

RATIONALE FOR THE SCHEME

The overriding objective of the Scheme is to combine some of the existing varied businesses with an objective to raise overall profit growth. Combining the Transferor and Transferee Company will achieve profit growth in their business segment which is growing faster and which can grow faster in the future, benefitting from the scale of enlarged group allowing the group to achieve strategic goals by exploring greater business focus and opportunities in other areas, and to be able to effectively take advantage of the strategic position of the entities involved and to provide synergy in operations and economic and cost effective services.

Accordingly, it is proposed to consolidate the businesses carried out by the aforesaid companies. The above will result in greater efficiency in cash management of the amalgamating entities and unfettered access to cash flow generated by the consolidated business which can be deployed to fund organic and inorganic growth opportunities.

In addition to the above, this Scheme would benefit the respective companies on account of the following reasons:

- a) Sai Industries Limited (Transferee Company) has huge accumulated losses and the major capital has been eroded.
- b) The amalgamation will give the consolidated companies better finances, facilitate adequate resource mobilization to sustain growth;
- c) Strengthening and consolidating the position of the companies and enabling them post amalgamation to participate more vigorously and profitably in an increasingly competitive and liberalized market;
- d) Enabling better leverage of facilities, infrastructure and human resources and for better administration;



- e) Augmenting and strengthening core businesses of the amalgamated companies resulting in enhancement of the shareholders' value;
- f) Enabling the amalgamated entities to raise funds from the financial institutions on better terms. The synergy of the amalgamation will improve operational efficiency, integrated management functioning and will enhance the share value for the benefit of shareholders of the existing entities;
- g) The amalgamation will result in reduction of overheads, administrative, managerial and other expenditure, and bring about operational rationalization, organizational efficiency, and optimal utilization of various resources;
- h) The amalgamation will avoid duplication of administrative functions and eliminate multiple record-keeping;
- i) The said scheme of arrangement is beneficial to the companies, their shareholders, creditors, employees and all concerned and will enable these companies to achieve and fulfill their objectives more efficiently and economically;

The value of the shares of the combined entities shall enhance the shareholders value by becoming a part of a stronger operating entity etc.

