

REPORT ADOPTED BY THE AUDIT COMMITTEE OF TATA CHEMICALS LIMITED AT ITS MEETING HELD ON WEDNESDAY, MAY 15, 2019, IN RELATION TO THE PROPOSED SCHEME OF ARRANGEMENT AMONGST TATA CHEMICALS LIMITED AND TATA GLOBAL BEVERAGES LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

1. Background

- 1.1. The Audit Committee at its meeting held on May 15, 2019 was requested to consider and recommend to the Board of Directors, a draft of the proposed Scheme of Arrangement ("**Scheme**"), for the demerger of the 'Consumer Products Business' of Tata Chemicals Limited ("**Demerged Company**") to Tata Global Beverages Limited ("**Resulting Company**"), to be implemented under Sections 230 to 232 of the Companies Act, 2013 ("**Companies Act**") and other applicable laws including the Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (as amended from time to time) ("**SEBI Circular**") issued by the Securities and Exchange Board of India ("**SEBI**").
- 1.2. This report of the Audit Committee is made to comply with the requirements of the SEBI Circular.
- 1.3. While deliberating on the Scheme, the Audit Committee has considered *inter-alia*, and has taken on record, the following documents:
- (a) A draft of the proposed Scheme;
 - (b) Valuation report dated May 15, 2019 issued by Ernst & Young, who in their report has recommended the share entitlement ratio of 114:100 *i.e.* 114 fully paid-up equity shares of nominal value of Re. 1 each of the Resulting Company for every 100 fully paid-up equity shares of nominal value of Rs. 10 held in the Demerged Company ("**Valuation Report**");
 - (c) Fairness opinion dated May 15, 2019 issued by J. P. Morgan, a SEBI Registered Category 1 Merchant Banker, providing the fairness opinion on the share entitlement ratio recommended in the Valuation Report ("**Fairness Opinion**"); and
 - (d) Draft Auditor's Certificate of the statutory auditors of the Demerged Company *i.e.* B S R & Co. LLP, Chartered Accountants ("**Auditor's Certificate**"), to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act.

2. Proposed Scheme of Arrangement

- 2.1. The Audit Committee noted the rationale and benefits of the Scheme, which *inter-alia* are as follows:
- (a) With the view to enable the Demerged Company to focus on its basic chemistry and specialty products business and to integrate the consumer products business activities undertaken by both, the Demerged Company and the Resulting Company, under a single entity, it is proposed that the Consumer Products Business of the Demerged Company be demerged and transferred to the Resulting Company under the terms and conditions of the Scheme.



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- (b) The proposed transaction will be in the best interest of the shareholders of the Resulting Company as well as of the Demerged Company and shall not in any manner be prejudicial to the interests of the concerned shareholders and creditors or general public at large.
- (c) The Scheme results in revenue and cost synergies including from supply chain opportunities, operational improvements, logistics alignment leading to economies of scale, creation of efficiencies, optimization of overlapping infrastructure, capital and operational expenditure and leveraging distribution networks.
- (d) The Scheme enhances the financial profile with higher growth, margin expansion and increased cash flows which will provide further headroom for inorganic growth opportunities in India and abroad.
- (e) The Scheme enables the Resulting Company to expand its presence in the fast moving consumer goods categories in India and abroad.
- (f) The shareholders of the Demerged Company will continue to participate in the growth of a larger consumer focused company i.e. Resulting Company, while continuing to own shares in the Demerged Company which will remain focused on its basic chemistry and specialty products businesses.

2.2. The Audit Committee noted the salient features of the Scheme, which *inter-alia* are as under:

- (a) Demerger of the Consumer Products Business of the Demerged Company to the Resulting Company.
- (b) The Consumer Products Business of the Demerged Company has been identified as the business of sourcing, packaging, marketing, distribution and sales of (i) vacuum evaporated edible common salt ('Salt') for human consumption, (ii) spices, (iii) protein foods and (iv) certain other food and other products. Under the Scheme, the salt manufacturing facility, basic chemistry products and specialty products business are not proposed to be transferred to the Resulting Company and will continue to be owned by the Demerged Company. Necessary salt supply arrangements shall be put into effect on and from the date on which the Scheme comes into effect.
- (c) Pursuant to the sanction of the Scheme by National Company Law Tribunal(s), the Scheme shall become effective from the Appointed Date. The Appointed Date for the Scheme is fixed as April 1, 2019.
- (d) With effect from the Appointed Date, the entire undertaking of Demerged Company relating to the Consumer Products Business shall, subject to the terms and conditions of the Scheme and, without any further act, instrument or deed, be demerged from the Demerged Company and stand transferred to and vested in and/or deemed to have been demerged from the Demerged Company and stand transferred to and vested in the Resulting Company, so as to become the undertaking of the Resulting Company on a going concern basis.





- (e) Issue and allotment of 114 fully paid-up equity shares of nominal value of Re. 1 each of the Resulting Company for every 100 fully paid-up equity shares of nominal value of Rs. 10 held as on the Record Date (*defined in the Scheme*) in the Demerged Company based on the share entitlement ratio as determined in the Valuation Report and the Fairness Opinion. Such equity shares issued by Resulting Company to the equity shareholders of Demerged Company pursuant to the Scheme would be listed on the National Stock Exchange, the Bombay Stock Exchange and the Calcutta Stock Exchange.

3. Recommendations of the Audit Committee:

The Audit Committee, after taking into consideration the rationale and benefits of the draft Scheme, the Valuation Report, the Fairness Opinion and the Auditor's Certificate, recommends the draft Scheme for favorable consideration by the Board of Directors of the Demerged Company, the Stock Exchanges and SEBI.

**For and on behalf of the Audit Committee of
Tata Chemicals Limited**



Name: Ms. Padmini Khare Kaicker

Designation: Chairman of the Audit Committee Meeting held on May 15, 2019

Date: May 15, 2019

Place: Mumbai