



# SBEC SUGAR LIMITED

**REPORT OF THE AUDIT COMMITTEE OF M/S SBEC SUGAR LIMITED  
RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION BETWEEN THE  
COMPANY AND M/S SBEC BIOENERGY LIMITED AND THEIR REPECTIVE  
SHAREHOLDERS AND CREDITORS.**

**Present:**

1. Mr. R.K. Agarwal - Chairman & Independent Director
2. Shyam Babu Vyas - Independent Director

**In Attendance:**

1. Mr. Lakhmi Chand - Chief Financial Officer
2. Mr. Shobit Nehra - Company Secretary

**1. BACKGROUND**

A meeting of the Audit Committee of M/s SBEC Sugar Limited ("SBEC") was held on 28th July, 2017 to consider and recommend the proposed Scheme of Arrangement between the Company and M/s SBEC Bioenergy ("SBL") and their respective shareholders and creditors, for the merger of SBEC Bioenergy with the Company in terms of Scheme placed before the Audit Committee ("Scheme"), under Section 230 to 232 of the Companies Act, 2013.

The Securities and Exchange Board of India ("SEBI") vide its Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, amongst other requirements, requires the Company to submit a Report from the Audit Committee, recommending the draft Scheme of Amalgamation, after taking into consideration the valuation report and the fairness opinion thereon. The report of the Audit Committee is made in order to comply with the requirements of the said circular.

The following documents were placed before the Audit Committee:

- (a) Draft Scheme of Amalgamation;
- (b) Valuation Report dated 27.07.2017 issued by N.D Kapur & Co., Chartered Accountants; and
- (c) Fairness Opinion dated 28.07.2017 issued by Corporate Capital Ventures Private Limited.



*Received*

## 2. PROPOSED SCHEME OF ARRANGEMENT

2.1 The Audit Committee noted that the scheme of Amalgamation is expected to enable better realization of potential of the businesses and yield beneficial results and enhanced value creation to the companies, their respective shareholders, lenders and employees. The scheme is driven by the following objectives and is likely to result in the following advantages;

- a) Amalgamating SBL with SBEC will give the consolidated company better opportunities, better finances and adequate resource mobilization to sustain growth.
- b) Strengthening and consolidating the position of SBEC and enabling it post merger to participate more vigorously and profitably in an increasingly competitive and liberalized market.
- c) Enabling better leverage of facilities infrastructure and human resources and for better administration.
- d) Augmenting and strengthening core business of SBEC resulting in enhancement of shareholders' value of SBEC.
- e) Enabling the amalgamated entity to raise funds from the banks, financial institutions on better terms.
- f) The synergy of the amalgamation will improve operational efficiency, integrated management functioning and will enhance the share value for the benefit of shareholders of the existing entities.
- g) The merger of SBL into SBEC will result in reduction of overheads, administrative, managerial and other expenditure, and bring about operational rationalization, tax and organizational efficiency, and optimal utilization of various resources.
- h) The merger will result in significant reduction in the multiplicity of legal and regulatory compliances required at present to be carried out each by SBL and SBEC and also to avoid duplication of administrative functions and eliminate multiple record-keeping.
- i) The merger will inure to the benefit of the respective Companies, their shareholders, creditors, employees and all concerned and will enable these companies to achieve and fulfill their objectives more efficiently and economically.

2.2 The Audit Committee reviewed the Valuation Report and noted the following:

In consideration for the amalgamation of SBL with SBEC in terms of draft scheme, the share exchange ratio shall be as follows;

The Company is required to issue 1,34,55,000 Equity Shares of Rs. 10/- each to the shareholders of M/s. SBEC Bioenergy Limited in the ratio of 13 (Thirteen) fully paid up equity shares of Rs.10/- each of SBEC Sugar Limited



*Recd*

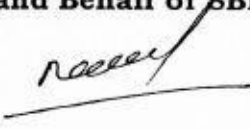
for every 10 (Ten) equity shares Rs. 10/- each of SBEC Bioenergy Limited held by the such shareholders in SBEC Bioenergy Limited.

Further, the Fairness Opinion confirmed that the share entitlement ratio in the Valuation Report is fair to SBEC, SBL and its shareholders in relation to the merger.

### 3. RECOMMENDATION OF THE AUDIT COMMITTEE

The Audit Committee, after due deliberations and due consideration of all the terms of the draft scheme, valuation report, fairness opinion and specific points mentioned above, recommends the draft scheme for favourable consideration by the Board of Directors of the Company.

**By order of Audit Committee  
For and Behalf of SBEC Sugar Limited**

  
**Rajeev Kumar Agarwal  
Chairman, Audit Committee**



**Date: 28<sup>th</sup> July, 2017**