Committee noted that the Valuation Report, *inter-alia,* recommended the Share entitlement ratio for the Amalgamation of Transferor Company 1 and Transferor Company 2 with the Transferee Company.

The Committee then noted the share entitlement ratio as under:

a) Share entitlement ratio determined as per Valuation Report for the allotment of equity shares of the Transferee Company, having face value of INR 10/- each to the shareholders of Transferor Company 1 and Transferor Company 2 as on the Record Date (*as defined in the Scheme*), in consideration for the amalgamation:

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For Transferor Company 1

9 (Nine) equity shares of RML having face value of INR 10 each fully paid up shall be issued for every 20 (Twenty) equity share held in REVL having face value of INR 10 each fully paid up.'

For Transferor Company 2

21 (Twenty One) equity shares of RML having face value of INR 10 each fully paid up shall be issued for every 20 (Twenty) equity share held in RBL having face value of INR 10 each fully paid up.'

2.4. The Independent Directors Committee reviewed and noted that:

The draft Scheme does not fall within the purview of related party transactions in terms of General Circular No. 30/2014 dated July 17, 2014, issued by the Ministry of Corporate Affairs ("MCA") since the same is subject to the sanction of the NCLT, and the provisions of Section 188 of the Act are not applicable. However, in accordance with the provisions of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR"), the Scheme falls within the purview of the definition of Related Party Transactions. It is given to understand that the approval of the shareholders would be obtained in terms of the SEBI Master Circular on Scheme of Arrangement by Listed Entities issued on June 20, 2023.

Further, there are common promoters in the Participating Companies. Promoter and Promoter Group hold 72.65% directly or indirectly in the Transferee Company, hold 58.32% shareholding in the Transferor Company 1 and hold 70.93% shareholding in the Transferor Company 2. In terms of the Scheme, equity shares of the Transferee Company are proposed to be issued and allotted to the shareholders of the Company. In view of the aforesaid paragraph and in terms of Paragraphs 10(b)(i) and 10(b)(ii) of the SEBI Circular, the Scheme shall be acted upon only if the votes cast by the public shareholders of the Company in favour of the Scheme are more than the number of votes cast by the public shareholders against it.

The consideration as set forth in the draft Scheme will be discharged on an 'arm's length basis'. The share entitlement ratios for the shares to be allotted pursuant to the Scheme are based on the Valuation Report and the Fairness Opinions. The aforementioned Valuation Report and Fairness Opinions have duly been considered by the Audit Committee.

2.5. Scheme Not Detrimental to the Shareholders of the Company

The Committee members discussed and deliberated upon the rationale and salient features of the Scheme. In light of the same, and the Valuation Report, the Fairness Opinions and other documents presented before the Committee, the Committee is of the informed opinion that the draft Scheme is in the best interests of the shareholders of the Company and is not detrimental to their interest, including the interest of the minority shareholders of the Company.

The shareholders of the Transferor Company 1 and Transferor Company 2 will receive equity shares in the Transferee Company in accordance with Clause 10 of the Scheme.

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3. Recommendations of the Committee

The Committee after due deliberations and due consideration of all the terms of the draft Scheme, the Valuation Report, the rationale provided above, the Fairness Opinions and the specific points mentioned above, including interest of the shareholders of the Company recommends that the draft Scheme is not detrimental to the interest of the shareholders of the Company and further recommends the draft Scheme for favourable consideration and approval by the Board, Stock Exchange, SEBI and other appropriate authorities.

This report of the Committee is made in order to comply with the requirements of the SEBI Circular after considering the necessary documents.

For and on behalf of the Committee of Independent Directors of
Rane Brake Lining Limited

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C N Srivatsan
(Chairman of the Committee)
DIN: 00002194

Date: February 09, 2024
Place: Chennai

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