

REPORT OF THE AUDIT COMMITTEE OF VIKRAM THERMO (INDIA) LIMITED DATED 17TH SEPTEMBER, 2022, RECOMMENDING THE SCHEME OF ARRANGEMENT AND DEMERGER BETWEEN VIKRAM THERMO (INDIA) LIMITED (THE "DEMERGED COMPANY" OR THE "COMPANY") AND VIKRAM AROMA LIMITED (THE "RESULTING COMPANY") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Members present:

1. MR. BHARATBHAI SHAH, Chairman
2. MR. KETANBHAI PATEL, Member
3. MR. THAKARSHIBHAI PATEL, Member

In attendance

1. Mr. Mahesh Shah, Company Secretary

Special Invitees:

1. Mr. Dhirajlal Patel, Managing Director & Chairman
2. Mr. Chimanbhai Patel, Whole Time Director

1) BACKGROUND

- i. The Audit Committee at its meeting held on 17th September, 2022 has considered and made the recommendation to Board for the approval of the draft scheme of Arrangement by way of Demerger of Aromatic Chemical Business (Unit -II) of Vikram Thermo (India) Limited (Demerged Company) into Vikram Aroma Limited (Resulting Company) between both the companies and their respective shareholders and creditors.'
- ii. The Demerged Company is incorporated under Companies Act, 1956 and the equity shares of the company are listed on Bombay Stock Exchange.
- iii. This Report is made in order to comply with requirement of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (the "**Listing Regulations**") and SEBI Master Circular No . SEBI/ HO/ CFO/ OIL 1/ CIR/ P/ 2021/ 0000000665 dated November 23, 2021 (the "**SEBI Circular**"), as amended from time to time, and after considering the following documents placed before the Audit Committee:
 - a) Draft Scheme, duly initialed by the Managing Director/Company Secretary of the Demerged Company for the purpose of identification; and
 - b) The certificate of M/s J. T. SHAH & CO., the statutory auditor of the Demerged Company, to the effect that the accounting treatment contained in the Scheme is in compliance with the applicable Accounting Standards notified by Central Government under Section 133 of the Act and Indian Accounting Standards as prescribed from time to time;



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- c) The Share Entitlement Ratio Report dated 12.09.2022, recommending the share entitlement ratio (hereinafter referred to as "Valuation Report") of the Scheme, provided by Mr. Pinakin Shah, a Registered Valuer (Registration No. IBBI/RV/05/2019/10728);
- d) The Fairness Opinion dated 12.09.2022 on the share entitlement ratio recommended by the Valuation Report for the purpose of the Scheme provided by M/S Kunverji Finstock Private Limited , SEBI registered Merchant Banker (SEBI Reg No. INM000012564);
- e) Audited financial statements of the Demerged Company for the year ended March 31 ,2022, March 31 ,2021 and March 31 , 2020 and audited financial results for the Quarter ended 30th June, 2022;
- f) Standalone Audited Financial statement of VIKRAM AROMA LIMITED for the period ended 31st March, 2022 and

2) PROPOSED SCHEME OF ARRANGEMENT AND DEMERGER

• **SALIENT FEATURE OF SCHEME OF ARRANGEMENT AND DEMERGER**

- i. Appointed Date and Effective Date for the Scheme will be 01.07.2022, or such other date as the Hon'ble National Company Law Tribunal or any other competent authority may approve.
- ii. On de-merger effect all assets and liabilities including are to be taken over by and transferred to the resultant Company
- iii. Upon the scheme being effective, all the equity shareholders of Demerged Company would also become the shareholders of the Resultant Company.

• **NEED AND RATIONALE OF THE SCHEME OF ARRANGEMENT AND DEMERGER :**

The Demerger will unlock value for all businesses and result in shareholder value maximization.

- i. The Demerged Undertaking and the Remaining Business have achieved scale and experience to sustain business on the basis of their own strengths. Additionally, both businesses deal with different sets of industry dynamics in the form of nature of risks, competition, challenges, opportunities and business methods. Hence, segregation of the two undertakings would enable focused managements to explore the potential business opportunities more effectively and efficiently.
- ii. Demerger will enable both Demerged Company and the Resulting Companies to enhance business operations by streamlining operations, cutting costs, more efficient management control and outlining independent growth strategies



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- iii. Each undertaking will be able to target and attract new investors with specific knowledge, expertise and risk appetite corresponding to their own businesses. Thus, each undertaking will have its own set of likeminded investors, thereby providing the necessary funding impetus to the long-term growth strategies of each business.
- iv. Demerger will enhance efficiencies and will have different business interest into separate corporate entity, resulting in operational synergies, simplification, focused management, streamlining and optimization of the group structure and efficient administration.
- v. Pursuant to the Scheme, the equity shares issued by the Resulting Companies would be listed on BSE Limited and will unlock the value of the Demerged Undertakings for the shareholders of the Demerged Company. Further, the existing shareholders of the Demerged Company would hold the shares of two (2) listed entities, after the Scheme becoming effective, giving them flexibility in managing their investments in the two businesses having differential dynamics.

• **SYNERGIES OF BUSINESS OF THE ENTITIES INVOLVED IN THE SCHEME:**

The Committee reviewed the Scheme and noted that the demerger would create simplified structure and would create independent listed companies with distinct set of growth opportunities. The demerger would result in achieving efficiency in operational processes, implementation of independent strategies specifically designed for each business and end optimizing profitability of each of these entities.

The Committee also noted that the demerger would bring in sharp management focus. All the entities would continue under the support of group-wide Centre of Excellence. As these businesses are now individual listed entities, separate management team for the same would bring in dedicated efforts to drive growth initiative.

Thus, the restructuring is proposed to result into enhanced development and growth of the business of the Demerged Company with independent focus on each business segment and more productive utilization of such resources which would be beneficial for all stakeholders.

• **IMPACT OF THE SCHEME ON THE SHAREHOLDERS:**

The Shareholders of Demerged Company as on Record date shall be entitled to equity shares in resulting company based on the share entitlement ratio determined by Mr. Pinakin Shah, Registered Valuer (Registration No. IBBI/RV/05/2019/10728), in the Valuation Report submitted to this Committee. Accordingly, subsequent to Demerger the shareholders of Demerged Company shall also become shareholders of Resulting Company.

The Scheme will not adversely affect the rights or interest of any shareholder of the Applicant Companies or their respective shareholders or creditors, in any manner whatsoever.

The proportionate equity shareholding of any shareholder pre-demerger and post demerger would remain same and not vary. The beneficial economic interest of Demerged Company shareholders in Resulting Company will remain same as at the time of demerger (pre-demerger) and hence would not have any impact on the economic interest of the shareholders of the Demerged Company. The share entitlement ratio would not have any impact on the



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ultimate value of the shareholders of Demerged Company and the Proposed Demerger will be value-neutral to the Demerged Company's shareholders.

The entitlement ratio as proposed by the management, for shareholders of Demerged Company, is as under:

For 10 equity shares of Rs. 10/- each held in Demerged Company, 1 (one) Equity Share of Rs. 10/- each of Resultant Company which would result into issue of 31,35,785 equity shares of Rs. 10/- each of Resultant Company to the equity shareholders of Demerged Company and thereby giving the shareholders of Demerged Company 100% equity stake post the demerger.

• **COST BENEFIT ANALYSIS OF THE SCHEME:**

The Committee has reviewed in detail the costs associated with regards to the demerger. Except the transaction cost, there are no additional costs involved for the proposed re-structuring, There are no social or environmental impact of the proposed re-structuring. The Committee is of the opinion that the expected synergies and benefits in pursuance of the restructuring would offset the impact of such costs for the Demerged Company.

3) RECOMMENDATION OF THE AUDIT COMMITTEE

The Audit Committee after due deliberations and due consideration of all the terms of the draft Composite Scheme of Arrangement, Equity Share Exchange Ratio/Valuation Report, Fairness Opinion, Detailed Rationale of the Scheme, Accounting Treatment for the Scheme, impact of the Scheme on the Shareholders and other stakeholders and cost benefit analysis of the Scheme and the specific matters mentioned above, unanimously recommends the draft Scheme of Arrangement for favorable consideration by the Board of Directors of the Company, the Stock Exchange(s), SEBI and other applicable regulatory authorities.

This report of the Audit Committee is made in order to comply with the requirements of the SEBI Scheme Circular after considering the necessary documents.

**FOR & BEHALF OF AUDIT COMMITTEE OF
M/S. VIKRAM THERMO (INDIA) LIMITED**

Bharat M. Shah

**MR. BHARATBHAI SHAH
CHAIRMAN OF AUDIT COMMITTEE
(DIN: 00044460)**



DATE: 17/09/2022

PLACE: Ahmedabad