



REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF BHAGERIA INDUSTRIES LIMITED ("THE COMPANY") RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION BETWEEN THE COMPANY AND NIPUR CHEMICALS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Members Present:

Mr. MR. O. P. Bubna, Chairman of the Committee
Mr. DR. Shyam Agarwal, Member of the Committee
MR. P.S. Dalvi , Member of the Committee

In Attendance:

Mr. Shrinath Tiwari , Company Secretary

By Invitation:

Mr. Rakesh Kachhadiya, Chief Financial Officer
Mr. Sitaram Pareek, Representing M/s. Sarda & Pareek Chartered Accountants, Statutory Auditors

Background

A meeting of the Audit Committee was held on November 14, 2016 to consider and recommend the proposed amalgamation of Nipur Chemicals Limited ("**Transferor Company**") with Bhageria Industries Limited ("**Company**" / "**Transferee Company**") under the provisions of Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 and other related/applicable provisions, if any, of the Companies Act, 1956 and/or Companies Act, 2013. This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 ("**SEBI Circular**").

The following documents were placed before the Audit Committee:





- a) Draft Scheme of Amalgamation;
- b) Valuation Report dated November 14, 2016 submitted by Independent Valuers, R R Bajaj & Associates, Chartered Accountants;
- c) Fairness Opinion dated November 14, 2016 issued by SMC Capitals Limited , Merchant Banker; and
- d) Certificate dated November 14 , 2016 obtained from the Statutory Auditors of the Company viz., Sarda and Pareek , Chartered Accountants on the accounting treatment.

Proposed Scheme of Amalgamation

The Audit Committee discussed the draft Scheme of Amalgamation, valuation report and the fairness opinion and noted the rationale and the benefits of the Scheme, which inter-alia include the following:

- i. The Transferor and Transferee Companies are group companies. The Transferor and Transferee Companies are both engaged in the business of exporting, manufacturing, importing, buying, selling and dealing in all types of chemicals, which business can be carried out more efficiently under one amalgamated entity.
- ii. A consolidation of the Transferor Company and the Transferee Company by way of amalgamation would thus lead to a more efficient utilization of capital.
- iii. The proposed Scheme aims at unlocking a better value for the public shareholders of the Transferee Company. As the entire undertaking of the Transferor Company shall stand transferred to the Transferee Company, the rights and interests of the shareholders or the creditors of the Transferee Company shall not be affected and the Scheme shall not be prejudicial to the interest of the shareholders of the Transferor Company.
- iv. The proposed amalgamation will result in administrative and operational rationalization, reduction in overheads and other expenses and prevent cost duplication. The synergies created by the amalgamation would increase operational efficiency and integrate business functions.
- v. The creditors of the Transferor Company will not be affected by the Scheme since the assets of the Transferor and Transferee Companies (taken together) are more than the liabilities of the Transferor and Transferee Companies (taken together). Further even the creditors of the Transferee Company will not be affected by the Scheme since the assets of the Transferor Company are more than the liabilities of the Transferor Company. Further post the amalgamation, the assets of the Transferee Company shall be greater than its liabilities.

The Audit Committee reviewed the Valuation Report and noted that the valuation report recommended consideration for the proposed amalgamation as under:





BHAGERIA INDUSTRIES LIMITED

(FORMELY KNOWN AS BHAGERIA DYE CHEM LTD.)

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 GOREGAON (WEST), MUMBAI - 400 062. CIN NO.:L40300MH1989PLC052574.

In consideration of the amalgamation of the Transferor Company in the Transferee Company, the Transferee Company shall, without any further act or deed, issue and allot 11 (Eleven) Equity Shares of Rs. 5/- each credited as fully paid-up (the "New Equity Shares") of the Transferee Company for every 10 (Ten) equity shares of Rs.10/- each fully paid-up held by the equity shareholders in the Transferor Company, as on the Record Date.


Further the Fairness opinion confirmed that the Share Exchange Ratio in the Valuation Report is fair to the shareholders of the Transferee Company and the Transferor Company.

Recommendation of the Audit Committee

The Audit Committee recommends the draft Scheme of Amalgamation, inter alia taking into consideration the Valuation Report dated November 14, 2016 presented by R. R. Bajaj & Associates, Chartered Accountants and the Fairness Opinion dated November 14, 2016 issued by SMC Capitals Limited, Merchant Banker to the Board of Directors for approval and favourable consideration by the Stock Exchanges and SEBI.

Date: November 14, 2016

Place: Mumbai

For BHAGERIA INDUSTRIES LTD.

 Authorized Signatory / Director
 O.P. BUBNA
 Chairman of the Audit Committee