



CHOKSI IMAGING LIMITED

Regd. Off.: 163/164, Choksi Bhuvan, Nehru Road, Vile Parle (E), Mumbai -400057

Tel: 9821669911 Email: imaging@choksiworld.com Website: www.choksiworld.com

CIN: L24294MH1992PLC388063.

REPORT OF AUDIT COMMITTEE OF CHOKSI IMAGING LIMITED ("COMMITTEE") RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION BETWEEN CHOKSI ASIA PRIVATE LIMITED ("TRANSFEROR COMPANY") AND CHOKSI IMAGING LIMITED ("TRANSFeree COMPANY") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS ("SCHEME").

Members Present:

1. Mr. Himanshu Kishnadwala – Chairman & Independent Director.
2. Mr. Tushar Parikh – Member & Independent Director.
3. Mr. Samir Choksi – Executive & Managing Director.

1. Background

1.1 A meeting of the Audit Committee ("**Committee**") of the Board of Directors of Choksi Imaging Limited was held on March 22, 2023 to consider and, if thought fit, recommend the proposed Scheme of Amalgamation ("**Scheme**") between Choksi Asia Private Limited (the "**Transferor Company, CAPL**") and Choksi Imaging Limited (the "**Transferee Company, CIL**"), and their respective shareholders and creditors wherein the entire business (the "**Transferor Company, 'Undertaking'**") of the Transferor Company would stand transferred to, merged and vested in Transferee Company with effect from the appointed date i.e. April 1, 2023 in accordance with the terms of the Scheme and pursuant to the provisions of Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013 ("**Act**") and the rules and regulations made thereunder, as amended from time to time (including any statutory modification(s) or re-enactment thereof for the time being in force) and Regulation 11, 37 and 94 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015 ("**SEBI LODR Regulations**") and the Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 issued by the Securities and Exchange Board of India ("**SEBI Circular**"), as amended from time to time.

The Scheme is subject to receipt of approvals of Board of directors, shareholders and creditors of Company involved and approval of other regulatory authorities as may be required, including those of the BSE Limited (hereinafter referred as "**Stock Exchange**"), Securities and Exchange Board of India and the NCLT.

In terms of Para (A) (2) (C) of Part I of the SEBI Circular, a report from the Audit Committee is required recommending the draft Scheme, taking into consideration *inter alia* that the Scheme is not detrimental to the shareholders of the Listed Company. This report of the Audit Committee is made in order to comply with the requirements of SEBI LODR Regulations and SEBI Circular.

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For Choksi Imaging Ltd.

The following documents were placed before the Audit Committee:

S.2.

MUMBAI • NEW DELHI • KOLKATA • CHENNAI

LASER
X-Ray Film

RYNICO
X-Ray Intensifying Screens

PROTEG
An ISO 9001:2000 Certified Company

ViewMax
Contrast Media

MED TRON
High Pressure Injectors





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- (a) Draft Scheme of Amalgamation;
- (b) A Joint Valuation Report dated March 22, 2023, issued by Mrs. Rashmi Shah, R V Shah & Associates, Registered Valuer, (IBBI Registration No. IBBI/RV/06/2018/10240) and Mr. Nitish Chatruvedi, Registered Valuer (IBBI Registration No. IBBI/RV/03/2020/12916) for determination of Share Entitlement Ratios under the Scheme ("**Valuation Report**");
- (c) Fairness Opinion dated March 22, 2023 prepared by Navigant Corporate Advisors Limited, an Independent SEBI registered Category-1 Merchant Banker, providing fairness opinion on the Joint Valuation Report of the shares and the Share Entitlement Ratio as recommended in the Joint Valuation Report. ("**Fairness Opinion**");
- (d) Certificate dated March 22, 2023 issued by M/s. Karia & Shah, Chartered Accountant, Statutory Auditors of Transferee Company confirming that the accounting treatment contained in the Scheme is in compliance with all the applicable accounting standards specified by the Central Government under Section 133 of Companies Act, 2013 and other generally accepted accounting principles;

2. Salient Features of the Scheme

The Audit Committee considered and observed that the draft Scheme provides for the followings;

- (a) Merger of entire business of Transferor Company and vesting the same with and into the Transferee Company, on a going concern basis;
- (b) The Appointed Date means the opening of business hours on April 1, 2023 or such other date as may be approved by the National Company Law Tribunal, Mumbai bench ("NCLT"); and
- (c) In consideration of the proposed Scheme, the Transferee Company will issue and allot equity shares and Non-Convertible and Non-Cumulative Redeemable Preference Shares, to each shareholder of the Transferor Company, whose names appear in the register of members of Transferor Company on the record date as may be fixed for the purpose by the Board of Transferee Company in consultation with the Transferor Company (hereinafter referred to as "**the Record Date**"), in the following manner:

A) 27,51,000 equity shares of Rs.10/- (Rupees Ten) each fully paid-up of the Transferee Company will be issued and allotted to the shareholders holding (total 10,000 in number) equity shares of Rs.10/- (Rupees Ten) each fully paid-up in the proportion of their shareholding in the Transferor Company. These new equity share will be listed on the BSE Limited. AND

B) over and above the maximum permissible promoter group shareholding of 75% (seventy five percentage) or any other specified percentage as may be permissible under SCRA, the Promoters of Transferor Company, For excess shareholding, 9,97,545 Non-Convertible and Non-Cumulative Redeemable Preference Shares of Rs 54 (at par), which will not be listed and unless required by

S.A. Choksi

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extant regulations, will be issued and allotted to the shareholders of Transferor Company in the proportion of their shareholding in the Transferor Company.

- (d) The equity shares proposed to be allotted by the Transferee Company will be listed on BSE Limited, a recognized stock exchanges having nationwide trading platform.
- (e) The Transferor Company and the Transferee Company shall follow the method of accounting as per the applicable accounting principles as prescribed under the Companies (Indian Accounting standards) Rules, 2015 (Ind AS) as notified under Section 133 of the Act, as may be amended from time to time and relevant clarifications issued by Institute of Chartered Accountants of India.
- (f) This Scheme is and shall be conditional upon and subject to:
- The requisite consents, no-objections and approvals of the Stock Exchange and SEBI and other regulatory authorities being obtained.
 - The approval of the Scheme by the respective requisite majorities in number and value of the shareholders of the Companies in accordance with section 230 to 232 of the Act. The Scheme being approved by the "public" shareholders of the Transferee Company by way of e-voting in terms of Para (I)(A)(10)(a) of Annexure I of SEBI Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021; provided that the same shall be acted upon only if the votes cast by the "public" shareholders in favor of the proposal are more than the number of votes cast by the "public" shareholders against it.
 - The Scheme being sanctioned by the Tribunal in terms of sections 230 to 232 and other relevant provisions of the Act and the requisite orders of the Tribunal and
 - Certified copies of the orders of the Tribunal sanctioning this Scheme being filed with the relevant Registrar of Companies by Transferee Company and Transferor Company as per the provisions of the Companies Act.

3. Need, Rationale and Synergies of the Scheme of Amalgamation

The Audit Committee noted the rationale and need for the merger of the entire business of Transferor Company into Transferee Company, as provided in the draft scheme of Amalgamation, and which is reproduced hereunder:

With the proposed amalgamation of the Transferor Company into the Transferee Company, the Transferee Company shall undertake processing as well as selling of X-Ray films, Lead Screens, Chemicals, Radiation Shielding Materials, X-Ray Generator, Radiography Camera, Radioactive Sources, trading of other related accessories and further propose to deal in other healthcare and nuclear products leading to optimum utilization of Silvassa factory and cost savings through larger operating leverage.

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The consolidation of operations of the Transferor Company and the Transferee Company by way of amalgamation will lead to a more efficient utilization of capital, administrative and operational rationalization and promote organizational efficiencies. It will prevent cost duplication that could have an effect of eroding financial efficiencies of the operations.

The proposed amalgamation will be more cost-efficient with the achievement of greater economies of scale, reduction in overheads, improvement in various other operating parameters and increase in overall turnover and profitability of the Transferee Company.

The amalgamation will have beneficial results for the Transferee Company, their stakeholders and all concerned parties. The combined financial strength post amalgamation will result in maximizing overall stakeholder's value, and will improve the competitive position of the combined entity. It will further enhance the organizational capability and leadership, arising from the pooling of human resources who have the diverse skills, talent and vast experience to compete successfully in an increasingly competitive industry.

The amalgamation of the Transferor Company with the Transferee Company would inter alia have the following benefits:

- (a) Amalgamation to be value accretive to the shareholders of the Transferee Company as the shareholders would have direct access to the core profitable business of the Transferor Company;
- (b) Greater integration and greater financial strength and flexibility for the amalgamated entity, which would result in maximizing overall shareholder value;
- (c) Greater efficiency in cash management of the Transferee Company and unfettered access to cash flow generated by the combined business which can be deployed more efficiently to fund organic and inorganic growth opportunities, to maximize shareholder value;
- (d) The proposed amalgamation will improve organizational capability arising from the pooling of human capital that has diverse skills, talent, vast experience and goodwill.;
- (e) Cost savings are expected to flow from more focused operational efforts, rationalization, standardisation and simplification of business processes, the elimination of duplication and rationalization of administrative expenses;
- (f) Reduction in the multiplicity of legal and regulatory compliances required at present to be separately carried out by the Transferor Company and the Transferee Company;
- (g) To optimally leverage the larger assets base and cash flow of the amalgamated entity; and





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(h) Amalgamation will result in the Transferee Company directly controlling and managing the business of the Transferor Company which would lead to simplification of the shareholding structure and reduction of shareholding tiers.

The Scheme shall be in the beneficial interest of the shareholders of the companies. The Scheme shall not be in any manner prejudicial to the interest of the concerned members, creditors, employees or general public at large.

4. Scheme Not Detrimental to the Shareholders of Transferee Company.

The Audit Committee members discussed and deliberated upon the rationale and salient features of the Scheme, the Joint valuation report, fairness opinion and other documents presented before the Audit Committee.

In terms of the Scheme, the Transferee Company will issue equity shares and non-convertible and non-cumulative redeemable preference shares to the shareholders of the Transferor Company based on the share exchange ratio.

The shares will be issued by the transferee Company in the same proportion in which the shareholders hold the shares in the transferor Company (subject to receipt of regulatory approvals). The Transferee Company in respect of the fractional entitlement arising in shall not be required to issue any fractional new equity shares or Non- Convertible and Non-Cumulative Redeemable Preference Shares.

The Committee is of the informed opinion that the proposed Scheme is in the best interests of the Shareholders of the Company and not detrimental to the interest of the Shareholders, including the minority shareholders of the Company.

5. Cost benefit analysis

On receipt of approval of the Scheme and actual implementation, the revenue and profitability of the Transferee Company will grow. Further, the costs of merger have been agreed to be split in equal proportion which in our opinion is fair for the shareholders of both the Companies.

Based on an in conjunction reading of the Draft Scheme, joint valuation report and the fairness opinion, in our opinion, the scheme of amalgamation ought to be beneficial for the growth of Transferee Company and profitability of the Transferee Company and hence in effect beneficial to the Shareholders (including minority shareholder) of the Transferee Company.





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6. Recommendation of the Committee:

The Committee after due deliberations and due consideration of all the terms of the draft Scheme, Joint Valuation report, Fairness Opinion Report, Accounting Treatment Certificate and the specific points mentioned above including interest of Shareholders of the Company, recommends the draft Scheme for favourable consideration and approval by the Board, Stock Exchange(s), The Securities Exchange Board of India and other appropriate authorities.

For and Behalf of Audit Committee of Board of Directors
Choksi Imaging Limited

Tushar Parikh
Independent Director and Member of Audit Committee



Dated: March 22, 2023

Place: Mumbai

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