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OCL INDIA LIMITED

ओसीएल इण्डिया लिमिटेड

REPORT OF THE AUDIT COMMITTEE OF OCL INDIA LIMITED ON THE DRAFT SCHEME OF ARRANGEMENT AND AMALGAMATION AMONGST OCL INDIA LIMITED, DALMIA CEMENT EAST LIMITED, SHRI RANGAM SECURITIES & HOLDINGS LIMITED, DALMIA BHARAT CEMENTS HOLDINGS LIMITED AND ODISHA CEMENT LIMITED.

Members present:

Mr. D. N. Davar - Chairman of Audit Committee
Mr. V. P. Sood - Member
Mr. Mahendra Singhi - Member

In Attendance:

Ms. Rachna Gorla - General Manager (Legal) & Company Secretary

Present by Invitation:

Mr. Amandeep - Whole Time Director & Chief Executive Officer (Cement Division)

1. Preamble and Background

A draft scheme of arrangement and amalgamation amongst OCL India Limited ("OCL or Company"), Dalmia Cement East Limited ("DCEL"), Shri Rangam Securities & Holdings Limited ("SRSHL"), Dalmia Bharat Cements Holdings Limited ("DBCHL"), Odisha Cement Limited ("ODCL") and their respective shareholders and creditors under Sections 391 to 394 of the Companies Act, 1956 and other provisions of the Companies Act, 1956 or the Companies Act, 2013, as applicable ("Scheme") was placed before the Audit Committee of the Board of Directors of the Company ("Audit Committee"), at their meeting held on 28th March, 2016, for consideration and for providing its recommendation on the draft Scheme, taking into consideration, *inter alia*, the Valuation Report, to the Board of Directors of the Company.

OCL, ODCL, DCEL, SRSHL and DBCHL were all part of Dalmia Bharat group. Approximately 74.7% of the paid-up equity share capital of OCL was held by DCBL. ODCL is a wholly owned subsidiary of OCL. Further, DBCHL is a wholly owned subsidiary of DCBL and SRSHL and DCEL are step-down wholly owned subsidiaries of DCBL.



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Paragraph I.A.3.c of Annexure I of Circular No. CIR/CFD/CMD/16/2015 dated 30th November, 2015 ("SEBI Circular") issued by Securities and Exchange Board of India ("SEBI") has amongst other requirements, sought a report from the Audit Committee of listed company recommending the draft Scheme, taking into consideration, *inter alia*, the Valuation Report which is to be placed before the Audit Committee of listed company.

Pursuant to and in compliance of the SEBI Circular, the Audit Committee at their meeting held on 28th March, 2016 has examined the following documents, amongst others:

- a) Draft Scheme, duly initialed by the Chairman of the Audit Committee for the purpose of identification.
- b) Valuation Report dated 28th March, 2016 prepared by M/s. Sharp & Tannan, an independent Chartered Accountant, recommending the Share Entitlement Ratio for OCL Restructuring (*as defined in Para 2(a)(ii)*) and consideration for DCEL DBCHL SRSHL Restructuring (*as defined in Para 2(a)(iv)*) ("Valuation Report"); (Valuation Report as per Para I(A)(4) of Annexure I of SEBI Circular).
- c) Fairness Opinion dated 28th March, 2016 prepared by Axis Capital Limited, an independent Merchant Banker, providing the Fairness Opinion on the Share Entitlement Ratio for OCL Restructuring & consideration for DCEL DBCHL SRSHL Restructuring as mentioned in the report prepared by M/s. Sharp & Tannan ("Fairness Opinion").
- d) Certificate dated 28th March, 2016 from M/s. V. Sankar Aiyar & Co., Chartered Accountants, Statutory Auditors of the Company, confirming that the accounting treatment contained in the draft Scheme is in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and circulars issued there under and all the Accounting Standards specified by the Central Government under section 133 of the Companies Act, 2013 read with the rules framed thereunder or the Accounting Standard issued by ICAI, as applicable, and other general accepted accounting principles, in terms of Para I(A)(5)(a) of Annexure I of the SEBI Circular ("Auditor Certificate").
- e) Audited financial statements of the Company, DCEL, SRSHL, DBCHL and ODCL as on 31st March, 2015.
- f) Net worth certificate issued by M/s V. Sankar Aiyar & Co., Chartered Accountants, Statutory Auditors of the Company, certifying the pre & post scheme net worth of OCL.

After detailed consideration of the aforesaid documents and discussions on the same, the Audit Committee, noted, amongst others, the following and gave its recommendation as given below in Paragraph 4 of this report



2. Salient features of the Draft Scheme

The following points, amongst others, were noted by the Audit Committee at its meeting held on 28th March, 2016:

a) The Scheme provides for the following:

(i) Slump Sale of Rail, Power and Solid Waste Management System Undertakings of OCL to ODCL, a wholly owned subsidiary of the Company, as a going concern, together with all its properties, assets, liabilities, rights, benefits and interest therein, without assigning value to individual assets and liabilities ("OCL Undertakings' Slump Sale");

(ii) Amalgamation of residual OCL with ODCL ("OCL Amalgamation").

["OCL Undertakings' Slump Sale" & "OCL Amalgamation" are together referred to as "OCL Restructuring"]

(iii) Slump Sale of Rail and Solid Waste Management System Undertakings of DCEL to ODCL as a going concern, together with all its properties, assets, liabilities, rights, benefits and interest therein, without assigning value to individual assets and liabilities ("DCEL Undertakings' Slump Sale");

(iv) Amalgamation of (i) residual DCEL, (ii) DBCHL and (iii) SRSHL with ODCL ("DCEL DBCHL SRSHL Amalgamation")

["DCEL Undertakings' Slump Sale" & "DCEL DBCHL SRSHL Amalgamation" together referred to as "DCEL DBCHL SRSHL Restructuring"]

(v) Change in name of 'Odisha Cement Limited' to "OCL India Limited".

b) Proposed Appointed Date for the Scheme is 1st January, 2015;

c) Based on the Valuation Report provided by M/s Sharp & Tannan which was reviewed by the Audit Committee, the recommended Share Entitlement Ratio for OCL Restructuring and consideration for DCEL DBCHL SRSHL Restructuring, in the Draft Scheme is as under:

(i) OCL Restructuring - 1 (one) fully paid Equity Share of face value of INR 10/- each of ODCL, for every 1 (one) fully paid Equity Share of face value of INR 2/- each held in OCL India Ltd. ("Share Entitlement Ratio");

(ii) DCEL DBCHL SRSHL Restructuring - 3,43,00,000 (Three Crores Forty Three Lakhs) fully paid Optionally Convertible Redeemable Preference Share ("OCRPS") of face



value of INR 10 each of ODCL at a premium of INR 90 per share to be issued to the shareholders of DBCHL on the following terms:

- o Term: upto 10 years;
- o Conversion option: OCRPS shall be converted into equity shares before 18 months from the date of allotment at the then prevailing price determined in accordance with the SEBI preferential issue guidelines. The conversion of OCRPS into equity shares shall be limited to such numbers as would enable ODCL to continue fulfilling the criteria of minimum public shareholding as per Rule 19(2) and Rule 19A of the Securities Contracts (Regulation) Rules, 1957;
- o Coupon: 0.1% per annum;
- o Redemption period: after 18 months but before 10 years at the option of the holder;
- o Redemption premium: on a 6% p.a. yield-to-maturity basis.

The Audit Committee further noted that the Fairness Opinion provided by Axis Capital Limited, independent merchant banker, confirmed that the aforesaid Share Entitlement Ratio for OCL Restructuring and consideration for DCEL DBCHL SRSHL Restructuring as mentioned in Para 2(c) above is fair.

- d) The equity shares of ODCL which shall be issued to the shareholders of OCL are proposed to be listed on BSE Ltd. and National Stock Exchange of India Ltd. upon the Scheme becoming effective.
- e) Upon the Scheme becoming effective, Odisha Cement Limited shall be renamed as "OCL India Limited".
- f) The Audit Committee also took note of the net worth certificate issued by M/s K. D. Lath & Co., Chartered Accountants, Statutory Auditors of the Company certifying the pre & post scheme net worth of ODCL. The Audit Committee also noted that, as per the draft Scheme, the excess, if any, of fair value of the equity shares issued by ODCL pursuant to the proposed Scheme over the face value of equity shares issued shall be credited to Securities Premium account.

3. Rationale of the Draft Scheme

The Audit Committee at its meeting held on 28th March, 2016 noted the background and rationale for the said Draft Scheme. The Scheme is expected to enable better realisation of potential of the businesses of OCL, DCEL, SRSHL, DBCHL and ODCL in the form of amalgamated ODCL which will yield beneficial results and enhanced value creation for their respective shareholders and better security and protection for their lenders and employees. The rationale for the draft Scheme includes:

- The arrangement and amalgamation would result in consolidation of the business and operations of the Dalmia Bharat group in Eastern India into one entity and simplification



of the group corporate structure.

- The arrangement and amalgamation will provide synergistic integration of OCL and DCEL's business operations thus enabling better operational management and greater focus.
- Synergies arising out of consolidation of alike and supporting businesses through the arrangement and amalgamation would lead to (i) reflection of fair value of OCL, DCEL, DBCHL & SRSHL in the amalgamated ODCL (as all assets, tangible and intangible, including off-balance sheet items of OCL, DCEL, SRSHL, DBCHL would be taken over by ODCL and all assets would be recorded at their respective fair values and cross holdings amongst companies shall be eliminated), (ii) improved earnings and cash flow of amalgamated ODCL and (iii) improved alignment of debt repayments with sales realisations.
- The amalgamated ODCL would have better leveraging capability due to its enlarged net worth base and increased capability for offering a wider portfolio of products and services by virtue of its diversified businesses and resource base and deeper client relationships, resulting in enhanced businesses potential and better prospects for the group.
- The arrangement and amalgamation would result in financial resources of OCL, DCEL, SRSHL, DBCHL and ODCL being efficiently pooled, leading to centralised and more efficient management of funds, greater economies of scale and a bigger and stronger resource base for future growth, which are presently divided and are getting dissipated between multiple corporate entities.
- The arrangement and amalgamation would bring about simplicity in working, reduce various statutory and regulatory compliances and related costs, which were presently being duplicated by the different entities, reduction in operational and administrative expenses and overheads, better cost and operational efficiencies and it would also result in coordinated optimum utilization of resources.
- The arrangement and amalgamation would result not only in consolidating and improving the internal systems, procedures and controls but would also bring about greater management and operational efficiency due to integration of various similar functions presently being carried out in each individual entity within the group such as information technology, human resources, finance, legal and general management, and this will lead to organisation becoming more efficient and capable of responding swiftly to volatile and rapidly changing market scenarios.
- The arrangement and amalgamation would streamline the decision making process, help in better utilization of human resources and will also provide better career opportunities to employees.



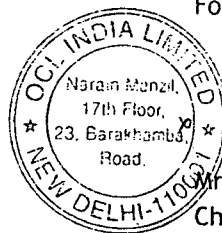
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- The arrangement and amalgamation would facilitate consolidation and rationalisation of borrowings of DCEL, SRSHL and DBCHL in ODCL which would assist not only in better debt planning and management but would also improve the debt servicing abilities through improved cash flows and make the debt administration simpler not only for the amalgamated entity but also for the lenders. That would facilitate not only in better negotiation of terms and conditions with lenders including banks and financial institutions, etc., but in also being able to get less stringent and more favourable terms from them.
- The arrangement and amalgamation would, in likely to result in facilitating enhancement in value for all stakeholders and seamless access to strong business relationships of the transferor companies and is expected to provide other intangible benefits that OCL had built over decades, while at the same time enhancing the scale of operations and enabling better attention and focus to be given in an integrated manner to all businesses so as to enable achievement of their full potential.

4. Recommendation of the Audit Committee

The Audit Committee, after perusal, deliberation and review of the provisions of the Draft Scheme along with the Valuation Report, Fairness Opinion and other documents listed above finds the transactions as listed in the Draft Scheme, along with the appointed date given thereof, the amalgamation and the other arrangements provided therein including the Share Entitlement Ratio and consideration to be issued to the shareholders of DBCHL, to be in the interest of all the companies involved, their shareholders and other stakeholders and is therefore, also fair. Accordingly, the Audit Committee unanimously recommends the draft Scheme to (i) the Board of Directors of the Company for its approval and for favorable consideration and (ii) SEBI, the BSE Limited and National Stock Exchange of India Limited for their favorable consideration.

Place: Delhi
Date: 28th March, 2016



For OCL INDIA LIMITED

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Mr. D. N. Davar
Chairman Of the Audit Committee