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KAYCEE INDUSTRIES LTD.

FACTORY :- Plot No. F-25, Addl. Ambarnath Industrial Area, Anand Nagar, Ambarnath (East), Thane - 421502

Tel. : 0251 6940938, CIN No. : L70102MH1942PLC006482

Email : kayceeindltd@vsnl.com Web. : www.kayceeindustries.com

REPORT OF THE AUDIT COMMITTEE OF KAYCEE INDUSTRIES LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN KAYCEE INDUSTRIES LIMITED AND RDJ CONSTRUCTIONS PRIVATE LIMITED

Members Present:

1. Mrs. Sona Ramchandani - Chairperson (Independent Non-Executive Director)
2. Mrs. Pramila Merani - Member (Independent Non-Executive Director)
3. Mrs. Savitri Butani - Member (Independent Non-Executive Director)

In Attendance:

1. Ms. Aarti Grover, Managing Director
2. Mr. Deepak Potdar - CFO (Chief Financial Officer)
3. Mrs. Kamaleshwari Bind - Company Secretary & Compliance office

1. Background

Meeting of the Audit Committee of Kaycee Industries Limited ("the Company" or "Demerged Company") was held on 5th May, 2017 to consider and recommend the proposed demerger of Demerged Undertaking (as defined in the Scheme) of the Company into M/s RDJ Constructions Private Limited ("RCPL" or "Resulting Company"), a wholly owned subsidiary of the Company, to be implemented as per the terms and conditions mentioned in the Scheme of Arrangement ("Scheme") entered into between the Company and RCPL and their respective shareholders and creditors under section 230-232 read with section 66 and section 52 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 and rules framed there under and in compliance with the provisions of section 2(19AA) of the Income tax Act, 1961.

The Securities and Exchange Board of India vide its circular bearing reference No. CFD/DIL3/CIR/2017/21 dated 10th March 2017 ("SEBI Circular"), has, among other requirements, sought a report from the Audit Committee of the Listed Company recommending the Draft Scheme of Arrangement after taking into consideration, inter alia, the Valuation Report and Fairness Opinion. This report of the Audit Committee is made in order to comply with such requirement under the SEBI Circular.

The following documents were placed before the Audit Committee:

- Draft Scheme of Arrangement duly initialed by the Company Secretary/ Director of the Company for the purpose of identification;
- Valuation Report dated 5TH May, 2017 prepared by SSPA & Co., Chartered Accountants, Mumbai ("Valuers");



Sona Ramchandani



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- Fairness Opinion with regard to the above mentioned Valuation Report duly provided by Fedex Securities Limited;
- Certificate obtained from the Statutory Auditors of the Company viz. N.D. Kapur & Co. on the accounting treatment prescribed under Clause 7 of the Scheme;

2. Proposed Scheme of Demerger

The Audit Committee noted the rationale and the benefits of the Scheme; which inter-alia include the following:

In order to enable the management of KIL to ensure better management focus on its core business of manufacturing and trading of industrial switches, counters, water meters, electrical components, etc., the Proposed Scheme envisages to demerge its non-core activities i.e. property leasing activities along with related assets into the RCPL.

The proposed segregation of the non-core activities and assets of the Demerged Company shall have the following benefits:

- Enhance the value for the shareholders
- Each business would be treated as the independent business opportunities, pursue efficient capital allocation and attract different sets of investors, strategic partners, lenders and other stakeholders.

3. Recommendation of the Audit Committee

Upon detailed deliberation on the Draft Scheme taking into consideration the Valuation Report and Fairness Opinion, the Audit Committee hereby unanimously recommends the Board of Directors of the Company for its approval to the Scheme and for favourable consideration by the Bombay Stock Exchange Limited (BSE) and Securities and Exchange Board of India (SEBI).



Santhosh

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By order of the Audit Committee

For and on Behalf of
Kaycee Industries Limited

Mrs. Sona Ramchandani



Chairperson

Place: Mumbai

Date: 5th May, 2017

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