VISHNU CHEMICALS

REPORT OF THE AUDIT COMMITTEE OF VISHNU CHEMICALS LIMITED

MEMBERS

U. Dileep Kumar	....	Chairman
Ch. Siddartha	....	Member
T.S. Appa Rao	....	Member
Dr. S. Chandrasekhar	....	Member

IN ATTENDANCE

Ms. Shruti Gupta- Company Secretary

Mr. Ramakrishna Tatini-CFO

1. Background:

Vishnu Chemicals Limited (Transferee Company/Company) is a Public Limited Company incorporated under the Companies Act, 1956 with its registered office at 6/3/662/B/4, IInd Floor, Sri Sai Nilayam, Sangeet Nagar Colony, Somajiguda Hyderabad -500082, Telangana. The Company is engaged in the business of manufacturing, processing, distributing, importing, exporting and dealing in all kinds of Chemicals. The equity shares of the Company are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India and the Ahmedabad Stock Exchange of India.

Vishnu Barium Private Limited, a Company incorporated under the Companies Act, 1956 with its registered office at H. No. 6-3-662/B/4, Sri Sai Nilayam, Sangeetnagar Colony, Somajiguda Hyderabad -500082, Telangana (Transferor Company/ Vishnu Barium Private Limited). The Transferor Company is engaged in the business of manufacturing of Barium.

Vishnu Chemicals Limited ("VCL") has placed before its Audit Committee a draft Scheme of Amalgamation under sections 391 to 394 and other applicable provisions of the Companies Act, 1956("Act") between Vishnu Barium Private Limited, VCL and their respective shareholders ("Scheme"), for the scrutiny and if satisfied, to recommend the said draft scheme to the Board of Directors of VCL, as required vide SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Regulations").

VISHNU CHEMICALS LTD. HYDERABAD

This report is made in order to comply with the requirements of the SEBI regulations after considering, *inter alia*, the following:

a) Draft Scheme;
b) Fairness opinion dated 05th August, 2016 issued by M/s. Saffron Capital Advisors Private Limited and
c) Audited Financial statements of VCL for the year ended 31st March 2016.

Proposed Scheme of Arrangement:

The salient features of the draft Scheme are as under:

a) The Board of Directors of both Vishnu Chemicals Limited and Vishnu Barium Private Limited has decided to amalgamate Vishnu Barium Private Limited with Vishnu Chemicals Limited in order to ensure better management of the Company as a single unit and they are of the opinion that the proposed amalgamation will be for the benefit of both VBPL and VCL for the following reasons:

- VBPL is a wholly owned subsidiary of VCL and the amalgamation, which shall be beneficial to the interest of the shareholders, employees and creditors will result in legal integration of the business, reduction of the shareholding layers and direct control of assets of VBPL in the hands of VCL;
- The Scheme of amalgamation would facilitate the continuance of the business of VBPL and VCL under one entity and management.
- The proposed amalgamation will reduce managerial overlaps, which are necessarily involved in running multiple entities;
- By the amalgamation, the administrative and operational costs will be considerably reduced and VCL will be able to operate and run the company more effectively and economically resulting in better turnover and profits, operational efficiencies, business synergies and more productive utilization of resources.
- There is no likelihood that interests of any shareholder or creditor of either VBPL or VCL would be prejudiced as a result of the Scheme. The Scheme of Amalgamation will not impose any additional burden on the members of VBPL or VCL.

b) Since Vishnu Barium Private Limited is a wholly owned (100%) subsidiary of Vishnu Chemicals Limited and its entire share capital is held by the VCL in its own name and/or jointly with its nominee, there would be no

issue of shares of VCL to the shareholders (including those holding the shares as nominee of the Transferee Company) of VBPL.

c) Further, pursuant to the amalgamation of VBPL with VCL, and in consideration thereof, all equity of VBPL held by VCL (either directly or through nominee) and corresponding investments of VBPL in VCL shall stand cancelled without any further act or deed.

Since VCL is not required to issue any shares to any person in consideration of and consequent to the amalgamation, the paid up share capital of VBPL is going to be extinguished, there is no statutory requirement of a valuation report being obtained from an Independent Chartered Accountant and placing the same before the Audit Committee.

d) The proposed appointed date for the purpose of the Scheme will be 1st April, 2016 or such other date as the High Court and/or the National Company Law Tribunal may direct or approve under the relevant provisions of the Act.

e) Under the proposed Scheme, all assets and liabilities of whatsoever nature and wheresoever situated, including the immovable properties, if any shall without any further act or deed be transferred to and vested in the Transferee Company as going concern with effect from the Appointed date.

f) The accounting treatment to be followed for the Scheme will be as per generally accepted accounting principles.

3. <u>Recommendation of the Audit Committee:</u>

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme and the specific points mentioned above, recommends the draft Scheme for favorable consideration by the Board of Directors of the company, the Stock Exchange(s) and SEBI.

Date: 6th August, 2016

Place: Hyderabad

VISHNU CHEMICALS LTD. HYDERABAD

U. Dileep Kumar

Chairman Audit Committee

Vishnu Chemicals Limited