



Samvardhana Motherson International Limited

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF SAMVARDHANA MOTHERSON INTERNATIONAL LIMITED ("COMPANY") ON July 2, 2020, EXPLAINING THE EFFECT OF THE COMPOSITE SCHEME OF AMALGAMATION AND ARRANGEMENT BETWEEN THE COMPANY, MOTHERSON SUMI SYSTEMS LIMITED, A NEW COMPANY WHICH IS IN THE PROCESS OF BEING INCORPORATED AS A WHOLLY OWNED SUBSIDIARY OF MOTHERSON SUMI SYSTEMS LIMITED ON 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 Samvardhana Motherson International Limited ("**Company**"), Motherson Sumi Systems Limited ("**MSSL**"), a new company which is in the process of being incorporated as the wholly owned subsidiary of MSSL ("**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*) and Merger Share Exchange Ratio (*as defined below*) ("**Valuation Reports**"); and
- (c) The fairness opinion, dated July 2, 2020, issued by Kotak Mahindra Capital Company Limited, a Securities and Exchange Board of India Registered (Category-I) Merchant Banker, respectively, providing the fairness opinion on the Merger Share Exchange Ratio recommended by the valuers ("**Fairness Opinion**").
- 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 DWH Undertaking (as defined in the Scheme) into the Resulting Company ("**Demerger**");
- (b) amalgamation of the Company with MSSL by absorption, subsequent to the completion of the Demerger referred to in (a);

2.1.2 As consideration for the amalgamation of the Company into and with MSSL, MSSL 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 2 (as defined in the Scheme), 51 equity share(s) of Re. 1 each of MSSL for every 10 equity share(s) of Rs. 10 each of the Company ("**Merger Share Exchange Ratio**").

2.1.3 Merger Share Exchange Ratio is based on the Valuation Reports. The Valuation Reports have been duly considered by the Board which has come to the conclusion that Merger Share Exchange Ratio is fair and reasonable.

2.1.4 The shares issued by MSSL to the shareholders of the Company, pursuant to the Scheme, will be listed on BSE Limited and the National Stock Exchange of India Limited.

2.1.5 Upon the amalgamation of the Company into and with MSSL, the Company shall stand dissolved without being wound-up, without any further act or deed and the name of the Company shall be struck off from the records of the Registrar of Companies.

2.1.6 Simultaneous with the amalgamation of the Company into and with MSSL, the shareholding of the Company in MSSL shall stand cancelled.

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

Under the Scheme, with effect from the Effective Date 2, the Company shall, without any requirement of a further act or deed, stand dissolved without being wound up. In the circumstances, the key managerial personnel and directors of the Company will cease to be the key managerial personnel and directors of the Company.

2.3 Effect of the Scheme on the Creditors:

Upon the amalgamation of the Company into and with MSSL coming into effect on the Effective Date 2, all debts, liabilities, contingent liabilities, present or future, duties and obligations, secured or unsecured, whether known or unknown, including contingent / potential tax liabilities of the Company shall, without any further act or deed, become the debts, liabilities, contingent liabilities, duties and obligations of MSSL.

Under the Scheme, there is no compromise or arrangement with the creditors of the Company. With effect from the Effective Date 2 and as provided in Part II of the Scheme, the creditors of the Company shall become the creditors of MSSL. The liability of the Company towards its creditors, under the Scheme, is neither being reduced nor being extinguished.



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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, Non-Convertible Debentures ("NCDs") issued by Company are listed on BSE Limited. The rights of the debenture-holders shall not be affected by the amalgamation of the Company into and with MSSL, pursuant to the Scheme. Consequent upon the amalgamation of the Company into and with MSSL, and subject to regulatory approval, if any, all the listed NCDs of the Company shall vest in MSSL on the same terms and conditions, as if it were the issuer of the NCDs. Subject to the requirements, if any, imposed by BSE Limited, and other terms and conditions agreed with BSE Limited, the NCDs which stand transferred to MSSL pursuant to the Scheme shall be listed and/ or admitted to trading on the BSE Limited, where the NCDs are currently listed.

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

Upon the amalgamation of the Company into and with MSSL coming into effect on the Effective Date 2, all employees of the Company shall be deemed to have become employees of MSSL, 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 Effective Date 2. The services of such employees with the Company up to the Effective Date 2 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 the employees of the Company 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 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.



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Certified true copy

For and on behalf of Samvardhana Motherson International Limited



A handwritten signature in blue ink is written over a circular blue stamp. The stamp contains the text "Samvardhana Motherson International Limited" around its perimeter. The signature is a cursive scribble that partially obscures the stamp.

Name: Sanjay Mehta
Designation: Director ✓

Note: The features / details set out above being only the salient features of the Scheme, the equity shareholders / creditors of the Company are requested to read the entire text of the Scheme to get themselves fully acquainted with the provisions thereof. Words and expressions used above and not defined but defined in the Scheme, shall have the same meanings respectively assigned to them in the Scheme.