



Annexure 4

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REPORT OF THE AUDIT COMMITTEE OF GRASIM INDUSTRIES LIMITED ("THE COMPANY") RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION BETWEEN THE COMPANY AND ADITYA BIRLA CHEMICALS (INDIA) LIMITED

1. Background

1.1. A meeting of the Audit Committee of Grasim Industries Limited ("the Company") was held on 11th February, 2015 to consider and recommend the proposed merger of Aditya Birla Chemicals (India) Limited with the Company, w.e.f. 1st April, 2015 being the Appointed Date, (collectively known as "Companies"), to be implemented in terms of a Scheme of Amalgamation ("Scheme"), to be entered into between the Company, Aditya Birla Chemicals (India) Limited and their respective shareholders and creditors under Sections 391 - 394 of the Companies Act, 1956 and other applicable provisions of Companies Act, 2013.

1.2. This report of the Audit Committee is made in order to comply with the requirements of Circular No CIR/CFD/DIL/5/2013 dated February 4, 2013 read with Circular No CIR/CFD/DIL/8/2013 dated May 21, 2013 (which provides clarifications with respect to the aforementioned circular), both issued by the Securities and Exchange Board of India ("SEBI Circulars").

1.3. The following documents were placed before the Audit Committee:

- Draft Scheme of Amalgamation, duly initialed by the Company Secretary of the Company for the purpose of identification;
- Share Exchange Ratio Report dated 11th February, 2015 issued by Walker Chandiook & Co LLP, independent chartered accountants, describing the methodology adopted by them in arriving at the share exchange ratio; and
- Fairness Opinion Report dated 11th February, 2015 issued by Axis Capital Limited, an independent merchant banker providing the fairness opinion on the share exchange ratio recommended in the share exchange ratio/ valuation report prepared by Walker Chandiook & Co LLP ("Fairness Opinion").

2. Proposed Scheme of Merger

2.1. The Audit Committee discussed and noted the rationale and the benefits of the Scheme, which including, *inter-alia*, are as follows:

- (a) The nature of the business of the Transferor Company and the Chemical business of the Transferee Company is similar to each other. It is considered desirable to amalgamate the Transferor Company into the Transferee Company to integrate and consolidate the chemical businesses in a single entity.



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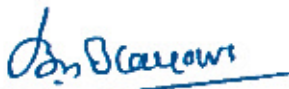
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- (b) The combined entity will have geographically diversified manufacturing operations spread across the country. The proposed amalgamation will enable better and efficient management, control and running of the businesses of the companies concerned to attain operational efficiencies, cost competitiveness, create synergies and will be beneficial for capitalizing on the growth opportunities to the fullest extent.
- (c) The proposed amalgamation and vesting of the Transferor Company into the Transferee Company, with effect from the Appointed Date, is in the interest of the shareholders, creditors, employees and other stakeholders, of both the companies, as it would enable a focused business approach for the maximization of benefits to all stakeholders and afford the advantages of synergies of their businesses.
- 2.2. The Audit Committee reviewed the share exchange ratio report and noted that the said report recommended that every equity shareholder of Aditya Birla Chemicals (India) Limited would receive 1 (one) fully paid up equity share of the Company of the face value of Rs.10 (ten) each credited as fully paid up, for every 16 (sixteen) fully paid up equity shares of the face value of Rs.10 (ten) each of Aditya Birla Chemicals (India) Limited held, as per the share exchange ratio; and
- 2.3. Further, the Fairness Opinion confirmed that the share exchange ratio in the share exchange ratio report is fair to the Company, Aditya Birla Chemicals (India) Limited and its shareholders.
3. **Recommendation of the Audit Committee**

Taking into consideration the Share Exchange Ratio Report and the Fairness Opinion Report, the Audit Committee recommends the draft scheme to the Board of Directors of the Company for its approval.

By Order of the Audit Committee

For and on Behalf of
GRASIM INDUSTRIES LIMITED



(B.V. Bhargava)
Chairman of the Audit Committee

Place: Mumbai
Date: 11th February, 2015

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FOR GRASIM INDUSTRIES LIMITED


ASHOK MALU
COMPANY SECRETARY