



## Report of the Audit Committee of Asahi Songwon Colors Limited

### Members Present in Meeting Held on 19<sup>th</sup> December, 2013:

Mr. Gaurang N. Shah	Chairman
Mr. R.K. Sukhdevsinhji	Member
Dr. Pradeep Jha	Member

### 1. Background

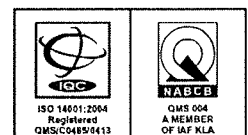
We have been informed that the Board of Directors of Asahi Songwon Colors Limited ('the Company') is proposing to consider a Scheme of Arrangement between Asahi Songon Colors Limited and AksharChem (India) Limited and their respective shareholders and creditors ('the Scheme').

The Scheme arrangement considers :

- (a) The Demerger of CPC Green Division of Asahi Songwon Colors Limited to AksharChem (India) Limited.

The company is listed on Bombay Stock Exchange and National Stock Exchange. In accordance with Clause 24(f) of the Listing Agreement, the Company will be filing the Scheme along with other necessary information / documents with both the mentioned exchanges.

The Securities and Exchange Board of India (SEBI) vide its circular No. CIR/CFD/DIL/5/2013 ('Circular') dated 4<sup>th</sup> February, 2013 has, amongst other requirements, sought a report from the Audit Committee of the listed entity recommending the Draft Scheme.





In view of the above Circular, members of the Audit Committee of the Company have discussed and approved the Draft Scheme vide a resolution passed at its meeting held on 19<sup>th</sup> day of December, 2013 and have made this report, after perusing the following necessary documents:

- 1) Draft Scheme;
- 2) Valuation Report of B S R and Associates, Chartered Accountants

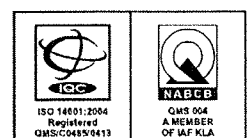
This report of the Audit Committee is made in order to comply with the requirements of the Circular.

## 2. Rationale of the Scheme

Asahi Songwon Colors Limited ('Asahi') has two manufacturing divisions namely CPC Green division, which is located at Kadi and Pigment Blue division, which is located at Padra Vadodara, both in the State of Gujarat. With a view to achieving operational efficiencies and streamlining its current structure, Asahi has decided to demerge its CPC Green division into AksharChem (India) Limited ('AksharChem').

The transfer and vesting of the CPC Green Division of Asahi to AksharChem pursuant to this Scheme is with a view to adopting the best management practices, establishing highest operational standards and also to unlock the economic value of the CPC Green Division.

A handwritten signature in black ink, appearing to be 'S. B.', is located to the left of the circular stamp.





The re-organization exercise would inter alia achieve the following advantages:

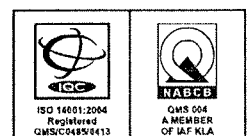
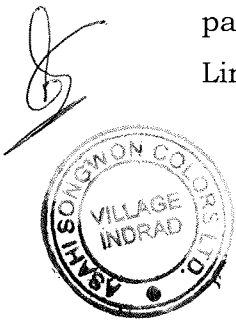
- i) Realigning assets to create an integrated business model;
- ii) More focused leadership and dedicated management;
- iii) Greater visibility on the performance of Pigment Blue Division.

In view of the aforesaid, the Board of Directors of all the Companies have considered and proposed the Scheme of Arrangement under the provisions of 391 to 394 and all other applicable provisions, if any, of the Companies Act, 1956.

### 3. Consideration of the Scheme

3.1 With respect to Demerger of CPC Green division of Asahi into AksharChem, AksharChem shall issue and allot shares to the extent indicated below to the shareholders of Asahi, holding shares in Asahi and whose name appear in the Register of Members on the Record Date or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the respective Board of Directors in the following proportion:

5 (five) equity shares of AksharChem (India) Limited of Rs. 10/- each fully paid up for every 26 (twenty six) equity shares of Asahi Songwon Colors Limited of Rs. 10/- each fully paid up.





### Recommendations of the Audit Committee

Based on the above, the Audit Committee recommends the Scheme, proposed to be considered by the Board of Directors of the Company, for favourable consideration.

Date: 19<sup>th</sup> day of December, 2013

Place: Indrad, Mehsana

A handwritten signature in cursive script, appearing to read 'B. Shah', written over a horizontal line.

**Chairman**

