



## Annexure - 3

**REPORT OF THE AUDIT COMMITTEE OF GUJARAT FLUORO CHEMICALS LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN GUJARAT FLUORO CHEMICALS LIMITED ("THE DEMERGED COMPANY" OR "GFL 1") AND NEW COMPANY (TO BE INCORPORATED) ("THE RESULTING COMPANY" OR "GFL 2") AND THEIR RESPECTIVE SHAREHOLDERS.**

**Present – Members**

- a) Shri Shanti Prashad Jain : Chairman of the Audit Committee  
b) Shri Shailendra Swarup : Member  
c) Shri Deepak Asher : Member

**In attendance**

- a) Shri Bhavin Desai : Company Secretary  
b) Shri Manoj Agrawal : Chief Financial Officer

**1. Background**

Gujarat Fluorochemicals Limited ('the Demerged Company' or 'GFL 1') is a public listed Company incorporated under the provisions of Companies Act, 1956 bearing Corporate Identification No. L24110GJ1987PLC009362. The Registered Office of the Demerged Company is situated at Survey No 16/3, 26 & 27 Village Ranjitnagar, Taluka Ghoghamba, District, Panchmahal, Gujarat- 389380. The equity shares of the Demerged Company are listed on BSE Limited and National Stock Exchange of India Limited.

The Company is currently engaged in the following key businesses:

- The chemical business, which includes the manufacturing and sale of chemicals, refrigerants, PTFE and other value added fluoropolymers and speciality chemicals;
- The wind turbine manufacturing business, which is conducted by Inox Wind Limited, a listed company;
- The film exhibition business, which is conducted by Inox Leisure Limited, a listed company; and
- The wind farming business, which is conducted by its 100% subsidiary i.e. Inox Renewables Limited.

New Company (to be incorporated) ('the Resulting Company' or 'GFL 2'), a company incorporated under the provisions of Companies Act, 2013 bearing Corporate Identification Number \_\_\_\_\_. The Registered Office of the Resulting Company is situated at \_\_\_\_\_. The Resulting Company is the wholly – owned subsidiary of the Demerged Company.





1.1 The draft Scheme of arrangement between Gujarat Fluorochemicals Limited ('the Demerged Company' or 'GFL 1') and the New Company (to be incorporated) ('the Resulting Company' or GFL 2') and their respective shareholders ('Scheme') was placed before the Audit Committee at its meeting held on November 14, 2018 which inter alia included following:

- a) Demerger of Chemical Business ('the Chemical Business Undertaking') of Gujarat Fluorochemicals Limited ('the Demerged Company' or 'GFL 1') into New Company (to be incorporated) ('the Resulting Company' or 'GFL 2'); and
- b) All matters consequential or otherwise integrally connected with the proposed Scheme be made applicable with effect from the Appointed Date i.e. 01st April, 2019 or such other date as may be approved by the National Company Law Tribunal ('NCLT'), Ahmedabad Bench or any other competent authority, in accordance of the terms of the Scheme.

The said Scheme to be implemented in accordance with Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013.

1.2 The Equity shares of the Demerged Company are listed on BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). The Demerged Company will be filing the Scheme along with necessary information/documents with both the mentioned Stock Exchanges.

1.3 This report of Audit Committee is made in order to comply with the requirements of the SEBI circular No CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 after considering the following documents which were placed before the Audit Committee:

- a) Draft Scheme, duly initialed by Company Secretary of the Company for the purpose of identification;
- b) Share Entitlement Report of M/s. Walker Chandiook & Co LLP dated November 13, 2018, being valuer appointed for the purpose of the scheme;
- c) Fairness Opinion Report November 13, 2018 issued by M/s. Keynote Corporate Services Limited, an independent Category I Merchant Banker providing the fairness opinion on the share entitlement recommended in the share entitlement report prepared by M/s. Walker Chandiook & Co LLP; and
- d) Certificate dated November 13, 2018 obtained from the Statutory Auditors of the Company i.e. Kulkarni and Company, Chartered Accountants to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013
- e) Undertaking dated November 13, 2018 obtained from the Statutory Auditors of the Company i.e. Kulkarni and Company, Chartered Accountants with regard to the non-applicability of requirement as prescribed in terms of paragraph I(A)(9)(b) of Annexure I of the Securities and Exchange Board of India ('SEBI')





Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ("SEBI Scheme Circular") in respect of the Scheme.

## 2. Rationale for the Scheme

The Scheme shall achieve the following benefits:

- **Segregation of Businesses:** GFL 1 is engaged in the business of manufacturing chemicals, refrigerants, fluoropolymers, etc. Further, through investments in its subsidiaries, GFL 1 is also engaged in Wind Energy, Wind Farming, Entertainment and other businesses. Each of the business activities being carried out by GFL 1 are distinct and diverse in its business characteristics with different risk and return profiles, and capital and operational requirements. Thus the scheme will help in segregating different businesses having different risk and return profiles, thus providing investors with better flexibility to select investments which best suit their investment strategies and risk profile.
- **Administrative efficiencies:** the management of GFL 1 believes that the scheme will result in economies in business operations, provide optimal utilization of resources and greater administrative efficiencies.
- **Focused growth strategy:** the scheme will allow the management to have a focused growth strategy for each of the businesses.
- **Investment opportunity:** The management of GFL 1 believes that there may be a segment of investors who may wish to invest only in the Chemical business. These investors are presently deprived of the opportunity of investing in only a Chemical business, and the implementation of the scheme will provide them with this opportunity.
- **Unlocking value:** The proposed demerger of the Chemical business will unlock value for the existing shareholders.

Hence, the scheme would be in the best interest of all the stakeholders.

There is no adverse effect of Scheme on any directors, key management personnel, promoters, non-promoter members, creditors and employees of GFL 1. The Scheme would be in the best interest of all stakeholders in GFL 1.

## 3. Salient Features of the Proposed Scheme:

- 3.1 The "Appointed Date" for the Scheme is April 1, 2019 or such other date as may be fixed by the National Company Law Tribunal;
- 3.2 The "Effective Date" for the Scheme is the date on which the certified copies of the orders of National Company Law Tribunal sanctioning this Scheme is filed by



CIN: L24110GJ1987PLC009362



**GUJARAT  
FLUORO CHEMICALS  
LIMITED**

T: +91-11-2332 7860 / 2332 4796  
F: +91-11-2335 5833

E: contact@gfl.co.in  
W: www.gfl.co.in

612-618, Narain Manzil, 23, Barakhamba Road, New Delhi - 110001

Demerged Company and the Resulting Company with the jurisdictional Registrar of Companies;

3.3 Based on the share entitlement report dated November 13, 2018 of M/s. Walker Chandiook & Co LLP , being valuer appointed for the purpose of the arrangement as prescribed in Para I(A)(4) of Annexure 1 of the SEBI Circular No. CFD/DIL3/CIR/ 2017/ 21 dated March 10, 2017, the following share exchange ratio is proposed:

*"1 (One) fully paid up Equity Share of Re. 1 (One) of GFL 2 shall be issued and allotted as fully paid up for every 1 (One) Equity Share of Re. 1 (One) fully paid up held in GFL 1"*

3.4 Further, the Fairness Opinion confirmed that the share exchange ratio in the valuation report is fair to the Demerged Company and the Resulting Company and their respective shareholders.

3.5 Further, M/s. Kulkarni and Company, Chartered Accountants, Statutory Auditors of the Company have confirmed that the accounting treatment as specified in the Scheme are in accordance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013.

3.6 Further, M/s. Kulkarni and Company, Chartered Accountants, Statutory Auditors of the Company have also confirmed that the requirement of paragraph I(A)(9)(b) of Annexure I of the SEBI Scheme Circular of obtaining approval of majority of minority is not applicable to the Proposed Scheme.

**4. Recommendations of the Audit Committee**

The Audit Committee after due deliberations and consideration of all the terms of the draft Scheme, the Share Entitlement Report, Fairness Opinion and the specific points mentioned above, recommended the draft Scheme for favorable consideration by the Board of Directors of the Company, the BSE, the NSE and Securities Exchange Board of India.

**By Order of the Audit Committee**

For and on behalf of

**GUJARAT FLUORO CHEMICALS LIMITED**

**Shanti Prashad Jain  
Chairperson of the Audit Committee**

Date: 14-11-2018

Place: Delhi

