



## Report of the Audit Committee of SHREE RENUKA SUGARS LIMITED

The following members were present in the Meeting of the Audit Committee of the Board of Directors of the Company held on Tuesday, 29<sup>th</sup> May, 2013 at 11.00 a.m. at 23, 2<sup>nd</sup> Floor, Madhuli Apartments, Behind Shiv Sagar Estate, Dr. Annie Besant Road, Worli, Mumbai 400 018.

### Members Present: -

Mr Sanjay Asher	Chairman
Mr Hrishikesh Parandekar	Director
Mr Robert Taylor	Director

### 1. Background :

We have been informed that the Board of Directors of SHREE RENUKA SUGARS LIMITED (Transferee Company) is proposing to consider the Scheme of Amalgamation of RENUKA COMMODITIES DMCC, UAE, (Transferor Company) a wholly owned subsidiary, with the Company in its meeting to be held on 29<sup>th</sup> May, 2013, as per the terms and conditions mentioned in the draft Scheme of Amalgamation (the Scheme).

Pursuant to the requirements of Clause 24(f) of the Listing Agreement entered with the Stock Exchanges, it is mandatory for all Companies to file the Scheme along with other necessary documents/information with the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited, consequent to the approval of the Board and obtain their approval, atleast a month before the Scheme is presented to the Court for its approval.

SEBI has vide their Circular No.s CIR/CFD/DIUS/2013 dated 4<sup>th</sup> February, 2013, and CIR/CFD/DIL/8/2013 dated 21<sup>st</sup> May, 2013, (Circulars) inter-alia, sought a report from the Audit Committee of the listed entity recommending the draft Scheme of Amalgamation.

In the light of the above circulars, the Audit Committee at its meeting held on 29<sup>th</sup> May, 2013, approved the draft Scheme and have made this report, after perusing the following documents:

- Draft Scheme of Amalgamation;
- Valuation Report dated 29<sup>th</sup> May, 2013 issued by M/s Ashok Kumar, Prabhashankar & Co., Chartered Accountants, Bangalore ("Valuer")



- c) Fairness Opinion dated 29<sup>th</sup> May, 2013 issued by Comfort Securities Limited, Mumbai (“Merchant Banker”); and
- b) Certificates obtained from the Statutory Auditors of the Company on the accounting treatment prescribed in the Scheme.

This report of the Audit Committee is made in order to comply with the requirements of aforesaid SEBI circulars.

## 2. Proposed Scheme of Amalgamation :

### 2.1 Rationale for the proposed Scheme of Amalgamation :

The Scheme envisages the amalgamation of Renuka Commodities DMCC (Transferor Company) into Shree Renuka Sugars Limited (Transferee Company), resulting in consolidation of the business in one entity and strengthening the position of the merged entity, by enabling it to harness and optimize the synergies of both the companies. Accordingly, it would be in the best interests of the Transferor Company and the Transferee Company. The proposed amalgamation of the Transferor Company into the Transferee Company is in line with the global trends to achieve size, scale, integration and greater financial strength and flexibility and in the interests of maximizing shareholder value. The merged entity is likely to achieve higher long-term financial returns than could be achieved by the companies individually. The Transferor Company and the Transferee Company believe that the financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies of the Transferor Company and the Transferee Company pooled in the merged entity, will lead to increased competitive strength, cost reduction and efficiencies, productivity gains, and logistic advantages, thereby significantly contributing to future growth. Therefore, the management of the Transferor Company and the Transferee Company believe that the Scheme of Amalgamation would benefit the respective companies and other stakeholders of respective companies, inter-alia, on account of the following reasons:

- (i) Enable the Transferee Company to use the resources of the Transferor Company and generate synergy in operations;
- (ii) Increase in net worth of the Transferee Company, which will facilitate effective and fast mobilization of financial resources for meeting increased capital expenditure;
- (iii) Reduction of overheads and other expenses, facilitate administrative convenience and ensure optimum utilization of available services and resources.



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

- (a) The present Scheme of Amalgamation provides for the amalgamation of Renuka Commodities DMCC (Transferor Company) into Shree Renuka Sugars Limited (Transferee Company).
- (b) Appointed date - 1<sup>st</sup> March, 2014.
- (c) No shares would be issued to the shareholders of Transferor Company pursuant to the Scheme, since Transferor Company is a wholly owned subsidiary of the Transferee Company

**2.3.** The Audit Committee noted that the Company has obtained a certificate from its Statutory Auditors providing comments on the accounting treatment prescribed in the Scheme.

**3. Recommendations of the Audit Committee :**

Based on the above, the Audit Committee recommended the draft Scheme to the Board of Directors of the Company, for favourable consideration by the Board of Directors.

For SHREE RENUKA SUGARS LIMITED

  
D V Iyer  
Secretary – Audit Committee



Mumbai: 29<sup>th</sup> May, 2013