

Report of the Audit Committee (“Committee”) of Bajaj Electricals Limited on the Scheme of Merger by Absorption of Starlite Lighting Limited with Bajaj Electricals Limited

This Report of the Audit Committee is considered and approved by the Committee in its meeting held on May 25, 2021.

Members Present:

Mr. Shailesh Haribhakti : Chairman of the Audit Committee
 Dr. (Mrs.) Indu Shahani : Member
 Dr. Rajendra Prasad Singh : Member
 Mr. Siddharth Mehta : Member

Convener:

Mr. Ajay Nagle : EVP and Head – Legal & Company Secretary

1. Background:

- 1.1 A meeting of the Audit Committee of Bajaj Electricals Limited (“**Transferee Company**”) was held on May 25, 2021 to consider and recommend to the Board of Directors the proposed Scheme of Merger by Absorption of Starlite Lighting Limited (“**Transferor Company**”) with the Transferee Company and their respective shareholders under Sections 230 to 232 of the Companies Act, 2013 (“**Act**”) (hereinafter referred to as the “**Scheme**” / “**Merger**”).
- 1.2 The equity shares of the Transferee Company are listed on the BSE Limited (“**BSE**”) and the National Stock Exchange of India Limited (“**NSE**”, and together with BSE, the “**Stock Exchanges**”). The Transferee Company will be filing the Scheme along with necessary documents with the Stock Exchanges for their no objection or observation letter pursuant to Regulation 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“**SEBI Listing Regulations**”) and applicable statutory provisions.
- 1.3 This Report of Audit Committee is made in order to comply with the requirements of the SEBI circular dated March 10, 2017 and November 3, 2020 (“**SEBI Circulars**”) after considering the following:
- Draft Scheme duly initialed by Company Secretary of the Transferee Company for the purpose of identification;
 - Valuation Report dated May 24, 2021 issued by Messrs R V Shah & Associates, Chartered Accountants and registered valuer (“**Valuation Report**”);



- c) Fairness Opinion dated May 25, 2021 issued by Messrs Navigant Corporate Advisors Limited, SEBI registered merchant banker ("**Fairness Opinion**");
- d) Financial statements of the Transferor Company and Transferee Company for the year ended March 31, 2021, March 31, 2020 and March 31, 2019;
- e) Certificate dated May 25, 2021 issued by the Statutory Auditors of the Transferee Company, to the effect that the Scheme is in compliance with applicable Accounting Standards specified in Section 133 of the Act ("**Statutory Auditors Certificate**"); and
- f) Other relevant documents relating to the Merger.

2. Proposed Scheme and review:

2.1 The salient features of the Scheme are as under:

- a) Merger of the Transferor Company with the Transferee Company, transfer of Undertaking (as defined in the Scheme) of the Transferor Company into the Transferee Company, and issue of equity shares by Transferee Company to the shareholders of Transferor Company (except to the Transferee Company itself).
- b) Rationale and purpose of the Scheme are as described in detail in the Scheme.

2.2 Upon the Scheme becoming effective, in consideration of the Merger, and based on the Valuation Report and Fairness Opinion, the equity shares of the Transferee Company will be issued and allotted to the shareholders of the Transferor Company (except to the Transferee Company itself) in the following ratio (the "**Share Exchange Ratio**"):

"The Transferee Company shall without any further act or deed, issue and allot 1 (one) equity share of face value of Rs. 2 (Rupees Two Only) each of the Transferee Company to each of the Eligible Members."

The equity shares of the Transferor Company shall be cancelled and extinguished.

2.3 Pursuant to the Scheme, the Transferee Company shall account for the Merger as per the applicable accounting principles prescribed under Indian Accounting Standards (IndAS).

2.4 Further, the Fairness Opinion confirmed that the Share Exchange Ratio as mentioned in the Valuation Report is fair to the Transferee Company, and their respective shareholders.




- 2.5 The Scheme is proposed to be effective from the Appointed Date (as defined in the Scheme) and operative from the Effective Date (as defined in the Scheme).
- 2.6 The equity shares of the Transferee Company to be issued to the shareholders of the Transferor Company (except to the Transferee Company itself) pursuant to the Scheme shall be listed on the Stock Exchanges.

3. Comment by the Audit Committee on the Scheme:

The Audit Committee reviewed and provided the following comments on the Scheme.

3.1 Need for the Merger

The Transferor Company is the subsidiary of the Transferee Company. In addition to the rationale and purpose of the Scheme, as described in detail in the Scheme, the Merger will help achieving economies of scale and will lead to a more efficient utilization of capital, great business synergy, superior deployment of brand promotion, sales and distribution strategies and create a consolidated and diversified base for future growth.

3.2 Rationale of the Scheme

The Audit committee is of the view that the rationale and purpose of Merger as mentioned in the Scheme is justifying the basis for the Merger.

3.3 Synergies of business of the entities involved in the Scheme

In views of the Audit Committee, both the entities are in a similar line of business thus there will be synergies of business. The Merger will lead to a more efficient utilization of capital, greater business synergies, superior deployment of brand promotion, sales and distribution strategies and create a consolidated and diversified base for future growth.

3.4 Impact of the Scheme on the listed entity and its shareholders / Impact of the Scheme on the Shareholders

The Scheme will result in economies of scale and consolidation of opportunities will contribute to make the Transferee Company more profitable and accordingly further enhance the overall shareholder value.




3.5 Cost benefit analysis of the Scheme

Keeping in view the rationale and purpose of Merger as mentioned in the Scheme, the Audit Committee is of the view that post-Merger, there would be synergies of business, cost reduction, increase efficiencies, productivity gains and logistical advantages, thereby contributing to future growth and enhancement of shareholder value.

4. Recommendations of the Audit Committee:

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme, Share Exchange Ratio, Valuation Report, Fairness Opinion, Statutory Auditors Certificate, financial statements and the specific points mentioned above, recommends the draft Scheme for favorable consideration to the Board of Directors of Transferee Company, the Stock Exchanges and Securities Exchange Board of India and other appropriate authorities.

This Report of the Audit Committee is made after considering the necessary documents and the same shall be treated as compliance under the applicable provisions of the SEBI Listing Regulations, SEBI Circulars and other applicable provisions, if any. The Committee is entitled to make relevant modifications to this Report, if required, and such modifications or amendments shall be deemed to form part of this Report.

For Audit Committee of
Bajaj Electricals Limited




Shailesh Haribhakti
Chairman of the Audit Committee
DIN: 00007347
Mumbai, May 25, 2021