



REPORT OF THE BOARD OF DIRECTORS OF CHEMBOND CHEMICAL SPECIALTIES LIMITED ON EXPLAINING THE EFFECT OF THE COMPOSITE SCHEME OF ARRANGEMENT ON EQUITY SHAREHOLDERS (PROMOTERS AND NON-PROMOTERS) AND KEY MANAGERIAL PERSONNEL OF THE COMPANY

1. Background:

- 1.1. A meeting of the Board of Directors of Chembond Chemical Specialties Limited was held on December 12, 2023 to inter alia, consider and approve the draft Composite Scheme of Arrangement between Chembond Chemicals Limited (“**Demerged Company**” / “**Transferee Company**”), Chembond Chemical Specialties Limited (“**Resulting Company**” or “**CCSL**”), Chembond Clean Water Technologies Limited (“**Transferor Company No. 1**” or “**CCWTL**”), Chembond Material Technologies Private Limited (“**Transferor Company No. 2**” or “**CMTPL**”), Phiroze Sethna Private Limited (“**Transferor Company No. 3**” or **PSPL**) and Gramos Chemicals (India) Private Limited (“**Transferor Company No. 4**” or “**GCIPL**”) and their respective shareholders (“**Scheme**”) pursuant to Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013 read with the rules framed thereunder (“**Act**”). The Composite Scheme provides for restructuring the businesses of the Demerged Company and its subsidiaries as below:
- a. The Demerged Undertaking of the Demerged Company shall be transferred to and vested in the Resulting Company;
 - b. The Transferor Company No. 1 shall be amalgamated with the Resulting Company; and
 - c. Transferor Company No. 2, Transferor Company No. 3, and Transferor Company No. 4 (collectively referred to as “Transferor Companies”) shall be amalgamated with the Demerged Company.
- 1.2. Provisions of Section 232(2)(c) of the Companies Act, 2013, require the Board of Directors to adopt a report explaining the effect of compromise or arrangement on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders, laying out in particular, the share entitlement ratio and specifying special valuation difficulties, if any, and the same is required to be circulated as part of the notice of the meeting(s) to be held for the purpose of approving the Scheme.
- 1.3. This report of the Board of Directors is accordingly being made pursuant to the requirements of Section 232(2)(c) of the Companies Act, 2013.

2. Documents perused by the Board of Directors

- 2.1. While deliberating on the Scheme, the Board, inter-alia considered and took on record the following documents:
- The draft Composite Scheme of Arrangement;
 - Copy of Valuation Report dated December 12, 2023, on the Share Exchange Ratio recommended by SSPA & Co as applicable, as per Para (AX4) of Part I of SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 SEBI Master Circular;
 - Copy of Fairness Opinion Report dated December 12, 2023, issued by Vivro Financial Services Private Limited on the Share Exchange Ratio recommended by the registered valuer as per Para (A)(2)(d) of Part I of SEBI Master Circular;
 - Copy of the Certificate dated December 12, 2023, issued by Statutory Auditor of the Company proposed in the Composite Scheme of Arrangement is in conformity with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013;
 - Pre and post shareholding pattern of all the Companies involved in the draft Scheme as per format provided under Regulation 31 of the LODR Regulations;
 - Draft certificate from M/s. Bathiya & Associates LLP, Chartered Accountants, certifying the undertaking from the Demerged Company with regards to the non-applicability of the requirements prescribed in Part I (A)(10)(a) and Part I (A)(10)(b) of the SEBI Circular;
 - Audited financial statements of the Companies involved in the draft Scheme for last three financial years;
 - Various other document(s)/ certificate(s)/ declaration(s)/ report(s)/ undertaking(s)/ submission(s)/ confirmation(s)/ which are incidental to the draft Scheme or any other incidental matter thereto.

After taking on record the documents/confirmations referred above, the Board of the Company approved the draft Scheme.

3. Special Valuation Difficulties (If any):

- 3.1. For arriving at the Share Entitlement Ratio, for Demerger under Section I of the Scheme the Valuation Report was obtained from SSPA & Co. Registered Valuers. They have recommended share valuation ratio as below:

“for every 1 (One) equity share having face value of Rs. 5 (Rupees Five) each held in the Demerged Company as on the Record Date, the equity shareholders of the Demerged Company shall be issued 2 (Two) equity share having face value of Rs. 5 (Rupees Five) each, credited as fully paid-up, in the Resulting Company.”

3.2. They have not expressed any difficulty while carrying out the valuation.

3.3. For Amalgamation - I under Section II, the Transferor Company No. 1 will become an indirect wholly owned subsidiary company of the Resulting Company post the effectiveness of the Scheme. Its entire share capital will be indirectly held by the Resulting Company. Hence, upon Amalgamation – I becoming effective, no shares of Resulting Company shall be allotted in lieu or exchange of the shares of the Transferor Company No. 1. Upon the Scheme becoming effective, the entire share capital of Transferor Company No. 1 shall be cancelled and extinguished.

4. Effect on the Stakeholders:

Accordingly, as per Section 232(2)(c) of the Act, the Board hereby takes on record the impact of the Scheme on the following stakeholders of the Company:

Effect of the Scheme on:	
(a) Equity shareholders (including Promoters & non Promoters)	<p>➤ As regards to demerger, all the equity shareholders of the Company (promoter and non-promoter), as on the Record Date (<i>as defined in the Scheme</i>) shall receive equity shares of the Resulting Company in the following ratio:</p> <p><i>“for every 1 (One) fully paid-up equity share having face value of Rs. 5 (Rupees Five only) each held in the Demerged Company as on the Record Date, the equity shareholders of the Demerged Company shall be issued 2 (Two) fully paid-up equity shares having face value of Rs. 5 (Rupees Five only) each, in the Resulting Company”</i></p> <p>In consideration for the transfer of the Demerged Undertaking pursuant to Demerger basis a Fair Share Entitlement Ratio recommended by SSPA & Co, Registered Valuers and Vivro Financial Services Private Limited, Category – I Merchant Banker. There will be no change in the economic interest of the shareholders of the Demerged Company, before and after the Scheme. After the effectiveness of the Scheme and subject to receipt of regulatory approvals, the equity shares of the Resulting Company will be issued as consideration pursuant to the Scheme. These shares shall be listed on BSE and NSE, thus ensuring the marketability and tradability of the equity shares issued by the Resulting Company.</p>

	<ul style="list-style-type: none"> ➤ As regards to Amalgamation – I, Transferor Company No.1 will become an indirect wholly owned subsidiary of the Resulting Company pursuant to demerger and hence there shall be no issue of shares by the Resulting Company as consideration for the amalgamation of Transferor Company No. 1. With regards to Amalgamation – II, Transferor Companies are wholly owned subsidiaries (direct and indirect) of the Demerged Company and there shall be no issue of shares by the Demerged Company as consideration for the amalgamation of the Transferor Companies. Accordingly, Amalgamation – I and Amalgamation – II would be neutral to the Resulting Company, Demerged Company and its public shareholders. ➤ All the shares held by the Demerged Company in the Transferor Companies shall stand cancelled without any further act or deed on amalgamation coming into effect. There would neither be any change in the existing number of shares nor in the percentage shareholding of the promoters on an aggregate basis in the Demerged Company pursuant to amalgamation. Also, the Scheme does not provide for any reduction in the public shareholding percentage in the Demerged Company. ➤ The proposed Scheme is expected to be beneficial to the Demerged Company/Transferee Company, Resulting Company, Transferor Company No. 1, Transferor Companies and their respective shareholders and all their stake holders and will enable the Demerged Company/Transferee Company and the Resulting Company to achieve and fulfil their objectives more effectively and efficiently.
(b) Key managerial personnel	<ul style="list-style-type: none"> ➤ The KMPs of the Resulting Company shall continue as Key Managerial Personnel of the Resulting Company after effectiveness of the Scheme. Please refer to point (a) above for details regarding the effect of the Scheme on such KMPs who are also shareholders of the Resulting Company. Other than the above, the KMPs are not affected pursuant to the Scheme.

	<ul style="list-style-type: none"> ➤ Post Amalgamation the Transferor Company No. 1 shall stand dissolved without winding up and accordingly, they are not required to appoint any KMP.
(c) Employees	<ul style="list-style-type: none"> ➤ Under the Scheme, no rights of the staff and employees of the Resulting Company are being affected. ➤ On the Scheme becoming effective, the employees of the Transferor Company No. 1 who are in employment as on the Effective Date (as defined in the Scheme) shall become and shall be deemed to have become the employees of the Resulting Company, without any interruption or break of service and on terms and conditions no less favourable than those applicable to them with reference to their employment in the Transferor Company No. 1 on the Effective Date. In the circumstances, the rights of the staff and employees of the Transferor Company No. 1 would in no way be affected by the Scheme.
(d) Creditors (secured & unsecured)	<ul style="list-style-type: none"> ➤ Under the Scheme, no arrangement is sought to be entered into between the Resulting Company and its creditors. Under the Scheme, there is no arrangement with the creditors of the Transferor Company No. 1. Upon effectiveness of the Scheme and as provided in the Scheme, the creditors of the Transferor Company No. 1 shall become the creditors of the Resulting Company. No compromise is offered under the Scheme to any of the creditors of the Transferor Company No. 1. The liability of the creditors of the Transferor Company No. 1, under the Scheme, is neither being reduced nor being extinguished. The creditors of the Transferor Company No.1 would in no way be affected by the Scheme.
(e) Depositors and Deposit trustee	<ul style="list-style-type: none"> ➤ As on date of Notice, the Company has not accepted any public deposits and therefore, the effect of the Scheme on any public deposit holders or deposit trustee(s) does not arise.
(f) Debenture holders and Debenture trustee	<ul style="list-style-type: none"> ➤ As on date of Notice, the Company has not issued any debentures and therefore, the effect of the Scheme on the Debenture holders and Debenture trustee(s) does not arise.

5. Conclusions:

While deliberating on the Scheme, the Board has considered its impact on each of the shareholders, KMPs, creditors and employees. In the opinion of the Board, the Scheme is in the best interest of the shareholders, KMPs, Creditors and employees of the Company and there will be no prejudice caused to them in any manner by the Scheme.

The Board has adopted this Report after noting and considering the documents and information set forth in this Report.

For and on behalf of the Board of Directors
Chembond Chemical Specialties Limited

A handwritten signature in black ink, appearing to read "N. V. Shah".

Nirmal V. Shah
Director
DIN: 00083853



Place: Mumbai

Date: December 12, 2023