



REPORT OF THE AUDIT COMMITTEE OF HINDUSTAN UNILEVER LIMITED (“COMPANY” OR “DEMERGED COMPANY”) RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT AMONGST THE COMPANY, KWALITY WALL’S (INDIA) LIMITED (“RESULTING COMPANY”) AND THEIR RESPECTIVE SHAREHOLDERS, ADOPTED AT ITS MEETING HELD ON 22ND JANUARY, 2025 AT MUMBAI

1. MEMBERS PRESENT

Sl. No.	Name of members	Designation
1	Mr. Leo Puri	Independent Director
2	Ms. Ashu Suyash	Independent Director
3	Mr. Tarun Bajaj	Independent Director
4	Ms. Neelam Dhawan	Independent Director

2. BACKGROUND

2.1. A meeting of the Audit Committee of the Company was held on 22nd January, 2025, to consider and recommend to the board of directors of the Company (“Board”) the draft scheme of arrangement (“Scheme”) amongst Hindustan Unilever Limited (“Demerged Company”) and Kwality Wall’s (India) Limited (“Resulting Company”) (Resulting Company and Demerged Company collectively, shall be referred to as the “Companies”) and their respective shareholders under Sections 230-232 and other applicable provisions of the Companies Act, 2013 and the rules and/ or regulations made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) (“Act”), and other applicable laws including the master circular bearing no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 ‘Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957’ dated June 20, 2023, issued by the Securities and Exchange Board of India (“SEBI”), (“SEBI Scheme Circular”), the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), Section 2(19AA) read with applicable provisions of the Income-tax Act, 1961 (“IT Act”).

2.2. The Scheme *inter alia*, provides for the following to come into effect from the Appointed Date:

- (i) the demerger of Ice Cream Business Undertaking (*as defined in the Scheme*) of the Demerged Company into the Resulting Company as a going concern and in consideration, the consequent issuance of the equity shares (*as defined in the Scheme*) of the Resulting Company to all the shareholders of the Demerged Company in accordance with the Share Entitlement Ratio (*as defined below*) (“Demerger”); and
- (ii) various other matters consequential or otherwise integrally connected therewith including, *inter alia*, the consequent reduction and cancellation of the existing shareholding of the Demerged Company in the Resulting Company.

2.3. The Demerged Company was incorporated under the provisions of the Companies Act, 1913 and bears a corporate identification number L15140MH1933PLC002030 and has its registered





office at Unilever House, B.D. Sawant Marg, Chakala, Andheri East, Mumbai, 400099, India. The equity shares of the Demerged Company are listed on the BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE").

- 2.4. The Resulting Company is a public limited company incorporated under the Act, bearing corporate identification number U10505MH2025PLC437886 and having its registered office at Unilever House, B.D. Sawant Marg, Chakala, Andheri East, Mumbai, 400099, India. The Resulting Company is a wholly owned subsidiary of the Demerged Company. The equity shares of the Resulting Company are presently not listed on any stock exchange.
- 2.5. The draft Scheme will be filed with BSE and NSE, pursuant to Regulation 37 of the Listing Regulations read with the SEBI Scheme Circular, for obtaining a no-objection letter from the stock exchanges.
- 2.6. The Scheme will be presented before the National Company Law Tribunal, Mumbai, under Sections 230 to 232 and other applicable provisions of the Act, the SEBI Scheme Circular and will also be in compliance with Section 2(19AA) and other relevant provisions of the Income-tax Act, 1961.

3. REQUIREMENTS UNDER THE SCHEME CIRCULAR

- 3.1. In terms of the SEBI Scheme Circular, the Audit Committee is required to provide its Report recommending the draft Scheme, taking into consideration *inter alia* the Share Entitlement Ratio Report (*as defined hereinafter*), and commenting on the need for the Scheme, rationale of the Scheme, synergies of business of the entities involved in the Scheme, impact of the Scheme on the shareholders of the Company and cost benefit analysis of the Scheme.
- 3.2. This report of the Audit Committee is made in order to *inter alia* comply with the requirements of the SEBI Scheme Circular issued by SEBI pursuant to the Listing Regulations.

4. DOCUMENTS PLACED BEFORE THE AUDIT COMMITTEE

- 4.1. The following documents were placed before the Audit Committee along and which have been perused by the Audit Committee for the purposes of making its recommendations in this report:
 - (i) Draft Scheme;
 - (ii) Independent share entitlement ratio report dated 21st January, 2025 issued by Deloitte India Valuation LLP, Registered Valuer (IBBI Registration Number: IBBI/RV-E/02/2019/105) ("Registered Valuer") *inter-alia*, recommending the Share Entitlement Ratio in connection with the proposed Scheme based on which the Resulting Company shall issue its shares to the members of the Demerged Company ("Share Entitlement Ratio Report");
 - (iii) Fairness opinion dated 21st January, 2025 issued by Kotak Mahindra Capital Company Limited, an independent Category-I Merchant Banker registered with SEBI (SEBI Registration No. INM000008704) providing its opinion on the fairness of the Share Entitlement Ratio as recommended in the Share Entitlement Ratio Report ("Fairness Opinion");





- (iv) Draft Certificate from Walker Chandiook & Co LLP Chartered Accountants (Firm Registration No.: 001076N/N500013), Statutory Auditor of the Company, confirming that the accounting treatment mentioned in the Scheme is in compliance with the applicable Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standard) Rules, 2015 and other Generally Accepted Accounting Principles in India ("**Auditor's Certificate**");
- (v) Draft Undertaking by the Company as prescribed under Paragraph (A) (10) (c) of Part I of the SEBI Scheme Circular stating the reasons for non-applicability of Paragraph (A) (10) (b) read with Paragraph (A) (10) (a) of the SEBI Scheme Circular, relating to obtaining approval of the majority of public shareholders, along with the draft certificate from Walker Chandiook & Co LLP Chartered Accountants (Firm Registration No.: 001076N/N500013), Statutory Auditor of the Company, certifying the said undertaking ("**Auditor's Certificate under Paragraph (A) (10) (c)**"); and
- (vi) Other presentations, documents and information made to/furnished before the Audit Committee, pertaining to the draft Scheme.

5. SALIENT FEATURES OF THE SCHEME:

5.1. The Audit Committee considered and noted the salient features of the Scheme as under:

5.1.1. The Scheme provides *inter alia* for:

- (i) the demerger of the Ice Cream Business Undertaking (*as defined in the Scheme*) of the Demerged Company to the Resulting Company on a going concern basis and in consideration, the consequent issuance of the equity shares of the Resulting Company to all the shareholders of the Demerged Company in accordance with the Share Entitlement Ratio (*as defined below*); and
- (ii) various other matters consequential or otherwise integrally connected therewith including, *inter alia*, the consequent reduction and cancellation of the existing shareholding of the Demerged Company in the Resulting Company,

pursuant to Sections 230 to 232 of the Act and other applicable provisions thereof read with Section 2(19AA) of the IT Act, and the SEBI Scheme Circular.

5.1.2. Upon the Scheme becoming effective, all the assets, liabilities, employees and the business pertaining to the Ice Cream Business of the Demerged Company shall stand transferred to and vested in the Resulting Company, as a going concern.

5.1.3. As consideration for the demerger of Ice Cream Business Undertaking, upon the effectiveness of the Scheme, the Resulting Company shall, without any further act or deed, issue and allot equity shares ("**Resulting Company New Shares**") to the equity shareholders of the Demerged Company, whose names are recorded in the register of members and records of the depository maintained under Section 11 of the Depositories Act, 1996, as members of the Demerged



[Handwritten signature]



Company, on the Record Date (i.e. the Eligible Shareholders of the Demerged Company), in the following ratio:

“for every 1 (one) equity share of face value of Re.1/- fully paid up held in the Demerged Company, 1 (one) equity share of face value of Re. 1/- credited as fully paid up in the Resulting Company”, i.e. in the ratio of 1 : 1. (“**Share Entitlement Ratio**”)

- 5.1.4. Post the effectiveness of the Scheme, the Resulting Company shall apply for and procure the listing of its Resulting Company New Equity Shares on the BSE and NSE in terms of and in compliance with the SEBI Scheme Circular. The Resulting Company New Shares allotted by Resulting Company pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated stock exchange.
- 5.1.5. Notwithstanding anything to the contrary contained in the Scheme, upon this Scheme becoming effective, the entire pre-Scheme paid up share capital of the Resulting Company (held by the Demerged Company) will stand cancelled and reduced by operation of law, without payment of any consideration or any further act or deed by either of the Demerged Company and the Resulting Company, which shall be regarded as reduction of share capital of the Resulting Company pursuant to Sections 230-232 of the Companies Act as an integral part of the Scheme.
- 5.1.6. The “**Appointed Date**” for the purpose of the Scheme means the opening of business on the Effective Date or such other date that may be mutually agreed to by the Boards of the Demerged Company and the Resulting Company and approved by the NCLT.
- 5.1.7. The “**Effective Date**” means the date which is the first calendar date of the month following the month in which the conditions and matters referred to in Clause 20 of the Scheme have occurred or have been fulfilled, obtained or waived, as applicable, in accordance with the Scheme.
- 5.1.8. The effectiveness of the Scheme is subject to, *inter alia*, (i) the Scheme being approved by the requisite majority of shareholders and/or creditors (where applicable) of the Demerged Company and Resulting Company, (ii) receipt of the observation or no-objection letter by the Demerged Company from BSE and NSE in respect of the Scheme; and (iii) the Scheme being approved and sanctioned by the National Company Law Tribunal, Mumbai bench.

5.2. NEED FOR THE DEMERGER AND RATIONALE OF THE SCHEME

- 5.2.1. The Audit Committee reviewed the draft Scheme, Share Entitlement Ratio Report and Fairness Opinion and noted the need, rationale and the benefits of the Scheme to the stakeholders and the shareholders which, *inter-alia*, are as follows:
 - 5.2.1.1 Following the announcement by the Demerged Company’s parent entity, Unilever PLC, of its intention to separate its ice cream business globally, the Board of the Demerged Company had undertaken a comprehensive review and had decided to separate the Ice Cream Business Undertaking in view of its different operating model, including differentiated infrastructure for supply and distribution, capital allocation needs, distinct channel landscape and go-to-market strategy.





5.2.1.2 After due consideration, the Board of the Demerged Company has proposed to undertake the separation of the Ice Cream Business Undertaking by way of this Scheme which contemplates the Demerger of the Ice Cream Business Undertaking to the Resulting company, to create an independent listed ice-cream company. This would be in the best interests of the Demerged Company and the Resulting Company, and their respective shareholders, creditors, employees and other stakeholders on account of the following:

- (a) the Demerger will result in the separation of the Ice Cream Business Undertaking from the Remaining Business (*as defined in the Scheme*), which will enable these companies to sharpen focus on their respective businesses and strategies in pursuit of their respective growth and value creation models;
- (b) the Ice Cream Business Undertaking operates in an attractive high-growth category and has built iconic brands such as 'Kwality Wall's', 'Cornetto' and 'Magnum' and the Demerger would create a leading listed ice cream company in India, which will have a focused management with greater flexibility to deploy strategies suited to its distinctive operating model and market dynamics, to realise its full potential;
- (c) the Resulting Company will have ability to benefit from the portfolio, brand and innovation resources and technical expertise from the largest global ice cream business enabling it to keep winning in the market space;
- (d) the Demerger will enable the Demerged Company to drive sharper focus in the business as it further accelerates its play in high-growth demand spaces, strengthening its future fit portfolio;
- (e) the Demerger would unlock value for all shareholders of the Demerged Company and give them the flexibility to stay invested in the growth journey of the Ice Cream Business Undertaking; and
- (f) the Demerger will facilitate a smoother transition for the Ice Cream Business Undertaking and its people.

5.3. SYNERGIES OF BUSINESS OF THE COMPANIES INVOLVED IN THE SCHEME

5.3.1. The Audit Committee noted that the Scheme relates to the demerger of the Ice Cream Business Undertaking from the Demerged Company into the Resulting Company to create an independent listed ice cream company. The said demerger would entail the benefits specified in para 5.2 above.

5.4. IMPACT OF THE SCHEME ON THE SHAREHOLDERS OF THE COMPANY

The Audit Committee noted the following:

5.4.1. The Company has equity shareholders and no other class of shareholders.





- 5.4.2. Upon the Scheme becoming effective and in consideration of the transfer and vesting of Ice Cream Business Undertaking into the Resulting Company pursuant to provisions of the Scheme, the Resulting Company shall, without any further act or deed, issue and allot equity shares (i.e. the Resulting Company New Shares) to the Eligible Shareholders (i.e. a person whose name appears in the register of members of the Demerged Company and/ or whose name appears as the beneficial owner of the shares of the Demerged Company in the record of the depositories on the Record Date) of the Demerged Company, in the following ratio:

“for every 1 (one) equity share of face value of Re.1/- fully paid up held in the Demerged Company, 1 (one) equity share of face value of Re. 1/- credited as fully paid up in the Resulting Company”, i.e. in the ratio of 1 : 1. (“Share Entitlement Ratio”)

- 5.4.3. Accordingly, all the Eligible Shareholders of the Demerged Company as on the Record Date (as defined under the Scheme) shall become the equity shareholders of Resulting Company by virtue of the Demerger of the Ice Cream Business Undertaking to Resulting Company.
- 5.4.4. The shareholding pattern of the Resulting Company will mirror that of the Demerged Company and the economic and legal interest of the Eligible Shareholders of the Demerged Company will remain the same upon implementation of the Scheme as (i) pursuant to the effectiveness of the Scheme, every Eligible Shareholder of the Company will receive a share of the Resulting Company for each share held by them in the Demerged Company; and (ii) the existing shareholding of the Demerged Company and its nominees in the Resulting Company, will stand cancelled and extinguished, without any further act, instrument or deed.
- 5.4.5. Further, the shares issued as a consideration by Resulting Company to the shareholders of the Demerged Company pursuant to the Scheme (i.e. Resulting Company New Shares) shall be listed on BSE and NSE.
- 5.4.6. The Audit Committee was of the view that the proposed Demerger would create an independent listed ice cream company and unlock value for all the shareholders of the Demerged Company and give them the flexibility to stay invested in the growth journey of the Ice Cream Business Undertaking.
- 5.4.7. In light of the aforementioned rationale and benefits of the Scheme and other related matters, the Audit Committee is of the informed opinion that the proposed Scheme is [in the best interests of and] not detrimental to the interests of the shareholders of the Company.

5.5. **COST BENEFIT ANALYSIS OF THE SCHEME**

After evaluation of the proposed draft Scheme, the Audit Committee is of the view that the benefits of the Scheme for the stakeholders of the Company in terms of sharpened focus and other benefits as specified in Paragraphs 5.2 above far outweigh the transaction costs for the implementation of the Scheme. For the shareholders of the Demerged Company (who will receive shares in the Resulting Company), the demerger will result in unlocking value and providing them the flexibility to continue to remain invested in the Ice Cream Business Undertaking. Thus, the Audit Committee believes that the Scheme will be beneficial for the Demerged Company and Resulting Company.

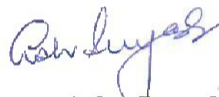




6. RECOMMENDATION OF THE AUDIT COMMITTEE

- 6.1. The Audit Committee has reviewed the Share Entitlement Ratio Report and noted the recommendations that the proposed Share Entitlement Ratio is fair and reasonable. Further, the Fairness Opinion has confirmed the recommended of the Share Entitlement Ratio in the Share Entitlement Ratio Report as being fair to the shareholders of the Company.
- 6.2. In view of the above, the Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme, Share Entitlement Ratio Report, Fairness Opinion, Auditor's Certificate, Auditor's Certificate under Paragraph (A) (10) (c), recommends the draft Scheme for favourable consideration and approval of the Board, stock exchange(s), SEBI and other appropriate authorities.

**FOR AND ON BEHALF OF THE
AUDIT COMMITTEE OF HINDUSTAN UNILEVER LIMITED**


Name: Ashu Suyash
DIN: 00494515
Chairperson of the Audit Committee
Date: 22nd January, 2025
Place: Mumbai

