

**REPORT OF THE AUDIT COMMITTEE OF W.S. INDUSTRIES (INDIA) LIMITED (“THE COMPANY”) RECOMMENDING THE DRAFT SCHEME OF REDUCTION OF SHARE CAPITAL BETWEEN THE COMPANY AND ITS SHAREHOLDERS, AT THE MEETING HELD ON JANUARY 25, 2024.**

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Members Present:

1. Mr.R.Karthik – Independent Director
2. Mr.J.Sridharan – Independent Director
3. Ms.Suguna Raghavan – Independent Director
4. Ms.Revathi Raghunathan – Independent Director

In Attendance: Mr.B.Swaminathan- Chief Financial Officer and Company Secretary.

**A. Background**

A meeting of the Audit Committee of the Company was held on January 25, 2024, to consider and recommend the draft scheme for reduction of capital between the Company and its Shareholders for writing off accumulated losses against the balance in Securities Premium Account, Capital Redemption Reserve and Capital Reserve ("Scheme"), under Section 66 read with Section 52 of the Companies Act, 2013 ("Act") and other applicable provisions of the Act and the rules thereof and the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 including any amendments thereof, as applicable.

This report of the Audit Committee is made in compliance with the requirement of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("SEBI Circular") read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 issued by the Securities Exchange and Board of India ("SEBI"), as amended from time to time.

The following documents were placed before the Audit Committee:

- a. Draft Scheme for reduction of capital;
- b. Audited Financial Statement of the Company for the year ended March 31, 2023;
- c. Auditor’s report of the Company for the year ended March 31, 2023;
- d. Certificate obtained from Mr.Kalyanam Bhaskar, Registered Valuer (IBBI/RV/06/2020/12959, ICAI/RVO/06/RV-P00361/2019-20) dated 26<sup>th</sup> December, 2023, with respect to non-applicability of Valuation report, pursuant to exemption provided in para (A)(4)(b) of Part I of the SEBI Circular;

- e. Fairness opinion dated December 29, 2023 obtained from M/s. Saffron Capital Advisors Private Limited, a SEBI registered merchant banker (SEBI Registration No: INM000011211) ("Fairness Opinion");
- f. Certificate obtained from the statutory auditors of the Company, M/s. Brahmayya & Co, Chartered Accountants (Firm Registration No:000511S) pursuant to para I(A)(5) of the SEBI Circular confirming the proposed accounting treatment specified in clause 4.13 (Annexure-A) of the Draft Scheme of Reduction of Share Capital between W.S. Industries (India) Limited and its Shareholders in terms of the provisions of section 66 read with section 52 and other applicable sections of the Companies Act, 2013 and National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 with reference to its compliance with the applicable Accounting Standards notified under the Companies Act, 2013 and Other Generally Accepted Accounting Principles, be and is hereby accepted and taken on record; and

**B. Salient features of the proposed scheme for reduction of capital**

1. The proposed Scheme of reduction of capital provides for reduction of the Securities Premium, Capital Redemption Reserve and Capital Reserve of the Company in accordance with the provisions of Section 66 read with Section 52 of the Act and the rules made thereunder and specifically, the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016, read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the SEBI Circular.
2. The Scheme provides for balance in Capital Reserve Account be reduced from Rs. 455,31,65,614 (Rupees Four Hundred Fifty Five Crores Thirty One Lakhs Sixty Five Thousand Six Hundred and Fourteen Only) to NIL, balance in Capital Redemption Reserve be reduced from Rs. 17,61,55,000 (Rupees Seventeen Crores Sixty One Lakhs Fifty Five Thousand only) to NIL and balance in Securities Premium Account be reduced from Rs. 77,80,20,025 (Rupees Seventy Seven Crores Eighty Lakhs Twenty Thousand and Twenty Five Only) to Rs. 23,80,79,888 (Rupees Twenty Three Crores Eighty Lakhs Seventy Nine Thousand Eight Hundred and Eighty Eight Only) and such a reduction would be effected by writing off the debit balance (accumulated losses) in the Profit & Loss account from Rs. 526,92,60,751 (Rupees Five Hundred Twenty Six Crores Ninety Two Lakhs Sixty Thousand Seven Hundred and Fifty One Only) to NIL as on 30<sup>th</sup> September 2023.
3. The Scheme set out herein in its present form or with any modification(s) hereto approved or imposed or directed by the Hon'ble National Company Law Tribunal, Chennai Bench, shall be effective from the Effective Date.
4. The proposed Scheme is conditional upon and subject to:
  - a. The Scheme being approved by the Shareholders of the Company through special resolution;

- b. The Scheme being approved by the creditors of the Company as prescribed under the Act and/or as may be directed by NCLT and/or any other appropriate authority as may be applicable;
  - c. The Company obtaining the observation letter/ no-objection letter from the relevant Stock Exchanges for the implementation of the Scheme;
  - d. The Scheme being approved by the NCLT under Section 66 read with Section 52 of the Companies Act, 2013 and National Company Law Tribunal (Procedure for reduction of share capital of Company) Rules, 2016 and other applicable provisions of the Companies Act, 2013 (to the extent applicable);
  - e. Certified copy of the order of the NCLT sanctioning this Scheme and the form of minutes of reduction being filed with the RoC by the Company; and
  - f. The requisite, consent, approval or permission of the Central Government or any other statutory or regulatory authority, if any, which by law may be necessary for the implementation of this Scheme.
5. The reduction envisaged under this Scheme will not result in any change in the shareholding of the Members of the Company and would not in any way have any adverse effect on the creditors of the Company or Company's ability to honor its commitments or meet its obligations in the ordinary course of business.

**C. Proposed scheme for reduction of capital**

The Audit Committee reviewed and considered the draft Scheme of reduction of capital of the Company on the following grounds:

**I. Need and Rationale of the proposed Scheme:**

- a) The Company's financial statement currently reflects Accumulated Losses (debit balance of Profit & Loss Account) to the tune of Rs.526,92,60,751/- (Rupees Five Hundred and Twenty Six Crores Ninety Two Lakhs Sixty Thousand Seven Hundred and Fifty One Only) based on unaudited standalone financial statements for the quarter ended September 30, 2023. The present issued, subscribed and paid-up share capital of the Company is Rs.59,76,15,850/- (Rupees Fifty Nine Crore Seventy Six Lakhs Fifteen Thousand Eight Hundred and Fifty only) comprising of 4,70,11,585 equity shares of Rs. 10/- each and 12,75,000 Non convertible, cumulative & redeemable preference shares of Rs. 100/- each. Accumulated Losses have substantially wiped off the value represented by the Share Capital. This has given to the need for readjustment of capital reserve, capital redemption reserve and securities premium in its books of accounts.

- b) In order to re-align the relation between capital and assets; and to accurately and fairly reflect the assets and liabilities of the Company in its books of accounts; and for better presentation of the financial position of the Company, it is decided to write off the accumulated losses against Capital Reserve Account, Capital Redemption Reserve Account and Securities Premium Account.

## **II. Synergies arising on account of proposed Scheme:**

- a) The financial statements of the Company would reflect its true and fair position which would help the Company to position itself better in the market and undertake business activities efficiently. This would be value accretive to the Shareholders as well, as their holdings would yield better results.
- b) The proposed restructuring under the Scheme, if approved, would enable the Company to explore opportunities for the benefit of its Shareholders, in the form of dividend payments, in terms of the applicable laws.
- c) The Scheme, if approved, may enable the Company to explore opportunities that it was unable to take advantage of because of it experiencing Accumulated Losses.
- d) The reduction of Capital Reserve Account, Capital Redemption Reserve Account and Securities Premium Account in the manner proposed would enable the Company to have a rational structure which is commensurate with its business and assets.
- e) The Scheme of reduction, after full implementation, will result in making the Company's balance sheet leaner and downsized.
- f) The proposed Scheme would enable the Company to utilize the amount lying unutilized in the Capital Reserve Account, Capital Redemption Reserve Account and Securities Premium Account of the Company in an effective manner for the benefit of the Company.
- g) The reduction of the capital of the Company by way of writing off the Accumulated Losses against the amount lying in the Capital Reserve Account, Capital Redemption Reserve Account and Security Premium Account of the Company does not involve reduction in the issued, subscribed, paid-up share capital of the Company or any payment of the paid up share capital to the shareholders of the Company and nor does it result in extinguishing of any liability or diminution of any liability.

- h) The Scheme, if approved, would provide greater flexibility to the Company in raising funds either from the capital market or from any bank/ financial institutions in the form of equity or debt, depending on the business needs of the Company.
- i) The reduction of Capital Reserve Account, Capital Redemption Reserve Account and Securities Premium Account does not result in any prejudice to the Shareholders, the creditors or any other stakeholders of the Company nor for that matter adversely affect the ordinary operations of the Company or its ability to honor its commitments or pay its debts in the ordinary course of its business.
- j) Hence, the proposed Scheme of reduction of share capital would be for the overall benefit of the Company, its creditors, its Shareholders and all other stakeholders.

### **III. Impact of the Scheme on the shareholders:**

- a) The Scheme does not entail any discharge of consideration by the Company in form of cash, shares or otherwise. Hence, the interest of the shareholders is not adversely affected. The Company's equity capital structure and the shareholding pattern subsequent to the Scheme will remain unchanged;
- b) The Scheme does not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital;
- c) There is no adverse impact on the shareholders and this reduction shall further allow the creation of distributable reserves in future for dividend which may get held up due to accumulated losses; and
- d) The proposed Scheme is expected to be beneficial to the Company, its shareholders and all other stakeholders.

### **IV. Cost benefit analysis of the Scheme:**

- a) The proposed Scheme will help the Company to reflect the true shareholder value which would place the Company in a position to pay dividend or raise capital in future at lower cost;
- b) The proposed Scheme does not involve any payment/ pay-out to any shareholder; and
- c) The proposed Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company.

### **D. Recommendation of the Audit Committee**

Taking into consideration the proposed Scheme, Fairness Opinion, valuation report certificate, draft accounting treatment certificate and draft undertaking from the statutory auditor, and inter-alia having noted the need, rationale, synergies, impact of the Scheme and cost benefits analysis, the Audit Committee confirms that the proposed Scheme is not detrimental to the shareholders of the Company and is in the best interest of the Company and its shareholders, creditors, and all other stakeholders. Thus, the Audit Committee hereby recommends the proposed Scheme to the Board of Directors of the Company for its consideration and approval.

**For and on behalf of the Audit Committee of W.S.Industries (India) Limited**

A handwritten signature in blue ink, consisting of a large, stylized 'S' followed by the initials 'W.S.'.

**Chairman of Audit Committee**

Place: Chennai

Date: 25 January 2024