



# Proxy Advisory Report UltraTech Cement Ltd

BSE Code: 532538 | NSE Code: ULTRACEMCO | ISIN: INE481G01011

Sector: Cement | Meeting Type: Court Convened Meeting

e-Voting Platform: [Karvy](#)

e-Voting Period: From 17<sup>th</sup> October, 2016 to 19<sup>th</sup> October, 2016

Meeting Date: 20<sup>th</sup> October, 2016 at 11:00 AM

Cut-Off date to be eligible for voting: 13<sup>th</sup> October, 2016

Meeting Venue: Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy, Near Siddhivinayak Temple, Sayani Road, Prabhadevi, Mumbai – 400 025

Notice: [Click here](#) | Annual Report: [FY 2015-16](#)

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Company Phone: +91 22 6691 7800 | Company Fax: +91 22 6692 8109

Company Registered Office: B Wing Ahura Centre 2nd Flr Mahakali Caves Road Andheri(E), Mumbai, Maharashtra - 400093

## REPORT SNAPSHOT

**TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS**

S. No.	Resolution	Type	Recommendation	Concern <sup>#</sup>	Pg.
1	Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956 between Jaiprakash Associates Limited and Jaypee Cement Corporation Limited and UltraTech Cement Limited and their respective shareholders and creditors	*	<u>FOR</u>	-	<u>4</u>

\* - As per Section 391, 394 of the Companies Act, 1956

RESEARCH ANALYST: SUDARSHAN SHETTY

### #Concern Terminology

**C - Compliance:** The Company has not met statutory compliance requirements

**F - Fairness:** The Company has proposed steps which may lead to undue advantage of a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders

**G - Governance:** SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.

**T - Disclosures & Transparency:** The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.

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## COMPANY BACKGROUND

 TABLE 2 - MARKET DATA (As on 28<sup>th</sup> September, 2016)

Price (₹)	3,970.55	M Cap (₹ Cr.)	108,970.00	Shares*	27,44,37,877	PE Ratio#	50.10
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Standalone Data ; Source: Capitaline

 \* As on 30<sup>th</sup> June, 2016

#Based on EPS for FY 16

TABLE 3: FINANCIAL INDICATORS (STANDALONE)

(In ₹ Crores)	2016	2015	2014
Revenue	24,107.36	22,936.17	20,279.80
Other Income	235.16	371.78	329.04
Total Income	24,342.52	23,307.95	20,608.84
PBDT	4,345.99	4,019.36	3,827.77
Net Profit	2,174.65	2,014.73	2,144.47
EPS (₹)	79.25	73.44	78.21
Dividend per share (₹)	9.50	9.00	9.00
Dividend Pay-Out (%)	14.44	14.76	13.86
Face Value per share (₹)	10.00	10.00	10.00
OPM (%)	20.12	19.91	20.45
NPM (%)	9.02	8.78	10.57

Dividend pay-out includes Dividend Distribution Tax. Source: BSE

TABLE 4: PEER COMPARISON (2016)

Shree Cement Ltd	ACC Ltd
5,567.75	11,796.83
120.11	119.35
5,687.86	11,916.18
1,362.95	1,436.03
454.93	591.57
130.59	31.51
24.00	17.00
22.14	64.99
10.00	10.00
25.83	12.74
8.17	5.01

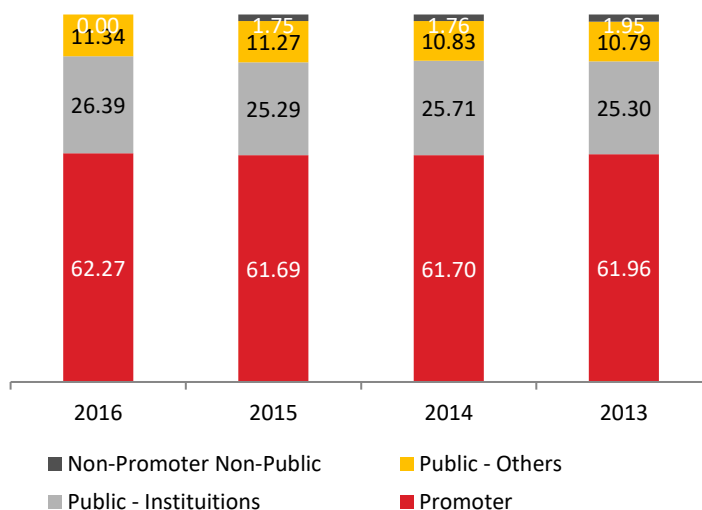
TABLE 5: MAJOR PUBLIC SHAREHOLDERS (JUN' 16)

Life Insurance Corporation of India	2.15%
Oppenheimer Developing Markets Fund	1.41%

TABLE 6: MAJOR PROMOTERS (JUN' 16)

Grasim Industries Limited	60.25%
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SHAREHOLDING PATTERN (%) (JUNE)



Graph 1: Yearly Shareholding Pattern

 DISCUSSION (1<sup>st</sup> July, 2015 to 30<sup>th</sup> June, 2016)

- 31,018 equity shares issued to eligible employees under ESOP scheme
- The promoter shareholding increased from 61.69% to 62.27% due to reclassification of the shareholders as per the SEBI circular dated 30th November, 2015.
- The promoters have not pledged any shares.**

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## RESOLUTION 1: SCHEME OF ARRANGEMENT

Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956 between Jaiprakash Associates Limited and Jaypee Cement Corporation Limited and UltraTech Cement Limited and their respective shareholders and creditors.

## SES RECOMMENDATION

No concern has been identified regarding the Scheme of Arrangement. SES recommends that shareholders vote **FOR** the resolution.

## SES RATIONALE

Compliant with law, no governance concern identified.

## THE SCHEME

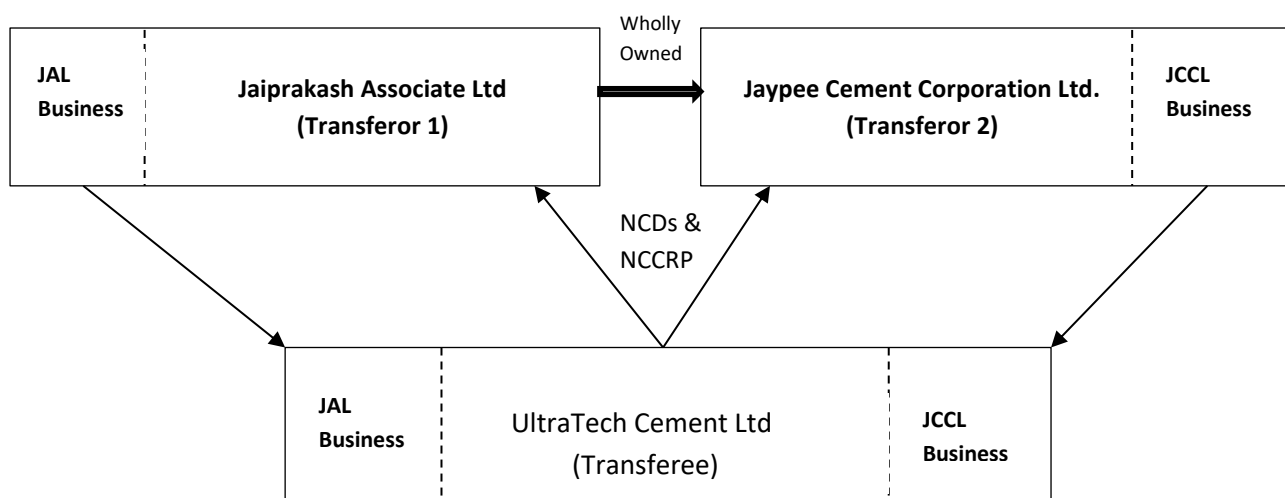
### INTRODUCTION

(a) Jaiprakash Associates Limited is a public limited company incorporated under the Act, having its registered office at Sector 128, Noida, Uttar Pradesh, 201304 ("Transferor1"). The Transferor1 is engaged, inter alia, in the business of manufacture and sale of cement and clinker. The equity shares of the Transferor1 are listed on the Stock Exchanges (as defined below).

(b) Jaypee Cement Corporation Limited is a public limited company incorporated under the Act, having its registered office at Sector 128, Noida, Uttar Pradesh, 201304 ("Transferor2"). The Transferor2 is engaged, inter alia, in the business of manufacture and sale of cement and clinker. The Transferor2 is a wholly owned subsidiary of the Transferor1.

(c) UltraTech Cement Limited is a public limited company incorporated under the Act, having its registered office at 2nd Floor, Ahura Centre, B-Wing, Mahakali Caves Road, Andheri (E), Mumbai - 400093 ("Transferee"). The Transferee is primarily engaged in the business of manufacture and sale of various grades and types of cement, ready mix concrete and other cement related products. The equity shares of the Transferee are listed on the Stock Exchanges.

(d) This Scheme provides for the transfer of the JAL Business and the JCCL Business of the Transferor1 and Transferor2 respectively to and the vesting thereof in the Transferee as a going concern on a slump exchange basis, in accordance with the terms of this Scheme and pursuant to the provisions of sections 391 to 394 and other relevant provisions of the Act and in exchange for which, the JAL Securities (as defined below) and the JCCL Securities (as defined below) will be issued by the Transferee to the Transferor1 and the Transferor2 respectively. The Scheme has been prepared in terms of Part A of the Master Implementation Agreement dated March 31, 2016 ("Master Implementation Agreement") executed by the Transferor1, Transferor2 and the Transferee.

**PICTORIAL REPRESENTATION OF THE SCHEME**


NCDs – Non convertible debentures

NCCRP - Non-Convertible Cumulative Redeemable Preference Shares. (un-listed)

31,249 Non-convertible Debentures of face and paid up value Rs. 10 Lakhs each aggregating to Rs. 3,124.90 Crores and 1,50,010 Redeemable Preference Shares of face and paid up value Rs. 1 Lakh each. aggregating to Rs. 1,500.10 crores are proposed to be allotted to JAL and JCCL for the proposed transfer.

**PROFILES OF THE COMPANIES**

	Transferee	Transferor - 1	Transferor - 2
Background	The Transferee is incorporated under the Companies Act, 1956 (the "Act") having its registered office at 2nd Floor, Ahura Centre, B-Wing, Mahakali Caves Road, Andheri (East), Mumbai - 400 093. The equity shares of the Transferee are listed on BSE and NSE. The Global Depository Receipts representing underlying equity shares of the Transferee are listed on Luxembourg Stock Exchange.	The Transferor1 is incorporated under the Act having its registered office at Sector 128, Noida, Uttar Pradesh, 201 304. The equity shares of the Transferor1 are listed on BSE and NSE.	The Transferor2 is incorporated under the Act having its registered office at Sector 128, Noida, Uttar Pradesh, 201 304.
Nature of Business	The Transferee is primarily engaged in the business of manufacture and sale of various grades and types of cement, ready mix concrete and other related products.	The Transferor1 is engaged, inter alia, in the business of manufacture and sale of cement and clinker.	The Transferor2 is engaged, inter alia, in the business of manufacture and sale of cement and clinker
Authorized Capital	Comprising 28 crore equity shares of Rs. 10/- each	Comprising 1609 Crore equity shares of Rs. 2/- each. Comprising 2.81 Crore	Comprising 150 Crore equity shares of Rs. 10/- each. Comprising 40 crore

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	Transferee	Transferor - 1	Transferor - 2
		preference shares of Rs. 100/- each.	preference shares of Rs. 100/- each
Issued, Subscribed and Paid-up Capital	Comprising 27,44,31,377 equity shares of Rs. 10/- each	Comprising 2,43,24,56,975 equity shares of Rs. 2/- each	Comprising 62.75 crore equity shares of Rs. 10/- each. Comprising 31.00 Crore preference shares of Rs. 100/- each

**Transferor 2 is a wholly owned subsidiary of Transferor 1.**

## RATIONALE FOR THE SCHEME (AS STATED BY THE COMPANY)

(a) The transfer of the JAL Business and the JCCL Business pursuant to this Scheme would inter alia result in the following benefits:

(i) In case of the Transferor1 and the Transferor2:

- (a) unlocking of value for the Transferor1 and the Transferor2 by transfer of part of its assets; and
- (b) helping the Transferor1 and the Transferor2 in deleveraging its balance sheet, including reduction of debt and interest outgo and the Transferor1 and the Transferor2 will continue to be competitors as well as creation of value for the shareholders of the Transferor1 and the Transferor2.

(ii) In case of the Transferee:

- (a) a strategic fit for serving existing markets, enabling the Transferee to cater additional volumes, entry into some of the growing markets of India, including the Satna cluster in Madhya Pradesh (East), Uttar Pradesh (East), coastal Andhra Pradesh, Himachal Pradesh, and Uttarakhand;
- (b) synergies in manufacture and distribution process and logistics alignment leading to economies of scale and creation of efficiencies by reducing time to market, enhancing competitiveness and benefitting consumers; and
- (c) Creating value for shareholders by acquiring ready to use assets reducing time to markets, availability of land, mining leases, fly ash and railway infrastructure leading to logistical alignment and efficiency improvement.

## THE SCHEME OF ARRANGEMENT

Consideration	unsecured non-convertible redeemable debentures. un-listed non-convertible cumulative redeemable preference shares.
Valuation / Fairness Opinion	<b>Valuation Report:</b> <a href="#">Bansi S Mehta &amp; Co.</a> <b>Fairness opinion:</b> <a href="#">M/s J.M Financial Institutional Securities Limited.</a>
Consideration	(i) To JAL <ul style="list-style-type: none"> <li>a. 13,200 unsecured non-convertible redeemable debentures having a face value of INR 10,00,000 each aggregating INR 1,320 crore and other terms as specifically detailed out in the Scheme (JAL NCD):</li> <li>b. Series A RPS: 1,00,000 unlisted non-convertible cumulative redeemable preference shares having a face value of INR 1,00.000 each aggregating INR 1,000 crore with total dividend of INR 10,000 p.a. on the entire series and tenor as specifically detailed out in the Scheme.</li> <li>c. Series B RPS: 50,000 unlisted nonconvertible cumulative redeemable preference shares having a face value of INR 1,00.000 each aggregating INR 500 with total dividend of INR 5,000 p.a. on the entire series and tenor as specifically detailed out in the Scheme.</li> </ul>

	<b>(ii) To JCCL</b> <ol style="list-style-type: none"> <li>18,049, unsecured non-convertible redeemable debentures having a face value of INR 10,00,000 each aggregating INR 1,804.90 Crores and other terms as specifically detailed out in the Scheme.</li> <li>10 (Ten), unlisted non-convertible cumulative redeemable preference shares having a face value of INR 1,00,000 each aggregating INR 10 lakh with dividend of 10% per annum ("JCCL RPS")</li> </ol>
Transfer of Assets/ Liabilities	Upon the Scheme becoming effective: <ol style="list-style-type: none"> <li>The Transferee shall record the fair value of the JAL Securities and the JCCL Securities issued by it to the Transferor1 and the Transferor2 pursuant to this Scheme.</li> <li>The Transferee shall record the liabilities taken over under the Scheme at the fair value as on the Appointed Date.</li> <li>The Transferee shall record the assets taken over under the Scheme at the fair value as determined by the competent valuer as on the Appointed Date.</li> <li>Excess, if any, of the aggregate fair value of the JAL Securities and the JCCL Securities and fair value of liabilities over the aggregate fair value of various assets determined by the valuers will be debited to goodwill. Any deficit will be credit to the capital reserve account.</li> <li>Accounting will be done based on current accounting standard/IND AS 103, as applicable</li> </ol>
Remaining Business	The JAL Remaining Business and the JCCL Remaining Business and all the assets, liabilities and obligations pertaining thereto shall continue to belong to and be vested in and be managed by the Transferor1 and the Transferor2, respectively
Type of Transaction	Acquisition of Cement Business of JAL andr Cement Business of JCCL by the UltraTech Cement Ltd.

#### CHANGE IN SHAREHOLDING PATTERN AND CAPITAL STRUCTURE

The shareholding pattern of the Transferor1, Transferor2 and Transferee will not undergo any change pursuant to the Scheme of Arrangement becoming effective. The Transferee shall issue Non convertible debentures and unlisted redeemable preferences shares to the Transferor1 and Transferor2 in terms of the Scheme of Arrangement.

#### COMPANY'S DECLARATIONS

**Complaints/investigations against the Company:** No investigation proceedings have been instituted or are pending in relation to the Applicant Company under provisions of the Act or the Companies Act, 2013.

**Approval from Stock Exchange:** The Company has received observation letter from [NSE](#) & [BSE](#) dated 10<sup>th</sup> August, 2016 annexed with the Notice.

**Other important links provided by the Company on its website** ([www.ultratechcement.com/scheme-of-arrangement](http://www.ultratechcement.com/scheme-of-arrangement))

#### CONFLICT OF INTERESTS (AS STATED BY THE COMPANY)

None of the promoters, directors, key managerial personnel and their relatives of the Transferee have any material interest, direct or indirect, in the Scheme of Arrangement

**Common Directors:** No

The financial position of the Transferee will not be adversely affected by the Scheme of Arrangement. Further, the rights and interests of the creditors of the Transferee will not be prejudicially affected by the Scheme of Arrangement as the Transferee on the effectiveness of the Scheme of Arrangement, would be able to meet its liabilities as they arise in the ordinary course of business. Further, the rights and interests of the shareholders of the Transferee will not be prejudicially affected by the Scheme of Arrangement



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**SES VIEW**

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The Company has provided adequate rationale for the Scheme of Arrangement and has disclosed the valuation report and fairness opinion and all relevant information with respect to the Scheme. There will be no dilution to the shareholding of the existing equity shareholders as the Company will issue unsecured non-convertible redeemable debentures & un-listed non-convertible cumulative redeemable preference shares in consideration of acquisition of business. No concern has been identified regarding the said Scheme.



**DISCLAIMER****Sources**

Only publicly available data has been used while making the report. Our data sources include: BSE, NSE, SEBI, MCA, Capitaline, Moneycontrol, Businessweek, Reuters, Annual Reports, IPO Documents and Company Website.

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