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REPORT OF THE AUDIT COMMITTEE OF BPT LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN BIRLA PRECISION TECHNOLOGIES [BPTL] AND BIRLA ACCUCAST LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

Members Present:

1. Mr. Srinivasa Raghavan Dorai Rajan - Chairman
2. Mr. Vedant Birla – Member
3. Mrs. Raji Vishwanathan- Member

In Attendance:

1. Mr. Harish Pareek (CFO)
2. Mr. Parth Matolia (Company Secretary)

1. Background

Meeting of the Audit Committee of BPT Limited **("the Company" or "the Demerged Company")** was held on Monday 29th August, 2022 to consider and recommend the proposed Scheme of Arrangement ('Scheme') between BPT Limited **("the Demerged Company")** and Birla Accucast Private Limited **("the Resulting Company")** and their respective shareholders under Section 230 to 232 read with Section 52 and Section 66 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder.

The Equity shares of the Demerged Company are listed on BSE Limited ("BSE"). The Demerged Company will be filing the Scheme along with necessary information/documents with both the mentioned Stock Exchanges.

The Securities and Exchange Board of India vide its circular bearing reference No. CFD/DIL3/CIR/2017/21 dated 10th March 2017 **("SEBI Circular")**, & Master Circular on Scheme of Arrangement by Listed Entities SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 November 23, 2021 has, among other requirements, sought a report from the Audit Committee of the Listed Company recommending the draft Scheme after taking into consideration, inter alia, the Valuation Report. This report of the Audit Committee is made in order to comply with such requirement under the SEBI Circular.

The following documents were placed before the Audit Committee:

- Draft of the Scheme of Arrangement duly initialed by the Company Secretary of the Company for the purpose of identification;
- Valuation Report dated August 29 , 2022 prepared by Ms. Snehal Shah, Registered Valuer, Securities or Financial Assets, ("Valuers"); and
- Certificate obtained from the Statutory Auditors of the Company viz. M/s. Valawat & Associates, Chartered Accountants on the compliance of accounting treatment prescribed in the Scheme;

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2. **Proposed Scheme of Arrangement**

The Scheme, inter alia, provides for:

Transfer and vesting of Foundry Division from Birla Precision Technologies Limited , the Demerged Company to Birla Accucast Private Company, by way of Demerger.

The Audit Committee noted the rationale and the benefits of the Scheme, which inter-alia include the following:

(i) The proposed Demerger will create opportunities for pursuing independent growth and expansion strategies in the segregated businesses and effectively unlock value of each of the manufacturing units. The Demerger also represents an opportunity for the public shareholders to exploit the individual potential of both Companies.

(ii) The segregation will allow each of the Companies to create a strong and distinctive platform with more focused management teams, which will enable greater flexibility to pursue long-term objectives and independent business strategies. The structure will streamline management and provide diversity in decisions regarding the use of respective cash flows for dividends, in capital expenditure or other reinvestment in their respective business, and in being able to explore varied investment opportunities and attract various investors and strategic partners.

(iii) The business units of the Demerged Company are independent, self-sufficient in raw material, and standalone integrated, and would continue to function with efficiency, efficacy and synergies after the Demerger, and transition will be largely seamless.

(iv) The Demerger at this juncture will also create a framework for succession planning including long term leadership of each Company with a view to ensure that the management and ownership model of the Demerged Company is not hindered by fragmentation of ownership and dispersed leadership over time as the promoter manager families move closer to a generational shift, which may be detrimental to the Demerged Company, business and stakeholders. Instead, following the Demerger, the management of each Company and ownership of the promoter-managers in each Company will remain consolidated with in a family group and will be lean and agile. This will also ensure long term stability including through continued maintenance of goodwill and harmony and allow for succession planning in an orderly and strategic manner without any business disruption.

(v) Pursuant to Demerger, the wholly owned subsidiary (i.e. BAPL/ Resulting Company) will be converted into a public company. The shareholding of public shareholders following the Demerger will remain the same in both Companies and shareholder value, across Companies, will be preserved and remain unchanged.

BIRLA PRECISION TECHNOLOGIES LIMITED

Birla Precision Technologies Limited
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Tel. No. +91 22-23825060
E-mail : info@birlaprecision.com Website :www.birlaprecision.com
An ISO 9001:2015 & ISO 14001:2004 Company CIN: L29220MH1986PLC041214

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BPT Limited will remain a publicly listed company that will focus exclusively on tool & tool holder businesses while BAPL will be an unlisted company that will focus on the Foundry business which would provide fresh impetus to both BPT Limited and BAPL to pursue their individual growth strategies and improve competitiveness in their respective market segments. Further, the Birla brand will be jointly owned by both the companies. The Demerger also represents an opportunity for the public shareholders to exploit the individual potential of both Companies. The arrangement would also be beneficial for the investors/ shareholders.

3. The Audit Committee reviewed the Valuation Report and noted the recommendations made therein. Further confirmed that the Share Entitlement Ratio in the Valuation Report is fair to the shareholders of the Company.

4. Further, M/s. Valawat & Associates, Chartered Accountants, Statutory Auditors of the Company have confirmed that the accounting treatment as specified in the Scheme are in accordance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013.

5. **Recommendation of the Audit Committee**

   The Audit Committee after taking into consideration the draft Scheme & its rationale and benefits, the Valuation Report and other documents, recommends the same to the Board of Directors of the Company, the BSE and SEBI for favorable consideration.

By order of the Audit Committee

For and on Behalf of
BIRLA PRECISION TECHNOLOGIES LIMITED

Mr. Srinivasa Raghavan Dorai Rajan

Chairman, Audit Committee

Place: Mumbai

Date: 29/08/2022

Birla Precision Technologies Limited
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