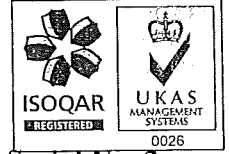


MEGHMANI ORGANICS LIMITED

ANNEXURE - 3



CORPORATE OFFICE: "MEGHMANI HOUSE", Behind Safal Profitaire, Corporate Road, Prahladnagar, Ahmedabad-380 015. Gujarat, (INDIA) Phone No.: +91 79 71761000, 29709600 Fax: +91 79 - 29709605 E-mail: helpdesk@meghmani.com Site: www.meghmani.com CIN: L24110GJ1995PLC024052.



Serial No. 3

REPORT OF THE AUDIT COMMITTEE OF MEGHMANI ORGANICS LIMITED, RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT:

Date :- 29th January, 2020

To
The Board of Directors,
Meghmani Organics Limited
"Meghmani House"
Behind Safal Profitaire,
Corporate Road, Prahladnagar,
Ahmedabd-380 015

Members Present in person:

Mr. Manubhai Patel - Chairman
Mrs. Urvashi Shah - Member
Dr. G. D Yadav - Member

Mr. Sukrut Mehta - Statutory Auditor – SRBC & Co.

In attendance:

Mr. K. D. Mehta - Company Secretary

Special Invitee:

Mr. G S Chahal - Chief Financial Officer

Background:

A Meeting of the members of the Audit Committee was held on 29th January, 2020, to consider inter alia the draft Composite Scheme of Arrangement (hereinafter referred to as "Scheme") to be entered between Meghmani Organics Limited ("Demerged Company" Or "The Transferor Company" Or "MOL 1") Meghmani Organochem Limited ("The Resulting Company" Or "MOL 2") and Meghmani Finechem Limited ("The Transferee Company" Or "MFL") And Their Respective Shareholders And Creditors under Sections 230 – 232 read with Section 66 of the Companies Act, 2013 and to recommend the same to the Board of Directors.

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[2]



In term of SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 issued by Securities and Exchange Board of India (SEBI) read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the audit committee is required to consider the Scheme, inter alia, taking into account the Valuation Report, and recommend the Scheme to the Board.

The Audit Committee Examined the draft Scheme inter-alia taking into consideration the following documents: -

- 1) Valuation Report dated 28th January, 2020 issued by Registered Valuer Jigar Shah, providing the share valuation of MOL1 and MFL. The Audit Committee however noted that the "Issuance Ratio" as prescribed in the scheme
- 2) Fairness opinion dated 28th January, 2020 issued by Vivro Financial Services Private Limited, Category I Merchant Bankers;
- 3) Draft Certificate from S R B C & Co LLP, Statutory Auditor confirming compliance with accounting standards as specified under Section 230 of the Companies Act, 2013, and SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017.

The Scheme is presented for:-

1. Demerger of Agrochemical and Pigment Undertaking (i.e. demerged undertaking) from MOL 1 into MOL 2;
2. Change of terms of OCRPS issued by MFL
3. Amalgamation of Remaining Business Undertaking of MOL 1 with MFL;
4. Delisting of Singapore Depository Shares listed on Singapore Exchange (SGX);
5. Alteration in the name of the Company

In the opinion of the Audit Committee, Scheme provides the following benefits to Meghmani Organics Limited and the Shareholders:-

- a) The proposed re-structuring would create enhanced value for the shareholders through potential unlocking of value through listing of both the businesses on the NSE and BSE (i.e. "Agrochemicals & Pigment" and "Chloro-Alkali and its Derivatives");



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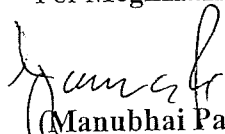


- [3]
- b) The restructuring would allow a focused strategy and specialization for sustained growth, which would be in the best interest of all the stakeholders and the persons connected with the aforesaid companies;
 - c) Since both the business are having separate growth trajectories, the proposed re-structuring would enable both the businesses to pursue their growth opportunities and offer investment opportunities to potential investors;
 - d) The proposed re-structuring would enable MOL 1 to delist its SDS's listed on SGX-ST;
 - e) The proposed re-structuring would provide opportunity to shareholders of MOL 1 to directly participate in Chloro-Alkali and its Derivatives business;
 - f) The proposed re-structuring would enable investors to hold investments in the businesses with different investment characteristics, which best suit their investment strategies and risk profiles;
 - g) The proposed re-structuring would enable management to have a Greater/ Enhanced focus of the management on the Chloro-Alkali and its Derivatives business for exploiting opportunities

The audit committee reviewed the Valuation Report as well as Fairness Opinion as placed before the Committee, Committee also took note of the manner in which the issuance ratio under the Scheme has been fixed and found it to be fair to the Shareholders.

After deliberation, discussion and due consideration of the terms of the draft Composite Scheme of Arrangement, Valuation Report, Fairness Opinion, Auditors' Certificate along with the observations/ comments connected thereto, the Audit Committee does hereby unanimously recommended the draft Scheme for consideration by the Board of Directors of the Company.

By the order of the Audit Committee
For Meghmani Organics Limited


(Manubhai Patel)
Chairman - Audit Committee



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