

Indokem Limited

(CIN NO.: L31300MH1964PLC013088)

Registered Office :
"KHATAU HOUSE", Ground Floor,
Mogul Lane, Mahim (West),
Mumbai - 400 016.

Phone : 61236767
Fax : 61236718
Website : www.indokem.co.in

REPORT ADOPTED BY THE AUDIT COMMITTEE OF INDOKEM LIMITED AT ITS MEETING HELD ON 15TH DAY OF JANUARY 2022 RECOMMENDING THE REVISED DRAFT SCHEME OF AMALGAMTION OF REFNOL RESINS AND CHEMICALS LIMITED WITH INDOKEM LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

PRESENT:

Mr. Kailash Pershad : Chairman
Mr. Mahendra Khatau : Member
Mr. Bhalchandra Sontakke : Member
Mr. Rahul Singh : Member

IN ATTENDANCE:

Ms. Rupal Parikh : Chief Financial Officer
Mr. Rajesh Pisal : Company Secretary and Compliance Officer

I. BACKGROUND

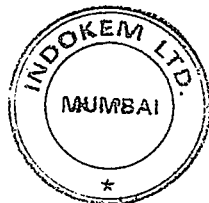
A meeting of the Audit Committee of the Board of Directors of Indokem Limited was held on 26th July 2021 and 13th September 2021 to consider and recommend the Draft Scheme of Amalgamation ("the Scheme") of Refnol Resins and Chemicals Limited ("Transferor Company") with Indokem Limited ("the Company" or "Transferee Company") and their respective Shareholders, with effect from the appointed date i.e. 1st April 2021, pursuant to Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("the Act") and the rules made thereunder, as amended from time to time (including any statutory modification(s) or re-enactment thereof for the time being in force) and Regulations 11, 37 and 94 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/665 dated November 23, 2021 issued by Securities and Exchange Board of India ("SEBI Circular"), as amended from time to time.

The Board of Directors of the Company had approved the draft Scheme for Amalgamation of the Transferor Company with the Transferee Company on 27th July 2021 and 13th September 2021 based on the recommendation provided *inter alia* by the Audit Committee Report dated 26th July 2021 and 13th September 2021 respectively. The swap ratio for the amalgamation considered in the Audit Committee meeting dated 13th September 2021 was determined by valuer based on the financials as on 30th June 2021.

As per the query raised by BSE Limited on 03rd January 2022, valuation report is required to be prepared based on the financial statements not being older than 3 months from current date.

In order to comply with the above requirement of BSE Limited, the revised valuation report has been obtained by the Company to determine the revised swap ratio based on the Financials Statements as on 31st December 2021 (being not more than 3 months old). Accordingly, the

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swap ratio in the draft Scheme for Amalgamation has been amended based on the said valuation report. Further, the scheme is also amended to provide reference to the new Master Circular dated 23rd November 2021 in place of the old Master Circular dated 22nd December 2020.

In this connection, the following documents were placed before the Audit Committee for their consideration and recommendation to the Board of Directors:

- (a) Revised Draft Scheme
- (b) Certificate dated 22nd July 2021 issued by CNK and Associates LLP, Chartered Accountants, statutory auditors of the Company, to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Act;
- (c) Valuation Report dated 14th January 2022 ("Valuation Report") issued by Niranjana Kumar, Registered Valuer – Securities or Financial Assets ("Valuer"), prepared based on the limited review financial statement dated 31st December 2021, recommending the consideration for amalgamation of the Transferor Company with Transferee Company; and
- (d) Fairness Opinion dated 14th January 2022 ("Fairness Opinion") issued by Kunvarji Finstock Private Limited providing a fairness opinion on the consideration for amalgamation of the Transferor Company with Transferee Company recommended by the Valuer in Valuation report dated 14th January 2022;

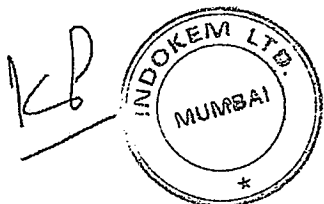
II. NEED FOR THE MERGER

The pandemic which has gripped the entire World from early 2020 makes one rethink priorities. Being a mid-sized Corporate, the Company is not immune to this thought process. First and foremost the thought is to control costs and recover from supply chain and logistical disruptions. By learning the right lessons from the pandemic, the Company has taken an opportunity to turn the COVID-19 disruption to its advantage by consolidating the 2 entities with an eye toward stimulating growth, gaining competitive advantages, increasing market share and influencing supply chains.

The Management foresees growth for both companies. Moreover, it will mean more financial power from the revenue generated by pooling the incomes of both businesses. As a chain reaction, having a greater financial power will also mean occupying a larger share of the market and having more influence over the customers by reducing the competition.

III. RATIONALE FOR THE SCHEME

The Transferor Company and the Transferee Company are engaged in similar lines of business and complement each other. With an intent to expand the business and achieve larger product portfolio, economies of scale, efficiency, optimisation of logistic and distribution network and other related economies by consolidating the business operations being managed by different management teams, the Board of Directors of the Transferor Company and the Transferee Company propose to consolidate the business of the Transferor Company with the Transferee



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Company. The proposed amalgamation of the Transferor Company with Transferee Company would inter alia have the following benefits:

1. Creation of a combined entity, hosting all products under the Transferee Company, thereby resulting in diversified portfolio of products, economies of scale, operational rationalization, efficiency of management and maximizing value for the shareholders.
2. Greater synergies between businesses and optimum use of manufacturing facilities, marketing strength, R & D facilities, Certifications resulting in productivity gains thereby maximizing value for the shareholders.
3. Optimum use of infrastructure and organizational efficiency by pooling of financial, managerial and technical resources, personnel, capabilities, skills, expertise and technologies of Transferor Company and Transferee Company thereby significantly contributing to the future growth and maximizing shareholder value.
4. Better financial leverage, resulting in greater efficiency in cash and debt management and unfettered access to cash flow generated by the combined business, which can be deployed more efficiently, to realize higher profits for the combined entity.
5. Improved organizational capability and leadership, arising from the pooling of human capital, who have the diverse skills, talent and vast experience to compete successfully in an increasingly competitive industry.
6. Cost savings because of standardization and simplification of business processes, elimination of duplication and rationalization of administrative expenses.
7. Reduction in regulatory and legal compliances and avoidance of multiple records keeping.
8. Strengthening ability to face increasing competitive, regulatory, environmental and global risks; thereby resulting in sustainable and profitable long term growth for the combined entity.

In view of the aforesaid, the Board of Directors of the Transferor Company as well as the Board of Directors of the Transferee Company have considered and proposed the amalgamation of the entire undertaking and business of the Transferor Company with the Transferee Company. Accordingly, the Board of Directors of the Company have formulated this Scheme of Amalgamation for the transfer and vesting of the entire undertakings and business of the Transferor Company within and into the Transferee Company pursuant to the provisions of Sections 230 to 232 and other relevant provisions of the Act.

IV. SYNERGIES OF BUSINESS OF THE ENTITIES INVOLVED IN THE SCHEME

Combined company is worth more than the two companies individually. By combining business activities, each Company will leverage off of the other Company's strengths.

- Cost synergies are expected to economies of scale
- Revenue synergies are expected by cross-selling and increasing market share.

V. IMPACT OF THE SCHEME ON THE SHAREHOLDERS

The amalgamation will enhance the financial power from the revenue generated by pooling the incomes of both businesses and resulting in larger share in the market. The proposed

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amalgamation is in the interest of the shareholders, creditors, employees and other stakeholders of both the companies.

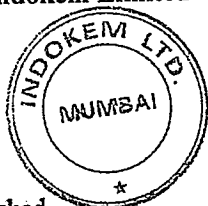
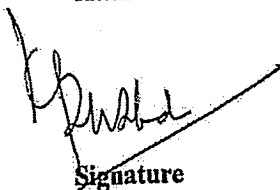
VI. COST BENEFIT ANALYSIS OF THE SCHEME

Since the draft Scheme involves the amalgamation of the Transferor Company with the Transferee Company, the cost involved for the implementation of the Scheme will include administrative cost, cost of transferring the assets and cost of advisors. The Scheme is expected to provide both operational and strategic benefit from a long-term shareholder value creation. Costs incurred towards the implementation of the Scheme foreshadows the long-run benefit that can be derived by achieving strategic and operational synergies envisaged under the Scheme.

VII. RECOMMENDATION OF THE AUDIT COMMITTEE

The Audit Committee after a detailed deliberation and after taking into consideration the aforementioned documents presented to the Committee recommends the Scheme for favourable consideration and approval of the Board of Directors of the Company.

For & On Behalf Of
Audit Committee of Indokem Limited



Signature

Name: Mr. Kailash Pershad

Designation: Chairman of the Audit Committee

Date: 15/01/2022

Place: Mumbai



REPORT ADOPTED BY THE AUDIT COMMITTEE OF REFNOL RESINS AND CHEMICALS LIMITED AT ITS MEETING HELD ON 15TH DAY OF JANUARY 2022 RECOMMENDING THE REVISED DRAFT SCHEME OF AMALGAMTION OF REFNOL RESINS AND CHEMICALS LIMITED WITH INDOKEM LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

PRESENT:

Shri Bhalchandra Sontakke : Chairman
Shri Rahul Singh : Member
Shri Mukund Nagpurkar : Member
Shri Arupkumar Basu : Member

IN ATTENDANCE:

Shri Vikas Agarwal : Chief Financial Officer
Shri Bilal Topia : Company Secretary

I. BACKGROUND

A meeting of the Audit Committee of the Board of Directors of Refnol Resins and Chemicals Limited was held on 26th July 2021 and 13th September 2021 to consider and recommend the Draft Scheme of Amalgamation (“**the Scheme**”) of Refnol Resins and Chemicals Limited (“**the Company**”) or “**Transferor Company**”) with Indokem Limited (“**Transferee Company**”) and their respective Shareholders, with effect from the appointed date i.e. 1st April 2021, pursuant to Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“**the Act**”) and the rules made thereunder, as amended from time to time (including any statutory modification(s) or re-enactment thereof for the time being in force) and Regulations 11, 37 and 94 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/665 dated November 23, 2021 issued by Securities and Exchange Board of India (“**SEBI Circular**”), as amended from time to time.

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In this connection, the following documents were placed before the Audit Committee for their consideration and recommendation to the Board of Directors:

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- (b) Certificate dated 17th July 2021 issued by B. R. Shah and Associates, Chartered Accountants, statutory auditors of the Company, to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Act;
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**For & On Behalf Of
Audit Committee of Refnol Resins and Chemicals Limited**



Signature

Name: Bhalchandra Sontakke

Designation: Chairman of the Audit Committee

Date: 15/01/2022

Place: Mumbai

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