

REPORT OF THE AUDIT COMMITTEE OF MANGALAM CEMENT LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF MANGALAM TIMBER PRODUCTS LIMITED WITH MANGALAM CEMENT LIMITED AT ITS MEETING HELD ON 21st JUNE, 2019 AT 2.00 P.M.

1. MEMBERS PRESENT:

Shri Aruna Makhan-- Chairperson
Shri N. G. Khaitan
Shri Gaurav Goel
Shri K. C. Jain

2. BY INVITATION

Shri Yaswant Mishra, Chief Financial Officer

3. IN ATTENDANCE

Shri Manoj Kumar, Company Secretary

4. PREAMBLE AND BACKGROUND

A draft scheme of amalgamation of Mangalam Timber Products Limited with Mangalam Cement Limited under Sections 230 and 232 and other provisions of 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 21st June, 2019 for providing its recommendation on the draft Scheme to the board of directors of the Company.

In terms of paragraph I(A)(3)(c) of Annexure I of Circular No.CIR/CFD/DIL3/CIR//2017/21 dated 10th March, 2017 ("SEBI Circular") issued by Securities and Exchange Board of India ("SEBI"), a listed company shall submit to the stock exchanges, *inter alia*, a report from the Audit Committee recommending the draft Scheme as placed before the Board of Directors of the listed company. This report of the Audit Committee is made accordingly in order to comply with the requirements of the SEBI Circular, as aforesaid, after considering the draft Scheme of Amalgamation.



The following documents were, *inter alia*, placed before the Audit Committee:-

- a. Draft of the Scheme of Amalgamation prepared by Messrs. Khaitan & Co LLP, Advocates (“**Draft Scheme**”).
- b. Report dated 21st June, 2019 of Mr. Sanjai Kumar Gupta, FCA and IBBI Registered Valuer (FSA) on the share exchange ratio for the amalgamation (“**Valuation Report**”).
- c. Fairness Opinion of Messrs. VC Corporate Advisors Pvt. Ltd., Category –I, Independent Merchant Banker on the share exchange ratio thereon (“**Fairness Opinion**”);
- d. Certificate of Messrs. Singhi & Co., Chartered Accountants being the Statutory Auditors of the Transferee Company confirming that the accounting treatment under the Scheme was in accordance with the Accounting Standards (“**Auditor’s Certificate**”).

5. RATIONALE AND SALIENT FEATURES OF THE DRAFT SCHEME

Some of the key features of the proposed scheme were pointed out as under:

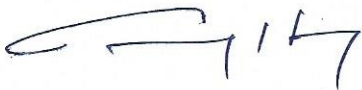
- a. The amalgamation would be effective from 1st April, 2019 (“**Appointed Date**”).
- b. The Scheme is subject to approval by the requisite majorities of the members and/or other stakeholders of the Transferor Company and the Transferee Company and sanction of the Scheme by the Hon’ble National Company Law Tribunal(s), Cuttack and/or Jaipur Bench pursuant to Sections 230 and 232 of the Companies Act, 2013. Accordingly, the Scheme although operative from the Appointed Date would become effective on the Effective Date, upon filing of certified copies of the order sanctioning the same with the Registrar of Companies, Cuttack and/or Jaipur by the Transferor Company and the Transferee Company on such date.



- c. With effect from the Appointed Date, the entire undertaking of the Transferor Company, including all its assets and liabilities, would be transferred to the Transferee Company. The Transferor Company would be dissolved without winding up pursuant to the Scheme.
- d. All Equity Shares held by the Transferee Company in the Share Capital of the Transferor Company shall stand cancelled, without any further act or deed from the Appointed Date and, without any further obligation in this regard. Since all Preference Shares issued by the Transferor Company are held by the Transferee Company and such Preference Shares shall stand cancelled without issue or allotment of any new shares in lieu thereof to any person whatsoever, there is no exchange ratio of such Preference Shares.
- e. In consideration of the amalgamation, the Transferee Company will issue and allot to the shareholders of the Transferor Company, one fully paid up Equity Shares of INR 10 each of the Transferee Company, credited as fully paid up, for every Twenty-Two Equity Shares of INR 10 each held in the Transferor Company.


The Audit Committee noted the background and rationale for the Scheme of Amalgamation, which inter alia, are as follows:

- i. The Transferor Company and the Transferee Company (hereinafter collectively referred as the "**Companies**") are part of the BK Birla Group of Companies and are under common management. The Companies have been looking at suitable proposals for consolidation for improving their financial and operating parameters and strengthening their position to grow and develop their business more effectively which is primarily catering to the housing sector. Further, integrating, interlinking and combining the business activities undertaken by both the Companies will be beneficial to the growing requirements in the housing sector, amongst other things and in order to utilize the resources available with each other for better functioning and operating in their respective spheres, under a single entity, it is



proposed to amalgamate the Companies under the terms and conditions of this Scheme. The proposed amalgamation of the two companies will, *Inter alia*, streamline the group structure reducing the multiplicity of legal and regulatory compliances required at present and accordingly this amalgamation is proposed.

- ii. In the circumstances, it is considered desirable and expedient to amalgamate the Transferor Company with the Transferee Company in the manner and on the terms and conditions stated in this Scheme of Amalgamation.
- iii. The amalgamation will enable appropriate consolidation and integration of the activities of the Transferor Company and the Transferee Company with pooling and more efficient utilization of their resources, reduction in overheads and other expenses and improvement in other parameters. The amalgamation will result in formation of a larger and stronger entity having greater capacity for conducting its operations more efficiently, economically and competitively.
- iv. The existing operating business and activities of the Transferee Company will continue to constitute the main business and activity of the merged entity with the greater share of the assets and turnover of the merged entity being contributed by such operating business and activities. The business of the Transferor Company would, *inter alia*, benefit greatly from the larger infrastructure, easier access to finance and better outreach of the Transferee Company. The consolidation of undertakings will result in the formation of a larger and a more broad based and diversified company.
- v. The amalgamation will enable the Transferor Company and the Transferee Company to pool their financial, managerial, technical and other resources in order to meet the global challenges and competitive market conditions. Their combination will facilitate resource mobilization, increased operational efficiency and integrated management functioning. The



managerial expertise of both the Companies would once combined together shall give additional thrust to the merged entity. The Financial strength of the Transferee Company can further accelerate the scaling up of the operations of the Transferor Company and the aim to create a position of leadership in the products manufactured by the Transferor Company. The amalgamation will create a better and a more competitive market for the products manufactured by the Transferor Company. As such the amalgamation of the Transferor Company with the Transferee Company will enable expansion of the business of the Transferee Company into growing markets of India, thereby creating greater value for the shareholders of the Transferee Company. This will in fact enable the Transferee Company to enhance its overall growth and development of business portfolio through effective and efficient deployment of funds leading to the increase in shareholder's value and ensure a fair return on investments made by all stakeholders.

- vi. The Scheme is proposed accordingly and will have beneficial results for the said Companies, their shareholders, employees and all concerned.

The Audit Committee reviewed the Draft Scheme, Valuation Report, the Fairness Opinion and the Auditor's Certificate and noted the recommendations made therein. The Audit Committee was of the view that the recommended share exchange ratio for the Draft Scheme was fair and reasonable and the Draft Scheme should be adopted and implemented with necessary approvals.

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 6 of this report.

Terms not defined herein shall have the meanings ascribed to them in the Draft Scheme.



6. RECOMMENDATION OF THE AUDIT COMMITTEE

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) be filed with BSE Limited (“**Designated Stock Exchange**”) and the National Stock Exchange of India Limited and the BSE Limited for the purpose of approval in terms of SEBI Circular No.CFD/DIL3/CIR/2017/21 dated 10th March, 2017.

By Order of the Audit Committee

For and on behalf of **Mangalam Cement Limited**



Chairperson, Audit Committee

Date: 21/06/2019

Place: DELHI