

Annexure V

**REPORT OF THE AUDIT COMMITTEE OF SUZLON ENERGY LIMITED
RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN SUZLON
ENERGY AND ITS SHAREHOLDERS AND CREDITORS**

Members Present:

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| 1. Mr. Gautam Doshi | : | Chairperson |
| 2. Mr. Per Hornung Pedersen | : | Member |
| 3. Mr. Sameer Shah | : | Member |
| 4. Mr. Vinod R.Tanti | : | Member |

In attendance:

- | | | |
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| 1. Mr. Himanshu Mody | : | Group Chief Financial Officer |
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1. Background of the proposed scheme:

- 1.1 A draft Scheme of Arrangement under section 230 and 231 read with section 52, section 66 and other applicable provisions, if any, of the Companies Act, 2013, (the "Act") as may be applicable, between Suzlon Energy Limited ("SEL" or the "Company") and its shareholders and creditors (the "Scheme") has been placed before the Audit Committee at their meeting dated 28th October 2024 by the management to consider recommending the Scheme to the Board of Directors.
- 1.2 The Scheme provides for:
 - (i) reduction and reorganisation of reserve of the Company and reclassification and transfer of General Reserves in the manner as set out in the Scheme pursuant to the provisions of Sections 230 and 231 read with Sections 52, Section 66 and other applicable provisions of the Act, as may be applicable;
 - (ii) various other matters consequential, incidental or otherwise integrally connected therewith.
- 1.3 The Equity shares of SEL are listed on the BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") (collectively the "Stock Exchanges") and SEL will be filing the Scheme along with necessary information / documents with the Stock Exchanges.
2. Words and expressions, used in capitalised form but not defined in this report, shall have the meaning ascribed to them in the Scheme.
3. The Scheme is to be filed with the Honourable National Company Law Tribunal, Ahmedabad Bench ("Tribunal").
4. This report of the Audit Committee is made in order to comply with the requirements of the SEBI Master Circular No.SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated 20th June 2023, on Schemes of Arrangement by Listed Entities and Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957, as amended from time to time, issued by SEBI ("SEBI Circular").
5. The following documents / draft documents were placed before the Audit Committee at its meeting held on 28th October 2024:
 - 5.1.1 Draft Scheme;
 - 5.1.2 The certificate issued by the registered valuer, viz., Mr. Parag Vijaykant Kulkarni (Registration Number: IBBI/RV/04/2019/12131) (Sole Proprietor – Trade Name:

Indaslab) for non-applicability of the valuation report in the matter of the Scheme ('Valuation Report');

- 5.1.3 The certificate issued by Kunvarji Finstock Private Limited (Registration Code: INM000012564), a SEBI Registered Merchant Banker, certifying that the certificate obtained from the registered valuer, Mr. Parag Vijaykant Kulkarni (Registration Number: IBBI/RV/04/2019/12131) for non-applicability of the Valuation Report, as mentioned in the SEBI Circular, is fair and reasonable (the 'Fairness Opinion on Valuation Report');
- 5.1.4 The draft auditors' certificate(s) to be issued by the statutory auditors of the Company, viz., M/s. Walker Chandiok & Co LLP, Chartered Accountants ('Auditors' Certificate-1'), certifying that the accounting treatment mentioned in the draft Scheme is in compliance with the applicable Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and generally accepted accounting principles;
- 5.1.5 The draft certificate issued by the Statutory Auditors of Company, viz., M/s. Walker Chandiok & Co LLP, Chartered Accountants ('Auditors' Certificate-2'), certifying non-applicability of approval of majority of public shareholders as prescribed under Paragraph (A)(10)(b) of Part I of the SEBI Circular

6. Rationale of the Scheme:

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

- (i) The Company is currently engaged in the business of manufacturing and supply of Wind Turbine Generators ('WTGs').
- (ii) The Company had suffered losses in the past, due to which it has been facing challenges to scale its business and unleash its full potential for growth and profitability. However, there has been a turnaround in the operations / business of the Company. After proactively managing its debt position by way of debt restructuring agreements and repayment of debt, clubbed with the boost in the renewable energy markets, the Company has been able to report profits on a standalone basis in the financial year 2022-23, financial year 2023-24 and for the period ended on 30th June 2024..
- (iii) Despite reporting profits during the financial year 2022-23, financial year 2023-24 and for the period ended on 30th June 2024, the accumulated losses are weighing down the financial statements of the Company with a substantial amount of accumulated negative Retained Earnings the financial statements of the Company are not reflective of its true current financial health.
- (iv) The Company continues to carry a debit balance (in other words negative balance) of Retained Earnings on its balance sheet. At the same time, the Company has unutilised balances lying under various reserves, which are neither earmarked for any specific purpose, nor have any lien marked thereon and / or obligation attached thereto.
- (v) The Company is of the view that the financial statements of the Company are not reflective of its true current financial health and therefore, it is necessary to reduce and reorganise the reserve of the Company.
- (vi) In a strategic move to reorganise the balance sheet of the Company, the Scheme proposes to set-off the negative balance in the Retained Earnings chronologically against the following reserves, viz., Capital Reserve, Capital Contribution, Capital

Redemption Reserve, Securities Premium, and General Reserve. The above set-off could potentially reap strategic benefits including but not limited to the following:

- (a) the financial statements of the Company should reflect its true and fair financial health;
 - (b) obliterate the capital being lost and not represented by available assets of the Company;
 - (c) help in resizing the reserves of the Company and thereby denoting a positive reserve representing its true and fair financial position which is commensurate with its business and assets;
 - (d) enable the Company to explore opportunities for the benefit of the shareholders of the Company including but not restricted to dividend payment per the applicable provisions of the Act, etc.;
 - (e) enable the Company to use the amounts lying in the Capital Reserve, Capital Contribution, Capital Redemption Reserve, Securities Premium, and General Reserve which are currently neither earmarked for any specific purpose, nor have any lien marked thereon and / or obligation attached thereto; and
 - (f) The Scheme would not have any impact on the shareholding pattern of the Company.
- (vii) Over the years the Company has built up significant General Reserves through transfer of profits to the General Reserves in accordance with provisions of the applicable laws and rules notified thereunder.
 - (viii) While the excess reserves can be profitably utilised for the Company's overall growth strategy, for achieving flexibility in using these funds to maximise shareholder's wealth it is proposed that post the set-off of reserves as mentioned above the balance in General Reserve will be transferred to Retained Earnings.
 - (ix) The reduction and reorganisation of reserve and subsequent reclassification and transfer of General Reserves to Retained Earnings as mentioned above will resize the balance sheet of the Company with effect from the Appointed Date and shall be in accordance with the provisions of the Applicable Law.

7. Valuation Report and certificates relied upon:

- a) The Audit Committee took note of the Valuation Report which *inter-alia*, stated that valuation report would not be applicable for the draft Scheme since there is no change in the shareholding pattern.
- b) The Fairness Opinion on Valuation Report confirmed that the certificate obtained from the registered valuer, Mr. Parag Vijaykant Kulkarni (Registration Number: IBBI/RV/04/2019/12131) for non-applicability of the Valuation Report, as mentioned in the SEBI Circular, is fair and reasonable.
- c) The Auditors' Certificate-1 confirmed the compliance of the accounting treatment.
- d) The Auditors' Certificate-2 confirmed the non-applicability of Paragraph (A)(10)(b) of Part I of the SEBI Circular.

8. Synergies of business of the entities involved in the Scheme

The present Scheme does not involve any merger/ demerger/ re-organisation of the business of the Company with any other company.

9. Salient Features of the Scheme

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

- a. Reduction and reorganisation of reserve of the Company: Upon the Scheme coming into effect, the Company shall adjust the debit balance in of the Retained Earnings Account of the Company as on the Appointed Date, in chronological order against credit balances in the following reserves:
 - i. Capital Reserve;
 - ii. Capital Contribution;
 - iii. Capital Redemption Reserve;
 - iv. Securities Premium; and
 - v. Balance (if any) against General Reserves.
- b. Reclassification and transfer of General Reserves: Upon the Scheme becoming effective, and post reduction and reorganisation of reserves as mentioned above, the entire amount standing to the credit of the General Reserve of the Company as on the Appointed Date shall be reclassified and credited to the Retained Earnings of the Company.
- c. The Scheme neither involves reduction in the issued, subscribed, paid-up share capital of the Company, nor any payment of the paid-up share capital to the shareholders of the Company nor does it result in extinguishment of any liability or diminution. There is no outflow of / payout of funds from the Company and hence, the interest of the shareholders / creditors is not adversely affected.
- d. Appointed Date shall mean the closing business hours as on 30th September 2024, or such other date as may be approved by the Tribunal in this regard.
- e. Effective Date shall mean the opening business hours of the date or last of the dates on which the certified copy of the order of the Tribunal sanctioning the Scheme is filed by the Company with the Registrar of Companies, Gujarat.
- f. Upon the Scheme becoming effective, all the Employees shall continue with their employment without any break or interruption in their services, on the same terms and conditions on which they are engaged as on the Effective Date.
- g. The creditors of the Company are, in no way, affected by the Scheme, as there is no reduction in the amount payable to any of the creditors as a result of the Scheme, and no compromise or arrangement is contemplated with the creditors under the Scheme. Further, there is no outflow of cash from the Company.
- h. If the Scheme is not approved by the Tribunal and does not come into effect, the Scheme shall stand revoked, cancelled and be of no effect, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and / or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law.

- i. The Company shall not be required to add "And Reduced" as suffix to its name.

10. Cost Benefit Analysis

The Scheme would entail some costs towards implementation. However, the benefits of the scheme over a longer period are expected to far outweigh such costs for the stakeholders of the scheme.

11. Effect of the Scheme on the Shareholders of the Company

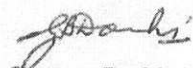
The Audit Committee discussed and deliberated upon the rationale and expected benefits of the Scheme. The Audit Committee also noted that there is no proposed change in the shareholding pattern of the Company pursuant to the said Scheme.

In light of the above discussions, Valuation Report, Fairness Opinion on Valuation Report, other documents presented before the Audit Committee and rationale and cost benefit of the Scheme, the Audit Committee 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, creditors, employees and any other stakeholders of the Company.

12. Recommendation

The Audit Committee, after due deliberation and due consideration of all terms of the Scheme, Valuation Report, Fairness Opinion on Valuation Report, certificate and confirmation and undertaking from Statutory Auditors of Company, other documents and information made to / furnished before the Audit Committee and the specific points mentioned above, recommends the Scheme to the Board of Directors of the Company for its approval.

Dated this 28th day of October 2024 at Mumbai.



Gautam Doshi,
Chairperson of the Audit Committee of Suzlon Energy Limited
DIN: 00004612