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REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF ADANI PORTS AND SPECIAL ECONOMIC ZONE LIMITED RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT BETWEEN ADANI PORTS AND SPECIAL ECONOMIC ZONE LIMITED ("COMPANY"), GANGAVARAM PORT LIMITED AND ADANI GANGAVARAM PORT PRIVATE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS.

1. **Background of the proposed scheme of arrangement**

A meeting of the Committee of Independent Directors ("Committee") was held on September 22, 2021, to consider and, if thought fit, recommend the proposed composite scheme of arrangement between Gangavaram Port Limited ("GPL") and Adani Ports and Special Economic Zone Limited ("APSEZ" or "Company") and Adani Gangavaram Port Private Limited ("AGPPL") and their respective shareholders and creditors ("Scheme") under section 230 to 232 and other applicable provisions of Companies Act, 2013 ("Act") and in accordance with Section 2(42C) of the Income Tax Act, 1961, for:

(i) amalgamation of GPL with APSEZL, with effect from the Appointed Date 1 i.e. April 1, 2021, pursuant to the provisions of Sections 230-232 and/or other applicable provisions of the Act.

(ii) transfer of the Divestment Business Undertaking, as a going concern on Slump Sale basis, with effect from the Appointed Date 2 i.e. April 2, 2021, by APSEZ to AGPPL for a lump sum consideration under Sections 230-232 and/or other applicable provisions of the Act and in accordance with Section 2(42C) of the Income Tax Act

The scheme is proposed to be effective from the Appointed Date (as defined in the Scheme) and operative from the Effective Date (as defined in the Scheme).

This report of the Committee is made in order to comply with the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), SEBI Master Circular bearing number SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 consolidating SEBI circulars dated March 10, 2017, March 23, 2017, May 26, 2017, September 21, 2017, January 3, 2018, September 12, 2019 and November 3, 2020 (collectively, the "SEBI Circular").

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The scheme will be presented before the Hon'ble National Company Law Tribunal under Sections 230 to 232 and other applicable provisions of the Act, the rules and regulations made thereunder, and will also be in compliance with Section 2(42C) of the Income Tax Act, 1961, and other applicable laws including SEBI Circular.

In terms of the SEBI Circular, a report from the Committee is required recommending the draft Scheme, taking into consideration inter alia that the Scheme is not detrimental to the shareholders of the listed entity.

The following documents were placed before the Committee for its consideration:

a) A draft of the proposed Scheme.

b) Fair Equity Share Swap Ratio Report dated September 22, 2021 issued by BDO Valuation Advisory LLP, registered valuer, pursuant to the provisions of section 247 of the Act, stipulating inter alia the methodology adopted and the valuation arrived at in relation to the amalgamation of GPL with APSEZ.

c) Fairness opinion dated September 22, 2021 issued by JM Financial Limited and Barclays Bank PLC, SEBI registered Merchant Bankers, to the APSEZ, providing their respective fairness opinions on Fair Equity Share Swap Ratio Report of BDO Valuation Advisory LLP, registered valuer, in relation to the amalgamation of GPL with APSEZ.

d) Fair Valuation Report dated September 22, 2021 issued by BDO Valuation Advisory LLP, registered valuer, pursuant to the provisions of section 247 of the Act, stipulating inter alia the methodology adopted and the valuation arrived at in relation to transfer of Divestment Business Undertaking, by APSEZ to AGPPL.

e) Fairness opinion dated September 22, 2021 issued by Vivro Financial Services Private Limited, SEBI registered Merchant Banker, to the APSEZ, providing its fairness opinion on the lump sum consideration as recommended by BDO Valuation Advisory LLP, registered valuer, in relation to transfer of Divestment Business Undertaking, by APSEZ to AGPPL.

f) Auditors' Certificate issued by the statutory auditors of the Company, to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government under Section 133 of the Act, read with applicable rules and/or the accounting standards and principles.

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g) Undertaking with regard to non-applicability of requirements i.e. approval of only by public shareholders, prescribed in Part 1 (A)(10)(b) of the SEBI Circular, and Certificate of Deloitte Haskins & Sells LLP, Chartered Accountants, statutory auditors of the Company certifying the said undertaking.

h) Other presentations, documents and information made to/furnished before the Audit Committee pertaining to the draft Scheme.

2. **Salient features of the Scheme**

The Committee considered and observed that the draft Scheme provides the following:

(a) Amalgamation of GPL with APSEZ, with effect from the Appointed Date 1 i.e. April 1, 2021, pursuant to the provisions of Sections 230-232 and/or other applicable provisions of the Act.

(b) Transfer of Divestment Business Undertaking, as a going concern on Slump Sale basis, with effect from the Appointed Date 2 i.e. April 2, 2021, by APSEZ to AGPPL for a lump sum consideration under Sections 230-232 and/or other applicable provisions of the Act and in accordance with Section 2(42C) of the Income Tax Act.

(c) Various other matters consequential or otherwise integrally connected with the Scheme.

3. **Rationale for the Scheme:**

The Committee noted the below rationale for the proposed Scheme

a) GPL is operating an all-weather, deep-water, multi-purpose port located at Gangavaram, Andhra Pradesh, under a 30 year (extendable for a period of another 20 years in 2 blocks of 10 years each) Build-Own-Operate-Transfer concession from Government of Andhra Pradesh (GoAP).

b) The Scheme will result in catering to a large hinterland forming part of Visakhapatnam and Gangavaram Ports in the State of Andhra Pradesh. The State of Andhra Pradesh is progressive, and growth focused with investor friendly policies. It has great potential of industrial development which in turn would require new ports and facilities. With this Scheme, APSEZ would be able to

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expand its presence in the State of Andhra Pradesh and contribute to the progress of the state's economy by upgrading and further developing the state's marine infrastructure through its wholly owned subsidiary company, viz. AGPPL.

c) The Scheme will help in creating synergies and would benefit from the combined resources, experience and expertise in developing and operating ports in India. This would lead to reduction in logistic costs for the customers and trade as a whole as a part of the same APSEZ group. Additionally, development of Gangavaram port would also create value for APSEZ and its shareholders.

d) The Scheme will result increase in strength of APSEZ group. The Scheme will help in garnering new clients and extended geography in the State of Andhra Pradesh.

e) Cost savings are expected to flow from more focused operational efforts, rationalization, standardization and simplification of business processes as both APSEZ and AGPPL are part of the same group.

f) APSEZ will use its enhanced information technology management system and infrastructural facilities to improve the efficiencies which will lead to business process transformation of Gangavaram port. This will eventually lead to reduction in time and consequently costs for the consumers.

g) The Scheme is in compliance with the GoAP, Infrastructure & Investment Department, order dated May 25, 2021 ('approval order') issued, inter alios, to APSEZ providing, inter alia, approval to the Scheme subject to fulfilment of the conditions prescribed therein. The Scheme is undertaken in strict compliance of these conditions as laid down in the approval order especially in terms of manner of carrying out the operation of the Divestment Business Undertaking.

4. **Fair Equity Share Swap Ratio/ Consideration of cash involved in Scheme**

a) 159 APSEZ Shares, credited as fully paid-up, for 1,000 equity shares of the face value of Rs. 10/- (Rupees ten) each fully paid-up held by member in GPL. APSEZ Shares to be issued by APSEZ to the shareholders of GPL.

b) AGPPL shall pay a lump sum consideration of Rs. 5,826.887 crore (Rupees five thousand eight hundred twenty-six crore and eighty-eight lakhs seventy thousand only) to APSEZ for transfer and vesting of the Divestment Business Undertaking of APSEZ to AGPPL by way of Slump Sale basis.

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5. **Scheme not Detrimental to the Shareholders of the Company.**

The Committee members discussed and deliberated upon the rationale and salient features of the Scheme. In light of the same and the fair equity shares swap ratio report, fair valuation report, fairness opinions and other documents presented before the Committee, the Committee is of the informed opinion that the proposed Scheme is in the best interest of the Shareholders of the Company.

6. **Recommendation of the Committee**

In light of the aforesaid, the Committee recommends the proposed Scheme, inter alia taking into consideration inter-alia the fair equity shares swap ratio reports, fair valuation report, fairness opinions, rationale of the Scheme, the Committee recommends the draft Scheme for favourable consideration and approval by the Board, Stock exchanges, SEBI and other appropriate authorities.

This report of the Committee is made in order to comply with the requirement of the Scheme Circular after considering the necessary documents.

By Order of the Committee of Independent Directors
For and on behalf of Committee of Independent Directors of Adani Ports and Special Economic Zone Ltd

G. K. Pillai
Chairman of the Committee
DIN : 02340756

Adani Ports and Special Economic Zone Limited

Date : 22/09/2021
Place: Delhi

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