



Hindustan Unilever Limited

Hindustan Unilever Limited
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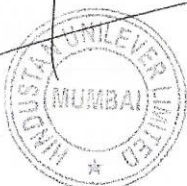
REPORT OF THE AUDIT COMMITTEE OF HINDUSTAN UNILEVER LIMITED RECOMMENDING THE SCHEME OF AMALGAMATION BETWEEN HINDUSTAN UNILEVER LIMITED AND GLAXOSMITHKLINE CONSUMER HEALTHCARE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

- Present: Mr. Aditya Narayan - (In the Chair)
- Mr. S Ramadorai - Member (through Skype video conferencing)
- Mr. O. P. Bhatt - Member
- Dr. Sanjiv Misra - Member (through Skype video conferencing)
- Mr. Leo Puri - Member
- In attendance: Mr. Dev Bajpai - Executive Director, Legal & Corporate Affairs
and Company Secretary
- By Invitation: Mr. Sanjiv Mehta - Chairman and Managing Director
- Mr. Srinivas Phatak - Executive Director, Finance & IT
and Chief Financial Officer

1. Background

- 1.1. A meeting of the Audit Committee of Hindustan Unilever Limited ("**Company**") was held on December 3, 2018 to consider and recommend the proposed scheme of amalgamation between GlaxoSmithKline Consumer Healthcare Limited ("**GSKCH**") and the Company ("**Scheme**"), involving:
- (i) the amalgamation of GSKCH with the Company, and dissolution of GSKCH without winding up and consequent issuance of equity shares of the Company to the shareholders of GSKCH, in accordance with the Scheme ("**Amalgamation**");
- (ii) various other matters incidental, consequential or otherwise integrally connected therewith, including the increase in the share capital of the Company,

in accordance with the provisions of, *inter alia*, Sections 230 to 232 of the Companies Act, 2013.





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- 1.2. In terms of the SEBI Scheme Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 ("**SEBI Scheme Circular**"), a report from the Audit Committee is required recommending the Draft Scheme, taking into consideration, *inter alia*, the Valuation Report. This report of the Audit Committee is made in order to comply with the requirements of the SEBI Scheme Circular.
- 1.3. In this regard, the Audit Committee considered, *inter alia*, the following:
- (i) The draft Scheme;
 - (ii) Valuation report dated December 3, 2018 issued by S R B C & Co LLP, Independent Chartered Accountant appointed by the Company, for the purposes of determining the share exchange ratio ("**Valuation Report**"), which the report recommended:

4.39 equity shares of the Company of INR 1/- each fully paid up for every 1 equity share of GSKCH of INR 10 each fully paid up.
 - (iii) Fairness opinion dated December 3, 2018 issued by HSBC Securities and Capital Markets (India) Private Limited, a SEBI Registered Merchant Banker, on the equity shares to be issued by the Company to the shareholders of GSKCH pursuant to the amalgamation ("**Fairness Opinion**").

2. Salient features of the Draft Scheme

- 2.1. The Audit Committee discussed and noted the salient features of the draft Scheme:
- (i) The Draft Scheme provides for the amalgamation of GSK CH with the Company and the consequent dissolution of GSK CH, without winding up, pursuant thereto.
 - (ii) The Appointed Date shall be the same as the Effective Date of the Scheme.
 - (iii) All assets and liabilities of GSK CH shall be incorporated in the Company's accounts pursuant to the amalgamation, in the manner specified under the draft Scheme.
 - (iv) Shareholders of GSK CH would get 4.39 equity shares of the Company of INR 1/- each fully paid up for every 1 equity shares of GSK CH of INR 10 each fully paid up, held by such shareholder in GSK CH.
 - (v) All employees of GSK CH as of the Effective Date (*as defined under the Draft Scheme*) shall become employees of the Company, without any break or interruption in their service and on the basis of continuity of service on terms no less favourable than those on which they are engaged by GSK CH.





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(vi) The draft Scheme to be approved by (A) the Stock Exchanges/ SEBI, (B) the Competition Commission of India, (C) the respective requisite majorities of the various classes of shareholders and creditors (as applicable) of the Company and GSK CH (as applicable), and (D) jurisdictional National Company Law Tribunal.

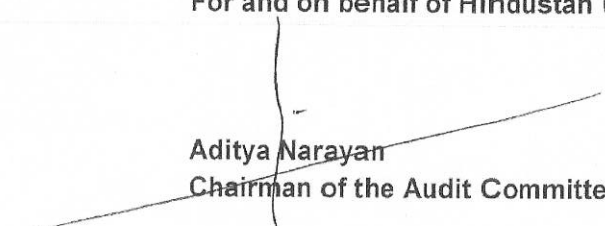
(vii) Rationale for Amalgamation:

- a) GSKCH is the one of the key players in the Foods and Refreshment (F&R) category with iconic brands such as Horlicks and Boost and comprises a wide product portfolio. Pursuant to the strategic review undertaken by GSK Group of Horlicks and other consumer healthcare nutrition products business in India, GSKCH has decided to undertake amalgamation of the business of GSKCH with the Company.
- b) The proposed amalgamation of GSKCH business with the Company is in line with the strategy to build a sustainable and profitable Foods and Refreshments (F&R) business in India. The parties expect significant synergies through supply chain opportunities and operational improvements, go-to-market and distribution network optimisation, scale efficiencies in cost areas such as marketing, and optimisation of overlapping infrastructure.
- c) The Amalgamation will result in consolidation of the businesses of the parties resulting in expansion of the consolidated business and creation of greater value for shareholders and all other stakeholders.

3. Recommendation of the Audit Committee

The Audit Committee, having considered the aforementioned documents as placed before the Committee, including the Valuation Report and the Fairness Opinion, does hereby recommend the draft Scheme for favourable consideration by the Board of Directors of the Company, BSE Limited and the National Stock Exchange of India Limited and the Securities and Exchange Board of India.

By order of the Audit Committee
For and on behalf of Hindustan Unilever Limited


Aditya Narayan
Chairman of the Audit Committee



December 3, 2018
Mumbai