

REPORT OF THE AUDIT COMMITTEE OF NATIONAL PEROXIDE LIMITED RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT AMONGST NATIONAL PEROXIDE LIMITED ("TRANSFEREE COMPANY/ DEMERGED COMPANY/ COMPANY"), NAPEROL INVESTMENTS LIMITED ("TRANSFEROR COMPANY") AND NPL CHEMICALS LIMITED, ("RESULTING COMPANY") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HELD ON TUESDAY, MARCH 9, 2021

The following Audit Committee Members were present:

1. Mr. S. Ragothaman, Chairman
2. Mr. Rajesh Batra
3. Mr. Viraf Mehta

By invitation:

1. Mr. Rajiv Arora, Chief Executive Officer and Director
2. Mr. Conrad Fernandes, Chief Financial Officer

In attendance:

Mr. Chandukumar Parmar, Company Secretary

1. Background

- 1.1. A meeting of the Audit Committee of the Company was held on March 9, 2021 to consider and recommend the proposed draft composite scheme of arrangement amongst National Peroxide Limited ("Transferee Company / Demerged Company/ Company"), Naperol Investments Limited ("Transferor Company") and NPL Chemicals Limited, ("Resulting Company") and their respective shareholders and creditors ("Scheme") under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.
- 1.2. The Transferor Company is a wholly owned subsidiary of the Transferee Company.
- 1.3. The Resulting Company is a wholly owned subsidiary of the Demerged Company.
- 1.4. The Transferee Company and the Transferor Company are public limited companies incorporated under the provisions of the Companies Act, 1913 and Companies Act, 1956, respectively. The equity shares of the Transferee Company are listed on BSE Limited.
- 1.5. The Resulting Company is a public limited company incorporated under the provisions of the Companies Act, 2013.





- 1.6. This report of the Audit Committee is made in order to comply with the requirements of the SEBI Circular number CFD/DIL3/CIR/2017/21 dated March 10, 2017 including amendments thereto, issued under the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").
- 1.7. The following documents were placed before the Audit Committee:
- (a) Draft Scheme, duly presented by the Company Secretary of the Transferee Company / Demerged Company for the purpose of identification;
 - (b) Share entitlement ratio report dated March 9, 2021 ("Share Entitlement Ratio Report") prepared by Ms. Drushti R. Desai (Registration No. IBBI/RV/06/2019/10666), Registered Valuer, describing the methodology adopted by them in arriving at the share entitlement ratio;
 - (c) Fairness Opinion dated March 9, 2021 prepared by M/s. Asit C. Mehta Investment Intermediates Limited (Registration No. INM000010973), an Independent SEBI registered Merchant Banker, confirming that the share entitlement ratio in the Share Entitlement Ratio Report is fair to the Companies and their respective Shareholders ("Fairness Opinion");
 - (d) Draft Certificate dated March 9, 2021, received from the Statutory Auditors of the Transferee Company / Demerged Company viz. M/s. Price Waterhouse Chartered Accountants LLP, on the accounting treatment prescribed in the Scheme; and
 - (e) Draft undertaking on non-applicability of conditions specified under Paragraph I(A)(9)(b) read with Paragraph I(A)(9)(a) of Annexure I of the SEBI Circular dated March 10, 2017 and the draft Auditors' Certificate certifying the said undertaking.

2. Proposed Scheme of Arrangement

- 2.1. The Audit Committee noted the rationale and the benefits of the Scheme which, *inter-alia*, are as follows:

1. BACKGROUND AND BUSINESS OF THE COMPANIES

The background and information of the Transferee / Demerged Company, the Transferor Company and Resulting Company is, *inter-alia*, as under:

- National Peroxide Limited, the "Demerged Company" or "Transferee Company" or "Company" or "NPL", is a public company incorporated under the provisions of the Companies Act, 1913. The Company is engaged in manufacturing, distribution and dealing of peroxygen chemicals and is also engaged in the business of making long term investments and corporate lending through its wholly owned subsidiary viz., the Transferor Company. The equity shares of the Transferee/ Demerged Company are listed on BSE Limited.





- Naperol Investments Limited, the “Transferor Company” or “NIL”, is a public company incorporated under the provisions of the Companies Act, 1956. The Transferor Company is registered with the Reserve Bank of India as a Non-Banking Financial Company as provided under section 45 – IA of the Reserve Bank of India Act, 1934. The Transferor Company is engaged in the business of long term investment and corporate lending. The Transferor Company is a wholly owned subsidiary of the Transferee Company.
- NPL Chemicals limited, i.e. “Resulting Company” or “NCL”, is a public company under the provisions of the Companies Act, 2013. The Resulting Company shall carry on the business of manufacturing, distributing and selling of peroxygen chemicals. The Resulting Company is a wholly owned subsidiary of the Demerged Company.

2. NEED FOR THE ARRANGEMENT AND RATIONALE OF THE SCHEME

- The Transferee/ Demerged Company is engaged in business of manufacturing of and dealing in peroxygen chemicals and is one of the largest manufacturer of hydrogen peroxide in India, with an installed capacity of 150 KTPA on 50% w/w basis. The Transferee/ Demerged Company also owns certain strategic investments and is also engaged in the business of making long term investments and corporate lending directly and also through its wholly owned subsidiary viz., the Transferor Company.
- The nature and competition involved in each of the aforementioned businesses is distinct and it is capable of attracting a different set of investors, strategic partners, lenders and other stakeholders.
- Further for growth and expansion of the said chemical business and the investment and corporate lending business, differentiated strategy is required to be aligned to the industry specific risks, market dynamics and growth trajectory.
- With a view to reorganise the businesses of the Demerged Company/ Transferee Company, it is proposed to bring the said chemical business of the Demerged Company/ Transferee Company under the aegis of the Resulting Company and amalgamate the Transferor Company, engaged in the business of long term investment and corporate lending, with the Transferee Company. This, inter alia, result in the following benefits:
 - unlocking the value of each of the businesses for the shareholders of the Transferee/ Demerged Company, attracting investors and providing better flexibility in accessing capital;





- segregating different businesses having different risk and return profiles, and providing investors with better flexibility to select investments which best suit their investment strategies and risk profile; and
- enabling focused growth strategy for each of the businesses for exploiting opportunities specific to each business.

3. SYNERGIES OF BUSINESS OF THE ENTITIES INVOLVED IN THE SCHEME

- The Resulting Company is a company incorporated to carry on the chemical business. Currently, the Company is engaged in manufacturing, distribution and dealing of peroxygen chemicals and is also engaged in the business of making long term investments and corporate lending through its wholly owned subsidiary viz., the Transferor Company. Pursuant to the proposed Scheme the businesses of the Company are being restructured to derive the benefits as stated in paragraph 2 above.

4. IMPACT OF THE SCHEME ON THE SHAREHOLDERS OF THE TRANSFeree COMPANY/ DEMERGED COMPANY

- The Demerged Company / Transferee Company has issued only one class of shares, i.e. equity shares. Both the Promoter and Non-Promoter shareholders of the Demerged Company / Transferee Company holding such equity shares will be entitled to the allotment of fully paid listed equity shares in the Resulting Company. Thus, the extent of interest of each shareholder of the Demerged Company / Transferee Company, whether in the Promoter or Non-Promoter category, in the Demerged Company / Transferee Company and in the Resulting Company would virtually be the same as before and the Promoter and Non-Promoter shareholders of the Demerged Company / Transferee Company shall hold listed equity shares of the Resulting Company in view of the demerger of the Demerged Undertaking into the Resulting Company.
- The Transferor Company is a wholly owned subsidiary of the Transferee Company and therefore there shall be no issue of shares by the Transferor Company as consideration for the amalgamation of the Transferor Company with the Transferee Company. Accordingly, all shares in the Transferor Company held by their shareholders shall stand cancelled without further act or deed on the amalgamation coming into effect and in lieu of such shares of the Transferor Company no new shares shall be allotted or payment in cash made whatsoever by the Transferee Company to the shareholders of the Transferor Company.





The proposed Scheme is expected to be beneficial to NPL, NIL and the Resulting Company and their respective shareholders, creditors and all other stakeholders and will enable NPL and NIL to achieve and fulfil their objectives more efficiently and economically.

5. COST BENEFIT ANALYSIS OF THE SCHEME

- Although the proposed Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the said Scheme over a longer period would far outweigh such costs for the stakeholders of the Transferee Company / Demerged Company, Transferor Company and the Resulting Company, respectively.

6. PROPOSAL

The proposed arrangement amongst the Transferee Company / Demerged Company, Transferor Company and the Resulting Company and their respective shareholders and creditors will be governed by provisions of Sections 230 to 232 of the Companies Act, 2013 and rules made thereunder.

Since, the Transferee Company / Demerged Company, the Transferor Company and the Resulting Company have registered office in Maharashtra, approval of the Mumbai bench of the National Company Law Tribunal will be sought for the Scheme.

This Scheme is divided into the following parts:

- PART I** deals with the definitions, share capital and date of taking effect and implementation of this Scheme;
- PART II** deals with the transfer and vesting of the Demerged Undertaking (as defined hereinafter) from the Demerged Company into the Resulting Company and the consideration thereof;
- PART III** deals with the amalgamation of the Transferor Company with the Transferee Company;
- PART IV** deals with the reduction and cancellation of the existing equity share capital of the Resulting Company held by the Demerged Company; and
- PART V** deals with the general terms and conditions that would be applicable to this Scheme.

Appointed Date of the Scheme is opening of business hours of October 1, 2020.





PART II OF THE SCHEME DEMERGER AND VESTING OF THE DEMERGED UNDERTAKING

- a. With effect from the Appointed Date, and subject to the provisions of this Scheme and pursuant to Sections 230 to 232 of the Act and Section 2(19AA) of the Income Tax Act, the Demerged Undertaking along with all its assets, liabilities, contracts, arrangements, employees, Permits, licences, records, approvals, etc. shall, without any further act, instrument or deed, be demerged from Demerged Company and transferred to and be vested in or be deemed to have been vested in the Resulting Company as a going concern so as to become the assets, liabilities, contracts, arrangements, employees, Permits, licences, records, approvals, etc. of the Resulting Company by virtue of, and in the manner provided in this Scheme, on and from the Appointed Date.
- b. Upon Part II of the Scheme coming into effect and in consideration of and subject to the provisions of this Scheme, the Resulting Company shall, without any further application, act, deed, consent, acts, instrument or deed, issue and allot, on a proportionate basis to each shareholder of the Demerged Company whose name is recorded in the register of members and records of the depository as members of the Demerged Company as on the Record Date, as under:

1 (One) fully paid up equity share of INR 10/- (Indian Rupees ten) each of the Resulting Company ("Resulting Company New Equity Shares"), credited as fully paid up, for every 1 (One) equity share of INR 10/- (Indian Rupees ten) each of the Demerged Company.

No shares shall be issued by the Resulting Company in respect of the shares held by the Demerged Company in the Resulting Company and such shares shall be cancelled pursuant to the Scheme.

The share entitlement ratio, as stated above, has been determined by Ms. Drushti R. Desai (Registration No. IBBI/RV/06/2019/10666), Registered Valuer. The Scheme shall take effect from the Appointed Date (*as defined in the Scheme*).

The Scheme would be subject to approval of the Boards of Directors, Shareholders and Creditors, if any of the Transferee Company / Demerged Company, Transferor Company and the Resulting Company. The Scheme would also be subject to approval of applicable statutory and regulatory authorities.

PART III OF THE SCHEME IS AMALGAMATION OF NAPEROL INVESTMENTS LIMITED

- a. Immediately after Part III of the Scheme coming into effect and with effect from the Appointed Date, all movable and investments pertaining to Naperol shall stand transferred and vested with NPL and shall become the property and an integral part of NPL, without any further act, instrument or deed. Upon the Scheme coming into





effect, NPL shall be entitled to exercise all rights and privileges and be liable to pay all taxes and charges, and fulfil all obligations, in relation to or applicable to such immovable properties. On Scheme becoming effective in accordance with the terms hereof. Naperol shall take all steps as may be necessary to ensure that transfer of Investments to NPL.

The Transferor Company is a wholly owned subsidiary of the Transferee Company and therefore there shall be no issue of shares by the Transferor Company as consideration for the amalgamation of the Transferor Company with the Transferee Company. Upon Part III of this Scheme becoming effective, all shares of the Transferor Company held by the Transferee Company (held either directly or through its nominees) shall stand cancelled without any further application, act or deed.

2.2. The salient features of the draft Scheme are as under:

- (a) the Demerged Undertaking (*as defined in the Scheme*) shall be demerged from the Demerged Company into the Resulting Company, on a going concern basis, and in consideration thereof, the Resulting Company shall issue its equity shares to equity shareholders of the Demerged Company in the same proportion as their holding; and
- (b) immediately upon implementation of (a) above, the amalgamation of the Transferor Company, a wholly owned subsidiary of the Transferee Company, with the Transferee Company;
- (c) the reduction of entire share capital of the Resulting Company held by the Demerged Company.

The Audit Committee reviewed Share Entitlement Ratio Report, Fairness Opinion and noted the recommendations made therein.

3. Recommendation of the Audit Committee

Taking into consideration the Draft Scheme, Share Entitlement Ratio Report, Fairness Opinion and Certificates from Statutory Auditors, as placed, the Committee recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee

For and on Behalf of **NATIONAL PEROXIDE LIMITED**



Mr. S. Ragothaman
Chairman of the Audit Committee
DIN: 00042395
Place: Chennai
Date: March 9, 2021

