



Report of the Audit Committee of Tata Chemicals Limited (the "Company") recommending the draft Scheme of Arrangement between the Company and Yara Fertilisers India Private Limited and their respective shareholders and creditors held on Wednesday, 10th August, 2016, at 10.30 a.m at Board Room, 4th Floor, Bombay House, Fort, Mumbai – 400 001.

Members Present:

Mr. Nasser Munjee – Chairman and Independent Director
Mr. E.A. Kshirsagar – Independent Director
Mr. Y.S.P.Thorat – Independent Director

In Attendance:

Mr. R. Mukundan – Managing Director
Mr. John Mulhall – Chief Financial Officer
Mr. Rajiv Chandan – General Counsel & Company Secretary
Mr. Ranjeev Lodha – Vice President & Group Corporate Controller

1. Background

- 1.1 A draft Scheme of Arrangement between Tata Chemicals Limited (“Company” or “Transferor Company”) and Yara Fertilisers India Private Limited (“Yara India” or “Transferee Company”) and their respective shareholders and creditors (“Scheme”) and a draft Implementation Agreement between the Company, Yara India and Yara International ASA (“Yara”) (“Implementation Agreement”) have been placed before the Audit Committee by the Management for it to review and consider recommending the said draft Scheme and the Implementation Agreement to the Board.
- 1.2 The draft Scheme and the draft Implementation Agreement provide for the transfer of the business of sale and distribution of (i) Urea and (ii) customized fertilisers, in each case manufactured by the Company through its plant located in Babrala, Uttar Pradesh (“Babrala Plant” or “Divestment Business”) to Yara India as a “going concern” on a slump sale basis and in exchange for which, a lump sum Final Purchase Consideration (*more particularly defined in the Scheme hereinafter*) to be paid by Yara India to the Company, pursuant to Sections 391 and Section 394 and all other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013 (to the extent notified).
- 1.3 The Committee noted that Yara India is engaged in the business of import, sale and distribution of plant nutrition products in India. Yara International ASA holds 100% (hundred percent) of the paid up equity share capital of Yara India, a company incorporated under the laws of Norway, which are engaged among others, in the business of import, sale and distribution of plant nutrition products in India.
- 1.4 This report of the Audit Committee is made in terms of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 and Securities and Exchange Board of India Circular CIR/CFD/CMD/16/2015 dated November 30, 2015 (“SEBI Circular”).
- 1.5 The Audit Committee considered the following documents and had detailed discussions on the same. Necessary information as sought by the members of the Committee was duly provided.



TATA CHEMICALS LIMITED

Bombay House 24 Horni Mody Street Fort Mumbai 400 001
Tel 91 22 6665 8282 Fax 91 22 6665 8143/44 www.tatachemicals.com
CIN : L24239MH1939PLC002893



- a) Draft Scheme, duly initialled by the Company Secretary of the Company for the purpose of identification;
- b) Draft Implementation Agreement, duly initialled by the Company Secretary of the Company for the purpose of identification;
- c) Valuation Report dated 10th August, 2016 prepared by SSPA & Co, Independent Chartered Accountants, describing the methodology adopted by them in arriving at the Final Purchase Consideration;
- d) Fairness Opinion dated 10th August, 2016 prepared by Kotak Mahindra Capital Company Limited, a Category-I Merchant Banker providing the Fairness opinion on the Final Purchase Consideration; and

2. Proposed Scheme of Arrangement

2.1 The Audit Committee discussed the draft Scheme, draft Implementation Agreement, Valuation Report and Fairness Opinion and noted the salient features of the Scheme, which are, *inter alia*, as follows:

- (a) The Company and the Transferee Company shall enter into an Implementation Agreement pursuant to which the Babrala Plant / Divestment Business of the Company shall be transferred as a going concern on a slump sale basis to Yara India and in exchange for which, a lump sum Final Purchase Consideration shall be paid by Yara India to the Company, on the agreed terms and conditions as set out in the Scheme and in the Implementation Agreement and pursuant to Sections 391 and Section 394 and all other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013 (to the extent notified).
- (b) The transfer of the Babrala Plant / Divestment Business pursuant to this Scheme would *inter alia* result in the following benefits:
 - (i) In case of the Company:
 1. Unlocking of the value for the Company by transfer of part of its assets; and
 2. Strengthening the Balance Sheet of the Company.
 3. Pursue growth opportunities in line with its strategic directions
 - (ii) In case of Yara India:
 1. Creation of value for shareholders by acquiring ready-to-use assets, including business undertakings and reducing time to markets; and
 2. Allowing in the expansion of the range of the products offered by Yara India and its Affiliates in India.





- (c) The Appointed Date shall be the Effective Date and the Effective Date shall be the date on which the draft Scheme becomes effective in accordance with its terms, which shall be the Completion Date. The Completion Date shall be as mentioned in Clause 11.1 of the draft Scheme i.e. the completion of the actions set out in Clause 11, in accordance with the terms thereof whereupon the Babrala Plant/ Divestment Business shall be transferred from the Company to and its vesting in Yara India and the payment of the Completion Date Payment (*more particularly defined in the draft Scheme*) by the Transferee Company to the Transferor Company. The Final Purchase Consideration shall be determined based on certain adjustments after Completion, as provided in the draft Scheme.
- (d) The Other Business of the Company and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and be vested in and be managed by the Company.
- (e) The transfer of the Divestment Business to Yara India pursuant to the draft Scheme shall require the approvals, sanctions and consents as laid down therein.
- 2.2 The Audit Committee reviewed the Valuation Report and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the Final Purchase Consideration in the Valuation Report is fair to the shareholders of the Company.

3. Recommendation of the Audit Committee

- 3.1 The Audit Committee has considered and noted the aforementioned documents and the draft Scheme, and recommends the Implementation Agreement and the draft Scheme to the Board of Directors of the Company for their consideration and approval, *inter alia* taking into consideration the benefits of the draft Scheme, the Valuation Report dated 10th August, 2016 prepared by SSPA & Co, Independent Chartered Accountants, and the Fairness Opinion Report dated 10th August, 2016 prepared by Kotak Mahindra Capital Company Limited, Independent Category-I Merchant Banker.

Dated: 10th August, 2016
Place: Mumbai

Nasser Munjee
Chairman of the Audit Committee



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