



Annexure 'D'
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GANESH BENZOPLAST LTD.

CIN:L24200MH1986PLC039836 / PAN NO : AAACG1259J

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REPORT OF THE AUDIT COMMITTEE OF GANESH BENZOPLAST LIMITED FOR RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT BETWEEN GANESH BENZOPLAST LIMITED (DEMERGED COMPANY' OR 'TRANSFEROR COMPANY') AND GBL CHEMICAL LIMITED ('RESULTING COMPANY') AND GBL LPG PRIVATE LIMITED ('TRANSFEEE COMPANY') AND THEIR RESPECTIVE SHAREHOLDERS AT ITS MEETING HELD ON 7TH FEBRUARY, 2019, AT 2.30 PM, AT THE OFFICE OF THE COMPANY SITUATED AT 912B, BUILDING NO 9, SOLITAIRE CORPRATE PARK, ANDHERI- GHATKOPAR LINK ROAD, ANDHERI (EAST), MUMBAI-400 093

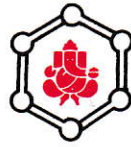
1. BACKGROUND

The Company has placed before the Audit Committee a draft Composite Scheme of Arrangement between Ganesh Benzoplast Limited ('Demerged Company' or 'Transferor Company') and GBL Chemical Limited ('Resulting Company') and GBL LPG Private Limited ('Transferee Company') and their respective shareholders ('the Scheme') for consideration and recommendation to the Board of Directors of the Company as required vide SEBI Circular No. CFD/DIL3/CIR/2017/21 dated 10TH March 2017 ('Circular') read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

The Audit Committee has made this Report pursuant to the requirements set out in the Circular and after considering the following documents:

- (i) Draft Composite Scheme of Arrangement;
- (ii) Valuation Report dated 6TH February 2019, issued by M/s TPG & Co, Independent Chartered Accountants;
- (iii) Fairness opinion dated 7TH February 2019, issued by Arihant Capital Markets Limited, Independent Merchant Banker on the Valuation Report;
- (iv) Certificate dated 7TH February 2019, issued by the Statutory Auditors of the Company, certifying that the accounting treatment given in the draft Scheme in relation to the Company is in compliance with all the Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013;
- (v) Audited financial statements of the Ganesh Benzoplast Limited for the year ending 31ST March 2018, 31ST March 2017 and 31ST March 2016.



**2. FEATURES OF THE PROPOSED SCHEME**

The salient features of the draft Scheme are as under:

- i. Pursuant to Section 230 to 232 and other applicable provisions, if any, of the Companies Act, 2013 as amended from time to time, the Scheme provides for the following:
 - Demerger of the Chemical Business Undertaking of Ganesh Benzoplast Limited to GBL Chemical Limited and consequent issue of equity shares, as consideration for demerger, by GBL Chemical Limited in the manner set out under this Scheme.
 - Slump sale of Goa Business Undertaking of Ganesh Benzoplast Limited to GBL LPG Private Limited and consequent issue of equity shares, as lump sum consideration for slump sale, by GBL LPG Private Limited.
- ii. The Appointed Date is 1ST April, 2019 for demerger of Chemical Business Undertaking from Ganesh Benzoplast Limited to GBL Chemical Limited and Slump sale of Goa Business Undertaking from Ganesh Benzoplast Limited to GBL LPG Private Limited.
- iii. The fair share allotment/entitlement ratio determined by M/s TPG & Co, Independent Chartered Accountants, in their Valuation Report dated 6TH February, 2019 is as under:
 - For demerger of Chemical Business Undertaking from Ganesh Benzoplast Limited to GBL Chemical Limited
1 (One) equity share of Re. 1 (Rupee One) each credited as fully paid up in GBL Chemical Limited for every 1 (One) equity share of Re. 1/- (Rupee One) each held in Ganesh Benzoplast Limited.
 - For slump sale of Goa Business Undertaking from Ganesh Benzoplast Limited to GBL LPG Private Limited
90,000 (Ninety Thousand) equity shares of Rs. 10/- (Rupees Ten) each fully paid up of GBL LPG Private Limited to be issued and allotted to Ganesh Benzoplast Limited.
- iv. On demerger the equity shares held by Ganesh Benzoplast Limited in GBL Chemical Limited will be cancelled as an integral part of the Scheme





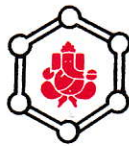
- v. On demerger of Chemical Business Undertaking from Ganesh Benzoplast Limited to GBL Chemical Limited pursuant to this Scheme, GBL Chemical Limited shall be listed on BSE Limited, subject to completion of formalities.
- vi. The Accounting treatment given in the Scheme in relation to the Company is in compliance with all the Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013.
3. The Fairness Opinion on the valuation report dated 7TH February 2019, issued by Arihant Capital Markets Limited, Independent Merchant Banker, confirms that the Share allotment/entitlement ratio is fair to the Company. The Company and its shareholders (including public shareholders) are not likely to be affected and/ or prejudiced by the Scheme.

4. RATIONALE AND BENEFITS

a) Rationale for demerger of Chemical Business Undertaking of Ganesh Benzoplast Limited to GBL Chemical Limited:

- Ganesh Benzoplast Limited operates in two divisions namely, Liquid Storage Terminal ('LST') and Chemical manufacturing division.
- Ganesh Benzoplast Limited is proposing to segregate the Chemical division as Chemical division has totally different synergies & to ensure greater focus to the operation of the Chemical divisions & to enhance profitability & generate maximum shareholder value, it will be more beneficial for Ganesh Benzoplast Limited to segregate the Chemical division in the separate company.
- In order to improve the revenue & profits of the Chemical division, Ganesh Benzoplast Limited is in process of expanding its product base & increasing the capacity utilization of plants, upgradation of manufacturing facility & adding some more products with greater margins & high demand in chemical segment.
- Further, Chemical business has a different set of regulations to comply with as compared with the LST business which is the core business of Ganesh Benzoplast Limited.
- The nature of risk and returns involved in Chemical business is distinct and consequently it is capable of attracting a different set of investors, strategic partners, lenders and other stakeholders.





- The demerger will inter alia have the following benefits to the companies and the shareholders:
 1. More focused management and greater visibility on the performance of Chemical businesses;
 2. Achieving operational and management efficiency by way of segregation of businesses; and
 3. Attribution of appropriate risk and valuation to different businesses based on their respective risk return profile and cash flows.

b) **Rationale for slump sale of Goa Business Undertaking of Ganesh Benzoplast Limited to GBL LPG Private Limited:**

- Ganesh Benzoplast Limited has liquid storage facility at Goa facility. Further, Ganesh Benzoplast Limited is in process of setting up a Liquefied Petroleum Gas ('LPG') Terminal at its Goa facility. Ganesh Benzoplast Limited has obtained licenses and requisite approvals required to carry on the LPG business.
 - With an intent to have specialised focus on the liquid storage business at Goa and LPG business and to meet financial requirement of the Goa Business Undertaking, the Management has proposed to transfer the Goa Business Undertaking to GBL LPG Private Limited, which is a wholly owned subsidiary of Ganesh Benzoplast Limited.
- c) The scheme is expected to enhance shareholder's value of all companies involved and also in the best interest of the shareholders, employees and the creditors of each of the Companies.

5. **RECOMMENDATION OF THE AUDIT COMMITTEE**

The Audit Committee unanimously recommends the draft Scheme, inter-alia, taking into consideration the Valuation Report and the Fairness Opinion, for favorable consideration by the Board of Directors of the Company, Stock Exchanges, the Securities and Exchange Board of India and other appropriate authorities.

For and on behalf of the Audit Committee of Ganesh Benzoplast Limited

Name: SANJAY G BHAGIA

Designation: INDEPENDENT DIRECTOR

Date: FEBRUARY 07, 2019

Place: MUMBAI

