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REPORT OF AUDIT COMMITTEE MEETING OF LINC PEN & PLASTICS LTD. ("COMPANY") HELD ON 3RD NOVEMBER, 2018 AT ITS REGISTERED OFFICE AT SATYAM TOWERS, 3, ALIPORE ROAD, KOLKATA-700027 RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT AND AMALGAMATION BETWEEN LINC WRITING AIDS PVT LTD, LINC RETAIL LIMITED AND LINC PEN & PLASTICS LTD. AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS ("SCHEME")

MEMBERS PRESENT:

1. Shri K. N. Ranasaria	Director (Independent Non Executive)
2. Shri Anil Kochar	Director (Independent Non Executive)
3. Shri Naresh Pachisia	Director (Independent Non Executive)
4. Shri Deepak Jalan	Managing Director

BY INVITATION

Shri Aditya Singhi	Partner, Singhi & Co. Chartered Accountants, Statutory Auditor
Mrs. Sunita Kedia	Partner, G. P. Agrawal & Co. Chartered Accountants, Internal Auditor

IN ATTENDANCE

1. Shri N. K. Dujari	Chief Financial Officer & Company Secretary
2. Shri Dipankar De	Assistant Co. Secretary

1. Background

1.1. The Securities and Exchange Board of India vide its circular no. CFD/DIL3/CIR/2017/21 dated 10th March, 2017 ("SEBI Circular") has, amongst other requirements, sought for a report from the Audit Committee of the listed companies recommending the Scheme.

1.2. A meeting of the Audit Committee of the company was held on November 03, 2018 to consider and recommend the proposed Scheme of Arrangement and Amalgamation amongst Linc Writing Aids Pvt Ltd ("Demerged Company" or "Transferor Company"), Linc Retail Limited ("Resulting Company") and Linc Pen & Plastic Ltd. ("Transferee Company") and their respective shareholders and creditors ("Scheme") under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, in pursuance of the SEBI Circular.

1.3. The Transferor Company is an existing private limited company incorporated under the provisions of Companies Act, 1956.

1.4. The Resulting Company is an existing public limited company incorporated under the provisions of Companies Act, 1956.

1.5. The Transferee Company is a listed public limited company incorporated under the provisions of Companies Act, 1956.

1.6. This Report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015and SEBI Circular after considering the following documents which were placed before the Audit Committee:

(a) Draft Scheme, duly initialled by the Company Secretary of the Company for the purpose of Identification;

(b) Valuation report dated 03 November, 2018 ("**Valuation Report**") issued by N S Kumar & Co., [independent Chartered Accountant], describing the methodology adopted by them in arriving at the share exchange ratio;

(c) Fairness opinion dated 03 November, 2018 ("**Fairness Opinion**") issued by Microsec Capital Limited [SEBI Category-I Merchant Bankers] providing the Fairness Opinion on the share exchange ratio as recommended by the Valuation Report; and

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(d) Certificate dated 03 November, 2018, obtained from Statutory Auditors of the Company Singhi & Co., Chartered Accountants certifying that the accounting treatment prescribed in the Scheme is in compliance with the applicable Accounting Standards.

2. Proposed scheme of Arrangement

2.1. The Audit Committee discussed the draft Scheme and noted the rationale and the benefits of the Scheme which, inter alia, are as follows:

(a) The Board of Directors of the Parties are of the opinion that the proposed demerger would ensure desired amount of management focus on each of the business segments and would unlock value for the shareholders.

(b) The proposed restructuring would result in elimination of chain holdings and result in ultimate beneficial owner becoming direct shareholder of the companies.

(c) The Retail Business Undertaking (as defined hereinafter) is the one of the major businesses of the Demerged Company, has significant potential for independent growth, and is capable of attracting a separate set of investors, strategic partners, creditors and other stakeholders;

(d) The proposed demerger is likely to offer benefits to the Demerged Company and Resulting Company as outlined under:

i. there would be enhanced focus on the operations of the Retail Business Undertaking under a dedicated management team of the Resulting Company, who can chart out and pursue an independent strategy to maximize value creation for stakeholders and likewise, there would be greater management focus on the remaining business of the Demerged Company;

ii. optimal utilization of resources vested with the Retail Business Undertaking;

iii. alignment, coordination and streamlining of day to day operations of the Retail Business Undertaking;

iv. keeping track of profitability of Demerged Undertaking distinctly vis-à-vis others through allocation and vesting of respective assets, liabilities, expense and income streams under distinct entities, i.e., Resulting Company and Demerged Company; and

v. achieving and sustaining competitiveness and development of long term internal and core competencies.

(e) The proposed amalgamation will result in reduction in the number of companies which will ensure achieve synergies of operations, capital efficiency, improved cash flows, greater business efficiency and avoid duplication of work and efforts and reduce managerial overlaps and towards their common advantage.

(f) The proposed amalgamation will result in the factory facility being merged with the operating entity and enable the business to be carried out more conveniently and advantageously with pooling and more efficient utilization of their resources, reduction in overheads and other expenses and improvement in various other operating parameters.

(g) The present Scheme will result in competitive advantage for meeting future growth opportunities, providing greater cost savings and economics and thereby significantly enhancing the earnings potential of each respective company.

(h) The synergies that exist between the Parties in terms of services and resources can be put to the best advantage of all stakeholders.

2.2. The salient features of draft Scheme are as follows:

(a) The demerger, transfer and vesting of the Retail Business Undertaking (as defined in the Scheme) of the Transferor Company or Demerged Company into the Resulting Company on a going concern basis and the consequent issue of equity shares of the Resulting Company to the shareholders of the Transferor Company or Demerged Company.

(b) The amalgamation of the Remaining Undertaking (as defined in the Scheme) of the Transferor Company or Demerged Company into the Company and issue of equity shares of the Company to the shareholders of the Transferor Company or Demerged Company, as per the share exchange ratio determined by the Independent Chartered Accountant as consideration;

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(c) Upon the Scheme being effective, the existing shareholding of Transferor Company or Demerged Company in the Transferee Company shall stand cancelled. New shares of the Transferee company would be allotted to the shareholders of the Transferor Company;
(d) The Reduction of share capital of the Company in the manner set out in the Scheme, and in accordance with Sections 230 to 232 and other applicable provisions of the Companies Act, 2013; and
(e) Consideration: In consideration of the amalgamation by way of transfer for every 1 fully paid up equity shares of the Transferor Company having face value of Rs. 100 each and held by the members of the Transferor Company as on Record Date, 34 Equity Share of the Transferee having a face value of Rs. 10 each, credited as fully paid up shall be issued to the members of Transferor Company.
Further, in consideration of demerger by way of transfer for every 1 fully paid up equity shares of the Demerged Company having face value of Rs. 100 each and held by the members of the Demerged Company as on Record Date, 46 Equity Share of the Resulting Company having a face value of Rs. 10 each, credited as fully paid up shall be issued to the members of Demerged Company.

2.3. The Audit Committee reviewed the Valuation Report and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the share exchange ratio in the Valuation Report is fair to the shareholders of all the Companies.

3. Recommendations of the Audit Committee:
Taking into consideration the Scheme, Valuation Report, Fairness Opinion and other documents, as placed, the Audit Committee is of the opinion that the implementation of the Scheme is in the best interest of all the Companies, their shareholders, creditors and stakeholders.

Hence, the Audit Committee hereby approves and recommends the Scheme and the share exchange ratio for favourable consideration by the Board of Directors, Stock Exchange(s), Securities and Exchange Board of India, National Company Law Tribunal and other appropriate authorities for their consideration and approval.

Shri Deepak Jalan, Managing Director, is authorised by the Audit Committee to sign this report on behalf of the Audit Committee before onward submissions.

By Order of the Audit Committee
For and on Behalf of
Linc Pen & Plastics Ltd.

D.J.

Managing Director

Date: 03.11.2018
Place: Kolkata