

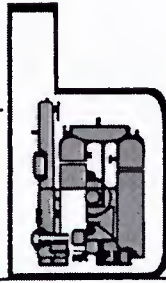
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ANNEXURE - 3



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AMINES LTD.

Admn. Off :
3rd FLOOR, K.P.R. HOUSE, S.P. ROAD,
SECUNDERABAD - 500 003. (INDIA)

REPORT OF THE AUDIT COMMITTEE OF BALAJI AMINES LIMITED ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION BETWEEN BALAJI AMINES LIMITED (TRANSFEREE COMPANY) AND BHAGYANAGAR CHEMICALS LIMITED (FIRST TRANSFEROR COMPANY) AND BALAJI GREENTECH PRODUCTS LIMITED (SECOND TRANSFEROR COMPANY) AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS, ISSUED CONSEQUENT TO THE MEETING OF THE AUDIT COMMITTEE OF THE COMPANY HELD ON MONDAY, THE 06TH DAY OF FEBRUARY, 2017, AT 3.00 P.M. AT THE ADMN OFFICE OF THE COMPANY SITUATED AT 3RD FLOOR, KPR HOUSE, S. P. ROAD, SECUNDERABAD -500003.

1. BACKGROUND

1.1 A meeting of the members of the Audit Committee of the Company was held on Monday, the 06th day of February, 2017, at 3.00 P.M. to consider and to recommend to the Board for its consideration and approval, the proposed draft Scheme of Amalgamation and between Balaji Amines Limited (Transferee Company) and Bhagyanagar Chemicals Limited (First Transferor Company) and Balaji Greentech Products Limited (Second Transferor Company) and their respective Shareholders and Creditors" ("Scheme") providing for amalgamation of Balaji Amines Limited (Transferee Company) and Bhagyanagar Chemicals Limited (First Transferor Company) and Balaji Greentech Products Limited (Second Transferor Company) with the Company on a going concern basis with effect from 01.04.2016 (First Day of April, Two Thousand and Sixteen) being the appointed date and presented under the provisions of Section 230 to Section 232 of the Companies Act, 2013, rules made thereunder and other applicable provisions, if any, of the Companies Act, 2013, including any statutory modifications, amendments, re-enactments thereof for the time being in force, relevant and applicable regulations of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 [SEBI (LODR) Regulations], the provisions of

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SEBI Circular No.CIR/CFD/CMD/16/2015, dated 30th November, 2015, and relevant rules of the National Company Law Tribunal.

1.2 This report of the Audit Committee recommending the draft Scheme to the Board of Directors of the Company for their consideration and approval, is being made in order to comply with the requirements of SEBI Circular No.CIR/CFD/CMD/16/2015, dated 30th November, 2015, issued by the Securities and Exchange Board of India ("SEBI").

1.3 The draft Scheme duly initiated by the Chairman of the Committee for the purpose of identification, was placed before the members of the Audit Committee.

2. PROPOSED SCHEME OF AMALGAMATION:

2.1 The members of the Audit Committee noted the rationale of the Scheme which is as follows:

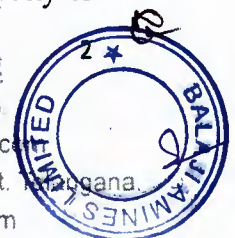
- i. The Scheme is presented under section 230 to 232 of the Companies Act, 2013 and it provides for amalgamation of the First Transferor Company and the Second Transferor Company into the Transferee Company, resulting in consolidation of business of three Companies in one entity and thereby strengthening the position of the amalgamated entity by enabling it to harness and optimize the synergies of equipments and human resources, which is in the best interest of all the Companies and their respective shareholders.
- ii. The Transferee Company is the holding Company of the First Transferor Company holding 100% of the total paid up equity share capital of the First Transferor Company. The Transferee Company is also the holding Company of

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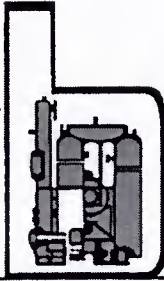




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the Second Transferor Company holding 66% of the total paid up equity share capital and 100% of the total paid up preference share capital of the Second Transferor Company. In view of the fact that the First Transferor Company and the Transferee Company are engaged in the business akin to that of the Transferee Company as also that the business of the Second Transferor Company can be combined keeping in view the synergic advantages resulting out of the amalgamation of the Second Transferor Company, it is proposed to amalgamate both the Transferor Companies and Transferee Company into a single company which will lead the amalgamated Company to greater and optimal use of resources. A consolidation of the Transferor Companies and the Transferee Company by way of amalgamation would therefore lead to a more efficient utilization of capital, talent pooling and will result in creation of a single larger unified entity in place of various entities under the same management and control, thus resulting in efficient synergies of operations and streamlined business transactions.

- iii. The proposed Amalgamation will lead to the benefits such as economies of scale, besides other synergetic advantages particularly in view of the fact that the entire gamut of operations of the combined entity will have greater management focus and increased supervisory control.
- iv. The proposed amalgamation will reduce administrative costs and also result in reduction of overheads and other expenses, economies of scale, reduction in administrative and procedural work, enable the amalgamated company to

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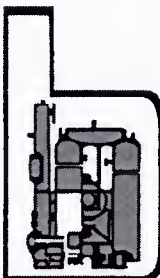
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effect internal economies and optimize profitability as also to reduce administrative inefficiencies by reducing duplication of functions.

v. In order to achieve the objectives as mentioned in clause (a) to (d) above, the Boards of Directors of the Transferor Companies and the Transferee Company have proposed to consolidate the Transferor Companies and the Transferee Company into a Single Company by assimilating the businesses carried on by the Transferor Companies and the Transferee Company.

vi. The Scheme shall be beneficial and in the best interests of the shareholders, creditors and employees of the Transferor Companies, the Transferee Company and to the interest of public at large and all concerned.

3. The Audit Committee took note of the following documents:

- a) Valuation Report dated 27th January, 2017, prepared and issued by the independent valuers, M/s NSVR & ASSOCIATES, Chartered Accountants, determining and recommending the fair Share Exchange Ratio:
- b) Fairness Opinion Certificate dated 06th day of February, 2017 issued by the Merchant Bankers, M/S Mark Corporate Advisors Private Limited, certifying that the valuation carried out by M/S NSVR & ASSOCIATES, Chartered Accountants, is fair and reasonable for the proposed Share Exchange Ratio.

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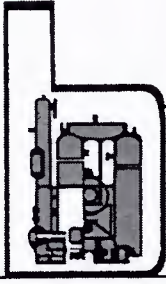
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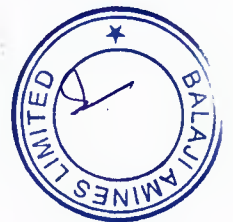
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4. THE MEMBERS OF THE COMMITTEE AFTER DUE DELIBERATION NOTED THE FOLLOWING

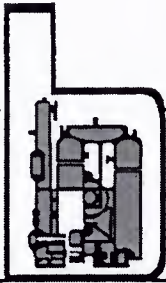
- i. The per share Value of M/s. Balaji Amines Limited as on the valuation date 31st December, 2016 is approximately Rs.318.69/- per equity share of face value of Rs.2/- each
- ii. The per share Value of M/s. Balaji Greentech Products Limited as on the valuation date 31st December, 2016 is Rs.(9.15) per equity share of face value of Rs.10/- each
- iii. M/s Bhagyanagar Chemicals Limited is wholly owned (100%) subsidiary company to Balaji Amines Limited, the shares of subsidiary company will be cancelled upon the amalgamation and no shares will be required to be issued. Hence, the share exchange ratio is not applicable for M/s Bhagyanagar Chemicals Limited, Consequently the valuation is not required to be carried out in case of Bhagyanagar Chemicals Limited
- iv. The share exchange ratio between M/S. Balaji Greentech Products Limited and Balaji Amines Limited as per respective business valuation has been arrived at Nil as shareholders of Balaji Greentech Products Limited are not entitled for any consideration due to the fact that value attributable to the each equity share is negative i.e., INR (9.15) per share.

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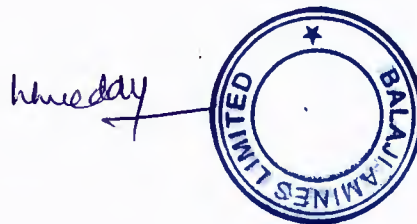
5. RECOMMENDATION OF THE AUDIT COMMITTEE

Taking into consideration the rationale of the draft Scheme of Amalgamation between Balaji Amines Limited (Transferee Company) and Bhagyanagar Chemicals Limited (First Transferor Company) and Balaji Greentech Products Limited (Second Transferor Company) and their respective Shareholders and Creditors, the Valuation Report and the Fairness Opinion, the Audit Committee do hereby recommend the draft Scheme to the Board of Directors of the Company for favorable consideration and approval.

BY THE ORDER OF THE AUDIT COMMITTEE
 FOR BALAJI AMINES LIMITED

T. NAVEENA CHANDRA
 CHAIRMAN

PLACE: HYDERABAD
 DATE : 06.02.2017



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