

# SAPTAK CHEM AND BUSINESS LIMITED

Regd. Office: 201 Chiranjiv Complex Mahalaxmi Five Road, Paldi, Ahmedabad-380007

Contact No.: + 917778878401 Website: www.saptakchem.com

Email id: munakchem1980@gmail.com CIN: L24299GJ1980PLC101976

## REPORT OF THE AUDIT COMMITTEE OF SAPTAK CHEM AND BUSINESS LIMITED (THE "COMPANY") RECOMMENDING THE DRAFT SCHEME OF REDUCTION OF SHARE CAPITAL OF THE COMPANY AT ITS MEETING HELD ON 19<sup>th</sup> DAY OF JANUARY, 2024 AT 201 CHIRANJIV COMPLEX, MAHALAXMI FIVE ROAD, PALDI, AHMEDABAD, GUJARAT, 380007

### Members Present:

Name	Category	Designation
Chirag Nanavati	: Independent Director	: Chairperson
Bhoomi Patel	: Independent Director	: Member
Sonal Gandhi	: Independent Director	: Member

### 1. BACKGROUND

The meeting of the Audit Committee of the Company was held on 19th Day Of January, 2024 to consider and recommend the draft scheme of capital reduction of Charms Industries Limited in terms of the provisions of section 66 of Companies Act, 2013("Scheme"),(including any statutory modification(s) or re-enactment thereof for the time being in force and the rules made there under (the "Act"), Regulation 37 of SEBI (LODR) Regulation, 2015 and specifically the Hon'ble National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 ("Reduction Rules"), which permits the Company to undertake a reduction of its share capital.

This report of the Audit Committee is made to comply with the requirements as per SEBI Master Circular SEBI/HO/ CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, issued under the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

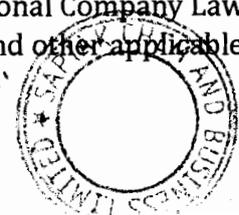
The following documents were placed before the Committee of Audit Committee;

- Draft Scheme of Reduction of Capital;
- Audited Financial Statement of the Company for the year ended March 31, 2023 and report of the Statutory Auditor thereon;
- Certificate obtained from Sejal Ronak Agrawal, Registered Valuer dated January 19, 2024 with respect to non-applicability of Valuation report, pursuant to exemption provided in para-4 of Part I of the SEBI Master Circular
- Fairness opinion dated January 19, 2024 obtained from GYR Capital Advisors Private Limited, a SEBI registered merchant banker ("Fairness Opinion");
- Draft Certificate from M/s. Aniket Goyal & Associates, Chartered Accountants, the Statutory Auditor of the Company dated January 19, 2024 confirming that the compliance of the accounting treatment in the Scheme;
- Draft undertaking certificate from the Statutory Auditor regarding non applicability of obtaining approval from the public shareholders through e-voting, as required under Para (A)(10)(a) and Para (A)(10)(b) of Part I of the SEBI Circular.
- Other Annexure for the draft scheme of Reduction of Capital.

### 2. SALIENT FEATURES OF THE DRAFT SCHEME:

- As per the provision of section 66 of the Companies Act, 2013 read with National Company Law Tribunal (Procedure for reduction of share capital of Company) Rule,2016 and other applicable

C. K. Nanavati



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- The sanctions of the Tribunal under sections 66 of the Act in favor of the Company and the necessary order being obtained.
- Certified or authenticated copies of the Order of the Tribunal sanctioning the Scheme being filed with the Registrar of Companies, Gujarat, at Ahmedabad by the Company.
- The Certified or authenticated copies of the Order of the Tribunal sanctioning the Scheme and Minute thereof being registered by the Registrar of Companies, Gujarat, at Ahmedabad ("ROC") and a certificate of registration of the minute of order issued by the Roc.

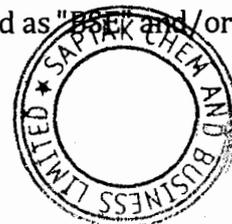
### 3. PROPOSED SCHEME

The Audit Committee reviewed and considered the proposed scheme on the following grounds:

#### 3.1 NEED AND RATIONALE FOR THE REDUCTION OF SHARE CAPITAL

- a) The proposed scheme is considered necessary to undertake a scheme of Capital Reduction so as to give a true and realistic view of the value of the shares and present liner balance sheet of the Company.
- b) The Company's financial statement currently reflects Accumulated Losses (debit balance of Profit & Loss Account) to the tune of Rs. 12,86,80,868 (Rupees Twelve Crores Eighty-Six Lakhs Eighty Thousand Eight Hundred and Sixty-Eight Only) based on audited standalone financial statements for the year ended March 31, 2023.
- c) The Company has been incurring continuous losses and the chances of recovery are remote. Hence it is prudent to write off part of the debit balance in Profit & Loss account to the extent of Rs. Rs. 9,65,90,450 (Rupees Nine Crores Sixty-Five Lakh Ninety Thousand Four Hundred Fifty Only) by reducing the capital from Rs. 10,73,22,720 (Rupees Ten Crores Seventy-Three Lakh Twenty-Two Thousand Seven Hundred Twenty Only) divided into 1,07,32,272 (One Crore Seven Lakhs Thirty-Two Thousand Two Hundred Seventy-Two Only) equity shares of Rs. 10.00 each, (Rupees Ten Only) each to Rs. 1,07,32,270 (Rupees One Crore Seven Lakh Thirty-Two Thousand Two Hundred Seventy Only) divided into 10,73,227 (Ten Lakh Seventy-Three Thousand Two Hundred Twenty-Seven) Equity Shares of Rs. 10/- (Rupees Ten Only) each in accordance with the provisions of Sections 66 and other applicable provisions of the Companies Act, 2013 (hereinafter referred to as "the act").
- d) The proposed reduction of the equity share capital of the Company is being undertaken in accordance with the provisions of Section 66 of the Companies Act, 2013 and the rules made thereunder and specifically the Rules, which permit a company to undertake a reduction of its share capital in any manner, read with the SEBI (List actions and Disclosure Requirements) Regulations, 2015 ("SEBI LODR"/ Listing Regulations), SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR") and the SEBI Circular (as defined hereinafter).
- e) The Company's shares are listed in BSE Limited (herein referred as "BSE" and/or "the Stock Exchange").

*E. K. Naranani*



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Thousand Forty-Five) Equity Shares of Rs. 10/- (Rupees Ten Only) of the Company held by all its members shall stand cancelled, extinguished and rendered invalid.

- c) There is no detrimental impact on the shareholders and this reduction shall further allow the creation of distributable reserves for dividend which are held up due to accumulated losses
- d) Further, it is specified that the reduction in Share Capital does not involve either the diminution of any liability in respect of any unpaid capital or the payment to any shareholder of any paid-up capital nor is any call being waived.

### 3.4 COST BENEFIT ANALYSIS OF THE SCHEME

- a) The Financial restructuring will help the company to reflect the true shareholder value.
- b) The Scheme of Capital Reduction does not involve any direct cost to the Company as there is no payment/ pay-out involved to any shareholder or other stakeholders apart from paying fractional entitlements.

### 4. RECOMMENDATION OF THE AUDIT COMMITTEE

Taking into consideration the proposed Scheme, Accounting Treatment Certificate, necessity, rationale and impact of the Scheme and cost benefits analysis, the Audit Committee confirms that the proposed scheme is not detrimental to the shareholders of the company and is in the interest of the Company and its shareholder, and all other stakeholders. Thus, the Audit Committee hereby recommends the proposed scheme to the Board of Directors of the Company for its consideration and approval for reduction of share capital of the Company as per draft scheme of Saptak Chem And Business Limited in terms of the provisions of section 66 of Companies Act, 2013 ("Scheme").

The Committee also unanimously approved the draft scheme of capital reduction of Saptak Chem and Business Limited and recommended the same for favourable consideration by the board of directors of the Company.

**By Order of the Committee of Independent Directors  
For and on Saptak Chem and Business Limited**

*C. K. Nanavati*

**Chirag Nanavati  
Chairman of Audit Committee  
DIN: 08196966**



**Date: 19/01/2024**

**Place: Ahmedabad**