

REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF STERLITE TECHNOLOGIES LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN STERLITE TECHNOLOGIES LIMITED AND STL NETWORKS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Members Present

Mr. S. Madhavan	Chairperson
Mr. B J Arun	Member
Ms. Kumud Srinivasan	Member

1. **Background of the proposed scheme:**
 - 1.1 A draft Scheme of Arrangement under Section 230 to 232 and other applicable provisions, if any, of the Companies Act, 2013, ("the Act"), between Sterlite Technologies Limited ("the Demerged Company" or "STL" or "the Company") and STL Networks Limited, a wholly owned subsidiary of the Company ("the Resulting Company" or "SNL") and their respective shareholders and creditors ("the Scheme") has been placed before the Committee of Independent Directors ("ID meeting") in a meeting dated 16 May 2023 by the management for it to consider recommending the Scheme to the Board of Directors. Words and expressions, used in capitalized form but not defined in this report, shall have the meaning ascribed to them in the Scheme.
 - 1.2 The Scheme, inter-alia provides for the following:
 - (i) demerger of the Demerged Undertaking (as defined in the Scheme) of the Demerged Company into the Resulting Company on a going concern basis ("Demerger") and the consequent issuance of equity shares by the Resulting Company to the shareholders of the Demerged Company; and
 - (ii) various other matters consequential or integrally connected therewith, including the reorganisation of the share capital and listing of the Resulting Company
 - 1.3 The Equity shares of STL are listed on the Bombay Stock Exchange ("BSE") and National Stock Exchange ("NSE") (collectively "Stock Exchanges") and STL will be filing the Scheme along with necessary information / documents with both Stock Exchanges.
2. Words and expressions, used in capitalized form but not defined in this report, shall have the meaning ascribed to them in the Scheme.
3. Resulting Company is a wholly owned subsidiary of STL.
4. The Scheme is to be filed with the National Company Law Tribunal, Mumbai Bench.
5. The draft of the Scheme was approved by the Audit Committee in their meeting held on 16 May 2023.
6. This report of the ID meeting is made in order to comply with the requirements of the SEBI Master Circular No. SEBI/HO/CFD/DIL1/CI R/P/2021/0000000665 dated November 23, 2021, on Schemes of Arrangement by Listed Entities and Relaxation under Sub-rule (7) of rule 19 of the Resulting Company Equity Shares Contracts (Regulation) Rules, 1957, as amended from time to time, issued by SEBI ("SEBI Scheme Circular - Equity").
7. The following documents / draft documents were placed before the ID meeting at its meeting held on 16 May 2023:
 - a. Draft Scheme, duly initialled by the Chairperson of the ID meeting for the purpose of identification;
 - b. The Valuation Report containing the Share Entitlement Ratio (as defined in the Scheme) dated May 16, 2023 from SSPA & Co Chartered Accountants (IBBI Registration No. IBBI/RV/06/2018/10092) ("Valuation Report");



- c. The Fairness Opinion Report dated May 16, 2023 issued by RBSA Capital Advisors LLP (Registration Code: INM000011724), a SEBI Registered Merchant Banker, providing its opinion on the fairness of the Share Entitlement ratio as recommended in the Valuation Report ("Fairness Opinion Report");
- d. Draft Certificate from Price Waterhouse Chartered Accountants LLP, Chartered Accountants (Firm Registration No. 012754N/N500016), the Statutory Auditor of the Company ("**Statutory Auditor of Company**"). certifying that the accounting treatment proposed in the Scheme is in compliance with the accounting standards prescribed under the Act; and
- e. Draft Certificate from Price Waterhouse Chartered Accountants LLP, Chartered Accountants (Firm Registration No. 012754N/N500016), Statutory Auditor, certifying the non-applicability of clause 10(b) read with clause 10(a) of SEBI Circular.

3. Rationale of the Scheme:

The ID meeting took note of the rationale of the Scheme, which inter-alia is as follows:

- (i) The Global Services Business and other business verticals of the Demerged Company have been commenced and nurtured over different periods of time. They are currently at different stages of growth and maturity with each having distinct market dynamics, geographic focus, strategy, capital requirements and investor interest. The Demerged Undertakings and the Remaining Undertaking have both achieved scale and experience to sustain business independently in terms of profitability, turnover, order book, customer profile, talent, etc. Hence, segregation of the Demerged Undertaking into a separate entity would enable focused managements to explore the potential business opportunities more effectively and efficiently in the respective business:
 - (a) The nature of opportunities, growth areas, risk and competition inherent in the Global Services Business is distinct from the Remaining Undertaking of the Demerged Company, since it is subject to distinct business cycle and market structure, necessitating different management approaches, focus and it is capable of attracting different set of investors, strategic partners, talent, lenders and other stakeholders.
 - (b) Further growth and expansion of the Global Services Business would require a differentiated strategy aligned to its industry specific risks, market dynamics and growth trajectory. Moreover, the Global Services Business has now reached a meaningful scale and will be able to benefit by becoming independently focused company.
 - (c) The Government of India's commitment to BharatNet phase three, which is a \$10 billion plus program, gives an opportunity to the Demerged Company to grow its core business, i.e. the Optical Network Business and also provides consequent opportunities for the Global Services Business. Similarly, the Demerged Company is seeing an acceleration on the 5G deployment front which is driving requirement for fiber roll-out for network. In light of the above, there is a need for the activities of the Global Services Business and the other businesses of the Demerged Company to be organized and managed in a distinct way to tap in on the opportunities arising from the growing demand of telecom infrastructure in the country.
- (ii) Thus, the Demerger is expected to lead to following benefits:



- (a) allowing respective businesses to create a strong and distinct platform which enables greater flexibility to pursue long term objectives;
 - (b) better alignment of the respective businesses to its customers and to improve competitiveness, operational efficiencies and strengthen its position in the relevant marketplace resulting in a more sustainable long-term growth and competitive edge;
 - (c) enabling accelerated growth of ONB and allowing the GSB to explore suitable strategies to fund its growth plans;
 - (d) creation of an independent company focusing exclusively on GSB and exploring opportunities in the said sector. The independent company can attract different sets of investors, strategic partners, lenders and other stakeholders having a specific interest in the GSB,
 - (e) the Demerger and consequent issue of equity shares by the Resulting Company are proposed to allow shareholders of the Demerged Company and investors to invest in the distinct key businesses and allow shareholders to unlock the value of their investments.
 - (f) dedicated and specialized management focus on the specific needs of the respective businesses.
- (iii) In order to effect the segregation of the Global Services Business from the other businesses of the Demerged Company, it is proposed to transfer the Global Services Business to the Resulting Company by way of Demerger in accordance with Sections 230-232 of the Act.
- (iv) Accordingly, the Scheme is expected to be in the best interests of both companies and their respective shareholders, employees and creditors.
- (v) This Scheme accordingly provides for the transfer by way of Demerger of the Demerged Undertaking from the Demerged Company to the Resulting Company, and the consequent issue of equity shares by the Resulting Company to the shareholders of the Demerged Company in accordance with the Share Entitlement Ratio (*as hereinafter defined*) and various other matters consequential or integrally connected therewith, including the reorganisation of the share capital of the Resulting Company, pursuant to Sections 230-232 and other applicable provisions of the Act, the SEBI Scheme Circulars and in compliance with the Income Tax Act, 1961 ("IT Act") including Section 2(19AA) thereof.

4. **Valuation Report containing the Share Entitlement Ratio and confirmation on Accounting Treatment:**

- a) The ID meeting took note of the Valuation Report which *inter-alia*, recommended the following Share Entitlement Ratio for the proposed transfer of Demerged Undertaking from Demerged Company to Resulting Company:
- "For every 1 (one) equity share of the Demerged Company of face value of INR. 2 each held in the Demerged Company, every equity shareholder of the Demerged Company, shall without any application, act or deed, be entitled to receive 1(one) equity share of face value INR. 2 each of the Resulting Company, credited as fully paid up on the same terms and conditions of issue as prevalent in the Demerged Company".*
- b) The Fairness Opinion Report confirmed that the Share Entitlement Ratio as set out in the Valuation Report is fair to the Company and their respective shareholders.



- c) Price Waterhouse Chartered Accountants LLP, Chartered Accountants (Firm Registration No. 012754N/N500016), the Statutory Auditors of the Company have confirmed that the accounting treatment as specified in the Scheme are in accordance with applicable Accounting Standards specified by the Central Government in Section 133 of the Act.
- d) Price Waterhouse Chartered Accountants LLP, Chartered Accountants (Firm Registration No. 012754N/N500016), the Statutory Auditors of the Company have confirmed the non-applicability of clause 10(b) read with Clause 10(a) of the SEBI Circular.

5. Salient Features of the Scheme

The ID meeting considered and took note of the salient features of Scheme, which *inter-alia* are as under:

- a) The proposed Appointed Date of the Scheme will be 1 April 2023;
- b) "Effective Date" means the date on which the Scheme shall become effective as stated in the Scheme. Any references in this Scheme to "upon this Scheme becoming effective" or "effectiveness of this Scheme" or "after this Scheme becomes effective" means and refers to the Effective Date;
- c) The Scheme shall be deemed to be effective from the Appointed Date;
- d) The coming into effect of the Scheme is conditional upon and subject to:
 - i. The approval by the requisite majorities of the classes of persons, including shareholders, creditors of the Demerged Company and the Resulting Company as may be directed by the NCLT under Sections 230- 232 of the Act;
 - ii. The sanctioning of this Scheme by the NCLT, whether with any modifications or amendments as NCLT may deem fit or otherwise;
 - iii. The filing of the certified copies of the orders of the NCLT with the concerned Registrar of Companies, by the Demerged Company and the Resulting Company, as the case may be;
 - iv. Any other sanctions and orders as may be directed by the NCLT in respect of the Scheme; and
 - v. Any other condition as mentioned in the Scheme.
- e) Upon effectiveness of the Scheme:
 - i. The Resulting Company shall issue and allot fully paid equity shares to the shareholders of the Demerged Company as per the Share Entitlement Ratio as specified in the Scheme;
 - ii. The equity shares of the Resulting Company issued in terms of the Scheme will be listed and/ or admitted to trading on the Stock Exchanges where the shares of the Demerged Company are listed on the Effective Date; and
 - iii. The Resulting Company shall apply to all the Stock Exchanges (where the shares of the Demerged Company are listed) and SEBI for listing and admission to trading of all its equity shares issued to the shareholders of the Demerged Company pursuant to this Scheme in terms of the SEBI Circular read with any other Applicable Laws.

6. Effect of the Scheme on the Shareholders of the Company:

The ID Committee discussed and deliberated upon the rationale and expected benefits of the Scheme. The ID meeting also noted that upon the Scheme becoming effective, pursuant to the transfer and vesting of Demerged Undertaking of the Demerged Company



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into Resulting Company, and in consideration for the said transfer, the shareholders of the Demerged Company shall be issued and allotted fully paid up equity shares in the Resulting Company as per the Share Entitlement Ratio. Accordingly, the overall economic interest of the equity shareholders of the Demerged Company shall remain same in both the Demerged Company and Resulting Company. Further, there is no proposed change in the shareholding pattern of the Company pursuant to the said Scheme.

The equity shares of Resulting Company so issued and allotted as provided above shall be listed on the Stock Exchanges.

In light of the above discussions, Valuation Report, Fairness Opinion Report, other documents presented before the ID meeting and rationale of the Scheme, the ID meeting was of the opinion that the proposed Scheme is expected to be beneficial to the Company and all other stakeholders at large and is not detrimental to the interest of shareholders of the Company.

7. Recommendation

The ID meeting, after due deliberation and due consideration of all terms of the draft Scheme, Valuation Report, Fairness Opinion Report, certificate and confirmation and undertaking from Statutory Auditors of Company, other presentations, reports, documents and information made to/furnished before the ID meeting in relation to the said Scheme and the specific points mentioned above, recommends the draft Scheme to the Board of Directors of the Company for their approval.

By Order of the Independent Directors of Sterlite Technologies Limited



S Madhavan

Chairperson of the meeting of Independent Directors

DIN: 06451889

Date: 16 May 2023

