

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF MOTHERSON SUMI SYSTEMS LIMITED ("COMPANY") ON JULY 2, 2020, EXPLAINING THE EFFECT OF THE COMPOSITE SCHEME OF AMALGAMATION AND ARRANGEMENT BETWEEN THE COMPANY, SAMVARDHANA MOTHERSON INTERNATIONAL LIMITED AND A WHOLLY OWNED SUBSIDIARY OF THE COMPANY WHICH IS IN THE PROCESS OF BEING INCORPORATED UNDER THE NAME OF MOTHERSON SUMI WIRING INDIA LIMITED ON THE SHAREHOLDERS, PROMOTER AND NON-PROMOTER SHAREHOLDERS, AND KEY MANAGERIAL PERSONNEL OF THE COMPANY

1. Background

- 1.1 The proposed scheme of amalgamation and arrangement between Motherson Sumi Systems Limited ("**Company**"), Samvardhana Motherson International Limited ("**SAMIL**"), a new company which is in the process of being incorporated as a wholly owned subsidiary of the Company ("**Resulting Company**"), and their respective shareholders and creditors ("**Scheme**"), under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**"), was approved by the board of directors of the Company ("**Board**") pursuant to resolution dated July 2, 2020.
- 1.2 The provisions of Section 232(2)(c) of the Act require the Board to adopt a report explaining the effect of the arrangement pursuant to the Scheme on each class of shareholders, key managerial personnel, and promoters and non-promoter shareholders, and to set out, in particular, the share entitlement ratio, specifying any special valuation difficulties, if any and the same is required to be circulated to the equity shareholders at the time of seeking their approval to the Scheme as may be directed by the National Company Law Tribunal, Mumbai bench ("**NCLT**").
- 1.3 This Report of the Board is accordingly being made in pursuance to the requirements of Section 232(2)(c) of the Act.
- 1.4 The following documents were placed before the Board:
- (a) The draft of the proposed Scheme approved by the Board pursuant to its resolution dated [July 2, 2020];
 - (b) The joint report, dated July 2, 2020, issued by Price Waterhouse & Co. LLP, Chartered Accountants and BSR & Associates LLP, Chartered Accountants and the valuation report, dated July 2, 2020, issued by Incwert Advisory Private Limited, a registered valuer, describing the methodology adopted by them in arriving at, and recommending, the Demerger Share Entitlement Ratio (*as defined below*), Merger Share Exchange Ratio 1 (*as defined below*) and Merger Share Exchange Ratio 2 (*as defined below*) ("**Valuation Reports**");
 - (c) The fairness opinions, July 2, 2020, issued by Axis Capital Limited, a Securities and Exchange Board of India ("**SEBI**") Registered (Category-I) Merchant Banker and DSP Merrill Lynch Limited, a SEBI Registered (Category-I) Merchant Banker, respectively, providing the fairness opinions on the Demerger Share Entitlement Ratio, Merger Share Exchange Ratio 1 and Merger Share Exchange Ratio 2, recommended by the valuers ("**Fairness Opinions**"); and
 - (d) Report of the Audit Committee of the Board dated July 2, 2020; and

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- (e) Auditor's certificate, dated July 2, 2020, issued by M/s S.R. Batliboi & Co. LLP, Chartered Accountants (Firm Registration No. 301003E/IE300005), the statutory auditors of the Company, to the effect that the Scheme is in compliance with applicable accounting standards specified by the Central Government under Section 133 of the Act.
- 1.5 The Board noted the rationale for the Scheme, as set forth in detail in the Scheme, and is therefore not reiterated in this Report.
2. **Effect of the Scheme in terms of Section 232(2)(c) of the Act**
- 2.1 Effect of the Scheme on the Promoter and Non-Promoter Shareholders:
- 2.1.1 The Scheme provides for the following:
- (a) demerger of the Domestic Wiring Harness Undertaking or the DWH Undertaking (as defined in the Scheme) into the Resulting Company ("**Demerger**"); and
- (b) amalgamation of SAMIL with the Company by absorption, subsequent to the completion of the demerger referred to in (a).
- 2.1.2 Demerger
- (a) As consideration for the Demerger, the Resulting Company shall, without any further act or deed and without receipt of any cash, issue and allot to the shareholders of the Company as on the Record Date 1 (as defined in the Scheme), 1 (one) equity share(s) of Re. 1 (Rupee one) each of the Resulting Company for every 1 equity share(s) of Re. 1 (Rupee one) each of the Company ("**Demerger Share Entitlement Ratio**").
- (b) Demerger Share Entitlement Ratio is based on the Valuation Reports. The Valuation Reports have been duly considered by the Board of the Company which has come to the conclusion that Demerger Share Entitlement Ratio is fair and reasonable.
- (c) Further, since the Resulting Company will be a wholly owned subsidiary of the Company, simultaneous upon the Demerger under the Scheme becoming effective, the shareholding of the Company and its nominees in the Resulting Company shall stand cancelled.
- (d) Pursuant to the Demerger, the equity shares issued by the Resulting Company will be listed on the BSE Limited and National Stock Exchange of India Limited.
- (e) The equity share capital of the Company shall not undergo any change as a result of the Demerger.
- 2.1.3 Amalgamations
- (a) As consideration for the amalgamation of SAMIL into and with the Company, the Company shall, without any further act or deed and without receipt of any cash, issue and allot to the shareholders of SAMIL as on the Record Date 2 (as defined in the Scheme), 51 (fifty one) equity share(s) of Re. 1 (Rupee One) each of the Company for every 10 (ten) equity share(s) of Rs. 10 (Rupees Ten) each of SAMIL ("**Merger Share Exchange Ratio**").
- (b) Merger Share Exchange Ratio is based on the Valuation Reports. The Valuation Reports have been duly considered by the Board of the Company which has come to the conclusion that Merger Share Exchange Ratio is fair and reasonable.

- (c) Simultaneous with the amalgamation of SAMIL into and with the Company, the shareholding of SAMIL in the Company shall stand cancelled.
- (d) There will be a change in the shareholding pattern of the Company pursuant to the amalgamation of SAMIL into and with the Company, as per the Scheme, in accordance with the share exchange ratios. Indicative shareholding pattern of the Company, post the amalgamation of SAMIL into and with the Company in accordance with the Scheme, is set out below:

Category	Shareholding of the Company as on June 26, 2020	Indicative post-Scheme shareholding of the Company
Promoter and Promoter Group	61.73%	68.15%
Public	38.27%	31.85%*

***including indicative post-Scheme shareholding of 5.10% of the Company to be held by the non-promoter shareholders of SAMIL.*

2.2 Effect of the Scheme on the Directors and Key Managerial Personnel

Upon the Scheme becoming effective, all the directors and key managerial personnel of the Company will continue as directors and key managerial personnel of the Company and would in no way be affected by the Scheme.

2.3 Effect of the Scheme on the Creditors:

Upon the Scheme becoming effective, the creditors relating to the DWH Undertaking shall become the creditors of the Resulting Company. Further, the general or multipurpose borrowings, if any, of the Company will be apportioned basis the proportion of the value of the assets transferred in the Demerger of the DWH Undertaking to the total value of the assets of the Company immediately before the said Demerger or in such other manner as maybe determined by the Boards of the Company and Resulting Company.

The Scheme does not involve any compromise or arrangement with the creditors of the Company. The liability of the Company towards its creditors is neither being reduced nor being extinguished under the Scheme and the Scheme is therefore not prejudicial to the interests of the creditors of the Company.

2.4 Effect of the Scheme on the Depositors / Deposit Trustee:

As on date, the Company does not have any outstanding public deposits and therefore the question of the Scheme having an effect on any such depositors and deposit trustee does not arise.

2.5 Effect of the Scheme on the Debenture holders / debenture trustee:

Currently, NCDs issued by Company are listed on BSE Limited. The rights of the debenture-holders shall not be affected by the Scheme. The liability of the Company towards the debenture-holders is neither being reduced nor being extinguished under the Scheme. The debenture-holders of the Company would in no way be affected by the Scheme.

2.6 Effect of the Scheme on the employees of the Company:



2.6.1 Upon the Demerger becoming effective, in terms of the Scheme, all employees of the DWH Undertaking, as determined by the Board of the Company, shall be deemed to have become employees of the Resulting Company, without any interruption of service and on the basis of continuity of service and on the same terms and conditions as those applicable to them with reference to the Company, on the Effective Date 1. The services of such employees with the Company up to the Effective Date 1 shall be taken into account for the purposes of all benefits to which the said employees may be eligible, including for the purpose of payment of any retrenchment compensation, severance pay, gratuity and other terminal benefits. In these circumstances, the rights of such employees of the Company would in no way be affected by the Scheme.

2.6.2 The employees of the Remaining Business (*as defined in the Scheme*) of the Company shall continue as employees of the Company and would in no way be affected by the Scheme.

2.7 Disclosure about the effect of the Scheme on the material interests of directors and key managerial personnel of the Company:

The directors and key managerial personnel of the Company may be deemed to be concerned / interested in the Scheme only to the extent of their shareholding in the companies forming a part of the Scheme and/or to the extent the directors are common directors in the said companies and/or to the extent the said directors or key managerial personnel are partners, directors, members of the companies, firms, association of persons, body corporate and/or beneficiary of trust, who hold shares in any of the said companies.

3. No special valuation difficulties were reported in determination of the Demerger Share Entitlement Ratio and Merger Share Exchange Ratio by the Valuers.

4. **Conclusion**

While deliberating the Scheme, the Board considered its impact on each of the shareholders, promoters and non-promoter shareholders, key managerial personnel, creditors and employees. Scheme is in the best interest of the promoters and non-promoter shareholders, key managerial personnel, creditors and employees and no prejudice is caused to them in any manner by the Scheme.

For and on behalf of Motherson Sumi Systems Limited



Name: S.C. Tripathi
Designation: Independent Director and Chairman for the meeting.

Date: July 2, 2020
Place: Noida