

REPORT OF THE AUDIT COMMITTEE OF KOTHARI PETROCHEMICALS LIMITED (“COMPANY” OR “TRANSFEREE COMPANY”) AT ITS MEETING HELD ON TUESDAY, 19TH MAY 2026 RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION BETWEEN THE COMPANY AND KOTHARI SUGARS AND CHEMICALS LIMITED (“TRANSFEROR COMPANY”) AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Present:

Name of Committee Members	:	Designation
(i) Mr. S. Sundarraman	:	Chairman - Independent Director
(ii) Mr. Brij Mohan Bansal	:	Member - Independent Director
(iii) Mr. Gautam Roy	:	Member - Independent Director
(iv) Mr. V. V. SuryaRau	:	Member - Independent Director

1. Background

1.1 A meeting of the Audit Committee of the Company was held on May 19, 2026, to, *inter alia*, consider and if thought fit, recommend to the Board of Directors of the Company (“**Board**”), the proposed draft Scheme of Amalgamation between Kothari Sugars and Chemicals Limited (“**KSCL**”/“**Transferor Company**”) and Kothari Petrochemicals Limited (“**KPL**”/“**Transferee Company**”) (together referred to as “**Companies**”) and their respective shareholders and Creditors (“**Draft Scheme**”), pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“**Act**”) and the rules made thereunder (including any statutory modification(s) or re-enactment(s) or other amendment(s) thereof for the time being in force), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI LODR Regulations**”), and other applicable laws, including the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (as amended from time to time) (“**SEBI Master Circular**”) or any other circulars issued by the Securities and Exchange Board of India (“**SEBI**”) applicable to schemes of arrangement from time to time.

1.2 This report of the Audit Committee is made in compliance with the requirements of the SEBI Master Circular. In terms of the SEBI Master Circular, a report from the Audit Committee recommending the draft Scheme is required, after taking into consideration, *inter alia*, the Valuation Report (as defined below).

1.3 The following documents were, *inter alia*, placed before the Audit Committee for its consideration:

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- (i) Draft Scheme of Amalgamation, duly initialled by Company Secretary of the Company for the purpose of identification;
- (ii) Joint valuation report dated 19th May 2026 issued by Mr. Mahek Vikamsey, Partner, KPMG Valuation Services LLP, a Registered Valuer (Securities or Financial Assets) IBBI Registration No. IBBI/RV/05/2019/11313 and Mr. S. Sundar Raman, a Registered Valuer (Securities or Financial Assets) IBBI Registration No. IBBI/RV/06/2019/11185 recommending the Share exchange Ratios (as defined hereunder) for the draft Scheme (**“Valuation Report”**);
- (iii) Fairness opinion report dated 19th May 2026, issued by M/s. Saffron Capital Advisors Private Limited, an Independent SEBI registered Category I Merchant Banker (SEBI Regn. No. INM000011211), confirming that the Share Exchange Ratio in the Valuation Report are fair to the Companies and their respective shareholders (**“Fairness Opinion”**);
- (iv) Certificate dated 19th May 2026 issued by M/s. P. Chandrasekar LLP, (Firm Regn. No: 000580S/S200066), the Statutory Auditor of the Company, certifying that the accounting treatment contained in the draft Scheme is in compliance with all the applicable accounting standards specified by the Central Government under Section 133 of the Act, read with applicable rules, and/or the accounting standards issued by the Institute of Chartered Accountants of India and other generally accepted accounting principles; and
- (v) Other presentations, documents and information made to/furnished before the Committee pertaining to the draft Scheme.

2. Need for the Scheme

Part C of the Scheme provides for the amalgamation of Kothari Sugars and Chemicals Limited (**“Transferor Company”**) with Kothari Petrochemicals Limited (**“Transferee Company”**) with a view to simplifying the overall group structure and consolidating the businesses of the Transferor and Transferee Companies under a single corporate entity.

2.1 The Scheme is expected to streamline the corporate structure, reduce duplication of administrative and regulatory compliances and enable more efficient management of the combined business operations.

2.2 The merged entity is expected to benefit from economies of scale through pooling of resources and diversifying its revenue streams.



- 2.3 The amalgamation will also combine the operational, financial and managerial strengths of the Transferor and Transferee Companies and enable the combined entity to leverage synergies.

Accordingly, the proposed Scheme is expected to enhance operational efficiency, reduce administrative and compliance costs and create long term value for the shareholders of the Transferor and Transferee Companies.

3. Rationale for the Scheme

The proposed Scheme of Amalgamation is considered to be in the best interests of the Transferor and Transferee Companies and their respective shareholders, employees, creditors and other stakeholders. The proposed reorganisation pursuant to the Scheme is expected to result, *inter alia*, in several strategic and operational advantages, including the following:

- 3.1 The proposed amalgamation is aligned with the long term strategic vision of the Group to develop a diversified and integrated business platform across petrochemicals, sugar and allied sectors. The amalgamation will facilitate consolidation of their businesses under a single entity, thereby enabling sustainable growth, improved capital efficiency and focused management oversight with better strategic alignment.
- 3.2 The amalgamation will simplify the group structure and eliminate duplication of administrative, operational, regulatory, compliance related and corporate overhead costs associated with maintaining separate legal entities, and will further facilitate unified management, streamlined governance and strategic planning for the combined businesses.
- 3.3 The Scheme will facilitate effective utilisation of the resources and infrastructure of the Transferor and Transferee Companies, including engineering facilities, research and development (R&D) capabilities, land parcels and other operational assets, thereby improving operational efficiency and enabling cost optimisation.
- 3.4 The consolidation of businesses will enable pooling of financial, managerial, technical and human resources of the Transferor and Transferee Companies, thereby strengthening organisational capability and creating a stronger base for future growth and value creation.
- 3.5 The combined entity is expected to benefit from a stronger financial position and enhanced net worth, which would improve access to capital and support funding of future growth initiatives and capital expenditure.



- 3.6 A stronger integrated entity will be better positioned to pursue strategic growth initiatives, technological upgrades and expansion opportunities in both domestic and international markets.
- 3.7 The amalgamation is expected to enable sharing of technical expertise and operational capabilities between the businesses and captive power consumption can be extended to petrochemical manufacturing operations also.
- 3.8 Consolidation of shareholdings in a single listed entity will align the interests of all shareholders and enable them to participate in the growth prospects of a larger and more diversified enterprise.

4. Valuation Methods Evaluated for the Share Exchange Ratios

The Committee noted that the Valuation Report, *inter-alia*, recommended the Share exchange ratio for the Amalgamation of Transferor Company with the Transferee Company.

The Committee noted the share exchange ratio as under:

Share exchange ratio determined as per Joint Valuation Report for the allotment of equity shares of the Transferee Company, having face value of INR 10/- each to the shareholders of Transferor Company as on the Record Date (*as defined in the Scheme*), in consideration for the amalgamation:

“1 (One) fully paid-up equity share of Rs.10/- each of Kothari Petrochemicals Limited, (Transferee Company) shall be issued and allotted for every 5 (Five) fully paid-up equity shares of Rs. 10/- each held in Kothari Sugars and Chemicals Limited, (Transferor Company)” (“Share Exchange Ratio”)

5. Salient Features of the Scheme

The Audit Committee considered and observed the following salient features in relation to the draft Scheme:

- 5.1 The draft Scheme provides for the Amalgamation of the Transferor Company with and into Transferee Company.
- 5.2 The Appointed Date for the scheme shall be 1st April 2026 , or such other date as may be fixed or approved by the jurisdictional National Company Law Tribunal(s), (“NCLT”/ “Tribunal”), being the date with effect from which this Scheme shall be deemed to be operative and effective.



5.3 The effectiveness of this Scheme is conditional upon and subject to the following:

- (a) Receipt of approval of the Scheme by the National Stock Exchange and Securities and Exchange Board of India, pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, as amended from time to time, wherever applicable.
- (b) The approval by the requisite majorities of the respective members and/or creditors (where applicable) of the Transferor Company and/or the Transferee Company, if directed by the NCLT or any other competent authority, as may be applicable.
- (c) The scheme is conditional upon approval by the respective public shareholders of the Transferor and Transferee Companies through e-voting in terms of Part - I (A)(10)(a) of SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, and the scheme shall be acted upon only if vote cast by the respective public shareholders of the Transferor and Transferee Companies in favour of the proposal are more than the number of votes cast by the respective public shareholders of the Transferor and Transferee Companies against it.
- (d) The sanction of the Scheme by the NCLT under Sections 230 to 232 and other applicable provisions, if any, of the Act.
- (e) All other sanctions and approvals as may be required by law in respect of this Scheme being obtained.

5.4 Upon the Scheme becoming operative on the Effective Date, with effect from the Appointed Date, amalgamation of the Transferor Company with and into Transferee Company shall be accounted for in the books of the Company in accordance with the applicable accounting standards prescribed under Section 133 of the Companies Act, 2013 and/or generally accepted accounting principles.

5.5 The following share exchange ratio have been determined as per Joint Valuation Report for the allotment of equity shares of the Transferee Company, having face value of INR 10 each to the shareholders of Transferor Company as on the Record Date (*as defined in the Scheme*), in consideration for the amalgamation:

"1 (One) fully paid-up equity share of Rs.10/- each of Kothari Petrochemicals Limited, (Transferee Company) shall be issued and allotted for every 5 (Five) fully paid-up equity shares of Rs. 10/- each held in Kothari Sugars and Chemicals Limited, (Transferor Company)" ("Share Exchange Ratio")

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- 5.6 Further, M/s. P. Chandrasekar LLP, Chartered Accountants, Statutory Auditors of the Company, vide their Certificate dated 19th May, 2026 have confirmed that the accounting treatment as specified in the draft Scheme is in accordance with the applicable Indian Accounting Standards issued by the Institute of Chartered Accountants of India and as notified by MCA, read together with Section 133 of the Act and the Companies (Indian Accounting Standards) Rules, 2015.
- 5.7 Upon the Scheme being sanctioned by an Order made by the Tribunal under Sections 230 to 232 of the Act, the Transferor Company shall stand dissolved without winding up on the Scheme becoming effective from the Effective Date in accordance with the Act and the relevant rules;
- 5.8 Upon the Scheme becoming operative on the Effective Date, the authorised share capital of the Transferee Company shall stand revised to Rs. 100 Crores (Rs.94 Crores of Equity Share capital and Rs.6 Crores of Preference Share capital), and the filing fees and stamp duty, *if any*, paid by the Transferor Company on its authorised share capital / got waived by the Authority shall be set off and be deemed to have been so paid by the Transferee Company on the combined authorised share capital.

6. Synergies of business of the entities involved in the Scheme

The proposed amalgamation is expected to result in operational, financial and strategic synergies between the businesses of the Transferor and Transferee Companies, including the following:

- 6.1 The amalgamation will help achieve revenue and cost synergies and enhance operational, organisational and financial efficiencies arising from the increased scale of operations.
- 6.2 Integration of the businesses of the Transferor Company with the Transferee Company will facilitate coordinated management of operations and enable effective integration of business processes across the combined entity.
- 6.3 Pooling of financial, managerial, technical and human resources of the Transferor and Transferee Companies, including engineering expertise and research and development capabilities, will strengthen organisational capability and improve operational efficiency.
- 6.4 The amalgamation will facilitate optimal utilisation of infrastructure, facilities and operational assets of the Transferor and Transferee Companies, including engineering stores, workshops, research and development facilities and other operational infrastructure.

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6.5 Legal and regulatory compliances of the Transferor and Transferee Companies will be unified and streamlined, resulting in consolidation of administrative and managerial functions, elimination of multiple record keeping and reduction in associated administrative costs, thereby enabling optimal utilisation of resources.

6.6 The amalgamation also facilitates the extension of captive power utilisation to petrochemical manufacturing operations, thereby contributing to operational efficiencies and cost optimisation.

6.7 The combined entity will benefit from a stronger and improved financial position, enabling better access to capital and efficient deployment of financial resources to support future growth initiatives and capital expenditure.

7. Cost-Benefit Analysis of the Scheme

The Audit Committee has considered the costs and benefits associated with the implementation of the proposed Scheme and is of the view that the expected long term benefits for the Transferor and Transferee Companies and their stakeholders, as detailed in Paragraphs 2, 3 and 6 above, the long term benefits would outweigh the costs associated with its implementation. The implementation of the proposed Scheme will involve certain transaction and regulatory costs, including professional fees payable to registered valuers, merchant bankers and legal advisors, regulatory filing fees payable to SEBI and the National Stock Exchange, expenses relating to proceedings before the Hon'ble National Company Law Tribunal, stamp duty and other incidental administrative expenses.

The key considerations in this regard are as follows:

7.1 Reduction in management overlap, unification of legal and regulatory compliances and optimisation of administrative and support functions is expected to result in cost efficiencies.

7.2 Consolidation of businesses under a single entity is expected to simplify the group structure, reduce duplication of administrative and regulatory compliances, enable optimal utilisation of resources and infrastructure, and achieve economies of scale.

7.3 Consolidation of businesses will enable pooling of financial, managerial, technical and human resources of the Transferor and Transferee Companies, thereby creating a stronger platform for future growth and value creation.

7.4 The combined entity is expected to benefit from improved operational efficiencies, stronger financial position and better utilisation of resources, thereby enhancing the overall economic value for the Transferor and Transferee Companies and their stakeholders.



In view of the above, the Audit Committee is of the view that the expected long term benefits arising from the proposed Scheme would outweigh the costs associated with its implementation.

8. Impact of the Scheme on the Shareholders

The Audit Committee reviewed the Valuation Report and the Fairness Opinion for determination of the share exchange ratio under the draft Scheme. The impact of the proposed Scheme on the shareholders of the Transferor and Transferee Companies is set out below:

- 8.1 Pursuant to the Scheme, the shareholders of the Transferor Company shall receive equity shares of the Transferee Company in accordance with the share exchange ratio specified in Clause 15 of the Scheme.
- 8.2 Any fractional entitlements arising pursuant to the share exchange ratio shall be settled in cash in accordance with the provisions of the Scheme and the SEBI Master Circular dated June 20, 2023.
- 8.3 The existing equity share capital of the Transferee Company held by the Transferor Company, if any, shall stand cancelled in accordance with the provisions of the Scheme.
- 8.4 The equity shares to be issued by the Transferee Company to the shareholders of the Transferor Company pursuant to the Scheme shall rank pari passu in all respects with the existing equity shares of the Transferee Company.
- 8.5 The proposed amalgamation is expected to result in operational synergies, improved efficiencies and enhanced growth prospects for the combined entity, which are expected to benefit the shareholders of both the Transferor Company and the Transferee Company.
- 8.6 The amalgamation is expected to enable economies of scale and improved financial performance of the combined entity, thereby enhancing overall shareholder value.
- 8.7 Based on the share exchange ratio determined in the Valuation Report and supported by the Fairness Opinion, the proposed Scheme is not expected to have any detrimental impact on the shareholders of either of the Transferor and Transferee Companies and no shareholder is expected to have any disproportionate advantage or disadvantage as a result of the Scheme.



The Audit Committee is of the view that the proposed Scheme is in the best interests of the Transferor and Transferee Companies and their respective shareholders and is not prejudicial to the interests of public shareholders or any other stakeholders.

9. The Audit Committee reviewed and noted the following:

- (i) The proposed Scheme of Amalgamation would fall within the ambit of related party transactions under the SEBI LODR Regulations, considering that both the Transferor Company and Transferee Company are related parties.
- (ii) However, the draft Scheme of Amalgamation does not fall within the purview of related party transactions under Section 188 of the Companies Act, 2013, in view of the clarification provided by the Ministry of Corporate Affairs vide General Circular No. 30/2014 dated July 17, 2014, which clarifies that transactions arising out of compromise, arrangements and amalgamations dealt under specific provisions of the Companies Act, 2013 will not attract the requirements of Section 188 of the Companies Act, 2013.
- (iii) In terms of the Scheme, equity shares of the Transferee Company are proposed to be issued and allotted to the shareholders of the Transferor Company. Accordingly, in compliance with Paragraph 10(b)(ii) of the SEBI Master Circular on Scheme of Arrangement by Listed Entities issued on June 20, 2023, the Scheme shall be acted upon only if the votes cast by the public shareholders of the Company in favour of the Scheme are more than the number of votes cast by the public shareholders against it.
- (iv) The consideration as set forth in the draft Scheme will be discharged on an 'arm's length basis'. The share exchange ratios for the shares to be allotted pursuant to the Scheme is based on the Valuation Report and the Fairness Opinion, both of which have been duly considered by the Audit Committee.
- (v) The Scheme will neither impose any additional burden on the shareholders of the Transferor Company and the Transferee Company nor adversely affect the interests of the shareholders or creditors of the Companies involved in the Scheme.

10. Recommendations of the Audit Committee

The Audit Committee has reviewed the Valuation Report and noted the recommendations contained therein. Further, the Fairness Opinion confirms that the Share Exchange Ratio recommended in the Valuation Report is fair and reasonable from a financial point of view. Taking into consideration the draft Scheme, the Valuation Report, the Fairness Opinion, the Auditor's Certificate, the need for the Scheme, the rationale, the synergies of the businesses involved, the impact of the Scheme on the shareholders, the cost benefit



analysis and other relevant documents placed before it, the Audit Committee, after due deliberation, unanimously recommends the draft Scheme to the Board of Directors of the Company, National Stock Exchange, SEBI, NCLT and other appropriate authorities for their favourable consideration and approval.

for and on behalf of the Audit Committee of
Kothari Petrochemicals Limited




S. Sundarraman

Chairman of the Audit Committee
DIN: 01032168

Date : 19th May 2026

Place: Chennai