

REPORT OF THE AUDIT COMMITTEE OF JK TYRE & INDUSTRIES LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF CAVENDISH INDUSTRIES LIMITED WITH JK TYRE & INDUSTRIES LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AT ITS MEETING HELD ON MONDAY, SEPTEMBER 16, 2024 AT 11.0 A.M.

The following Audit Committee Members were present:

1. Shri. Shreekant Somany, Chairman of the Committee
2. Shri. Kalpataru Tripathy
3. Shri. Arun K. Bajoria

By invitation:

1. Shri. Anuj Kathuria, President (India)
2. Shri. AK Kinra, Financial Advisor
3. Shri. Sanjeev Aggarwal, Chief Financial Officer
4. Shri. Sanjiv Saxena, Sr. Vice President (Corp. Accounts)
5. Shri. Deepak Nawal, Sr. VP, ICICI Securities Limited
6. Shri. Mehul Shah, Partner, M/s Khaitan & Co.
7. Shri. Neeraj Garg, Partner, PwC Business Consulting Services LLP
8. Shri. Rajan Wadhawan, Price Waterhouse & Co. LLP
9. Shri. Harsh Biyani, Price Waterhouse & Co. LLP

In attendance:

1. Shri. Pawan Kumar Rustagi, Vice President (Legal) & Company Secretary / Compliance Officer
2. Shri Kamal K. Manik, Joint Company Secretary

1. Background

- 1.1. A meeting of the Audit Committee of JK Tyre & Industries Limited was held on September 16, 2024, to *inter alia*, consider and recommend the draft Scheme of Amalgamation of Cavendish Industries Limited ("**Transferor Company**") with JK Tyre & Industries Limited ("**Company**" or "**Transferee Company**") and their respective shareholders under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") ("**Scheme**").
- 1.2. The Company is incorporated under the provisions of the Indian Companies Act, 1913 and a company within the meaning of the provisions of the Act. The equity shares of the Company are listed on BSE Limited and the National Stock Exchange of India Limited.



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- 1.3. The Transferor Company is incorporated under the provisions of the Act. The Transferor Company is a subsidiary of the Company.
- 1.4. This report of Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India ("SEBI") (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("SEBI Master Circular") including amendments thereto.
- 1.5. The following documents, duly initialed by the Chairman of the Company for the purpose of identification, were placed before the Audit Committee:
 - (a) Draft Scheme;
 - (b) Share Exchange Ratio Report dated September 16, 2024 issued by M/s. PwC Business Consulting Services LLP (IBBI Registration No. IBBI/RV-E/02/2022/158) Registered Valuer ("Share Exchange Ratio Report"), describing the methodology adopted by them in arriving at the share exchange ratio in connection with the Scheme;
 - (c) Fairness Opinion dated September 16, 2024 issued by ICICI Securities Limited, an Independent SEBI registered Merchant Banker ("Fairness Opinion"), providing an opinion on the fairness of share exchange ratio specified in the Share Exchange Ratio Report; and
 - (d) Certificate dated September 16, 2024 issued by M/s. S. S. Kothari Mehta & Co. LLP, Chartered Accountants (ICAI Firm Registration No. 000765N/N500441), the Statutory Auditors of the Company, confirming the accounting treatment stated in the Scheme is in compliance with the accounting standards prescribed under Section 133 of the Act and other generally accepted accounting principles.

2. Proposed Scheme of Amalgamation

2.1. Need for the Amalgamation and Rationale of the Scheme

The Audit Committee of the Company noted the rationale and the benefits of the Scheme which, inter-alia, are as follows:

1. The Transferor Company and the Transferee Company, both, are engaged in the similar line of business. Taking into consideration the similar line of business and growth prospects available, it is proposed to undertake the amalgamation. This amalgamation will inter alia result in all the businesses being housed in one listed company with the following benefits:
 - (a) economies of scale, operational synergies & efficiencies at multiple levels of business operations;
 - (b) optimisation in administrative, managerial and other overheads;

- (c) reduction in interest cost;
 - (d) pooling of resources for faster growth;
 - (e) ease of doing business;
 - (f) comprehensive products offering, availability of combined sales and distribution network;
 - (g) improved customer satisfaction;
 - (h) significant reduction in multiplicity of legal and regulatory compliances; and
 - (i) improved investor perception and enhanced shareholders' value.
2. The Scheme is in the interest of the Transferor Company and the Transferee Company and their respective stakeholders.

2.2. Synergies of business of the Companies involved in the Scheme

The background and information about the Transferor Company and the Company are, *inter-alia*, as under:

- (a) The Transferor Company is inter alia engaged in developing, manufacturing, marketing and distributing automotive tyres, tubes & flaps;
 - (b) The Company is inter alia engaged in developing, manufacturing, marketing and distributing automotive tyres, tubes, flaps and retreads;
 - (c) Taking into consideration the similar line of business and growth prospects available, it is proposed to undertake the merger; and
 - (d) Further, the benefits arising out of the proposed Scheme are stated in paragraph 2.1 above.
- 2.3. Impact of the Scheme on the Company and its shareholders

- (a) In consideration of the amalgamation of the Transferor Company with the Company, the Company shall, issue and allot, on a proportionate basis to each shareholder of the Transferor Company, whose name is recorded in the register of members as member of the Transferor Company as on the Record Date (*as defined in the Scheme*). Further, no equity shares shall be issued by the Company in respect of the shares, if any, held by the Company and/or its subsidiary(s) in the Transferor Company, and all such shares shall stand cancelled upon the Scheme becoming effective;
- (b) The rights and interests of the shareholders of the Company will not be prejudicially affected by the Scheme;
- (c) Upon the Scheme becoming effective, the Transferor Company shall be dissolved without being wound up and the shareholders of the Transferor Company shall become shareholders of the Company;



- (d) Upon the effectiveness of the Scheme and subject to receipt of regulatory approvals, the equity shares of the Company issued as consideration pursuant to the Scheme, shall be listed on BSE Limited and the National Stock Exchange of India Limited;
- (e) The Scheme is expected to be beneficial to the shareholders of the Company leading to opportunity for growth and value creation in the long run and maximizing the value and returns to the shareholders, achieving cost and operational efficiencies; and
- (f) The Scheme will result in benefits and/or synergies to the Company as listed in paragraph 2.1 and 2.2 of this report.

2.4. Cost benefit analysis of the Scheme

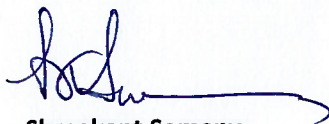
The Scheme is expected to provide an opportunity to improve the economic value for the companies involved in the Scheme and their stakeholders, in view of the consolidation of the businesses. This is primarily on account of various cost and operational synergies which are expected to accrue to the Company on account of the Scheme and more particularly detailed out in paragraph 2.1 and 2.2 above. While the Scheme would lead to incurring some costs towards its implementation, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company.

3. **Recommendation of the Audit Committee**

The Audit Committee after due deliberations and detailed discussions, and *inter alia* taking into consideration the draft Scheme, Share Exchange Ratio Report, Fairness Opinion and draft certificate of the Statutory Auditors of the Company, have noted the need and rationale of the Scheme, synergies of the business of the companies, impact of the Scheme on the Company and its shareholders, cost benefit analysis of the Scheme and other documents placed before the Audit Committee. Based on the foregoing, the Audit Committee is of the view that the Scheme is in the interest of the Company and all the stakeholders, and hereby recommends the Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee

For and on Behalf of
JK Tyre & Industries Limited



Shreekant Somany
Chairman
Audit Committee



Place: New Delhi
Date: 16th September 2024

