

REPORT OF THE AUDIT COMMITTEE OF BOARD OF DIRECTORS OF PHILLIPS CARBON BLACK LIMITED (REFERRED TO AS "PCBL" OR THE "TRANSFEREE COMPANY" OR THE "COMPANY") RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF M/S GOODLUCK DEALCOM PRIVATE LIMITED (REFERRED TO AS "GDPL" OR THE "TRANSFEROR COMPANY"), DATED OCTOBER 05, 2016

PRESENT

1. Mr. C R Paul- Chairman
2. Mr. O P Malhotra – Director
3. Mr. Paras K Chowdhary – Director
4. Mr. Pradip Roy – Director

IN ATTENDANCE

1. Mr. Kaushik Roy – Managing Director
2. Mr. Kaushik Mukherjee – Company Secretary & Chief Legal Officer
3. Mr. Raj Kumar Gupta - Chief Financial Officer

ELECTION OF CHAIRMAN

In absence of Mr. K S B sanyal, the Chairman of the Audit Committee of the Company, Mr. C R Paul was elected Chairman of this meeting.

LEAVE OF ABSENCE

Mr. K S B Sanyal was granted leave of absence.

1. Background

- 1.1 A meeting of the Audit Committee of Phillips Carbon Black Limited was held on October 05, 2016, to consider and recommend the proposed Scheme of amalgamation of M/s. Goodluck Dealcom Private Limited (referred to as "GDPL") with the Company under Sections 391 to 394 of the Companies Act, 1956 and the relevant provisions of the Companies Act, 2013 as and when would be applicable.
- 1.2 This report of the Audit Committee is made in order to comply with the requirements of the Securities Exchange and Board of India ("SEBI") Circular No. CIR/CFD/CMD/16/2015 dated 30th November, 2015 read with SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015.

1.3 The following documents were placed before the Audit Committee:

- 1.3.1 Draft Scheme duly initialled by the CFO & the Company Secretary of the Company for the purpose of identification;
- 1.3.2 Certificate dated October 05, 2016 of M/s. S. Jaykishan, Independent Chartered Accountant.
- 1.3.3 Fairness Opinion dated October 05, 2016 issued by VC Corporate Advisors Pvt. Ltd., Category I Merchant Bankers.

2. Proposed Scheme of Amalgamation

2.1 The Audit Committee noted the objective and the benefits of the Scheme which inter-alia, are as follows:

- a. The Transferor Company is the wholly owned subsidiary of the Transferee Company. The registered offices of both, the Transferor Company and the Transferee Company are situated at the same place.
 - b. The amalgamation will result in the promoter group of the Transferor Company directly holding shares in the Transferee Company, leading to simplification of the shareholding structure and reduction of shareholding tiers.
 - c. The amalgamation would result in more effective utilization of resources of both the Transferor Company and the Transferee Company, including pooling of financial resources of the Transferor Company with the Transferee Company, leading to more effective and centralised management of funds, greater economies of scale and reduction of administrative and manpower expenses and overheads, which are presently being multiplied, being separate entities.
 - d. For the better and more economic and efficient management, control and running of the businesses of the companies concerned and for the reasons as above, it is considered desirable and expedient to amalgamate the Transferor Company with the Transferee Company in the manner and on the terms and conditions stated in the Scheme of Amalgamation.
- 2.2 Since GDPL is a wholly owned (100%) subsidiary of PCBL and its entire share capital is held by PCBL in its own name and/or jointly with its nominees, there will be no issue of shares of PCBL to the shareholders (including those holding shares as nominee of PCBL) of GDPL.

2.3 Further, pursuant to the amalgamation of GDPL with PCBL, and in consideration thereof, of all equity shares of GDPL held by PCBL (either directly or through nominee) shall stand cancelled without any further acts or deed.

2.4 The Proposed appointed date for the purpose of the Scheme will be 1st April, 2016 or such other date as the High Court and/ or the National Company Law Tribunal may direct or approve under the relevant provisions of the Act.

2.5 Under the Proposed Scheme, all the assets and liabilities of whatsoever nature and wheresoever situated, including the immovable properties, if any, shall without any further act or deed be transferred to and vested in the Transferee Company as a going concern with effect from the Appointed Date.

2.6 We are of the view that the accounting treatment set out in the Scheme are in compliance with the applicable Accounting Standards and GAAP.

2.7 As specified in Para (I)(A)(5)(a) of Annexure I of SEBI Circular no. CIR/CFD/CMD/16/2015 dated 30th November, 2015, necessary certificate from the Statutory Auditors is being obtained and the same shall be filed with the Stock Exchanges.


3. Recommendation of the Audit Committee

The Audit Committee after due deliberation and due consideration of all the terms of the draft scheme and specific points as mentioned above, recommends the draft scheme for favourable consideration by the Board of Directors of PCBL, the Stock Exchanges and SEBI.

By Order of the Audit Committee
For and on behalf of

PHILLIPS CARBON BLACK LIMITED

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CHAIRMAN – AUDIT COMMITTEE


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PHILLIPS CARBON BLACK LTD.

SECRETARY