

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF MOTHERSON SUMI WIRING INDIA LIMITED ("COMPANY") ON JULY 17, 2020, EXPLAINING THE EFFECT OF THE COMPOSITE SCHEME OF AMALGAMATION AND ARRANGEMENT BETWEEN MOTHERSON SUMI SYSTEMS LIMITED, SAMVARDHANA MOTHERSON INTERNATIONAL LIMITED AND THE COMPANY 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 ("**MSSL**"), Samvardhana Motherson International Limited ("**SAMIL**"), Motherson Sumi Wiring India Limited ("**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 17, 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 17, 2020;
 - (b) The joint report, dated July 2, 2020, prepared 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 ("**Valuation Reports**");
 - (c) The fairness opinions, both dated July 2, 2020, issued by Axis Capital Limited, a 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 recommended by the valuers ("**Fairness Opinions**"); and
 - (d) 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.

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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) of MSSL into the Company ("**Demerger**"); and
- (b) amalgamation of SAMIL with MSSL by absorption, subsequent to the completion of the demerger referred to in (a).

2.1.2 As consideration for the Demerger, the Company shall, without any further act or deed and without receipt of any cash, issue and allot to the shareholders of MSSL, as on the Record Date (as defined in the Scheme), 1 (one) equity share(s) of Re. 1 (Rupee one) each of the Company for every 1 equity share(s) of Re. 1 (Rupee one) each of MSSL ("**Demerger Share Entitlement Ratio**") On the Demerger becoming effective, the shareholding of the Company will be a mirror-image of MSSL as on the Record Date.

2.1.3 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.

2.1.4 Further, since the Company is a wholly owned subsidiary of MSSL, simultaneous upon the Demerger under the Scheme becoming effective, the shareholding of MSSL and its nominees in the Company shall, without any further application, act, instrument or deed, stand automatically cancelled.

2.1.5 Post the effectiveness of the Demerger, in terms of the Scheme, the equity shares issued by the Company shall be listed and admitted for trading on the BSE Limited and National Stock Exchange of India Limited.

2.1.6 As such, on the Demerger becoming effective in terms of the Scheme, the Company will cease to be a wholly owned subsidiary of MSSL.

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

As on date, the Company does not have any key managerial personnel and therefore the question of the Scheme having an effect on any key managerial personnel does not arise.

Upon the Demerger becoming effective as per the terms of the Scheme, the board of directors of the Company will be reconstituted.

2.3 Effect of the Scheme on the Creditors:

As on date, the Company does not have any creditors and therefore the question of the Scheme having an effect on any creditors does not arise.

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:

As on date, the Company does not have any debenture holders and therefore the question of the Scheme having an effect on any debenture holders and debenture trustee does not arise.

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

2.6.1 As on date, the Company does not have any employees and therefore the question of the Scheme having an effect on any employee does not arise.

2.6.2 Upon the Demerger becoming effective, in terms of the Scheme, all employees of the DWH Undertaking, as determined by the Board of MSSL, shall be deemed to have become employees of the 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 MSSL, on Effective Date 1 (as defined in the Scheme). The services of such employees with MSSL up to the Effective Date 1 (as defined in the Scheme) 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.

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

As on date, the Company does not have any key managerial personnel.

The directors 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 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 the shareholders and other stakeholders of the Company. In the opinion of the Board, the Scheme is in the best interest of the shareholders and other stakeholders and no prejudice is caused to them in any manner by the Scheme.

For and on behalf of Motherson Sumi Wiring India Limited



Name: **Sanjay Mehta**
Designation: **Director**

Date: **July 17, 2020**
Place: **Noida**

