

CCAL
CHEMFAB ALKALIS LIMITED

CAL / SECL / 2016-17

May 31, 2016

The Manager,
Listing Department
National Stock Exchange of India Limited
“Exchange Plaza”
Bandra - Kurla Complex, Bandra (E)
Mumbai - 400 051.

Dear Sir / Madam,

Sub.: Outcome of the Board Meeting held on 31st May 2016 – Disclosure under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with sub-para 1.2 of Para A 1 of Annexure I of Circular bearing Number CIR/CFD/CMD/4/015 dated 9th September, 2015 issued by Securities and Exchange Board of India

With reference to the captioned subject, we hereby inform you that, the Board of Directors of our company at its meeting held today have accorded approval to the following business:

1. Unanimously approved the Scheme of Amalgamation and Arrangement of the Company with Teamec Chlorates Limited in accordance with the provisions of Section 391-394 of The Companies Act, 1956 or any corresponding provisions of The Companies Act, 2013.
2. Took on record Independent Valuation Report dated 31st May 2016 submitted by M/s. Bansil S. Mehta & Co. being firms of Chartered Accountants and Fairness Opinion issued by M/s. Vivro Financial Services Private Limited, SEBI registered Category I Merchant Bankers.

The detailed disclosure as required under Regulation 30 of the Listing Regulations, 2015 read with Circular CIR/CFD/CMD/4/2015 dated 9th September 2015 is enclosed as Annexure to this outcome.

We request you to take the same on your records.

Yours faithfully
For **Chemfab Alkalies Limited**



G Somasundaram
Company Secretary
Encl.: As above



Annexure

- a) **Name of the entities forming part of the amalgamation / merger, details in brief such as size, turnover etc.:**

The Scheme provides for amalgamation of the Company with Teamec Chlorates Limited. Brief details of the companies as on 31st March 2016 are as follows:

Name of the Company	Turnover (Rupees in Lacs)	Paid Up Share capital (Rupees in Lacs)
Chemfab Alkalies Limited	10431	Equity 458.58
Teamec Chlorates Limited	3785	Equity 728.08 Preference 260.00

Note: It is proposed that there will be a capital reduction on the share capital of Teamec Chlorates Limited pursuant to the Scheme prior to giving effect to the merger.

- b) **Whether the transaction would fall within related party transaction? If yes, whether the same is done at "arm's length"**

Yes, Teamec Chlorates Limited is related party to the Company. The transaction is based on independent Fair Valuation of shares of each of the companies and will be subject to prior approval of shareholders, creditors of both the companies and The High Court of Madras.

- c) **Area of business of the entities**

Name of the Company	Area of business
Chemfab Alkalies Limited	Manufacture of Chemicals – Chlor Alkali
Teamec Chlorates Limited	Manufacture of Chemicals – Sodium Chlorate.

- d) **Rationale for amalgamation / merger**

Chemfab Alkalies Limited ('CCAL') and Teamec Chlorates Limited ('TCL') are part of Dr. Rao's Group of companies ('the Group'). CCAL and TCL have a lot in common:

1. Raw material for both are power and salt;
2. TCL customer base is complementary with that of CCAL;
3. CCAL has been a leader in its area of operation and now TCL also has added Hydrogen to its product line, which CCAL has been manufacturing and selling since its inception. Hence it will be more effective to have a common marketing set up, which will make it easier to enhance the customer base, by catering to the untapped markets in the vicinity of TCL.
4. The Technology adopted at both CCAL and TCL, is Electrolysis process, and CCAL has been a pioneer in ushering in this technology, and hence operational parameters of the Plant could be well maintained in a more efficient manner, leading to overall sustained Plant efficiencies.
5. CCAL is in the Chlor alkali business for the last three decades and has the requisite qualified and well trained man power for handling of any technical matters, which could also result in enhanced capacity utilization at TCL.
6. The funding for the working capital and any long term requirements of TCL would be very cost effective, thereby helping in reducing the overall cost of the product.





Hence, a merger between the two entities is now being proposed, considering the above mentioned synergies. It is planned to merge CCAL into TCL, which will give the combined entity a broader base and the necessary impetus for targeting markets in newer areas and will lead to overall growth and higher profitability. Further, as a result of consolidation, the following benefits will accrue to the Group:

- a) Consolidation of businesses of the Group in India to bring strengths that each company does not necessarily possess individually and provide synergy benefits;
- b) Increase in the networth of TCL will facilitate effective and fast mobilization of financial resources for meeting its increased capital expenditure.
- c) Reduction in number of companies and regulatory compliances thereof;
- d) Ease of management;
- e) Reduction of operating and administrative costs;
- f) Streamlining the holding structure.

The proposed amalgamation and vesting of CCAL into the Transferee Company, with effect from the Appointed Date is in the best interest of the shareholders, creditors, stakeholders and employees, as it would enable a focused business approach for the maximization of benefits to all the stakeholders and for the purpose of synergies of business.

e) Share Exchange Ratio

10 (Ten) equity shares of face value of Rs. 10/- each at par fully paid-up of the Teamec Chlorates Limited for every Seven (Seven) equity shares of face value of Rs.5/- each fully paid-up held in the Company."

Note: It is proposed that there will be a capital reduction on the share capital of Teamec Chlorates Limited pursuant to the Scheme prior to giving effect to the merger. The share swap ratio is computed post considering the capital reduction of the share capital of Teamec Chlorates Limited.

f) Pre and post shareholding pattern:

Particulars	Pre-merger (% holding) of the Company (Note 1)	Post-merger (% holding) of Teamec Chlorates Limited (Note 2)
Promoters	75	76.31
Public	25	23.69

Note:

1. It is proposed that the promoters of the Company will dilute their shares in the Company such that the post-merger shareholding of Public in the listed company (i.e. Teamec Chlorates Limited) is 25% or more.
2. It is proposed that Teamec Chlorates Limited will file an application with SEBI, BSE and NSE for listing its shares.
3. The public shareholding in Teamec Chlorates Limited will be 25% or more at the time of listing the shares of Teamec Chlorates Limited on BSE and NSE.

