

REPORT OF THE AUDIT COMMITTEE OF HIMADRI SPECIALITY CHEMICAL LTD RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN DALMIA BHARAT REFRACTORIES LIMITED AND HIMADRI SPECIALITY CHEMICAL LTD AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS ("SCHEME"), ADOPTED AT ITS MEETING HELD ON MONDAY 21 SEPTEMBER 2026.

Members present:

Sr No.	Name of Committee Members	Designation	Category of Member
1.	Mr. Girish Paman Vanvari	Independent Director	Chairman
2.	Mr. Gopal Ajay Malpani	Independent Director	Member
3.	Mr. Amitabh Srivastava	Independent Director	Member
	In attendance		
1.	Ms. Monika Saraswat	Company Secretary & Compliance Officer	
2.	Mr. Kamlesh Kumar Agarwal	Chief Financial Officer	

1. Background

- 1.1. A meeting of the Audit Committee of Himadri Speciality Chemical Ltd ("**Company**") was held on 21 September 2026, *inter alia*, to consider and recommend to the Board of Directors ("**Board**") of the Company the draft Scheme of Arrangement between Dalmia Bharat Refractories Limited ("**DBRL**" or "**Demerged Company**") and Himadri Speciality Chemical Ltd ("**HSCL**" or "**Resulting Company**" or "**Company**"), (collectively referred to as "**Companies**") and their respective shareholders and creditors pursuant to Section 230 to 232 read with other applicable provisions of the Companies Act, 2013 ("**Act**") and the rules framed thereunder ("**Scheme**") for demerger of the Tyre Business of Demerged Company ("**Demerged Undertaking**") into Resulting Company.



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- 1.2. The Resulting Company is a listed public limited company incorporated under the provisions of Companies Act, 1956 and is a company within the meaning of the Act. The equity shares of the Company are listed on BSE Limited (“BSE”) and the National Stock Exchange of India Limited (“NSE”). The Commercial papers of the Company are listed on BSE.
- 1.3. The Demerged Company is a listed public limited company incorporated under the provisions of the Companies Act, 1956 and is a company within the meaning of the Act. The equity shares of the Demerged Company are listed on Metropolitan Stock Exchange of India Limited (“MSEI”) and The Calcutta Stock Exchange Limited (“CSE”).
- 1.4. This report of the Audit Committee has been made in compliance with the requirements of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 on Scheme of Arrangement, as amended from time to time (“SEBI Scheme Circular”) pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires a report from the Audit Committee to recommend the draft Scheme, taking into consideration, inter alia, a) the valuation report, (b) need for the demerger; (c) rationale of the Scheme, (d) synergies of business of the entities involved in the Scheme, (e) the impact of the Scheme on the shareholders, and (e) cost benefit analysis of the Scheme.

2. Documents placed before the Audit Committee

While deliberating the Scheme, the Committee considered and took on record the following documents:

- i. The Draft Scheme;
- ii. Joint valuation report dated 20 September 2026 issued by SSPA & Co, Chartered Accountants, (Registration No. IBBI/RV-E/06/2020/126), and Manish Gadia, (Registration No. IBBI/RV/06/2019/11646), independent registered valuers registered with the Insolvency and Bankruptcy Board of India, recommending the Share Entitlement Ratio (*as defined in the Scheme*) in relation to the draft Scheme (“**Valuation Report**”);
- iii. Fairness Opinion dated 20 September 2026 issued by Jajodia Equity Advisors Services Limited, a Category-I Merchant Banker, (Registration No. INM000013448) (“**Fairness Opinion**”), providing its opinion on the fairness of the Share Entitlement Ratio as recommended in the Valuation Report;



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- iv. The draft certificate from M/s. Singhi & Co., Chartered Accountants (Firm Registration No.: 302049E), the statutory auditors of the Company, pursuant to Section 232(3) of the Act and Paragraph A(5) of Part I of the SEBI Scheme Circular, certifying that the proposed accounting treatment contained in the draft Scheme is in conformity with the accounting standards prescribed under Section 133 of the Act read with applicable rules and the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS"), and other generally accepted accounting principles ("**Accounting Treatment Certificate**");
- v. Undertaking by the Company confirming non-applicability of the conditions specified in Paragraph A (10)(b) read with Paragraph A (10)(a) of Part I of SEBI Scheme Circular along with the draft Certificate from the Statutory Auditor of the Company, certifying the said undertaking under Paragraph A (10)(c) of Part I of SEBI Scheme Circular .
- vi. Other reports, documents and information made to/ furnished before the Audit Committee pertaining to the draft Scheme.

3. Salient Features of the Scheme

The Committee considered and noted the following salient features in relation to the draft Scheme –

- i. The draft Scheme is presented *inter-alia* under Sections 230 to 232 of the Act, SEBI Scheme Circular, and such other regulations as applicable from time to time.
- ii. The draft Scheme provides for the Demerger (*as defined in the Scheme*) by way of transfer and vesting of the Demerged Undertaking (*as defined in the Scheme*) from the Demerged Company to the Resulting Company as a going concern, on an as is where is basis, and the consequent issuance of Resulting Company New Shares (*as defined in the Scheme*) by the Resulting Company to the eligible shareholders of the Demerged Company in accordance with the Share Entitlement Ratio (*as defined in the Scheme*) in the manner set forth in the Scheme;
- iii. The Appointed Date for the proposed Scheme shall mean 1 October 2026 or such other date as the Hon'ble NCLT or such other Appropriate Authority (*as defined in the Scheme*) may decide/ approve, being the date with effect from which the Scheme shall become effective and / or be deemed to have become effective as stated in the Scheme.

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- iv. The Effective Date for the proposed Scheme shall mean the date or last of the dates on which all the conditions and matters referred to in Clause 16 (*as set out in the Scheme*) have occurred or have been fulfilled, obtained or waived (if and to the extent possible), as applicable in accordance with the Scheme.
- v. Upon effectiveness of the Scheme, in consideration of the transfer and vesting of the Demerged Undertaking to the Resulting Company in terms of the Scheme, the Resulting Company shall without any further act, issue and allot the Resulting Company New Shares (*as defined in the Scheme*) to the eligible shareholders of the Demerged Company in the following ratio:
- 1 (One) fully paid-up equity share of face value of INR 1 (one) each of the Resulting Company shall be issued and allotted for every 260 (Two Hundred Sixty) fully paid-up equity shares of face value of INR 10 (ten) each held in the Demerged Company ("Share Entitlement Ratio").*
- vi. The Resulting Company New Shares (*as defined in the Scheme*) to be issued by the Resulting Company to the eligible shareholders of the Demerged Company, holding fully paid-up equity shares in the Demerged Company and whose names appear in the register of members or register of beneficial owners as on record date, as consideration under the Scheme, shall be listed and/or admitted to trading on BSE and NSE subject to the Resulting Company obtaining the requisite approvals from all the relevant authorities for the same. The Resulting Company New Shares shall be issued and allotted subject to the provisions of the memorandum of association and articles of association of the Resulting Company, as the case may be, and shall rank pari passu in all respects with any existing equity shares of the Resulting Company.
- vii. Upon effectiveness of the Scheme all assets, liabilities, contracts, employees, brands, trademarks, approvals, licences, permits, approvals and properties pertaining to the Demerged Undertaking (*as defined in the Scheme*) shall be transferred to the Resulting Company as a going concern, on an 'as is where is basis', subject to the provisions of the Scheme.
- viii. From the date of approval of the Scheme by the respective Board of the Demerged Company and the Resulting Company and upto the Effective Date the Demerged Company shall carry on its business and activities in relation to the Demerged Undertaking with reasonable diligence and business prudence.



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- ix. The draft Scheme is subject to the receipt of approval from (a) Board of Directors of both the Companies, (b) stock exchanges where the equity shares of Resulting Company and Demerged Company are listed, (c) Securities and Exchange Board of India ("SEBI"), (d) requisite majority of the shareholders and creditors of the respective Companies (e) Hon'ble National Company Law Tribunal ("NCLT") (as defined in Scheme) and (f) such other approvals, permissions and sanctions of regulatory and other statutory or governmental authorities/ quasi-judicial authorities, as may be necessary as per applicable laws and (g) such conditions and modifications as may be prescribed or imposed by the aforesaid authorities while granting such approvals and sanctions .

4. Observations of Audit Committee on the Scheme

4.1. Need and Rationale for the Scheme

The Committee reviewed the draft Scheme, Valuation Report and Fairness Opinion and noted the need of the demerger, rationale and the benefits of the draft Scheme to the shareholders as follows:

After considering the nature of the Demerged Undertaking, its future requirements, respective strengths and strategic objectives of Resulting Company, it is of the view that the proposed Demerger would provide a more focused ownership and robust operating structure for the Demerged Undertaking, while enabling each of the Companies to deploy its management attention, capital and resources towards businesses aligned with its respective strategic capabilities and long-term objectives.

The rationale and benefits of the Scheme for each Company are set out below:

(i) For the Demerged Company:

(a) Strategic portfolio realignment and sharper business focus:

The proposed Demerger will enable the Demerged Company to realign its business portfolio by separating the Demerged Undertaking from its Remaining Businesses. Following the Demerger, the Demerged Company will have a more focused business platform, enabling the Board and management to formulate and implement strategies specifically aligned with the operating characteristics, opportunities and long-term objectives of its Remaining Businesses.



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- (b) **Focused capital allocation and financial flexibility:**
The proposed Demerger will enable the Demerged Company to align its capital allocation and financial resources more closely with the requirements and growth opportunities of its Remaining Businesses. The resulting structure will provide greater flexibility to evaluate investment, funding and other financial decisions for the Remaining Businesses based on their respective business priorities and expected returns
- (c) **Ability to pursue the investment requirements of the Tyre Business through a business-specific capital strategy:**
The Demerged Undertaking is at a stage where substantial investments are required to revive, modernise and scale its operations and to pursue its identified growth opportunities. A separate ownership and management framework will enable the Demerged Undertaking to pursue its capital expenditure, funding and working capital requirements.
- (d) **Simplified corporate structure and enhanced governance:**
The separation of the Demerged Undertaking will result in a simpler corporate and organisational structure for the Demerged Company, with businesses having distinct operating characteristics, capital requirements and investment cycles no longer being housed within the same corporate framework. This is expected to facilitate more focused governance, management oversight and performance evaluation of the Remaining Businesses.
- (e) **Enhanced transparency and stakeholder understanding:** A more focused business portfolio is expected to provide greater clarity regarding the nature, performance and prospects of Demerged Company's Remaining Businesses. This may facilitate more meaningful assessment of the performance of individual businesses and their respective strategic priorities by the Board, management, shareholders and other stakeholders.
- (f) **Long-term value creation for Demerged Company and its stakeholders:** The Board of Directors believes that strategic realignment is expected to strengthen Demerged Company's ability to pursue sustainable growth and create long-term value for the Company and its stakeholders.
- (ii) **For the Resulting Company:**
- (a) **Strengthening Resulting Company's strategic forward-integration into the tyre value chain:** The Demerged Undertaking has a strong strategic fit with Resulting Company's existing business and its stated strategy of expanding from carbon black and other advanced

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carbon materials towards higher-value, downstream applications. Carbon black is a critical raw material in tyre manufacturing, and Resulting Company's longstanding engagement with global and domestic tyre manufacturers provides it with substantial understanding of tyre formulations, performance requirements and industry dynamics. The proposed demerger will enable Resulting Company to consolidate the Demerged Undertaking within its own business platform and further strengthen its presence across the tyre value chain.

- (b) **Leveraging established capabilities and creating value across the integrated value chain:** The proposed integration will enable Resulting Company to leverage its existing capabilities in carbon black, advanced carbon materials, material science, research and development, product application, procurement, manufacturing and customer engagement in the Tyre Business. The ability to combine Resulting Company's material expertise with tyre manufacturing and application capabilities is expected to facilitate better product customisation, faster product development and improved ability to respond to evolving customer and application requirements, including in agriculture, construction, industrial, mining, commercial , off-highway , passenger, SUVs and electric mobility segments.
- (c) **Realising operational and commercial synergies:** The integration of the Demerged Undertaking with Resulting Company's existing operations is expected to create opportunities for synergies across raw material sourcing, product development, manufacturing, quality and process optimisation, logistics, customer engagement, distribution, market development and shared services. Such integration is expected to improve coordination across the value chain, enhance operating efficiencies and support the development of differentiated tyre products based on specific application and performance requirements.
- (d) **Accelerating the development and scaling-up of the Tyre Business:** The proposed Demerger will provide Resulting Company with direct ownership and control of the Demerged Undertaking and enable it to pursue the next phase of development of the Tyre Business in a coordinated manner. This includes improving capacity utilisation, modernising and upgrading manufacturing facilities, expanding the product portfolio and developing additional market and distribution channels.
- (e) **Greater strategic and financial flexibility for the Tyre Business:** Direct ownership of the Demerged Undertaking will enable Resulting Company to evaluate the Tyre business as an integral part of its overall portfolio and determine its investment, funding, capacity expansion and growth priorities in a coordinated manner. This will facilitate deployment of



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capital and management resources towards opportunities offering the best strategic fit and growth potential, while allowing the Tyre business to pursue its specific investment and expansion requirements within Resulting Company's broader growth strategy.

- (f) **Long-term growth and value creation:** By bringing the Demerged Undertaking under a unified ownership and management framework, the Scheme is expected to facilitate greater integration, operational efficiency, investment flexibility and scalability of the Tyre Business, thereby strengthening Resulting Company's overall business platform and supporting sustainable long-term growth and value creation for Resulting Company and its stakeholders.

The integration of the Demerged Undertaking with HSCL's existing businesses is expected to strengthen HSCL's overall business platform, create opportunities for operational and commercial synergies and facilitate sustainable growth and long-term value creation for HSCL and its stakeholders.

4.2. Synergies of business of the entities involved in the Scheme

The Audit Committee noted that the Demerged Undertaking has a strong strategic fit with the existing carbon black and chemicals businesses of the Resulting Company, being Carbon black an important raw material for tyre production. The Resulting Company has established technical capabilities, industry knowledge, customer relationships and operating capabilities relevant to the Tyre Business, and the Scheme would enable it to integrate the Demerged Undertaking with its existing businesses and leverage complementary capabilities across procurement, manufacturing, technology, product development, logistics, customer management and market development, thereby creating operational and commercial synergies.

The Audit Committee further noted that the proposed Demerger will enable the Demerged Company to achieve business focus, efficient capital allocation, greater financial flexibility and simplified governance, while allowing the Tyre Business to pursue its specific investment and funding requirements through a separate ownership and management framework. This realignment is expected to enhance operational focus, transparency and long-term value creation for the Company and its stakeholders.



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4.3. Cost-Benefit Analysis of the Scheme

Although the Scheme would result in the Company incurring costs towards its implementation, the benefits of the Scheme over a longer period of time will outweigh such costs for the stakeholders of the Company. The draft Scheme would be in best interest of the Company and its shareholders, employees, creditors and other stakeholders for the reasons mentioned in paragraph 4.1 above.

4.4. Valuation Report and Fairness Opinion

The Audit Committee noted that valuer has used different methods and approaches for valuation of Demerged Undertaking of DBRL and reviewed the joint Valuation Report, discussed the Share Entitlement Ratio recommended by the valuer and the Fairness Opinion provided by the Merchant Banker. Based on the Valuation Report and Fairness Opinion, the Audit Committee is of the view that the Share Entitlement Ratio is fair to the shareholders of the Company

4.5 Impact of the Scheme on Shareholders

The Audit Committee members reviewed the Valuation Report and the Fairness Opinion for determination of the Share Entitlement Ratio under the draft Scheme.

In terms of the Scheme, equity shares of the Resulting Company are proposed to be issued and allotted to the eligible shareholders of Demerged Company, holding fully paid-up equity shares in the Demerged Company and whose names appear in the register of members or register of beneficial owners as on the Record Date (*as defined in the Scheme*).

The Audit Committee was of the opinion that the draft Scheme is in the best interest of the Company and its shareholders. The impact of the Scheme on the shareholders, including, the public shareholders would be the same in all respects, and no shareholder is expected to have any disproportionate advantage or disadvantage in any manner. The Scheme is not in any manner prejudicial or against public interest and would serve the interest of all the shareholders, creditors or any other stakeholders.

5. Recommendations of the Audit Committee

Taking into consideration the draft Scheme, its rationale and benefits, the Valuation Report, the Fairness Opinion, the draft certificates issued by the statutory auditors of the Company and other documents, as placed before the Audit Committee and after considering synergies of business of the entities involved in the Scheme, the impact of the Scheme on the shareholders,

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and cost benefit analysis, the interest of shareholders of the Company, need for the arrangement; rationale of the draft Scheme, the Audit Committee unanimously recommends the draft Scheme for favourable consideration and approval by the Board of Directors of the Resulting Company.

This report of the Committee is made in order to comply with the requirements of the SEBI Scheme Circular after considering the necessary documents.

By Order of the Audit Committee of
Himadri Speciality Chemical Ltd



Mr. Girish Paman Vanvari
Chairperson of the Audit Committee
DIN: 07376482

Date: 21.09.2026
Place: Kolkata

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