



**DEEP
Industries
Limited**

**Oil & Gas Exploration
Production & Services**

Report of the Audit Committee of Deep Industries Limited

Members Present in Meeting Held on 25th June, 2015:

| | |
|-----------------|----------|
| Mr. Kirit Joshi | Chairman |
| Mr. Paras Savla | Member |
| Mr. Arun Mandke | Member |

1. Background

We have been informed that the Board of Directors of Deep Industries Limited ('Deep Industries' or 'the Company') is proposing to consider a Scheme of Arrangement between Deep Industries Limited, Kanvel Finance Private Limited, Kanvel Oil and Gas Private Limited, Prabhavati Properties Private Limited, Savla Enterprise Private Limited, Yash Organochem Private Limited and their respective shareholders and creditors ('the Scheme').

The Scheme of arrangement considers :

Deep Industries, KFPL, KOGPL, PPPL, SEPL and YOPL belong to Deep Industries Group ('the Group'). KFPL, KOGPL, PPPL, SEPL and YOPL are promoter companies of Deep Industries. To make current holding structure more efficient, the promoters of Deep Industries are desirous of streamlining their current holding in Deep Industries. As a step towards such rationalization, it is proposed to merge the promoter companies of Deep Industries viz. KFPL, KOGPL, PPPL, SEPL and YOPL with Deep Industries. There will not be any increase in total promoter holding in Deep Industries pursuant to this Scheme.

The company is listed on BSE Limited and National Stock Exchange of India Limited. In accordance with Clause 24(f) of the Listing Agreement, the Company will be filing the Scheme along with other necessary information / documents with both the mentioned exchanges.

The Securities and Exchange Board of India (SEBI) vide its circular No. CIR/CFD/DIL/5/2013 ('Circular') dated 4th February, 2013 has, amongst other requirements, sought a report from the Audit Committee of the listed entity recommending the Draft Scheme.



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CIN : L63090GJ1991PLC014833





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In view of the above Circular, members of the Audit Committee of the Company have discussed and approved the Draft Scheme vide a resolution passed at its meeting held on 25th June, 2015 and have made this report, after perusing the following necessary documents:

- 1) Draft Scheme;
- 2) Valuation Report of Jayesh M. Shah & Co., Chartered Accountants; and
- 3) Fairness Opinion issued by Vivro Financial Services Private Ltd.

This report of the Audit Committee is made in order to comply with the requirements of the Circular.

2. Rationale of the Scheme

To make current holding structure more efficient, the promoters of Deep Industries are desirous of streamlining their current holding in Deep Industries. As a step towards such rationalization, it is proposed to merge the promoter companies of Deep Industries viz. KFPL, KOGPL, PPPL, SEPL and YOPL with Deep Industries.

In view of the aforesaid, the Board of Directors of all the Companies have considered and proposed the Scheme of Arrangement under the provisions of 391 to 394 and other applicable provisions of the Companies Act, 1956 and the applicable provisions of the Companies Act, 2013.

3. Consideration of the Scheme

Upon this Scheme becoming effective, Transferee Company shall without any further application or deed, issue and allot equity shares, credited as fully paid-up, to the extent indicated below to the shareholders of Transferor Companies holding shares in the Transferee Company and whose name appear in the Register of Members on the Record Date or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the respective Board of Directors in the following proportion:

- (a) 45,91,080 fully paid up Equity Shares of Rs.10/- each of Transferee Company shall be issued and allotted to all the shareholders of KFPL collectively, in the proportion to the number of shares held by them in KFPL against 45,91,080 Equity Shares held by KFPL in Transferee Company;



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(b) Since KOGPL is a wholly owned subsidiary of KFPL, upon amalgamation of KFPL with Transferee Company, KOGPL shall become a wholly owned subsidiary of Transferee Company. Consequently, upon amalgamation of KOGPL with Transferee Company, no equity shares of the Transferee Company shall be issued and allotted by the Transferee Company.

(c) 22,82,500 fully paid up Equity Shares of Rs. 10/- each of Transferee Company shall be issued and allotted to all the shareholders of PPPL collectively, in the proportion to the number of shares held by them in PPPL against 22,82,500 Equity Shares held by PPPL in Transferee Company;

(d) 31,21,000 fully paid up Equity Shares of Rs. 10/- each of Transferee Company shall be issued and allotted to all the shareholders of SEPL collectively, in the proportion to the number of shares held by them in SEPL against 31,21,000 Equity Shares held by SEPL in Transferee Company;

(e) 12,63,500 fully paid up Equity Shares of Rs. 10/- each of Transferee Company shall be issued and allotted to all the shareholders of YOPL collectively, in the proportion to the number of shares held by them in YOPL against 12,63,500 Equity Shares held by YOPL in Transferee Company;

It is clarified that any positive net assets of the Transferor Companies as on the Appointed Date including all taxes paid and/or refunds/credits/claims receivable by the Transferor Companies, net of any adjustment(s) of any demand or liability thereof, if any, in respect of period prior to the Appointed Date, other than investment in the shares of Transferee Company, will not affect/alter the share exchange ratio as provided above and shall be treated as the asset or refunds/credit/claims, as the case may be, of the Transferee Company.

Recommendations of the Audit Committee

Based on the above, the Audit Committee recommends the Scheme, proposed to be considered by the Board of Directors of the Company, for favorable consideration.

Date: 25th day of June, 2015

Place: Ahmedabad

Chairman



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