

TCL

TEAMEC CHLORATES LIMITED

A Detailed Note on the Scheme

A. Business Aspect:

Summary on Transferor and Transferee Company:

- I) Chemfab Alkalies Limited ("CCAL" or "Transferor Company"), a company incorporated under the Companies Act, 1956 and having its registered office at Chennai, India, was established in the year 1983 set up India's first Membrane Cell Caustic Soda Plant, state of the art, pollution free and energy conserving technology, and commenced its production from July, 1985. It became the trendsetter in the Chlor-Alkali Industry. CCAL started with 25 TPD capacity in 1985, expanded its capacity in two phases one in the year 1988 and another in the year 1996 and today the present installed capacity is 120 tons of Caustic Soda production per day. CCAL produces Caustic Soda, Chlorine, Hydrogen, Sodium Hypo Chlorite and Hydrochloric Acid. The Plant is located at Puducherry. It is a public limited company listed in National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

CCAL is a professionally managed and technology driven Company. The success story in technological dynamism and successful implementation of the country's first Membrane Cell Plant by CCAL made the Government of India to take a policy decision that, expansion of existing and setting up of future caustic soda plants shall adopt Membrane Cell technology only. CCAL has made outstanding contribution in the field of Environmental protection and energy Conservation and won accreditation and awards from distinguished Institutions, Government of India and others, notably the "Greenest Plant", with No. 1 status from Centre for Science and Environment a non-government organization.

CCAL is the First Company in the country to manufacture Barium Sulphate from solid waste and holds a patent for manufacture of the same. CCAL is first in the country to get ISO 14001 Certification for its Environmental Management system in the Chlor-Alkali Sector. It has also obtained OHSAS 18001 Certification from British Standards Institution, United Kingdom in the year 2002 for Occupational Health and Safety Assessment System.

CCAL has recently completed a Modernization programme, wherein some of the age old Machineries & Equipment were replaced with the latest and newer technologies,

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Member - Dr. Rao's Group of Companies

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leading to operational efficiencies, especially in Power consumption, which is the main input cost. The Plant is now poised for scaling up the production levels, upon obtaining the necessary statutory approvals, which is expected in due course of time.

During the last few years, CCAL has maintained a healthy EBIDTA margin of about 30%, and PBT margin of about 15%. It is a profit making and dividend paying company, for the last several continuous years.

CCAL has now drawn up ambitious plans to foster in growth through both organic and inorganic means in the coming years.

- II) Teamec Chlorates Limited ("TCL" or "Transferee Company"), a company incorporated under the Companies Act, 1956 and having its registered office at Chennai, India, was established in the year 2009 and set/put up a manufacturing facility at Ongole, Prakasam District, Andhra Pradesh to manufacture Sodium Chlorate, Iye, Crystals and Hydrogen Gas. The plant was set up under Industrial Investment Promotion Policy (IIPC) 2010 - 15 of Andhra Pradesh State, India.

The present demand for Sodium Chlorate in India is around 115 TPD. It is primarily consumed in Paper and Pulp industry, with 90% share coming from this segment. The demand is linked to growth in Paper demand and is currently growing at around 6% p.a. By 2017-18 the demand is expected to grow to 125 TPD levels. TCL's installed capacity is 31.57 TPD. Hence, market for the product is quite favorable in terms of demand.

As of date, there is only one competitor for TCL with a capacity of 50 TPD. Including this, the capacity is only 81.57 TPD. The balance required are met with supplies, primarily from Canada, Europe and China. TCL proposes to increase the capacity by 15 TPD at the appropriate time and hence the total capacity in India will be only 96.57 TPD as against the total demand of 125 TPD, which is only 77%. Since, all the paper and pulp industries have to compulsorily use the elemental chlorine free bleach, the demand will be a sustaining one.

The above said plant was commercially commissioned in February, 2012. Being a new technology, it took time for the plant to stabilize. Since power is a major raw material and given the unfortunate power restrictions and power holidays (17 months) from April, 2012 to August, 2013, it hit the operations adversely. Since



August 2013 Power supply has stabilized and TCL has ramped up production close to TCL's installed capacity from the month of August, 2013.

TCL has now set up a Hydrogen Bottling facility as the Hydrogen is already being generated in the manufacturing process and not being fully utilized as of now.

TCL along with the other manufacturer in the country, has moved the relevant authorities for imposition of anti-dumping duty (ADD), and the initiation process has already commenced. ADD is expected to be in place by the Second Quarter of this financial year after which it is expected that the realization will increase significantly.

Business Synergies of Merger:

Chemfab Alkalis Limited and Teamec Chlorates Limited 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 un tapped 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.

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) Increasing net worth of TCL, which 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.

B. Other Financial Aspect:

Share Capital

- 1) The share capital of CCAL as at 31st March, 2016 is as under:

Particulars	Amount in Rupees
Authorised Capital	
4,22,00,000 Equity Shares of Rs. 5/- each	21,10,00,000
4,000 11% Redeemable Cumulative Preference Shares of Rs. 100/-each	4,00,000
Total	21,14,00,000
Issued, Subscribed and Paid-up	
91,71,697 Equity Shares of Rs. 5/- each	4,58,58,485
Total	4,58,58,485

Subsequent to the above date and till date of the Scheme being approved by the Board of Directors of the Transferor Company, there has been no change in the authorized, issued, subscribed and paid-up share capital of the Transferor Company.

Shares of CCAL are listed on BSE and NSE.

- 2) The share capital of TCL as at 31st March, 2016 is as under:

Particulars	Amount in Rupees
Authorised Capital	
74,00,000 Equity Shares of Rs. 10/- each	7,40,00,000
2,60,000 11% Redeemable Preference Shares of Rs.100/- each	2,60,00,000



8,00,000 12% Redeemable Preference Shares of Rs.100/- each	8,00,00,000
Total	18,00,00,000
Issued, Subscribed and Paid-up	
72,80,804 Equity Shares of Rs. 10/- each	7,28,08,040
2,60,000 11% Redeemable Preference Shares of Rs.100/- each	2,60,00,000
Total	9,88,08,040

Subsequent to the above date and till date of the Scheme being approved by the Board of Directors of the Transferee Company, 7,00,000 12% Redeemable Preference Shares Rs.100/- each were allotted to the Applicant/s,

Capital Reduction of TCL

Pursuant to the Scheme becoming effective and with effect from the Appointed Date, the paid up share capital of TCL of Rs. 7,28,08,040 divided into 72,80,804 equity shares of Rs. 10 each shall, without any application or deed, be reduced to Rs. 72,80,804 divided into 72,80,804 equity shares of paid-up value Re. 1 each to the holders of such paid up capital.

Simultaneously, 72,80,804 equity shares of the reduced face value of Re. 1 each shall stand consolidated into 7,28,080 equity shares of Rs.10 each fully paid. Thus, the reduced paid up capital of the Transferee Company will be Rs. 72,80,804 divided into 7,28,080 equity shares of Rs. 10 each.

Consideration:

Upon the Scheme becoming effective, the Transferee Company shall without any further act or deed, issue and allot to every member of the Transferor Company, Equity Shares in the Transferee Company, on a date to be fixed by the Board of Directors of the Transferee Company, in the following manner:

"10" Equity Share of Rs.10/- each in the Transferee Company credited as full paid up ('New Equity Shares of the Transferee Company in lieu of Transferor Company shares') for every "7" Equity Shares of Rs. 5 each fully paid up and held by such member in the Transferor Company.



In discharge of consideration for the vesting of business of Transferor Company at fair value, the Transferee Company will issue 1,31,02,424 equity shares to the shareholders of respective Transferor Company as per above swap ratio

Financial Details:

The financial details of the transferor and transferee companies for the previous 3 years as per the audited statement of Accounts:

Name of the Company: **Chemfab Alkalies Limited**

(INR)

	As per last Audited Financial Year	1 year prior to the last Audited Financial Year	2 years prior to the last Audited Financial Year
	2015-16	2014-15	2013-14
Equity Paid up Capital	4,58,58,485	4,58,58,485	4,58,58,485
Reserves and surplus	132,26,93,907	124,98,61,890	116,53,13,372
Net Worth	136,85,52,392	129,57,20,375	121,11,71,857
Secured Loans	17,46,28,647	23,88,83,073	24,27,09,327
Unsecured Loans	-	-	-
Fixed Assets	126,32,82,514	132,42,13,156	131,31,25,540
Income from Operations	101,31,27,034	110,39,08,164	112,66,49,392
Total Income	104,30,97,268	115,35,07,620	117,39,58,925
Total Expenditure\$	90,93,69,629	99,48,88,254	92,64,36,211
Profit before Tax	13,37,27,639	15,86,19,366	24,75,22,714
Profit after Tax	8,66,06,433	10,22,69,705	16,44,74,662
Cash profit#	20,11,02,834	23,03,79,642	23,66,02,177
EPS	9.44	11.15	17.93
Book value	149.21	141.27	132.06

\$ Includes depreciation and finance cost



Cash Profit = Profit after tax + Depreciation + Deferred Tax

Name of the Company: **Teamec Chlorates Limited**

(INR)

	As per last Audited Financial Year	1 year prior to the last Audited Financial Year	2 years prior to the last Audited Financial Year
	2015-16	2014-15	2013-14
Equity Paid up Capital	7,28,08,040	4,80,00,000	4,80,00,000
Preference Paid up Capital	2,60,00,000	-	-
Reserves and surplus	(17,35,06,719)	(23,99,40,584)	(16,52,60,690)
Net Worth	(7,46,98,679)	(19,19,40,584)	(11,72,60,690)
Secured Loans	16,00,00,000	37,74,79,512	38,22,43,027
Unsecured Loans	48,64,40,232	44,27,91,488	37,75,22,778
Fixed Assets	58,28,64,426	60,79,00,651	64,00,78,098
Income from Operations	24,90,67,036	29,86,13,729	20,59,96,676
Total Income	28,00,25,796	32,96,12,984	24,06,39,643
Total Expenditure\$	36,63,84,344	40,42,92,877	34,50,94,711
Exceptional Items - Gain/ (Loss)	9,07,72,312	-	-
Profit before Tax	44,13,764	(7,46,79,893)	(10,44,55,068)
Profit after Tax	44,13,764	(7,46,79,893)	(10,44,55,068)
Cash profit#	4,02,64,051	(3,85,55,358)	(7,15,22,679)
EPS	0.90	(15.56)	(21.76)
Book value - Equity Shares	(10.26)	(39.99)	(24.43)

\$ Includes depreciation and finance cost

Cash Profit = Profit after tax + Depreciation + Deferred Tax

