

Indokem Limited

(CIN NO. : L31300MH1964PLCO13088)

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

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

Report of the Audit Committee of Indokem Limited

In attendance:

Mr. Kailash Pershad : Chairman
Mr. B.G. Sontakke : Director
Mr. S. Rajagopalan : Director
Mr. Mahendra K. Khatau : Director

The Securities and Exchange Board of India ('SEBI') vide its circular no. CIR/CFD/DIL/5/2013 dated February 4, 2014 has, amongst other requirements, sought a report from the Audit Committee of the Listed Companies recommending the Scheme of Arrangement under Chapter V of the Companies Act, 1956.

The Company placed before the Audit Committee, the draft Scheme of Amalgamation and Arrangement between Khatau Capacitors Private Limited ('Khatau Capacitors') and Indokem Exports Limited ('Indokem Exports') and Indokem Limited ('the Company') and their respective shareholders ('the Scheme') under the provisions of Section 391 to 394 read with section 100 to 103 of the Companies Act, 1956, pursuant to above SEBI Circular.

This report of the Audit Committee is made in order to comply with requirement of the aforesaid Circular after considering the following necessary documents:

- i. Draft Scheme of Amalgamation and Arrangement;
- ii. Report for recommendation of share exchange ratio dated 14th August 2014, issued by Independent Valuers M/s SSPA & Co., Chartered Accountant.
- iii. Fairness Opinion dated 14th August 2014, issued by M/s Fortress Capital Management Services Private Limited, a SEBI registered Category I Merchant Banker.

1. Proposed Scheme:

The Audit Committee noted that the proposed Scheme would result in the following benefits:

- i. The capacitor business of Khatau Capacitors has good prospects and merging the same with the Company would provide platform to the Company to grow to the next level and give additional revenues to complement the existing business of the Company.
- ii. Merging of Indokem Exports with the Company will augment synergies that exist among the entities in terms of similar business line, processes and resources can be put to the best advantage for the stakeholders.
- iii. Reducing the multiplicity of legal and regulatory compliances.



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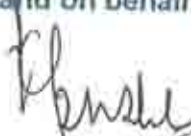
2. Salient features of the Scheme are as under:

- i. The Khatau Capacitors and Indokem Exports would be amalgamated with the Company;
- ii. All assets and liabilities of Khatau Capacitors and Indokem Exports would be transferred to the Company;
- iii. The Appointed Date of the Scheme would be April 1, 2014;
- iv. In consideration of the amalgamation,
 - a) the Company shall, without any further application, act, instrument or deed, issue to the equity shareholders of the Khatau Capacitors, whose names are registered in its register of members on the Record Date, or his/her/its heirs, executors or, as the case may be, successors:
 - 349 (Three Hundred Forty Nine) 8% Non-cumulative Redeemable Preference Shares of Rs.10/- each, credited as fully-paid up of the Company, for every 2 (Two) equity shares of Rs.10/- each held by such equity shareholders or their respective heirs, executors or, as the case may be, successors in Khatau Capacitors on the Record Date;
 - b) the Company shall, without any further application, act, instrument or deed, issue to the equity shareholders of Indokem Exports, whose names are registered in its register of members on the Record Date, or his/her/its heirs, executors or, as the case may be, successors:
 - 97 (Ninety Seven) 8% Non-cumulative Preference Shares of Rs.10/- each, credited as fully-paid up of the Company, for every 25 (Twenty Five) equity shares of Rs.10/- each held by such equity shareholders or their respective heirs, executors or, as the case may be, successors in Indokem Exports on the Record Date;
- v. It has been also ensured that none of the shareholders or their interest are jeopardized.

3. Recommendation of Audit Committee:

The Audit Committee hereby agrees and recommends that the draft Scheme of Amalgamation and Arrangement and share issuance ratio for favorable consideration by the Board of Directors, Stock Exchange(s), SEBI and other appropriate authorities.

For and on behalf of Audit Committee of Indokem Limited,


Kailash Fershad
Chairman of the Committee

Date: 14th August 2014
Place: Mumbai

CERTIFIED TRUE-COPY

FOR INDOKEM LIMITED
Chairman & Managing Director