

# 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 OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF INDOKEM LIMITED RECOMMENDING THE REVISED DRAFT SCHEME OF AMALGAMATION OF REFNOL RESINS AND CHEMICALS LIMITED WITH INDOKEM LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

### MEMBERS PRESENT:

Mr. Kailash Pershad : Independent Director  
Mr. Bhalchandra G. Sontakke : Independent Director  
Mr. Rahul Singh : Independent Director

### I. BACKGROUND

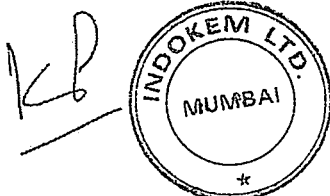
The Committee of Independent Directors, at its meeting held on 27<sup>th</sup> July 2021 and 13<sup>th</sup> September 2021, had considered and made the recommendation to the Board for approval of the Draft Scheme of Amalgamation ("the Scheme") of Refinol Resins and Chemicals Limited ("Transferor Company") with Indokem Limited ("the Company" or "Transferee Company") and their respective Shareholders.

As per the query raised by BSE Limited on 03<sup>rd</sup> 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 31<sup>st</sup> December 2021 (being not more than 3 months old). Accordingly, the 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 23<sup>rd</sup> November 2021 in place of the old Master Circular dated 22<sup>nd</sup> December 2020.

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

- (a) Revised Draft Scheme
- (b) Certificate dated 22<sup>nd</sup> 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 14<sup>th</sup> January 2022 ("Valuation Report") issued by Niranjan Kumar, Registered Valuer – Securities or Financial Assets ("Valuer"), prepared based on the limited review financial statement dated 31<sup>st</sup> December 2021, recommending the consideration for amalgamation of the Transferor Company with Transferee Company; and
- (d) Fairness Opinion dated 14<sup>th</sup> 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 14<sup>th</sup> January 2022;



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## II. SALIENT FEATURES OF THE SCHEME

The Committee considered and observed that the draft Scheme provides for the Amalgamation of Transferor Company with the Transferee Company.

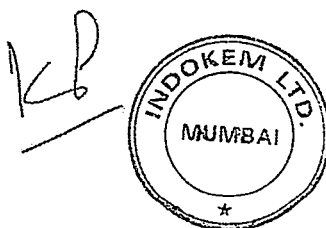
Upon this scheme becoming effective on the Effective Date, Transferor Company shall stand automatically dissolved as an integral part of this scheme.

## 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 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



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into the Transferee Company pursuant to the provisions of Sections 230 to 232 and other relevant provisions of the Act.

#### IV. VALUATION METHODS EVALUATED FOR THE SHARE EXCHANGE RATIO

The Committee noted the explanation on valuation methodology provided in the Valuation report dated 14<sup>th</sup> January 2022 and agreed with the recommendation of registered valuer. The Committee then noted the share exchange ratio as under:

*"1,153 (One Thousand One Hundred and Fifty-Three) Equity share in Transferee Company of the face value of Rs. 10/- (Rupees Ten only) each, credited as fully paid-up for every 1,000 (One Thousand) Equity shares of Rs. 10/- (Rupees Ten only) fully paid-up held in Transferor Company."*

The representatives of Kunvarji Finstock Private Limited, thereafter confirmed that the proposed share exchange ratio involving issue of shares by Transferee Company as mentioned above is fair from a financial point of view.

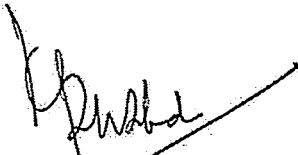
#### V. SCHEME NOT DETRIMENTAL TO THE SHAREHOLDERS OF TRANSFEE COMPANY

The Committee members discussed and deliberated upon the rationale and salient features of the Scheme. In light of the same and the Valuation Report, Fairness Opinion and other documents presented before the Committee, the Committee is of the informed opinion that the draft Scheme is in the best interests of the Shareholders of the Transferee Company and not detrimental to the interest of the Shareholders, including the minority shareholders of the Transferee Company.

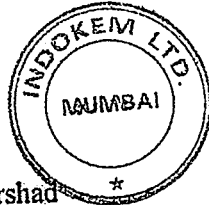
#### VI. RECOMMENDATION OF THE COMMITTEE

The Independent Directors' Committee after due deliberations and due consideration of all the terms of the Draft Scheme, Valuation report dated 14<sup>th</sup> January 2022, Fairness Opinion on Valuation report dated 14<sup>th</sup> January 2022 and the specific points mentioned above, recommends the draft Scheme for favourable consideration and approval by the Board, BSE Limited, SEBI and other appropriate authorities.

For & On Behalf Of  
Committee of Independent Directors of Indokem Limited



Signature  
Name: Mr. Kailash Pershad  
DIN: 00503603  
Date: 15<sup>th</sup> January 2022  
Place: Mumbai





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**REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF REFNOL RESINS AND CHEMICALS LIMITED RECOMMENDING THE REVISED DRAFT SCHEME OF AMALGAMATION OF REFNOL RESINS AND CHEMICALS LIMITED WITH INDOKEM LIMITED AND THEIR RESPECTIVE SHAREHOLDERS**

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**MEMBERS PRESENT:**

Shri Bhalchandra Sontakke : Independent Director  
Shri Rahul Singh : Independent Director  
Shri Mukund Nagpurkar : Independent Director

**I. BACKGROUND**

The Committee of Independent Directors, at its meeting held on 27<sup>th</sup> July 2021 and 13<sup>th</sup> September 2021, had considered and made the recommendation to the Board for approval of 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.

As per the query raised by BSE Limited on 03<sup>rd</sup> 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 31<sup>st</sup> December 2021 (being not more than 3 months old). Accordingly, the 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 23<sup>rd</sup> November 2021 in place of the old Master Circular dated 22<sup>nd</sup> December 2020.

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

- (a) Revised Draft Scheme
- (b) Certificate dated 17<sup>th</sup> 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;
- (c) Valuation Report dated 14<sup>th</sup> January 2022 (“**Valuation Report**”) issued by Niranjnan Kumar, Registered Valuer – Securities or Financial Assets (“**Valuer**”), prepared based on the limited review financial statement dated 31<sup>st</sup> December 2021, recommending the consideration for amalgamation of the Transferor Company with Transferee Company; and

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- (d) Fairness Opinion dated 14<sup>th</sup> 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 14<sup>th</sup> January 2022;

## **II. SALIENT FEATURES OF THE SCHEME**

The Committee considered and observed that the draft Scheme provides for the Amalgamation of Transferor Company with the Transferee Company.

Upon this scheme becoming effective on the Effective Date, Transferor Company shall stand automatically dissolved as an integral part of this scheme.

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

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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.

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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. VALUATION METHODS EVALUATED FOR THE SHARE EXCHANGE RATIO**

The Committee noted the explanation on valuation methodology provided in the Valuation report dated 14<sup>th</sup> January 2022 and agreed with the recommendation of registered valuer. The Committee then noted the share exchange ratio as under:

*“1,153 (One Thousand One Hundred and Fifty-Three) Equity share in Transferee Company of the face value of Rs. 10/- (Rupees Ten only) each, credited as fully paid-up for every 1,000 (One Thousand) Equity shares of Rs. 10/- (Rupees Ten only) fully paid-up held in Transferor Company.”*

The representatives of Kunvarji Finstock Private Limited, thereafter confirmed that the proposed share exchange ratio involving issue of shares by Transferee Company as mentioned above is fair from a financial point of view.

#### **V. SCHEME NOT DETRIMENTAL TO THE SHAREHOLDERS OF TRANSFEE COMPANY**

The Committee members discussed and deliberated upon the rationale and salient features of the Scheme. In light of the same and the Valuation Report, Fairness Opinion and other documents presented before the Committee, the Committee is of the informed opinion that the draft Scheme is in the best interests of the Shareholders of the Transferee Company and not detrimental to the interest of the Shareholders, including the minority shareholders of the Transferee Company.

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**VI. RECOMMENDATION OF THE COMMITTEE**

The Independent Directors' Committee after due deliberations and due consideration of all the terms of the Draft Scheme, Valuation report dated 14<sup>th</sup> January 2022, Fairness Opinion on Valuation report dated 14<sup>th</sup> January 2022 and the specific points mentioned above, recommends the draft Scheme for favourable consideration and approval by the Board, BSE Limited, SEBI and other appropriate authorities.

**For & On Behalf Of  
Committee of Independent Directors of Refnol Resins and Chemicals Limited**



**Signature**

**Name:** Mr. Bhalchandra Sontakke

**DIN:** 01225753

**Date:** 15<sup>th</sup> January 2022

**Place:** Mumbai

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