



**FAIRCHEM**  
A FAIRFAX COMPANY

# FAIRCHEM SPECIALITY LIMITED

Works : 253/P & 312, Village -Chekhala, Sanand - Kadi Highway,  
Taluka : Sanand, Dist.: Ahmedabad 382 115. INDIA.  
Phone (Board Nos.) : +91 90163 24095 / +91 94099 58550  
E-mail : info@fairchem.in, comm@fairchem.in  
CIN : L15140MH1985PLC286828 Website : www.fairchem.in

May 22, 2019

The Secretary, Listing Department  
BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai 400 001 India  
BSE Code: 530117

The Manager, Listing Department  
National Stock Exchange of India Limited  
Exchange Plaza, 5<sup>th</sup> Floor, Plot C/1  
G Block, Bandra Kurla Complex, Bandra East  
Mumbai 400 051  
NSE Symbol: 'FAIRCHEM'

Dear Sirs,

**Ref.: Regulation 30 - Outcome of Meeting of Board of Directors held on May 22, 2019**

**Sub: Approval of the 'composite scheme of arrangement and amalgamation'**

In compliance with Regulation 30 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") read with SEBI Circular No. CIR/CFD/CMD/4/2015 dated September 9, 2015, we wish to inform that the Board of Directors of Fairchem Speciality Limited at its meeting held today i.e. May 22, 2019, have, *inter alia*, considered and approved a composite scheme of arrangement and amalgamation amongst Fairchem Speciality Limited ("Company" or "Demerged Company" or "Transferee Company"), Fairchem Organics Limited ("Resulting Company") and Privi Organics India Limited ("Transferor Company") and their respective shareholders ("Scheme").

The aforesaid Scheme pursuant to Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 read with the rules framed thereunder and SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended from time to time, provides *inter alia* for:

- (i) Demerger of the speciality oleo chemicals (natural source) and nutraceuticals (natural source) business of the Company (more particularly set out as 'Demerged Undertaking' in the Scheme) into the Resulting Company (a wholly owned subsidiary of the Company), in consideration thereof, the Resulting Company will issue 1 fully paid up equity share of Rs. 10 each of the Resulting Company for every 3 equity shares of Rs. 10 of the Demerged Company; and
- (ii) Amalgamation of Transferor Company, a wholly owned subsidiary of the Company, into and with the Company.

It may be noted that the proposed Scheme has been reviewed and recommended for approval by the Audit Committee of the Board of the Company at its meeting held on May 22, 2019.

The Scheme is subject to all applicable statutory and regulatory approvals including approval from stock exchanges, Securities and Exchange Board of India, shareholders and creditors of the companies involved in the Scheme and the jurisdictional bench of the National Company Law Tribunal.

Further, with the intent of separating the management of the Demerged Undertaking from the other businesses carried out by the Company (including the business of Transferor Company), and to realign their *inter se* shareholding in the Company and Resulting Company post the Scheme coming into effect and upon issuance of shares of the Resulting Company to the shareholders of the Company, the promoter shareholders of the Company



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have entered into certain option agreements *vis-à-vis* their shareholding in the Company and have also entered into certain share purchase agreements *vis-à-vis* their shareholding in the Resulting Company. Each of the foregoing agreements is subject to satisfaction of customary contractual conditions precedent and requirements under applicable law. The Company is also a confirming party to the said option agreements. With the same objective, the promoters of the Company have also entered into a shareholders agreement which will be effective upon the Scheme coming into effect.

Pursuant to Regulation 30 of the Listing Regulations as amended, read with SEBI Circular No. CIR/CFD/CMD/4/2015 dated September 9, 2015, details of the Scheme are enclosed herewith as **Annexure I**.

Please take the above on your record.

Thanking you.

Yours faithfully,  
For Fairchem Speciality Limited,

  
**Rajesh Jhaveri**  
Chief Financial Officer & Company Secretary

Encl: as above

## Annexure I

Details of the composite scheme of arrangement and amalgamation amongst Fairchem Speciality Limited ("Company" or "Demerged Company" or "Transferee Company"), Fairchem Organics Limited ("Resulting Company") and Privi Organics India Limited ("Transferor Company") and their respective shareholders ("Scheme")

### PART A

#### Amalgamation of the Transferor Company with the Transferee Company

S. No.	Particulars	Details																
1.	Name of the entity(ies) forming part of the amalgamation/merger, details in brief such as, size, turnover etc.	<p><u>Fairchem Speciality Limited</u> ('<b>Transferee Company</b>') (CIN: L15140MH1985PLC286828) is listed company incorporated on May 25, 1985, in accordance with the provisions of the Companies Act, 1956. The registered office of the Transferee Company is at 324, Dr. D. N. Road Fort, Mumbai – 400001, Maharashtra, India.</p> <p><u>Privi Organics India Limited</u> ('<b>Transferor Company</b>') is an unlisted public company incorporated on July 8, 2016, in accordance with the provisions of the Companies Act, 2013. The registered office of the Transferor Company is at Privi House, A-71 TTC, Thane Belapur Road, Near Kopar Khairane Railway Station, Navi Mumbai 400 709 Maharashtra.</p> <p>As on March 31, 2019, the net worth and turnover of Transferee Company and the Transferor Company are as under:</p> <table border="1"> <thead> <tr> <th>SN</th> <th>Name</th> <th>Net Worth</th> <th>Turnover</th> </tr> <tr> <td colspan="4" style="text-align: center;">(Rupees in Crores)</td> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Transferor Company</td> <td>473.05</td> <td>1091.17</td> </tr> <tr> <td>2.</td> <td>Transferee Company</td> <td>102.61</td> <td>249.87</td> </tr> </tbody> </table>	SN	Name	Net Worth	Turnover	(Rupees in Crores)				1.	Transferor Company	473.05	1091.17	2.	Transferee Company	102.61	249.87
SN	Name	Net Worth	Turnover															
(Rupees in Crores)																		
1.	Transferor Company	473.05	1091.17															
2.	Transferee Company	102.61	249.87															
2.	Whether the transaction would fall within related party transactions? If yes, whether the same is done at "arm's length"	<p>Transferor Company is a wholly-owned subsidiary of the Transferee Company. The transaction shall not attract the requirements of Section 188 of the Companies Act, 2013 (<i>related party transactions</i>) pursuant to the clarifications provided in General Circular No. 30/2014 dated July 17, 2014. However, the transaction shall be considered a 'related party transaction' under SEBI (Listing Obligations &amp; Disclosure Requirements), 2015. The entire issued, subscribed and paid up capital of Transferor Company is held by the Transferee Company. Upon the Scheme becoming effective, the entire</p>																



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S. No.	Particulars	Details
		equity share capital of the Transferor Company held by the Transferee Company shall stand automatically cancelled and there will not be any issue and allotment of equity shares in the Transferee Company. Accordingly, the said amalgamation can be considered as one at "arm's length".
3.	Area of business of the entity(ies);	<p>Transferor Company is a wholly owned subsidiary of Transferee Company. Transferor Company is Privi Organics India Limited (POIL) which is engaged in the business of manufacture and sale of wide range of Aroma Chemicals. It exports major portion of its products to many countries of the world including Europe and U.S.A. It is the largest Indian Company in its category.</p> <p>Transferee Company is Fairchem Speciality Limited (FSL) which is engaged in the business of manufacturing and sale of speciality oleo chemicals and intermediate Nutraceuticals. Its focus is more on sale of various fatty acids, mainly in Indian market. In fact, FSL is the only Indian Company manufacturing Dimer Acid from vegetable oil source and is commanding a major share of Indian market of Dimer Acid.</p>
4.	Rationale for amalgamation/merger	<p>Rationale for the Scheme is as under:</p> <ol style="list-style-type: none"><li>The current corporate structure of Transferee Company comprises an operating business of manufacturing, supplying and exporting of speciality oleo chemicals and nutraceuticals and a business of developing, manufacturing, supplying, exporting aroma chemicals. The business of aroma chemicals is carried out through Transferor Company, a wholly owned subsidiary of Transferee Company.</li><li>Both the businesses – that of oleo chemical and nutraceuticals; and aroma chemicals require different skill sets, business strategies, R&amp;D support and capital assets. The nature of risk, competition, challenges, opportunities and business methods for both the businesses are distinctly different.</li><li>Each of the varied business being carried out by Transferee Company and by Transferor Company, the wholly owned subsidiary of Transferee Company have significant potential for growth and profitability.</li><li>However, as each business requires significantly different operating and financial strategies, their individual potential will be best realized if the businesses are operated separately and independently.</li></ol>



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S. No.	Particulars	Details
		<p>v. It is proposed to consolidate the businesses carried on by Transferee Company and through its wholly owned subsidiary into a single identified entity and segregate other businesses into another identified entity. This will create two niche, dedicated and focused business segments without any risk or overlap of one business over the other. Thus, the oleo chemical and nutraceutical business will be housed in a Demerged Undertaking (as defined in the Scheme) and the business of aroma chemicals will be housed in Transferee Company. To that effect, Transferor Company will be merged with Transferee Company.</p> <p>vi. The restructuring arrangement would enable greater/enhanced focus of the management in each business of Transferee Company and Demerged Undertaking which would facilitate the management of both Transferee Company and the Demerged Undertaking to not only efficiently exploit opportunities for each of the businesses but also enhance efficiency in overall combined business including economies of scale, efficiency of operations which can be deployed more efficiently for the purpose of development of businesses of the respective entities and their growth opportunities, eliminate inter corporate dependencies, minimize the administrative compliances and to maximize shareholders value.</p> <p>vii. The Scheme will create enhanced value for shareholders and allow a focused strategy and specialisation for sustained growth, which would be in the best interest of all the stakeholders and the persons connected with the aforesaid companies.</p> <p>viii. The Scheme will not in any manner be prejudicial to the interests of the concerned shareholders and creditors or general public at large.</p>
5.	In case of cash consideration – amount or otherwise share exchange ratio;	<p><u>Transferor Company</u> is a wholly-owned subsidiary of the Transferee Company, therefore no consideration shall be payable pursuant to the amalgamation of the Transferor Company into the Transferee Company, and the equity shares held by the Transferee Company on its own and together with its nominees in the Transferor Company, shall stand cancelled without any further act, application or deed.</p>



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S. No.	Particulars	Details
6.	Brief details of change in shareholding pattern (if any) of listed entity.	None

## PART B

### Demerger of speciality oleo chemicals and nutraceuticals business of the Demerged Company into the Resulting Company

S. No.	Particulars	Details						
1.	Brief details of the division(s) to be demerged	<p>Speciality oleo chemicals and nutraceuticals business of the Demerged Company (<i>more particularly described as 'Demerged Undertaking' in the Scheme</i>)</p> <p>The Demerged Undertaking of the Demerged Company means the whole of the undertaking, as a going concern of the Demerged Company comprising of the business of manufacturing and supplying of specialty oleo chemicals (natural source) and nutraceuticals (natural source) made from by-products generated from processing of crude vegetable oil refineries, including vegetable oil based fatty acid distillate and acid oils. Its finished products in fatty acids category viz. (a) Dimer Acid and (b) Linoleic Acid meet stringent technical parameters vis-à-vis the products made from prime oils. It can thus be said that it is 'Generating wealth from the waste'.</p>						
2.	Turnover of the demerged division and as percentage to the total turnover of the listed entity in the immediately preceding financial year/ based on financials of the last financial year	<p>Set out below are the brief details of the turnover of the Demerged Undertaking and as a percentage to the total turnover of the Demerged Company</p> <table border="1"><thead><tr><th>Particulars</th><th>Amount in Rs. in crores as on March 31, 2019</th></tr></thead><tbody><tr><td>Turnover</td><td>249.71</td></tr><tr><td>Percentage to the total turnover of the Demerged Company</td><td>99.94%</td></tr></tbody></table>	Particulars	Amount in Rs. in crores as on March 31, 2019	Turnover	249.71	Percentage to the total turnover of the Demerged Company	99.94%
Particulars	Amount in Rs. in crores as on March 31, 2019							
Turnover	249.71							
Percentage to the total turnover of the Demerged Company	99.94%							
3.	Rationale for demerger	For details, please refer to para 4 of Part A of Annexure I above						



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S. No.	Particulars	Details
4.	Brief details of change in shareholding pattern (if any) of all entities	<p>There will be no change in the shareholding pattern of the Demerged Company.</p> <p>Pursuant to the demerger of Demerged Undertaking into the Resulting Company, the Resulting Company will issue equity shares to the shareholders of Demerged Company as per the share entitlement ratio mentioned in para 5 below. Simultaneous with the issue of these shares, the equity shares issued by Resulting Company to the Demerged Company shall stand cancelled.</p> <p>The shareholding pattern of the Resulting Company shall be the same as in Demerged Company upon effectiveness of the Scheme.</p>
5.	In case of cash consideration – amount or otherwise share exchange ratio	<p>For every 3 fully paid up equity shares of face value Rs. 10 each held in the Demerged Company (as on record date to be decided by Resulting Company), every equity shareholder of the Demerged Company shall be entitled to receive 1 fully paid up equity share of face value of Rs. 10 each of the Resulting Company.</p> <p>No cash consideration shall be paid by the Resulting Company to the Demerged Company or its shareholders.</p>
6.	Whether listing would be sought for the resulting entity	<p>Yes. Equity shares of the Resulting Company (i.e. Fairchem Organics Limited) will be listed on BSE Limited and National Stock Exchange of India Ltd. subject to necessary approvals.</p>

## PART C

### Execution of transaction documents

The Board also approved execution of the following agreements by the Company:

- (a) Implementation agreement amongst the Company, Resulting Company, Transferor Company and the promoters of the Company, to set out the manner of implementation of the Scheme and the rights and obligations of the respective parties in relation thereto;
- (b) Option Agreement amongst FIH Mauritius Investments Ltd (“FIH Mauritius”), certain promoters of the Company (i.e. Mr. Mahesh Babani, Mr. D. B. Rao, and their respective family members and group companies) (“Privi Promoter Block”) and the Company, wherein FIH Mauritius proposes to grant a call option to the Privi Promoter Block in relation to 38,41,908 equity shares of the Company (equivalent to 9.84% of the share capital of the Company) held by FIH Mauritius, post the Scheme coming into effect, and subject to the conditions precedent contained therein;



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- (c) Option Agreement amongst the Privi Promoter Block, certain promoters of the Company (i.e. Mr. Utkarshbhai Bhikhoobhai Shah, Nahoosh Tradelink LLP and Jariwala Tradelink LLP) ("Adi Promoter Block") and the Company, wherein the Privi Promoter Block proposes to grant a put option to the Adi Promoter Block and the Adi Promoter Block proposes to grant a call option to the Privi Promoter Block in relation to 10,25,000 equity shares of the Company (equivalent to 2.62% of the share capital) held by the Adi Promoter Block, post the Scheme coming into effect, and subject to the conditions precedent contained therein; and
- (d) Shareholders agreement amongst the Company, FIH Mauritius, FIH Private Investments Ltd and the Privi Promoter Block, to record their *inter se* rights, liabilities and agreements, post the Scheme coming into effect.

The Board also took note of the following agreements being executed simultaneously with the above agreements, in connection with the proposed restructuring:

- (a) Share purchase agreement amongst FIH Mauritius, the Privi Promoter Block and the Resultant Company, wherein FIH Mauritius proposes to acquire 23,30,758 equity shares of the Resultant Company (equivalent to 17.9% of the share capital of the Resultant Company) held by the Privi Promoter Block, post the Scheme coming into effect, and subject to the conditions precedent contained therein (including an approval of the Reserve Bank of India in relation to the concluding of the proposed acquisition at the price agreed in the agreement);
- (b) Share purchase agreement amongst the Adi Promoter Block, the Privi Promoter Block and the Resultant Company, wherein the Adi Promoter Block proposes to acquire 6,21,833 equity shares of the Resultant Company (equivalent to 4.78% of the share capital of the Resultant Company) held by the Privi Promoter Block, post the Scheme coming into effect, and subject to the conditions precedent contained therein; and
- (c) Shareholders agreement amongst the Resultant Company, FIH Mauritius, FIH Private Investments Ltd, Nahoosh Jariwala, Nahoosh Tradelink LLP and Jariwala Tradelink LLP, to record their *inter se* rights, liabilities and agreements, post the Scheme coming into effect.

For Fairchem Speciality Limited,

  
Rajesh Jhaveri  
Chief Financial Officer & Company Secretary