

**REPORT OF THE AUDIT COMMITTEE OF RELIANCE INDUSTRIES LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN I) RELIANCE INDUSTRIES LIMITED AND ITS SHAREHOLDERS AND CREDITORS; AND II) RELIANCE STRATEGIC INVESTMENTS LIMITED AND ITS SHAREHOLDERS AND CREDITORS (“SCHEME”) ADOPTED AT ITS MEETING HELD ON NOVEMBER 15, 2022**

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The following members of the Audit Committee were present:

- a. Shri Raminder Singh Gujral, Chairman
- b. Shri Adil Zainulbhai
- c. Shri K. V. Chowdary

## **1. Background**

- 1.1 The draft Scheme of Arrangement **between i) Reliance Industries Limited (“Company” or “Demerged Company”) and its shareholders and creditors; and ii) Reliance Strategic Investments Limited (“Resulting Company”) and its shareholders and creditors**, under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (**“Scheme”**), **was presented to the Committee at its meeting held on** November 15, 2022, for its consideration and making recommendation to the Board of Directors of the Company (**“Board”**).
- 1.2 The Company is a company incorporated under the Companies Act, 1956. The Company, *inter alia*, has multiple undertakings viz., digital services, retail, financial services, advanced materials and composites, renewables (solar and hydrogen), exploration & production and oil to chemicals. The equity shares and non-convertible debentures of the Company are listed on the Stock Exchanges (*as defined in the Scheme*). The global depository receipts of the Company are listed on Luxembourg Stock Exchange and are traded on the International Order Book (IOB) (London Stock Exchange) and amongst qualified institutional investors on the over-the-counter (OTC) market in the United States of America. The foreign currency bonds of the Company are listed on the Singapore Exchange Limited, Luxembourg Stock Exchange and India International Exchange (IFSC) Limited.
- 1.3 The Resulting Company is a company incorporated under the Companies Act, 1956 and is a wholly-owned subsidiary of RIL. The Resulting Company is a registered non-banking financial company (NBFC) (systemically important non-deposit taking non-banking financial company). The equity shares of the Resulting Company are presently not listed on the Stock Exchanges.
- 1.4 This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**“SEBI Listing Regulations”**) and SEBI Master Circular No. SEBI/HO /CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, as amended (**“SEBI Circular”**).



- 1.5 Following documents were considered by the Committee:
- a. Draft Scheme, duly initialed by the Company Secretary of the Company for the purpose of identification;
  - b. Share entitlement ratio report dated November 15, 2022 issued by KPMG **Valuation Services LLP, independent Registered Valuer (“Share Entitlement Ratio Report”)**;
  - c. Fairness opinions each dated November 15, 2022 issued by Morgan Stanley India Company Private Limited and Citigroup Global Markets India Private Limited, **Independent Merchant Bankers (“Fairness Opinions”)**;
  - d. Draft certificate of the Statutory Auditors of the Company, on the accounting **treatment prescribed in the Scheme (“Auditors Certificate”)**; and
  - e. Draft undertaking to be given by the Company confirming that approval of majority of public shareholders as prescribed under Paragraph (A)(10)(b) of Part I of the SEBI Circular is not applicable to the Scheme along with draft certificate of the Statutory Auditors of the Company, certifying the said undertaking.

## 2. Salient feature of the Scheme

- 2.1 The Scheme, *inter alia*, provides for –
- a. demerger, transfer and vesting of the Demerged Undertaking (*as defined in the Scheme*) from the Demerged Company into the Resulting Company on a *going concern* basis, and issue of equity shares by the Resulting Company to the shareholders of the Demerged Company, in consideration thereof, in accordance with the provisions of Section 2(19AA) of the Income Tax Act, 1961; and
  - b. reduction and cancellation of the entire pre-scheme share capital of the Resulting Company.

The Scheme also provides for various other matters consequent and incidental thereto.

- 2.2 The Resulting Company New Equity Shares that are to be issued in terms of the Scheme shall be issued in dematerialised form and shall be listed on BSE Limited and the National Stock Exchange of India Limited in compliance with the SEBI Circular and other relevant provisions as may be applicable.
- 2.3 The Appointed Date for the Scheme is closing business hours of March 31, 2023 or such other date as may be approved by the Boards of the Demerged Company and the Resulting Company.
- 2.4 The Effective Date for the Scheme is the day on which all conditions precedent set forth in Clause 18 (Conditions Precedent) of the Scheme are fulfilled or the Appointed Date, whichever is later.
- 2.5 The Scheme is subject to necessary statutory / regulatory approvals under applicable laws including approvals of respective shareholders and creditors, approval of the Stock



Exchanges, Securities and Exchange Board of India, Reserve Bank of India, the National Company Law Tribunal and all other regulators / authorities as may be required.

### **3. Comments by the Audit Committee on the Scheme**

#### **3.1 Need for the demerger and rationale of the Scheme**

The Committee noted the following rationale and benefits of the Scheme:

- (i) **The Company is India's biggest conglomerate with interests in multiple businesses.** One amongst the multiple businesses carried on by the Company is the Financial Services Business (*as defined in the Scheme*) which is carried on by the Company directly and through its subsidiaries and joint ventures.
- (ii) Further growth and expansion of the Financial Services Business would require differentiated strategy aligned to its industry specific risks, market dynamics and growth trajectory.
- (iii) The nature and competition involved in the financial services business is distinct from the other businesses and it is capable of attracting a different set of investors, strategic partners, lenders and other stakeholders.
- (iv) The following benefits shall accrue on demerger of the Financial Services Business:
  - (a) creation of an independent company focusing exclusively on financial services and exploring opportunities in the said sector;
  - (b) the independent company can attract different sets of investors, strategic partners, lenders and other stakeholders having a specific interest in the financial services business;
  - (c) a financial services company can have a higher leverage (as compared to the Company) for its growth; and
  - (d) unlocking the value of the Demerged Undertaking for the shareholders of the Company.

The Audit Committee was of view that the rationale and benefits of the Scheme justifies the proposed demerger.

#### **3.2 Synergies of businesses of the entities involved in the Scheme**

The Committee noted that the Scheme does not involve merger of business of the Company but provides for demerger of the Financial Services Business of the Company. The said demerger would entail the benefits specified in para 3.1 above.

#### **3.3 Impact of the Scheme on the shareholders**

- (i) The consideration for the demerger of the Demerged Undertaking shall be the issue by the Resulting Company of 1 (One) fully paid equity share of the Resulting Company having face value of Rs 10 (Rupees Ten) each for every 1 (One) fully paid



up equity share of Rs 10 (Rupees Ten) each of the Demerged Company (“**Resulting Company New Equity Shares**”).

Provided that Resulting Company New Equity Shares aggregating to 41,28,24,826 shall not be issued and allotted to Petroleum Trust (“**PT**”) and Reliance Services and Holdings Limited (“**RSHL**”) in respect of the shares of the Demerged Company held by them in view of the proviso to Section 232(3)(b) of the Act.

- (ii) In the event of there being partly paid up equity shares in the Demerged Company, with respect to the shareholders of the Demerged Company who hold such partly paid-up equity shares of the Demerged Company and whose names are recorded in the register of members and/ or records of the depository on the Record Date, the Resulting Company shall issue and allot to the Trustee of a Trust to be set up by the Demerged Company, 1 (One) equity share of the Resulting Company having face value of Rs 10 (Rupees Ten) each, credited as fully paid up, for every 1 (One) partly paid up equity share of Rs 10 (Rupees Ten) each. The Trustee shall hold these equity shares in trust for the benefit of the shareholders of the Demerged Company holding partly paid up shares of the Demerged Company. As and when such shareholders pay the balance amount (including interest, if any) due to the Demerged Company and the partly paid up equity shares become fully paid up equity shares, the Trustee shall transfer such number of fully paid up equity shares of the Resulting Company, as per the eligibility of such shareholder, to his demat account. The Trustee, the Resulting Company and the Demerged Company shall take such steps as may be necessary to give effect to this Clause.
- (iii) Resulting Company New Equity Shares shall be listed on BSE Limited and the National Stock Exchange of India Limited.
- (iv) The beneficial economic interest of the equity shareholders of the Company in the Resulting Company will remain same post implementation of the Scheme and every shareholder of the Company will hold same percentage of equity ownership (inter-se) in the Resulting Company as he owns in the Company, except PT and RSHL. Further, as equity shares will not be issued by the Resulting Company to PT and RSHL, the public shareholding in the Resulting Company will increase post the demerger.

Based on the above and after taking into consideration the Share Entitlement Ratio Report and Fairness Opinions, the Committee is of view that Scheme is in the interest of the shareholders of the Company.

#### 3.4 Cost benefits analysis of the Scheme

Although the Scheme involves certain costs such as transaction cost, implementation cost, regulatory fees, stamp duties, etc., the Scheme would entail the benefits specified in para 3.1 above.



**4. Recommendation of the Audit Committee**

In view of the above and after taking into consideration the Share Entitlement Ratio Report and the Fairness Opinions, terms and conditions of the Scheme, and its impact on the stakeholders, the Committee recommends the Scheme to the Board of Directors for its consideration and approval.

By Order of the Audit Committee

For and on Behalf of

**RELIANCE INDUSTRIES LIMITED**



**Raminder Singh Gujral**  
**Chairman**  
**Audit Committee**  
**(DIN: 07175393)**

Place: Mumbai

Date: November 15, 2022