

REPORT OF THE AUDIT COMMITTEE OF ASTRAL LIMITED FOR RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF RESINOVA CHEMIE LIMITED AND ASTRAL BIOCHEM PRIVATE LIMITED WITH ASTRAL LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS.

• **Background:**

A meeting of the Audit Committee of Astral Limited ("Astral"/"the Company"/"Transferee Company") was held on June 7, 2021, to consider and recommend the proposed scheme of Amalgamation of Resinova Chemie Limited ("Resinova"/"Transferor Company- 1") and Astral Biochem Private Limited ("ABPL"/"Transferor Company- 2") (Collectively to be referred as Transferor Companies) with the Company, involving:

- Astral holds 97.45% equity stake in Resinova and 100% equity stake in ABPL.
- The Amalgamation of Resinova and ABPL with Astral, and dissolution of Resinova and ABPL without winding up and consequent issuance of equity shares of Astral to the shareholders of Resinova in accordance with scheme of Amalgamation;
- Various other matters incidental, consequential or otherwise integrally connected therewith, including increase in Authorised capital and change in Object clause of Memorandum of Association of the Company;
- In terms of the SEBI circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 as amended from time to time ("SEBI circular"), a report from the Audit Committee is required recommending the draft scheme, taking into consideration, *inter alia*, the valuation report. This report is made in order to comply with the requirements of the SEBI circular;
- Audit Committee unanimously approved the Draft Scheme and recommended the Board for approval in its meeting held on June 7, 2021. Subsequently, the Board of Directors also approved the Draft Scheme and the same was filed with the Stock Exchange in compliance with the provisions of Regulation 37 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.
- BSE Limited (Designated Stock Exchange) vide e-mail dated October 26, 2021 advised the Company to obtain and submit the fresh valuation report alongwith Audit Committee recommendation and fairness opinion using the latest audited



financials (not being three months old) of unlisted companies involved under the Scheme. Further, it also advised the Company to submit the latest audited financials of unlisted companies under the Scheme being not more than six months old as on date.

- Accordingly, the fresh valuation report from the Registered Valuer and Fairness Opinion from SEBI registered Merchant Banker was placed before the Audit Committee for consideration in its meeting held on November 11, 2021.
- The Audit Committee in its meeting held on November 11, 2021 considered, *inter alia*, the following:
 - Draft revised Scheme of Amalgamation between Resinova and ABPL with Astral under Section 230 to 232 and other applicable provisions of the Companies Act, 2013 and Rules made thereunder;
 - Valuation Report dated November 11, 2021 of M/s Y.K. Mehta & Associates of Ahmedabad, Chartered Accountants, Ahmedabad (Registered Valuer);
 - Fairness Opinion dated November 11, 2021 of M/s Vivro Financial Services Private Limited, Merchant Banker;
 - Draft Certificate dated June 7, 2021 of SRBC & Co., LLP, Chartered Accountants, Statutory Auditors of the Company, confirming the accounting treatment contained in the Scheme is in compliance with the applicable Accounting norms.

- **Salient features of Proposed Scheme:**

The Salient feature of the proposed Scheme are as follows:

- The Scheme provides for amalgamation of Resinova and ABPL with Astral;
- The accounting treatment to be followed for the Scheme is in accordance with the principles as laid down in the applicable Indian Accounting Standards and the applicable provisions of the Companies Act, 2013 and generally accepted accounting principles in India;
- The proposed Appointed Date shall be April 1, 2021;
- Consideration: Upon the Scheme becoming effective;



- 71 (Seventy One) New Equity Shares of Re.1/- (Rupee One only) each credited as fully paid-up of the Astral (Transferee Company) to be issued for every 1 (One) equity share of the face value of Rs.10/- (Rupees Ten only) each held by the shareholders of Transferor Company-1 (other than the Transferee Company itself) in the Transferor Company-1;
- Entire equity share capital of ABPL (Transferor Company-2) shall stand cancelled and no shares shall be issued as it is wholly owned subsidiary of Astral (Transferee Company).
- Upon the proposed merger being effective, all assets, liabilities, contracts, rights, obligations, etc. of Resinova and ABPL as at appointed date shall stand transferred to Astral;
- Upon the Scheme being effective, Resinova and ABPL shall stand dissolved without any further act or deed.
- **Need for Amalgamation and Rationale of the Scheme:**
 - Enhanced scale of operations and reduction in overheads, administrative, managerial, technology and other expenditure, operational rationalization, organizational efficiency and optimal utilization of various resources;
 - Improved shareholder value for the companies by way of improved financial structure and cash flows, increased asset base and stronger consolidated revenue and profitability;
 - Enhanced leveraging capability of the combined entity which in turn will allow the combined entity to undertake future expansion strategies and to tap bigger opportunities in the industry;
 - Additional strength and greater focus to the operations and utilization of resources pursuant to consolidation of managerial expertise of the companies;
 - Enhanced ability to utilize existing brand names of Astral providing better recognition and recall of the adhesive business across the country;
 - Explore greater synergies with increased distribution of adhesive products across the existing distributors network of Astral with efficient packaging and logistics across the country;
 - Simplification of group structure by eliminating multiple companies and enabling increased focus on core competencies for



greater shareholder value creation.

- **Synergy of business of the entities involved in the scheme:**

As elaborated in the rationale for scheme of Amalgamation, the Scheme would lead to increase in operational rationalization and better utilization of resources and hence the amalgamation will bring greater synergy in the operations.

- **Impact of scheme on the shareholders:**

It is expected that the proposed consolidation will allow more focused strategy, standardization in operations, operating cost optimization, better monitoring and utilization of assets, which in turn would enhance shareholder's value.

The Audit Committee is of the informed opinion that the proposed scheme is for the best interest of Astral and their respective shareholders and creditors.

- **Cost benefit Analysis:**

Though the scheme would lead to incurring of some costs towards implementation of the Scheme, however the benefit of the scheme over the long term horizon would far outweigh such cost for the stakeholders of Astral considering the synergy benefits mentioned above post Amalgamation.

- **Recommendation:**

The Audit Committee, having considered the aforementioned documents as placed before the Committee, rationale of the Scheme, its impact on the shareholders and its cost benefit analysis, the Committee after due deliberation unanimously recommends the draft revised scheme as placed before the Committee on 11th November, 2021 for favorable consideration by the Board of Directors of the Company, Stock Exchanges, SEBI and other appropriate authorities.

**For and on behalf of the Audit Committee
For Astral Limited**



**C K Gopal
Chairman of the Audit Committee**

November 11, 2021