BOROSIL® | **Borosil Limited**
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REPORT OF THE AUDIT COMMITTEE OF BOROSIL LIMITED ('COMPANY') RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT AMONGST BOROSIL LIMITED AND KLASS PACK LIMITED AND BOROSIL TECHNOLOGIES LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS, AT ITS MEETING HELD ON 7th FERUARY, 2022 AT 11.25 A.M. AT THE REGISTERED OFFICE SITUATED AT 1101, 11TH FLOOR, CRESCENZO, G-BLOCK, PLOT NO C-38, OPP. MCA CLUB, BANDRA KURLA COMPLEX, BANDRA (EAST), MUMBAI – 400051, MAHARASHTRA, INDIA

MEMBERS:

1.	Mrs. Anupa Sahney	:	Chairperson
2.	Mr. Pradeep Kumar Kheruka	:	Member
3.	Mr. Naveen Kumar Kshatriya	:	Member
4.	Mr. Kewal Kundanlal Handa	:	Member

1. **Background:**

1.1. A meeting of Audit Committee of the Company was held on 7th February, 2022 to *inter-alia*, consider and recommend the draft Composite Scheme of Arrangement amongst Borosil Limited ("BL" or "Demerged Company" or "the Company") and Klass Pack Limited ("KPL" or "Resulting Company" or "Transferee Company") and Borosil Technologies Limited ("BTL" or "Transferor Company") and their respective shareholders and creditors ('Scheme') under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 which provides for, *inter-alia*:

- Reduction and reorganisation of share capital of the Resulting Company;
- Demerger, transfer and vesting of the Demerged Undertaking (*as defined in the Scheme*) from the Company into the Resulting Company on a going concern basis, and consequent issue of shares by the Resulting Company and reduction and cancellation of the existing paid-up share capital of the Resulting Company held by the Company; and
- Amalgamation of the Transferor Company with the Transferee Company.

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1.2. This report of Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India ('SEBI') (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 ('SEBI Circular' or 'SEBI Master Circular').

1.3. The following documents were placed before the Audit Committee:

a) Draft Scheme, duly initialed by the Company Secretary for the purpose of identification;

b) Report dated February 7, 2022 issued by M/s. SSPA & Co., Registered Valuer, determining the share exchange ratio in connection with the Scheme ("**Share Entitlement Ratio Report**");

c) Report dated February 7, 2022 issued by Keynote Financial Services Limited, SEBI Registered (Category I) Merchant Banker providing an opinion on the share exchange ratio mentioned in the Share Entitlement Ratio Report ("**Fairness Opinion**");

d) Undertaking of the Company on non-applicability of conditions specified in Paragraph (A)10(b) of Part I of the SEBI Master Circular;

e) Certificate of M/s. Chaturvedi & Shah LLP, Chartered Accountants, Statutory Auditors of the Company, in relation to non-applicability of conditions specified in Paragraph (A)(10)(b) of Part I of the SEBI Master Circular; and

f) Certificate of M/s. Chaturvedi & Shah LLP, Chartered Accountants, Statutory Auditors of the Company, confirming that the accounting treatment prescribed in the Scheme is in compliance with the applicable Accounting Standards notified under the Companies Act, 2013 and other generally accepted accounting principles.

1.4. The Audit Committee reviewed the Share Entitlement Ratio Report and the Fairness Opinion and noted the recommendations made therein. Further, the Committee noted that the fairness Opinion confirms that the share entitlement ratio is fair to the shareholders of the Company.

1.5. The Appointed Date of the Scheme is 1st April, 2022 or such other date as may be decided by the Board of the Company, Resulting Company and the Transferor Company.

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2. **Need for demerger / amalgamation and Rationale of the Scheme:**

2.1. The Audit Committee noted the following need for demerger / amalgamation and rationale of the Scheme:

2.1.1. Given its diversified business, it has become imperative for the Demerged Company to reorient and reorganize itself in a manner that allows imparting greater focus on each of its businesses. With this repositioning, the Demerged Company is desirous of enhancing its operational efficiency while it continues with its consumer products business.

2.1.2. The proposed demerger pursuant to this Scheme is expected, inter alia, to result in following benefits:

a) value unlocking of scientific and industrial products business with ability to achieve valuation based on respective-risk return profile and cash flows;

b) attracting business specific investors and potential strategic partners and providing better flexibility in accessing capital, focused strategy and specialisation for sustained growth and thereby enable de-leveraging of the respective businesses in the longer-term;

c) segregation and unbundling of the scientific and industrial products business of the Demerged Company into the Resulting Company, will enable enhanced focus on the Demerged Company and the Resulting Company for exploring opportunities in their respective business domains; and

d) focused management approach for pursuing the growth in the respective business' verticals and de-risk the businesses from each other.

2.1.3. As part of the restructuring exercise, it is proposed to consolidate the resources of the Transferor Company with the Transferee Company. The said amalgamation will result in the following benefits:

a) Streamline the corporate structure and consolidation of resources within the Transferee Company leading to greater synergies and operational synergy;

b) Opportunities for employees of the Transferor Company to grow in a wider field of business;

c) Optimal utilisation of resources and better management and administration; and

d) Reduction of administrative responsibilities, multiplicity of records and legal and regulatory compliances.

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2.1.4. *In order to achieve an optimum equity share capital base which will commensurate with business activities of the Resulting Company subsequent to the demerger and merger as stated above, it is proposed to reduce the face value of the equity shares and reorganize the equity share capital of the Resulting Company prior to the said demerger and merger.*

2.1.5. *The proposed restructuring is in the interest of the shareholders, creditors, employees, and other stakeholders of the Parties.*

3. **Synergies of business of the entities involved in the Scheme:**

3.1. The Committee reviewed the Scheme and noted the following:

3.1.1. Demerger of the Demerged Undertaking of the Company into the Resulting Company would create simplified structure and would create independent listed companies with distinct set of growth opportunities. The said demerger would result in achieving efficiency in operational processes, implementation of intendent strategies specifically designed for each business and in optimizing profitability of each of these entities.

3.1.2. Transferor Company is engaged in the business of manufacturing of scientific instruments and the Transferee Company is engaged in the business of manufacturing of Glass Ampoules and Tubular Glass Vials used as primary packing materials by pharmaceutical companies. Amalgamation of the Transferor Company with the Transferee Company will create greater synergies and efficient utilization of resources and create a consolidated and diverse portfolio of products under a single entity.

4. **Impact of the scheme on the shareholders**:

4.1. In terms of the Scheme, the shareholders of the Company as on the Record Date shall be entitled to receive the equity shares of the Resulting Company basis the share exchange ratio specified in the Share Entitlement Ratio Report and as specifically mentioned hereunder:

4.1.1. Immediately upon effectiveness of Part II of the Scheme and upon Part III of the Scheme coming into effect and in consideration of and subject to the provisions of the Scheme, the Resulting Company shall, without any further application, act, deed, consent, acts, instrument or deed, issue and allot, on a proportionate basis to the shareholders of the Company whose name is recorded in the register of members and

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records of the depository as members of the Company as on the Record Date (*as defined in the Scheme*), as under:

3 (Three) fully paid up equity share of INR 1/- each of the Resulting Company (post proposed reorganization of share capital) credited as fully paid up, for every 4 (Four) equity share of INR 1/- each of the Demerged Company.

4.2. The Scheme is beneficial to the Company, Resulting Company and the Transferor Company and their respective shareholders, creditors and other stakeholders concerned.

5. **Cost benefit analysis of the Scheme:**

The Scheme would lead to some costs towards its implementation, however, keeping in view the rationale of the Scheme and synergies created, as referred in Paragraph 2 and Paragraph 3 above, the benefits of the Scheme would far outweigh such costs to be incurred for its implementation.

6. **Recommendation of the Audit Committee:**

The Audit Committee, after due deliberation and consideration of all the terms and conditions of the Scheme, Share Entitlement Ratio Report, Fairness Opinion and other documents, as placed before it, rationale of the Scheme, synergies of business and benefits and the impact of the Scheme on shareholders, in particular the fact that the Scheme is in the interest of the shareholders of the Company, recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval.

By order of the Audit Committee
For and on behalf of **Borosil Limited**

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Anupa Sahney
Chairperson of the Audit Committee
DIN - 00341721

Date - February 7, 2022
Place – Mumbai