

REPORT OF THE AUDIT COMMITTEE OF CHEMFAB ALKALIS LIMITED ("THE COMPANY" OR "THE TRANSFEROR COMPANY") TO RECOMMEND THE DRAFT SCHEME OF AMALGAMATION AND ARRANGEMENT OF THE COMPANY WITH TEAMEC CHLORATES LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Members present in the Meeting held on 31<sup>st</sup> May 2016:

In Attendance:

Mr. T. Ramabadran, Chairman  
Mr. C.S. Ramesh, Member  
Mr. N. Ganga Ram, Member  
Mrs. Sujatha Jayarajan, Member

**1. Background**

- 1.1. In accordance with the provisions of SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 ('Circular'), the draft Scheme of Amalgamation and Arrangement of Chemfab Alkalies Limited ('Transferor Company' or 'CCAL') with Teamec Chlorates Limited ('TCL' or 'Transferee Company') and their respective shareholders and creditors was placed before the Audit Committee to consider and recommend the Scheme to the Board taking into account, inter-alia, the Independent Valuation Reports dated 31<sup>st</sup> May 2016 submitted by the Independent Valuation Firms M/s. Bansi S. Mehta & Co., Chartered Accountants, Mumbai and Fairness Opinion Report by Vivro Financial Services Private Limited, a SEBI registered Category I Merchant Banker.
- 1.2. The Audit Committee has prepared this report after considering the following documents:
- Draft Scheme of Amalgamation of CCAL with TCL and their respective shareholders and creditors.
  - The Independent Valuation Report dated 31<sup>st</sup> May 2016 submitted by the Independent Valuation Firms M/s. Bansi S. Mehta & Co, Chartered Accountants, Mumbai and
  - Fairness Opinion Report dated 31 May 2016, issued by M/s. Vivro Financial Services Private Limited, SEBI registered Category I Merchant Banker.

**2. Proposed Scheme of Amalgamation ("Scheme")**

- 2.1. This Scheme (as defined hereinafter) envisages the amalgamation of CCAL into TCL, resulting in consolidation of CCAL and TCL into single company. CCAL and 'TCL are part of Dr. Rao's Group of companies ('the Group'). CCAL and TCL have a lot in common:
- Raw material for both are power and salt.
  - TCL customer base is complementary with that of CCAL.
  - CCAL has been a leader in its area of operation and now TCL also has added Hydrogen to its product line, which CCAL has been manufacturing and selling since its inception. Hence it will be more effective to have a common marketing set up, which will make it easier to enhance the customer base, by catering to the untapped markets in the vicinity of TCL.
  - The Technology adopted at both CCAL and TCL, is Electrolysis process, and CCAL has been a pioneer in ushering in this technology, and hence operational parameters of the Plant could be well maintained in a more efficient manner, leading to overall sustained Plant efficiencies.
  - CCAL is in the Chlor alkali business for the last three decades and has the requisite qualified and well trained man power for handling of any technical matters, which could also result in enhanced capacity utilization at TCL.
  - The funding for the working capital and any long term requirements of TCL would be very cost effective, thereby helping in reducing the overall cost of the product.



Regn. No. OHS 66228 / EMS 71746  
An OHSAS 18001 and ISO 14001 Certified Company

CIN No.: L24297TN1983PLC072409

Member - Dr. Rao's Group of Companies

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- 2.2. Hence, a merger between the two entities is now being proposed, considering the above mentioned synergies. It is planned to merge CCAL into TCL, which will give the combined entity, a broader base and the necessary impetus for targeting markets in newer areas and will lead to overall growth and higher profitability. Further, as a result of consolidation, the following benefits will accrue to the Group:
- a) Consolidation of businesses of the Group in India to bring strengths that each company does not necessarily possess individually and provide synergy benefits;
  - b) Increasing net worth of TCL, which will facilitate effective and fast mobilization of financial resources for meeting its increased capital expenditure.
  - c) Reduction in number of companies and regulatory compliances thereof;
  - d) Ease of management;
  - e) Reduction of operating and administrative costs;
  - f) Streamlining the holding structure.
- 2.3. The proposed amalgamation and vesting of CCAL into the Transferee Company, with effect from the Appointed Date is in the best interest of the shareholders, creditors, stakeholders and employees, as it would enable a focused business approach for the maximization of benefits to all the stakeholders and for the purpose of synergies of business.
- 2.4. The salient features of the draft Scheme are, inter-alia, as under:
- a) The Scheme provides for amalgamation of CCAL with TCL and their respective shareholders and creditors.
  - b) The Appointed Date of the Scheme would be 1<sup>st</sup> April 2014.
  - c) Effective Date would be the date on which all the conditions as mentioned in the Scheme are fulfilled and all the approvals are received.
  - d) All the assets and liabilities of Transferor Company are to be transferred and vested in the Transferee Company.
  - e) TCL to issue its equity shares to the equity shareholders of CCAL on Record Date, based on the swap ratio determined by the valuer, M/s. Banssi S. Mehta & Co., Chartered Accountants and fairness opinion provided by M/s. Vivro Financial Services Private Limited, SEBI registered Category I Merchant Banker, as under:
    - Every equity shareholder holding 7 (Seven) fully paid up shares of Rs. 5 each of CCAL on the Record Date, shall be entitled to receive 10 (Ten) fully paid up shares of Rs. 10 each of TCL.
  - f) M/s. Vivro Financial Services Private Limited, SEBI registered Category I Merchant Banker has provided fairness opinion on the swap ratio.

**3. Recommendations of the Audit Committee**

The Audit Committee approves and recommends the draft Scheme of amalgamation, inter-alia, taking into consideration the Valuation Report dated 31 May 2016 issued by M/s. Banssi S. Mehta & Co. and the Fairness Opinion Report dated 31 May 2016 issued by M/s. Vivro Financial Services Private Limited, for favorable consideration by the Board, the Stock Exchanges and SEBI.

Date: 31 May 2016  
Place: Chennai

-sd/-  
**Chairman, Audit Committee**



|| CERTIFIED TRUE COPY ||  
For Chemfab Alkalis Limited,  
*[Signature]*  
**Company Secretary**