

Sai Industries Limited

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EXTRACTS OF THE MINUTES OF THE MEETING OF AUDIT COMMITTEE OF M/S SAI INDUSTRIES LIMITED ON SATURDAY, THE 25TH DAY OF JANUARY, 2014 AT 11:00 A.M.

MEMBERS:

Mr. Harish Kumar	Chairman (Independent Director)
Dr. S.M. Pathak	Member (Independent Director)
Mrs. Juhi Singh	Member (Non Independent Director)

1. Background

- 1.1. The Company has placed before the Audit Committee a Draft Scheme of Arrangement for (a) Reduction of pre merger Share Capital of the Transferee Company; (b) Amalgamation of Skyway Ventures Limited (Transferor Company) ("SVL") with Sai Industries Limited (Transferee Company) ("SIL") for recommendation of the Scheme by the Audit Committee to the Board of Directors as required vide SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 & May 21, 2013 ("Circular") respectively.
- 1.2. This report of the Audit Committee is made in order to comply with the requirements of the Circular after considering the Draft Scheme of Arrangement.
- 1.3. In view of the above, members of the Audit Committee of the Company have discussed and approved the Draft Scheme vide a resolution passed at its meeting held on January 22, 2014 and have made this report, after perusing the following necessary documents:
 - a) Draft Scheme of Arrangement;
 - b) Valuation Report dated December 31, 2013 issued by M/s Anil Jatalia & Co., Chartered Accountants;



- c) Fairness Opinion Report dated February 12, 2014 issued by M/s Nexgen Financial Solutions Private Limited;
- d) Draft Certificate from the Statutory Auditors of the Company on the accounting treatment prescribed in the Scheme; and
- e) Draft Certificate of the Net Worth pre and post Scheme.

2. Proposed Scheme of Amalgamation

Rationale of the proposed Scheme of Amalgamation

- 2.1 Audit Committee noted that 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 Companies will achieve profit growth in their respective business segments 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.
- 2.2 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.

3. Salient Features of the Scheme are as under:

- 3.1 Reduction of the liability on pre merger equity shares of the Transferee Company in respect of share capital not paid-up
- 3.2 Reduction of Pre Merger Share Capital of the Transferee Company
- 3.3 Amalgamation of Skyway Ventures Limited (Transferor Company) with the Company Sai Industries Limited (Transferee Company)
- 3.4 The Appointed Date for the Draft scheme is fixed as April 1, 2014



- 3.5 The Draft Scheme provides for transfer and vesting of the entire undertaking of SVL with its Assets and Liabilities to SIL as a going concern.
- 3.6 Based on the Swap Ratios, as recommended by the Valuers and Fairness Opinion provided by the Merchant Banker, the Company will have to issue 1 (one) Equity Shares of Rs. 10 each, credited as fully paid-up, for every 1 (one) Equity Shares of Rs. 10 each held in the SVL to the shareholders of SVL as appearing on the record date.
- 3.7 Equity shares thus issued by SIL to the shareholders of (including public shareholders) SVL pursuant to the Draft Scheme would be listed on BSE (Bombay Stock Exchange)
- 3.8 Upon the Scheme coming into effect, SVL will be dissolved without being wound up.

4. **Recommendation of the Audit Committee**

The Audit Committee has considered and noted the aforementioned documents and the Draft Scheme, and recommends the Draft Scheme to the Board of Directors of the Company for their approval, *inter alia* taking into consideration the said Valuation report dated December 31, 2013 issued by M/s Anil Jatalia & Co., Chartered Accountants and the Fairness Opinion Report dated February 12, 2014 issued by M/s Nexgen Financial Solutions Private Limited.

For SAI INDUSTRIES LIMITED



Chairman

