JSW Cement Limited

JSW Centre
Opp. MMRDA Ground,
Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051.
Tel : +91-22-4286 1000 Fax : 26502001
Website : www.jswcement.in
CIN :- L26957MH2006PLC160839

REPORT OF THE AUDIT COMMITTEE OF JSW CEMENT LIMITED ('THE COMPANY') RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN SHIVA CEMENT LIMITED ('THE TRANSFEROR COMPANY') AND JSW CEMENT LIMITED ('THE TRANSFEREE COMPANY') AND THEIR RESPECTIVE SHAREHOLDERS AT ITS MEETING HELD ON SEPTEMBER 29, 2026 THROUGH VIDEO CONFERENCING

The following Audit Committee Members were present:

1.	Mr. Aashish Kamat	-	Chairman – through VC from Mumbai
2.	Mr. Pankaj Kulkarni	-	Member - through VC from Mumbai
3.	Mr. Akshaykumar Chudasama	-	Member - through VC from London
4.	Mr. Sumit Banerjee	-	Member - through VC from Mumbai

Leave of Absence:

All members were present for the meeting.

1. Background

1.1. A meeting of the Audit Committee of JSW Cement Limited ("**Company**") was held on September 29, 2026, to *inter alia*, consider and recommend the proposed Scheme of Arrangement between Shiva Cement Limited ("**Transferor Company**") and JSW Cement Limited **('Transferee Company')** and their respective shareholders under Sections 230 to 232 read with Section 52 and Section 66 and other applicable provisions of the Companies Act, 2013 ("**Act**") read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, and the relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and Securities and Exchange Board of India **("SEBI'),** SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 **("SEBI Circular")** ("**Scheme**").

1.2. The Scheme provides for the amalgamation of the Transferor Company with the Company, reorganization of reserves of the Transferor Company and the Transferee Company and various other matters consequent and incidental thereto.

1.3. The Transferor Company is incorporated under the provisions of the Companies Act, 1956. The equity shares of the Transferor Company are listed on BSE Limited.

1.4. The Company is incorporated under the provisions of the Companies Act, 1956. The equity shares of the Company are listed on BSE Limited and National Stock Exchange of India Limited (collectively referred to as "**Stock Exchanges**").

1.5. As of March 31, 2026, the Transferor Company has accumulated book losses of ~Rs. 559.18 crores. These losses are primarily attributable to historical operational deficits, including disruptions caused by the COVID-19 pandemic and the constraints of legacy manufacturing infrastructure. Following the successful commissioning of the new

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facility in FY23, the Transferor Company has, in recent years, achieved operational profitability at EBITDA level; however, considerable finance costs and depreciation continue to weigh on the bottom line, resulting in a negative profit after tax.

1.6. As per the SEBI Circular, the Audit Committee is required to adopt a report recommending the Scheme, taking into consideration *inter alia*, the Valuation Report, and commenting on the need for the arrangement, rationale of the Scheme, cost benefit analysis of the Scheme, impact of the Scheme on the shareholders and synergies of the business of the entities involved in the Scheme. This report of the Audit Committee is made in order to comply with the requirements of the SEBI Circular, including amendments thereto.

1.7. The following documents were, inter alia, placed before the Audit Committee of the Company for the purpose of identification:

(a) Draft Scheme;

(b) Joint Valuation Report *(defined hereinafter)* dated September 29, 2026 issued by M/s. PwC Business Consulting Services LLP (IBBI Registration No. IBBI/RV-E/02/2022/158) and M/s. BDO Valuation Advisory LLP (IBBI Registration No. IBBI/RV-E/02/2019/103), (collectively "Registered Valuers") ("Valuation Report")

(c) Fairness Opinion dated September 29, 2026 issued by SBI Capital Markets Limited (SEBI Registration No. INM000003531), Independent SEBI registered Merchant Banker ("**Merchant Banker**") ("**Fairness Opinion**") on the fairness of the share exchange ratio determined under the Valuation Report in connection with the proposed Scheme; and

(d) Draft Certificate issued by M/s Deloitte Haskins & Sells LLP, Chartered Accountants, (ICAI Firm Registration No. 117366W/W- 100018), 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 accounting principles generally accepted in India.

2. Salient Features of the Scheme

2.1. The Audit Committee noted the brief particulars of the Scheme as under:

2.1.1 The Appointed Date of the Scheme means 1 April 2026 or such other date as may be approved by the National Company Law Tribunal or such other Governmental Authority. The Effective Date of the Scheme means the day on which all conditions precedent set forth in Clause 25 (Conditionality of the Scheme) of the Scheme are fulfilled.

2.1.2 Consideration proposed to be discharged pursuant to the Scheme:

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(a) Upon coming into effect of the Scheme and with effect from the Appointed Date, and in consideration of the transfer and vesting of the Undertaking of the Transferor Company in the Transferee Company pursuant to the Scheme, the Transferee Company shall, without any further application, act or deed, issue and allot to the equity shareholder(s) of the Transferor Company (except the Transferee Company) whose names are recorded in the register of members as a member of the Transferor Company on the Record Date 5 (Five) Equity Shares of the face value of INR 10 (Indian Rupees Ten only) each fully paid-up, for every *41 (Forty-One)* equity shares of the face value of INR 2 (Indian Rupees Two only) each fully paid-up held by such member in the Transferor Company ("Share Exchange Ratio"), on the basis of the Valuation Report. The Equity Shares to be issued by the Transferee Company to the shareholders of Transferor Company in accordance with this Clause shall be hereinafter referred to as "New Equity Shares". Further, the Equity Shares held by the Transferee Company in the Transferor Company shall stand cancelled and extinguished and no Equity Shares of the Transferee Company shall be allotted in lieu or in exchange of the same.

(b) The New Equity Shares in the Transferee Company to be issued to the equity shareholders of the Transferor Company pursuant to Clause 8.1, shall rank pari-passu in all respects with the existing Equity Shares of the Transferee Company, including with respect to dividend, bonus, voting rights and other corporate benefits attached to the equity shares of the Transferee Company.

(c) Further, as the entire issued, subscribed and paid-up 1% optionally convertible cumulative redeemable preference shares capital of the Transferor Company is held by the Transferee Company, no shares of the Transferee Company shall be allotted towards discharge of consideration or in lieu or exchange of the 1% optionally convertible cumulative redeemable preference shareholding in the Transferor Company. Upon the coming into effect of this Scheme, the share certificates, if any, and/or the shares in electronic form representing the 1% optionally convertible cumulative redeemable preference shares in the Transferor Company shall be deemed to be cancelled without any further act or deed for cancellation thereof and shall cease to be in existence accordingly.

2.1.3 Upon the Scheme becoming effective, the Transferor Company shall stand dissolved without being wound up;

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2.1.4 Upon the Scheme coming into effect and with effect from the Appointed Date, the Company shall account for the amalgamation of the Transferor Company in accordance with accounting as laid down in Appendix C of the Indian Accounting Standard ("Ind AS") 103 ("Business Combinations of entities under common control") notified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India.

2.1.5 Pursuant to the Scheme becoming effective, the opening debit balance of the Retained Earnings appearing in the books of accounts of the Transferor Company as on the Appointed Date, representing accumulated losses of the Transferor Company shall be adjusted against the opening credit balance of Securities Premium Account of the Transferor Company as on the Appointed Date, to the extent of balance available in the said Securities Premium Account.

2.1.6 Pursuant to the Scheme becoming effective and with effect from the Appointed Date, the Amalgamation Adjustment Deficit Account arising on account of Amalgamation in the books of Transferee Company shall be adjusted against the credit balance of Securities Premium Account of the Transferee Company.

3. Proposed Scheme

3.1. Need for the Arrangement and Rationale of the Scheme

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

"Part II of the Scheme, which deals with adjustment of accumulated debit balance in the Retained Earnings with the Securities Premium Account of the Transferor Company, is expected, inter-alia, to yield benefits as below:

- The reorganization of reserves shall result in the right sizing of the financial statement of the Transferor Company which will reflect its true and fair financial position.

Part III of the Scheme, which deals with the amalgamation of Transferor Company into the Transferee Company, is expected, inter-alia, to yield benefits as below:

- *Synergies in business:* The Parties are engaged in similar and/ or complementary businesses and their proposed amalgamation pursuant to this

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Scheme will create synergies between their businesses, including by pooling of their financial, managerial, technical, distribution, marketing and other resources. The proposed amalgamation is expected to, inter-alia, result in reduction in costs, better alignment, coordination and streamlining of day-to-day operations of the units.

- *Optimization of raw material procurement:* The Transferor Company is engaged in clinker manufacturing, which is a key raw material in manufacturing of cement. Transferor Company has a clinker manufacturing facility at Sundargarh, Odisha, having a capacity of 1.32 mtpa. The proposed amalgamation will result in backward integration of clinker manufacturing with the Transferee Company's cement manufacturing business. The internal availability of clinker is expected to reduce dependence on external procurement, improve supply-chain efficiency, and result in cost savings by avoiding third-party purchases and associated mark-ups.

- *Financial Synergies:* The proposed amalgamation will lead to greater ability of the consolidated entity to access and raise funds within a single entity on more favorable terms, leading to elimination of inter company guarantees and facilitate more efficient funding arrangements.

- *Enhancing Shareholder Value:* The proposed amalgamation will enhance the economic value for the shareholders of the Transferor Company and the Transferee Company. It will result in deriving benefits for future capacity expansion and efficiency improvement measures marked by enhanced synergies and operational effectiveness. The public shareholders of the Transferor Company would become shareholders in the Transferee Company, which has an higher traded equity share base, greater market liquidity, and a diversified institutional investor base, thereby providing shareholders with enhanced liquidity, broader market participation, and improved opportunities for value realization. Shareholders in the Transferee Company get direct access to the economics of the Transferor Company. .

- *Simplified structure and management efficiency:* The proposed amalgamation will result in a simplification of the existing corporate structure and eliminate administrative functions and duplications, reducing regulatory and legal compliances of two listed entities, eliminating multiple record keeping and reducing time and efforts for consolidation of financials at the group level, consequently reducing the administrative costs of maintaining separate companies, while reducing the multiple legal and regulatory compliances.

- *Unified Cement Platform:* Creating a consolidated cement platform supports Transferee Company's strategy, enabling category leadership, increased competitiveness, enhanced market share and efficient resource utilization.

Part IV of the Scheme, which deals with adjustment of the Amalgamation Adjustment Deficit Account created pursuant to the amalgamation with the Securities Premium Account of the Transferee Company, is expected, inter-alia, to

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yield benefits as below:

- Post Amalgamation, the reorganization of reserves shall result in the right sizing of the financial statement of the Transferee Company which will reflect its true and fair financial position post amalgamation.

The Scheme is in the best interest of the Transferor Company and the Transferee Company and fair and reasonable to the shareholders, employees, creditors and other stakeholders of each of the Parties."

3.2. Synergies of business of the companies involved in the Scheme

3.2.1 The Transferor Company is a public limited company which is engaged in the business of manufacture and sale of cement, clinker and trading of allied products. The Transferor Company has installed clinker production capacity of 1.32 million metric ton per annum (mtpa) in Odisha. Further, the Transferor Company operates 1 mtpa grinding unit set up vide an exclusive commercial arrangement with Bhushan Power & Steel Limited in Sambalpur, Odisha. The clinker manufactured by Transferor Company is partly used for captive production of Transferor Company's cement grinding and partly for grinding units of Transferee Company located in East. The Transferee Company holds 19,53,81,478 equity shares of the Transferor Company, amounting to approx. 66.23% equity share capital of Transferor Company. Furthermore, the Transferee Company holds 100% of the total issued, subscribed and paid-up 1% Optionally Convertible Cumulative Redeemable Preference share capital of the Transferor Company. Accordingly, the Transferor Company is a subsidiary of the Transferee Company. Equity Shares of the Transferor Company are listed on BSE Limited.

3.2.2 The Transferee Company is a public limited company engaged in the business of manufacture and sale of cement, ground granulated blast furnace slag and clinker and trading of allied products. The Transferee Company has, on a standalone basis, installed grinding capacity of 23.10 mtpa spread across south (11.00 mtpa), west (4.50 mtpa), north (2.50 mtpa) and east (5.10 mtpa); and on a consolidated basis, installed grinding capacity of 24.10 mtpa. Equity Shares of the Transferee Company are listed on Stock Exchanges (as defined hereinafter).

3.2.3 As detailed above in paragraph 3.1 regarding the need and rationale for the Scheme, it is observed that the companies are engaged in similar and / or complementary businesses and the proposed amalgamation pursuant to the Scheme will create synergies between their businesses, including by pooling of their financial, managerial, technical, distribution, marketing and other resources. The proposed amalgamation is expected to, inter alia, result in reduction of costs, better alignment, coordination and streamlining of day-to-day operations.

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3.3. Impact of the Scheme on the Company and its shareholders

3.3.1 Upon the Scheme becoming effective, the Company will issue and allot 5 (Five) fully paid up Equity Share(s) of INR 10 (Indian Rupees Ten) each of the Company to the equity shareholders of the Transferor Company as on the record date for every 41 (Forty-One) fully paid up Equity Share(s) of INR 2 (Indian Rupees Two) each held by such equity shareholder of the Transferor Company.

3.3.2 The rights and interests of the shareholders of the Company will not be prejudicially affected by the Scheme. Based on Valuation Report and Fairness Opinion, the share exchange ratio is considered fair and reasonable.

3.3.3 The reorganization of reserves of the Transferor Company in the manner contemplated in the Scheme would not have any impact on the shareholding pattern of the Transferor Company nor would it have any adverse impact on the shareholders, creditors or employees of the Transferor Company.

3.3.4 The reorganization of reserves of the Transferee Company in the manner contemplated in the Scheme would not have any impact on the shareholding pattern of the Transferee Company nor would it have any adverse impact on the shareholders, creditors or employees of the Transferee Company.

3.4. 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 costs and operational synergies which are expected to accrue to the Company on account of the Scheme and more particularly detailed out in Paragraph 3.1 and 3.2 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.

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4. Recommendation of the Audit Committee

The Audit Committee of the Company, after due deliberations and due consideration of Valuation Report, Fairness Opinion, draft certificate issued by Statutory Auditor of the Company, all the terms of the Scheme, and other documents placed before the Committee, in particular the fact that the Scheme is not detrimental to the interests of the shareholders of the Company, recommends the Scheme for approval of the Board of Directors of the Company.

By Order of the Audit Committee
For and on Behalf of JSW Cement Limited

Aashish Kamat
Chairman of the Audit Committee
DIN: **06371682**

Place: Mumbai
Date: September 29, 2026

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