



# ADI FINECHEM LIMITED

Regd. Office : 1<sup>st</sup> Floor, 2, Sigma Corporates, Behind HOF, Sindhu Bhavan Road,  
Off S.G. Road, Ahmedabad - 380 059. INDIA.

Phone : (079) 32908752 / 29701675 E-mail : info@adifinechem.com  
CIN : L15140GJ1985PLC007845 Website : www.adifinechem.com

Date : July 16, 2016

To,  
National Stock Exchange of India Limited  
Exchange Plaza, Plot no. C/1, G Block,  
Bandra-Kurla Complex, Bandra (E),  
Mumbai – 400 051.

Kind Attn. : Mr. Vishnu Vyas, Asstt. Manager – Listing Compliance

Dear Sir,

Sub. : Clarifications

This is with respect to your email dated July 14, 2016 and our announcement submitted to the Exchange dated July 12, 2016, regarding the outcome of our Board Meeting held on July 12, 2016. As requested, please see below our point wise clarifications on the queries raised in your mail:

Q.1. Name of the entity (ies) forming part of the amalgamation/merger, details in brief such as, size, turnover etc.;

A.1. As mentioned in our letter dated July 12, 2016, the proposed Scheme of Arrangement ("**Scheme**") has been entered into between Adi Finechem Limited ("**AFL**" or "**Company**"), Privi Organics Limited ("**POL**") and Adi Aromatic Limited ("**AAL**") and their respective shareholders and creditors. AAL has been incorporated on July 8, 2016. The assets and turnover details of all the above companies are mentioned below:

Sr. No.	Company	# Net Worth (in Rupees)	Turnover (in Rupees)
1.	Adi Finechem Limited	632,553,392 (as on March 31, 2016)	1,498,985,553 (For F.Y. 2015-16)
2.	Privi Organics Limited (Consolidated) ##	1,120,449,234 (as on March 31, 2016)	6,161,797,124 (For F.Y. 2015-16)
3.	Adi Aromatic Limited	NIL (as on date)	NIL (as on date)

# Net Worth = Equity Share Capital plus Free Reserves minus Miscellaneous Expenditure.  
Free Reserves considered as per Section 2(43) of The Companies Act, 2013

## The accounts have been reviewed by the Audit Committee at its Meeting held on 12th July, 2016 and approved / adopted by the Board of Directors at their Meeting held on 12th July 2016.

...2/-



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Q.2. Whether the transaction would fall within related party transactions? If yes, whether the same is done at "arm's length";

A.2. One of the promoters of the Company i.e., FIH Mauritius Investments Ltd. ('FIH') has agreed to acquire the majority stake in POL (approximately 50.85%) pursuant to primary subscription and secondary acquisition from certain shareholders of POL. Subject to completion of customary conditions precedent, such acquisition is proposed to be completed prior to the effectiveness of the Scheme. AAL is a wholly owned subsidiary of the Company.

As mentioned in our letter dated July 12, 2016, the proposed Scheme *inter alia* provides for the demerger of the aroma chemicals business of POL (including all the equity securities of Privi Biotechnologies Private Limited and Privi Organics USA Inc. held by POL) on a going concern basis, with effect from August 1, 2016 ('Appointed Date') into AAL. As a consideration for the demerger, the Company shall issue and allot equity shares and compulsory convertible preference shares, credited as fully paid up, to the equity shareholders of POL (which shall include FIH, assuming completion of the acquisition mentioned above) in the following proportion viz.:

*27 equity shares of the Company of Rs. 10 each fully paid up for every 40 equity shares of POL of Rs. 10/- each;*

AND

*27 compulsorily convertible preference shares of AFL of Rs. 10 each fully paid up for every 40 equity shares of POL of Rs. 10/- each ("Share Exchange Ratio")*

The proposed Scheme is and shall be conditional upon and subject to:

- (i) the Scheme being approved by the shareholders and/or creditors (where applicable) of the Company, AAL and POL;
- (ii) the Scheme being approved by the "public" shareholders of the Company through postal ballot/e-voting with the votes cast by "public" shareholders in favour of the Scheme being more than the votes cast against it, as required under the SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 issued by SEBI (applicable to schemes of arrangement / amalgamation) ('SEBI Circular');
- (iii) receipt of pre-filing and post sanction approvals of the Stock Exchanges and SEBI in terms of the SEBI Circular, as applicable;

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- (iv) the Scheme being sanctioned by the jurisdictional High Court(s); and
- (v) the requisite consent, approval or permission of any other statutory or regulatory authority, which by law may be necessary for the implementation of the Scheme.

In terms of regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR') and SEBI Circular, the Company shall be making necessary applications before the Stock Exchanges and SEBI to seek their approval to the proposed Scheme in due course.

In compliance with the SEBI Circular, the said Share Exchange Ratio has been recommended by Independent Chartered Accountants, Walker Chandlok & Co. LLP. Further, ICICI Securities Limited, a Category-I Merchant Banker, has issued a fairness opinion on the said Share Exchange Ratio.

Pursuant to the requirements of the SEBI Circular and other applicable laws, the proposed Scheme has been approved by the Audit Committee of the Board of the Company, the Audit Committee recommended the proposed Scheme to the Board for their consideration, and approval at their meeting held on July 12, 2016. The Board of Directors of the Company has taken into account the independent recommendations of the Audit Committee, the recommendations of the Share Exchange Ratio provided by Walker Chandlok & Co. LLP and the Fairness Opinion provided by ICICI Securities Limited in relation to the Share Exchange Ratio. Based on the aforesaid, the Board of Directors of the Company has come to the conclusion that the Share Exchange Ratio is fair and reasonable and has approved the Scheme at its meeting held on July 12, 2016.

## Q.3. Area of business of the entity (ies);

A.3 *Area of Business:* The Company is involved in the business of manufacture, supply and export of specialty oleochemicals (natural source) made from the by-products generated from processing of crude vegetable oils. The Company has developed technical expertise in processing by-products or waste products of vegetable oil refineries, including vegetable oil based fatty acid distillate and acid oils. POL is engaged in the following businesses: (i) development, manufacture, supply and export of organic chemicals, primarily aroma chemicals and processing of crude sulphated turpentine to obtain raw materials mainly used for the manufacturing of aroma chemicals; (ii) research and development activity in relation to the aforesaid activities; (iii) trading in organic chemicals as described in (i) above; and (iv) ancillary activities trading in inorganic chemicals. AAL is proposed to be engaged in the business of Chemicals.

...4/-



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Q.4. Rationale for amalgamation/ merger;

A.4 *Rationale for the Scheme:* The proposed demerger of the aroma chemicals business of POL will help in expanding and consolidating the business domain of the Company in the chemical industry so as to maximize value for all the stakeholders. The proposed Scheme will inter alia result in operational effectiveness and cost optimization; and help bringing in the research and development capability to identify, develop and produce new oleochemicals from the existing products of the Company. Kindly note that the detailed background and the rationale for the proposed Scheme are provided in the draft Scheme that shall be filed with the Stock Exchanges in due course.

We trust our clarifications will satisfy your queries.

Thanking you,

For Adi Finechem Limited,



(Rajen Jhaveri)

Chief Financial Officer and Company Secretary