

# Ambuja Cement

## Report of the Audit Committee of Ambuja Cements Limited ("Company") recommending the draft Scheme of Amalgamation between Holcim (India) Private Limited and the Company

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### Members:

Mr. Rajendra Chitale	Chairman (Independent Director)
Mr. Nasser Munjee	Member (Independent Director)
Dr. Omkar Goswami	Member (Independent Director)
Mr. Paul Hugentobler	Member (Non Independent Director) (recused himself from the proceedings)

### In Attendance:

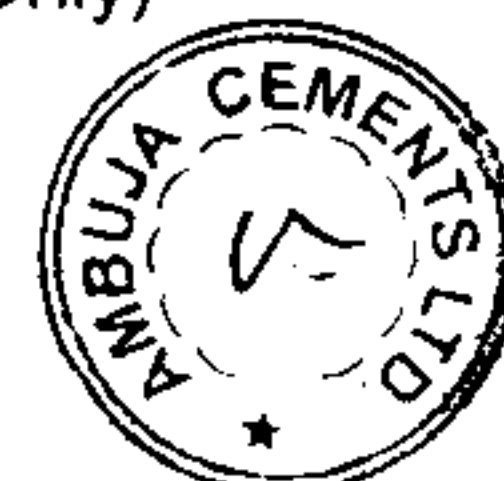
Mr. Onne van der Weijde	Managing Director
Mr. B.L. Taparia	Director and Permanent Invitee
Mr. Ajay Kapur	Chief Executive Officer
Mr. Sanjeev Churiwala	Chief Financial Officer
Mr. Ravi Bansal	From S.R. Batliboi & Co LLP, Statutory Auditors
Mr. Rajiv Gandhi	Company Secretary and Compliance Officer

### 1. Background

- 1.1 A meeting of the Audit Committee of the Company was held on July 24, 2013 to consider and recommend the proposed Amalgamation of Holcim (India) Private Limited ("HIPL") with the Company implemented in terms of a Scheme of Amalgamation ("Scheme") to be entered into between HIPL, the Company and their respective Shareholders and Creditors under Sections 391 – 394, read with Section 100 and other applicable provisions of the Companies Act, 1956.
- 1.2 HIPL is a private company limited by shares incorporated in the year 2002 under the Companies Act, 1956, having its Registered Office at Suite 304, Third Floor, DLF South Court, Plot A-1 Saket District Centre, Saket, Delhi – 110017. HIPL was originally incorporated in the year 2002 under the name 'Holdcem Cements Private Limited' and its name was changed to 'Holcim (India) Private Limited' in the year 2005. The equity shares of HIPL are not listed on any Stock Exchanges in India. Holderind Investments Limited ("HIL") and Mr. Dinesh Kothari are the only Members of HIPL. HIL holds 5,69,03,85,094 (Five Hundred Sixty Nine Crores Three Lacs Eighty Five Thousand and Ninety Four) equity shares of HIPL of the face value of Rs.10/- (Rupees Ten Only)

#### AMBUJA CEMENTS LIMITED

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each. The remaining 1 (One) equity share of HIPL of the face value of Rs.10/- (Rupees Ten Only) is held by Mr. Dinesh Kothari with the beneficial owner being HIL. HIPL is the beneficial owner of (i) 15,06,70,120 (Fifteen Crores Six Lacs Seventy Thousand One Hundred and Twenty) equity shares of the Company; and (ii) 9,38,88,120 (Nine Crores Thirty Eight Lacs Eighty Eight Thousand One Hundred and Twenty) equity shares of ACC Limited.

- 1.3 This report of the Audit Committee is made in order to comply with the requirements under the circular number CIR/CFD/DIL/5/2013 dated February 4, 2013 read with circular number CIR/CFD/DIL/8/2013 dated May 21, 2013 (which provides clarifications with respect to the aforementioned circular), both issued by the Securities and Exchange Board of India ("**SEBI Circulars**"). Per the SEBI Circulars, it is mandatory for an Audit Committee of a listed company to recommend the Scheme of Arrangement, taking into consideration, *inter alia*, the Valuation Report by an independent Chartered Accountant.

## 2. Proposed Scheme

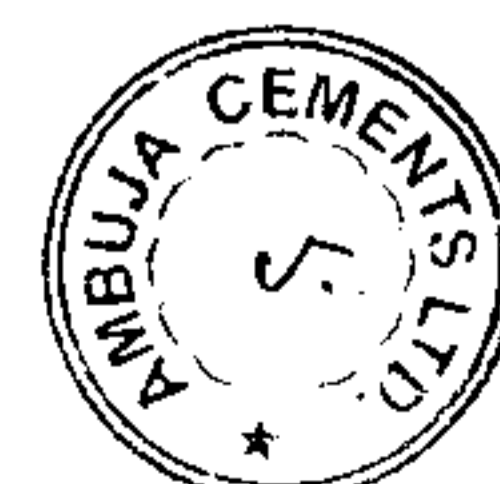
- 2.1 The Audit Committee noted the rationale and the benefits of the Scheme, which are as follows:

The proposed amalgamation will help the Company and ACC Ltd. of the following long term benefits:

- (a) HIPL currently holds 50.01% (Fifty Point Zero One Percent) equity shares in ACC Limited which consequent upon the proposed amalgamation will vest with the Company. ACC Limited is amongst the leading cement companies in India;
  - (b) The proposed Amalgamation will enable the Company to explore the opportunities of synergizing its several functions with ACC Ltd.;
  - (c) The Company will immensely benefit by way of sharing of best practices, coordination in several back end processes such as supply chain and logistic alignment, benefit from increased scale of operations, saving in fixed costs etc.;
  - (d) This will thus enable the Company to realize huge potential savings and improve its revenue and margins. Further, the size of the profits and net worth of the consolidated business of the Company is likely to increase from the current levels consequent upon the proposed amalgamation; and
  - (e) The proposed amalgamation is likely to enhance significantly the values and synergies for both Company as well as ACC Ltd. and for all the stakeholders.
- 2.2 The Audit Committee noted that the salient features of the Scheme are:
- (a) the appointed date of the Scheme is proposed to be April 1, 2013;
  - (b) all assets and liabilities of HIPL shall stand transferred to and become assets and liabilities of the Company;
  - (c) all equity shares of the Company held by HIPL will be cancelled;

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- (d) all shareholders of HIPL (other than the Company) will receive shares of the Company as per the Share Exchange Ratio (*as defined hereinafter*) approved by the board of directors of HIPL and the Company;
- (e) in case any shareholder's holding in HIPL is such that the shareholder becomes entitled to a fraction of an equity share of the Company, the Company shall not issue fractional share certificates to such shareholder and such fractional holding shall stand cancelled;
- (f) upon effectiveness of the Scheme, HIPL shall stand dissolved without winding-up;
- (g) pursuant to the amalgamation of HIPL with the Company under the Scheme, the Company will acquire a 50.01% (Fifty Point Zero One Percent) shareholding in ACC Limited; and
- (h) upon effectiveness of the Scheme, the Authorised Share Capital of the Company shall automatically increase, without any further act, instrument or deed on the part of the Company, by the authorised share capital of HIPL.

2.3 The Company and HIPL jointly appointed BSR and Associates and Price Waterhouse & Co., both independent Chartered Accountants, for the purpose of preparing a joint Valuation Report containing the Share Exchange Ratio. The Company also appointed Axis Capital Limited, an independent Merchant Banker, for providing a "Fairness Opinion" on the Valuation Report. The Valuation Report along with other documents had previously been sent to Axis Capital Limited, for providing a "Fairness Opinion" on the Valuation Report.

2.4 Prior to the meeting of the Audit Committee on July 24, 2013, BSR and Associates and Price Waterhouse & Co., and Axis Capital Limited made presentations to the Chairman of the Audit Committee ("**Chairman AC**") and certain Independent Directors of the Company. The Chairman AC and the said Independent Directors had detailed discussions in relation to the methodology adopted by the Independent Chartered Accountants in preparing the Valuation Report and arriving at the Share Exchange Ratio. The Chairman AC and the said Independent Directors also discussed the Fairness Opinion and sought clarifications on the same from Axis Capital Limited. The Chairman AC also met with the representatives of the valuers and Axis Capital to further discuss and evaluate their valuations.

2.5 At the Audit Committee meeting, the Chairman AC provided detailed update to the other members of the Audit Committee. Further, the joint Valuation Report dated July 22, 2013 prepared by BSR and Associates and Price Waterhouse & Co. which included the Share Exchange Ratio ("**Valuation Report**") was also placed before the Audit Committee.

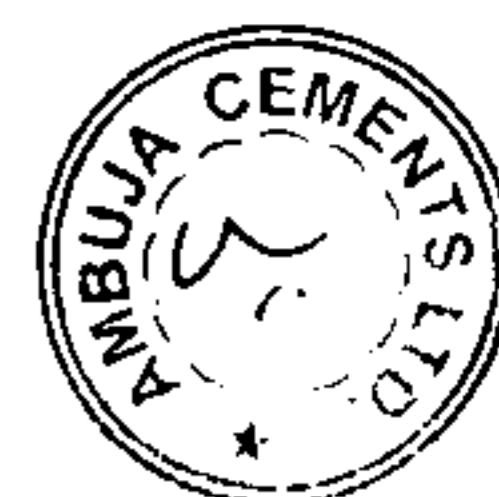
2.6 The Audit Committee reviewed the Valuation Report in detail and noted that the Valuation Report recommended that each member of HIPL be issued and allotted, 10 (Ten) Equity Shares of the Company of the face value of Rs. 2 (Rupees Two Only) each (credited as fully paid up) for every 74 (Seventy Four) Equity Shares of the face value of Rs. 10 (Rupees Ten Only) each (credited as fully paid up) held by such

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member of HIPL (“Share Exchange Ratio”).

2.7 The following documents were placed before the Audit Committee:

- (a) a draft of the Scheme, dully initialled by the Company Secretary of the Company for the purpose of identification;
- (b) the Valuation Report dated July 22<sup>nd</sup>, 2013 prepared by BSR and Associates and Price Waterhouse & Co., both independent Chartered Accountants, describing the methodology adopted by them in arriving at the Share Exchange Ratio;
- (c) Fairness Opinion dated July 22<sup>nd</sup> 2013 prepared by Axis Capital Limited, an independent Merchant Banker providing the Fairness Opinion, on the Share Exchange Ratio recommended in the joint valuation report prepared by BSR and Associates and Price Waterhouse & Co. (“Fairness Opinion”); and
- (d) Draft Certificate dated July 24<sup>th</sup>, 2013 obtained from the Statutory Auditors of the Company viz. S.R. Batliboi & Co., LLP on the accounting treatment prescribed in the Scheme.

### 3. Considerations and Recommendation of the Audit Committee

3.1 The Audit Committee has reviewed the abovementioned documents and noted that the Valuation Report recommended that each member of HIPL be issued and allotted, 10 (Ten) Equity Shares of the Company of the face value of Rs. 2 (Rupees Two Only) each (credited as fully paid up) for every 74 (Seventy Four) Equity Shares of the face value of Rs. 10 (Rupees Ten Only) each (credited as fully paid up) held by such member of HIPL, as contemplated in the draft Scheme. Further, the Fairness Opinion confirmed that the Share Exchange Ratio in the Valuation Report is fair to the Shareholders of the Company.

3.2 After considering the Valuation Report and the Fairness Opinion, appraisal of the methodology and basis followed in the Valuation Report and going through the workings in detail, the Audit Committee is satisfied with the valuation and finds that the Share Exchange Ratio is fair and reasonable. Further, the Audit Committee is of the opinion that there is no adverse effect to the Public Shareholders of the Company pursuant to the Scheme. The Audit Committee also confirms its concurrence with the rationale for the Scheme.

3.3 After discussions and consideration of the abovementioned proposal and based on the information, observation and documents placed before it, including the Valuation Report, the Audit Committee, at its meeting held on July 24, 2013, unanimously approved the Scheme and passed the following resolution:-

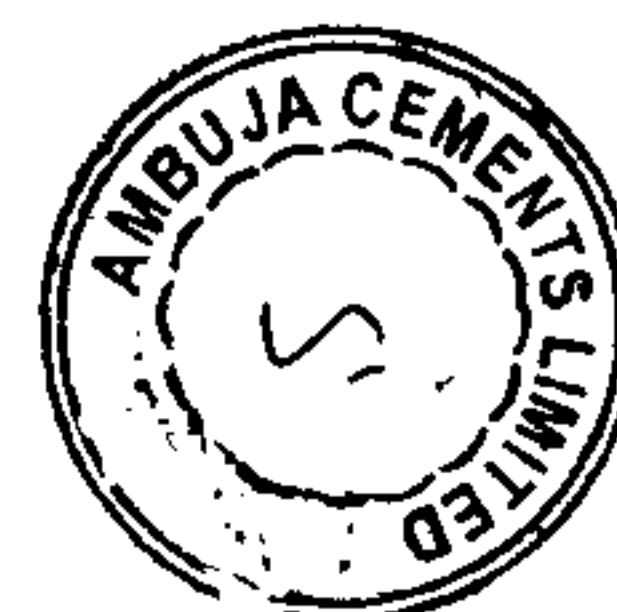
**“RESOLVED THAT** the Audit Committee be and is hereby approve and accept the Valuation Report jointly prepared and submitted by BSR and Associates and Price Waterhouse & Co. and Fairness Opinion prepared and submitted by Axis Capital Limited and the same be recommended to the Board of Directors of the Company for its consideration and approval.”

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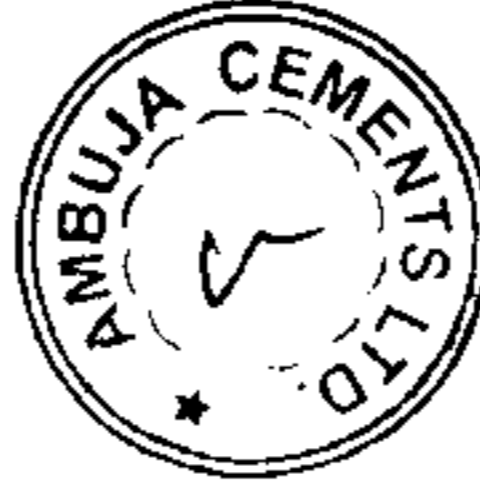
**“RESOLVED FURTHER THAT** the share exchange ratio of 10 (Ten) Equity Shares of the Company of the face value of Rs. 2/- (Rupees Two Only) each credited as fully paid-up for every 74 (Seventy Four) Equity Shares of the face value of Rs.10/- (Rupees Ten only) each credited as fully paid-up held by such Member in Holcim (India) Private Limited be and is hereby approved and the same be recommended to the Board of Directors of the Company for its consideration and approval.”

**“RESOLVED FURTHER THAT** the Amalgamation of Holcim (India) Private Limited with the Company under Sections 391 – 394, read with Section 100 and other applicable provisions of the Companies Act, 1956 as detailed in the draft Scheme placed before the Audit Committee and initialled by the Company Secretary be and is hereby approved and recommended to be placed for consideration before the Board of Directors of the Company.”

By Order of the Audit Committee  
For and on Behalf of  
**AMBUJA CEMENTS LIMITED**



**Rajendra Chitale**  
Chairman, Audit Committee



Place: Mumbai  
Date: 24<sup>th</sup> July, 2013

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