

REPORT OF THE AUDIT COMMITTEE OF WELSPUN CORP LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN WELSPUN STEEL LIMITED ('THE DEMERGED COMPANY' OR 'WSL') AND WELSPUN CORP LIMITED ('THE RESULTING COMPANY' OR 'WCL') AND THEIR RESPECTIVE SHAREHOLDERS

Present Members

1. Mr. K.H.Viswanathan
2. Mr. Amita Misra
3. Mr. Deshraj Dogra

In attendance:

1. Mr. Pradeep Joshi, Company Secretary

Invitee:

1. Mr. Percy Birdy, Chief Finance Officer
2. Mr. Ketan Patel, Senior Vice President, Accounts

1. Background:

- a. The draft Scheme of Arrangement under section 230-232 of the Companies Act, 2013 ('the Act') and other applicable provisions thereunder, between Welspun Steel Limited and Welspun Corp Limited and their respective shareholders ('Scheme') has been placed before the Audit Committee by the management of Welspun Corp Limited at the meeting of the Audit Committee held on 28 June 2021 for it to consider recommending the said draft Scheme to the Board of Directors.
- b. The Scheme *inter alia* provides for transferring and vesting of the Demerged Undertaking (as defined in the draft Scheme) of Welspun Steel Limited into Welspun Corp Limited in the manner provided in the Scheme.
- c. The equity shares of Welspun Corp Limited are listed on the BSE Limited ('BSE') and the National Stock Exchange of India Limited ("NSE"). Welspun Corp Limited will be filling the Scheme along with necessary documents/information with the abovementioned stock exchanges for obtaining the necessary approvals and no-objection in relation thereto.



Welspun Corp Limited

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CIN: WELSPUN0000007 E: info@welspun.com

Company Code: WELSPUN0000007

- d. The report of Audit Committee is made in order to comply with the requirements of the SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated November 3, 2020 read with the SEBI Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 issued by the Securities and Exchange Board of India, as amended from time to time (consolidated under the circular being SEBI/HO/CFD/DIL1/CIR/P/ 2020/249 dated December 22, 2020), ("**SEBI Circular**") after considering the following:
- Draft Scheme, duly initialed by Company Secretary of Welspun Corp Limited for the purpose of identification;
 - Share Exchange report/valuation report dated 26 June 2021 issued by RBSA Valuation Advisors LLP and Drushti R. Desai, Registered Valuers ('**Valuation Report**');
 - Fairness Opinion Report dated 26 June 2021 issued by DAM Capital Advisors Limited, a Category I Merchant Banker providing the fairness opinion on the share entitlement recommended in the Valuation Report ('**Fairness Opinion**');
 - Certificate obtained from the Statutory Auditors of Welspun Corp Limited i.e. Price Waterhouse Chartered Accountants LLP, confirming that the accounting treatment as prescribed in the Scheme is in compliance with the applicable accounting treatment notified under the Act, and other generally accepted principles;
 - Audited financial statements of Welspun Corp Limited for the year ended March 31, 2018, 2019 and 2020; and
 - Audited financial statements of Welspun Steel Limited for the year ended March 31, 2018, 2019 and 2020.

2. Proposed Scheme

- a. The Audit Committee reviewed the Valuation Report and noted the same and recommended the following:

In consideration for the transfer and vesting of the Demerged Undertaking of Welspun Steel Limited into Welspun Corp Limited, in terms of the Scheme and based on the Valuation Report and the Fairness Opinion, Welspun Corp Limited will issue Cumulative Redeemable Preference Shares ('CRPS') as under:

"81 (Eighty-one) 6% CRPS of the Resulting Company of Rs. 10 (Rupees Ten only) each fully paid up, which will be redeemable subject to the terms specified in Annexure to the Scheme, shall be issued and allotted for every 100 (One Hundred) equity share of the Demerged Company of the face value of Rs. 10/- (Rupees Ten only) each fully paid"



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Demerged Company: Welspun Steel Limited, Welspun Road, Welspun, Gujarat 382001. Phone: 079 22222222. Fax: 079 22222223. Email: info@welspunsteel.com

Welspun Corp Limited, Welspun House, Welspun Road, Welspun, Gujarat 382001.

- b. Further, the Fairness Opinion confirmed that the share entitlement in the Valuation Report is fair to Welspun Corp Limited and Welspun Steel Limited and their respective shareholders.
- c. Further, Price Waterhouse Chartered Accountants LLP, Statutory Auditors of Welspun Corp Limited have confirmed that the accounting treatment as specified in the Scheme is in accordance with the applicable accounting standards specified under the provisions of the Act, and the generally accepted accounting principles in India.
- d. The proposed Appointed Date for the Scheme will be April 1, 2021.
- e. Under the proposed Scheme, all assets and liabilities, pertaining to the Demerged Undertaking (comprising of business, activities and operations pertaining to steel, speciality steel and thermo mechanical treatment bars, manufacturing business and investment held in Welspun Speciality Solutions Limited, Anjar TMT Steel Private Limited and Welspun Captive Power Generation Limited (as more specifically mentioned in the Scheme)) of Welspun Steel Limited, of whatsoever nature and where so ever situated), shall without any further act or deed be transferred to and vested in Welspun Corp Limited as a going concern with effect from the Appointed Date.

3. Rationale of the Scheme and the synergies of business

The business of the Demerged Undertaking will supplement the business of the Resulting Company and the consolidation of the Demerged Undertaking with the business of the Resulting Company is expected to provide *inter-alia* the following benefits:

- a. The consolidation will result in earning predictability, stronger revenue and improved competitiveness, with diversification in product portfolio thereby reducing business risks for mutual benefit of the shareholders. This will result in strong presence across market segments, provide access to new markets and product offerings. Further, the operations of the Demerged Undertaking could have access to the Resulting Company's marketing capabilities.
- b. Greater economies of scale and will provide a larger and stronger base for potential future growth;
- c. Consolidation and simplification of the group structure;
- d. reduction in overheads, administrative, managerial and other expenditure;
- e. operational rationalization and increase in operating efficiency; and
- f. Synergistic benefits, expansion and acquisition opportunities.



Welspun Corp Limited

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4.

The global steel demand has fared better with the pandemic than with the financial crisis and healthy rebound is expected in the coming years. In the last year, the turnover and profitability of the Demerged Undertaking has increased by 11.6% and swinging from loss to profit.

The Demerged Undertaking is expected to provide benefits set out in Clause 3 above.

The Audit Committee noted that the management of the Company is of the view that the steel business is poised for substantial growth in near to medium term which opportunity can be better capitalized in the entity which has a bigger balance sheet, larger portfolio of products, efficiencies and economies of scale and faster growth trajectory.

5.

The business of the Demerged Undertaking will supplement the business of the Company and hence the consolidation of the Demerged Undertaking with the business of the Company is expected to provide benefits set out in Clause 3 above.

The proposed Scheme is expected to create value for the shareholders considering the transaction being done at consideration in the form of CRPS and is in the best interest of the Company and the Demerged Company and their respective shareholders and creditors.

The impact of the Scheme on the shareholders including the public shareholders would be the same in all respects and no shareholder is expected to have any disproportionate advantage or disadvantage in any manner.

Hence there is no adverse effect of the Scheme on the equity shareholders (the only class of the shareholders) of the Company.

6.

The consideration represents a fair value of the Demerged Undertaking, as substantiated by the valuation report and fairness opinion obtained by the Company in relation to the demerger.

Stamp duty and similar transfer duties payable in respect of this Scheme shall be borne by the Company. All other costs, charges and expenses arising out of or incurred in connection with and implementing this Scheme and matters incidental thereto shall be borne by the respective companies.

Keeping in view of synergies and the cost benefits expected (refer clause 3 above) from the Scheme, the Audit Committee is of the view that the cost incurred towards the implementation of the Scheme foreshadows the long-run benefit that can be derived by achieving strategic and operational synergies envisaged under the Scheme.

7. Recommendations of the Audit Committee

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme, Valuation Report, Fairness Opinion and the specific points mentioned above, recommends the draft Scheme for approval and favorable consideration by the Board of Directors of Welspun Corp Limited.

By Order of the Audit Committee

For and on behalf of

WELSPUN CORP LIMITED



K.H. Viswanathan
Chairperson of the Audit Committee
DIN: 00391263

Date: June 28, 2021

Place: Mumbai

Welspun Corp Limited

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