



BANNARI AMMAN SUGARS LIMITED 103

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Rationale behind the scheme of arrangement

- a) Both the Transferor and Transferee Companies are engaged in the similar line of business. The proposed amalgamation will provide a stronger and consolidated operational structure to the businesses of the companies.
- b) M/s. Madras Sugars Limited (Transferor Company) has its sugar factory with the crushing capacity of 3600 TCD and co-generation plant with an installed capacity of 25 MW at Vengur village, Thirukoilur Taluk, Viluppuram District in the State of Tamilnadu. The factory is located in the midst of excellent cane area. Considering the potential for cane development in the area, the crushing capacity of the factory can be expanded to 7,000 TCD due to favourable climatic and other prevailing conditions. Sugarcane Breeding Institute, Coimbatore has assessed the potential of the demarcated cane area and estimated the cane potential at 1.29 million tonnes.
- c) M/s Bannari Amman Sugars Limited (Transferee Company) has one of sugar factories with 5000 TCD and 28.8 MW co-generation plant at Kolundampattu Village, Thandarampattu Taluk, Thiruvannamalai District in the State of Tamilnadu. The cane area allotted to the sugar undertaking of the Transferor Company is contiguous to this sugar unit of the Transferee Company and sugarcane cultivation can be optimized by using available resources. Infact, the said unit of Transferee Company, had to source 2,75,132 M.Ts and 1,32,405 M.Ts of sugar cane during sugar season 2014-15 and 2015-16 (till 7.4.2016) from the cane command area of the Transferor Company, to tide over the shortfall in cane availability.
- d) The Transferor Company has enough land to put up a distillery plant at the aforesaid location and the unit of the transferee company situated at the aforesaid place does not have enough land to put a distillery plant within the premises. The present scheme of amalgamation facilitates the transferor and transferee company to put of a distillery unit at the place of Transferor Company and thereby optimizes the utilization of available molasses for the production of alcohol/ethanol.

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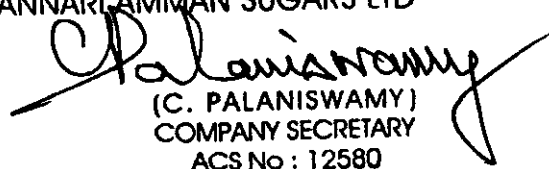
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- e) While the outlook for sugar was very gloomy a year back, there have been some positive developments in the recent past. The global sugar production which was at 189 million tons as in 2014-15 sugar year, has come down to 172.80 Million tons in 2015-16 sugar year. Likewise, domestic sugar production which was at 28.3 Million Tons in 2014-15 sugar year has come down to less than 260 Million tons in 2015-16 sugar year. The sugar price which was ruling between Rs.20-22 per kg has seen a very significant increase. The Government of India has introduced minimum indicative export quota to ensure off-take of sugar and thereby ensured that remunerative prices are realized for domestic supply. The Government of India has also introduced a scheme whereby an exporter, subject to meeting the export quota, is eligible for subsidy of Rs.45/- per tonne of cane. With a view to further stabilize the sugar industry, the Government of India has increased the Import Duty on import of sugar from Rs.25% to 40%. In order to encourage production of Ethanol, Excise Duty has been waived from 1st October 2015. This significantly benefits the sugar industry, since Ethanol is produced from molasses which is the by-product in the process of manufacture of sugar. The Government of India has constituted sugar stabilization fund with the intent behind the proposal being that if the FRP fixed by the Central Government is higher than price determined under revenue sharing formula which is 75% of the sugar price realization, the obligation would be met from the fund thereby insulating the sugar industry. The proposed amalgamation, in this positive scenario when it is expected that sugar industry is poised for growth, will benefit the amalgamating Companies.
- f) The present scheme of amalgamation has been proposed to facilitate management, administration, financial efficiencies, co-ordination and streamlining day-today operations of both Transferor and Transferee companies.
- g) The amalgamation will facilitate consolidation of the businesses of both the Transferor Company and Transferee Company into a single corporate entity. The arrangement would create synergies of operations besides economies in administrative, managerial costs by combining operations and it would result in improved performance for the Transferee Company.
- h) The Transferee Company after amalgamation will have the benefit of stability of operation and would help to achieve efficient utilization of resources and facilities. The consolidation of business will achieve rationalization of management structures and economies of scale for further and stable growth, expansion and diversification and for better and more profitable utilization of the combined resources.



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For BANNARILAMMAN SUGARS LTD


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