

REPORT OF THE AUDIT COMMITTEE OF DALMIA BHARAT LIMITED ON THE DRAFT SCHEME OF ARRANGEMENT AND AMALGAMATION AMONGST ODISHA CEMENT LIMITED, DALMIA BHARAT LIMITED AND DALMIA CEMENT (BHARAT) LIMITED

Directors present:

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|----|--------------------|-----|----------|
| 1. | Mr. N. Gopalaswamy | ... | Chairman |
| 2. | Mr. P.K. Khaitan | | |
| 3. | Mr. V.S. Jain | | |

In Attendance:

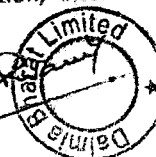
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|----|-------------------|-----|---|
| 1. | Mr. Jayesh Doshi | ... | Whole-time Director & Group Chief Financial Officer |
| 2. | Ms. Nidhi Bisaria | ... | Company Secretary |

Present by Invitation:

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| 1. | Mr. Mahendra Singhi | | Group CEO (Cement) |
| 2. | Mr. Dharmender Tuteja | ... | Executive Director (F&A and Commercial) |
| 3. | Mr. B. Pradhan | ... | General Manager (Corporate Finance & Strategy) |
| 4. | Mr. Krishna Swaroop | ... | Asst. Executive Director (Corporate Finance & Strategy) |
| 5. | Mr. Dilip B. Desai | ... | Chairman, Desai Haribhakti |
| 6. | Mr. Lalit Ratadia | ... | Representative of Axis Capital Limited |
| 7. | Mr. Dharmesh Mehta | ... | Representative of Axis Capital Limited |

1. Preamble and Background

A draft scheme of arrangement and amalgamation amongst Odisha Cement Limited ("ODCL"), Dalmia Bharat Limited ("DBL" or "Company") and Dalmia Cement (Bharat) Limited ("DCBL") and their respective shareholders and creditors under Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 and Section 52 of the Companies Act, 2013 and other provisions of the Companies Act, 1956 or the corresponding provisions of 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 5th November, 2016, for consideration and for providing its recommendation on the draft Scheme, taking into consideration, *inter alia*, the

M. Mahendra Singhi
 117

Valuation Report (as defined below) and the Fairness Opinion (as defined below), to the Board of Directors of the Company.

Presently, inter alia, two other schemes of arrangement and amalgamation also involving ODCL and DCBL amongst other Dalmia Bharat group companies (i.e. one amongst OCL India Limited, Dalmia Cement East Limited, Shri Rangam Securities & Holdings Limited, Dalmia Bharat Cements Holdings Limited and ODCL and their respective shareholders and creditors ("Scheme 1") and the other amongst DCB Power Ventures Limited, Adwetha Cement Holdings Limited, DCBL and Dalmia Power Limited and their respective shareholders and creditors ("Scheme 2") respectively) are pending for consideration before the jurisdictional High Courts and that the present Scheme is conditional upon the aforementioned pending schemes becoming effective.

The Company, as also ODCL and DCBL are all part of Dalmia Bharat group. Approximately 57.4% of the paid-up equity share capital of the Company is held by promoters and promoter group entities and balance 42.6% of the paid-up equity share capital is held by other shareholders. The Company directly and through its subsidiary holds 100% of the paid-up equity share capital of DCBL. DCBL owns approximately 74.66% of the paid-up equity share capital of OCL India Limited ("OCL") and balance 25.34% is held by other shareholders. ODCL is a wholly owned subsidiary of OCL.

in terms of 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"), the listed company shall submit to the stock exchanges, inter alia, a report from the Audit Committee 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 with the SEBI Circular, the Audit Committee at their meeting held on 5th November, 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 5th November, 2016 prepared by M/s Sharp & Tannan, an independent chartered accountant, recommending the share exchange ratio for DBL Amalgamation (as defined below) ("Valuation Report").
- c) The report quantifying the consideration for ODCL Undertakings' Slump Exchange (as defined below) along with relevant details and documents.
- d) Valuation report dated 5th November, 2016 prepared by M/s Sharp & Tannan, an independent chartered accountant, in respect of the equity value per share of DCBL.

- e) A fairness opinion dated 5th November, 2016 prepared by Axis Capital Limited, an independent merchant banker on the share exchange ratio for DBL Amalgamation as mentioned in the Valuation Report from the Company's shareholders' perspective and another fairness opinion dated 5th November, 2016 prepared by SPA Capital Advisors Limited, an independent merchant banker on the share exchange ratio for DBL Amalgamation as mentioned in the Valuation Report from OCL shareholders' perspective, ("Fairness Opinion").
- f) (i) Certificate dated 5th November, 2016 from M/s. S. S. Kothari Mehta & Co. chartered accountants, statutory auditors of the Company, (ii) certificate dated 5th November, 2016 from M/s. V. Sankar Aiyer & Co. chartered accountants, statutory auditors of OCL and (iii) certificate dated 5th November, 2016 from M/s. S. S. Kothari Mehta & Co. chartered accountants, statutory auditors of ODCL confirming that the accounting treatment contained in the draft Scheme is in compliance with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the circulars issued there under and all the Accounting Standards either notified by the Central Government or else prescribed by it as recommended by the Institute of Chartered Accountants of India under section 133 of the Companies Act, 2013 read with the rules framed thereunder, as applicable, and other generally accepted accounting principles, in terms of Para I(A)(5)(a) of Annexure I of the circular bearing number CIR/CFD/CMD/16/2015 dated 30th November, 2015, issued by Securities and Exchange Board of India ("SEBI Circular") in the format prescribed by the said SEBI Circular (collectively referred to as "Auditor Certificate").
- g) Audited financial statements of the Company, ODCL, DCBL and OCL as on 31st March, 2016, unaudited limited reviewed financial statements of the Company, DCBL and OCL as on 30th September, 2016, and unaudited financial statements of ODCL as on 30th September, 2016.
- h) Net worth certificate issued by (i) M/s. S. S. Kothari Mehta & Co., chartered accountants, statutory auditors of the Company, (ii) M/s. S. S. Kothari Mehta & Co., chartered accountants, statutory auditors of ODCL, (iii) M/s. S. S. Kothari Mehta & Co., chartered accountants, statutory auditors of DCBL, and (iv) M/s. V. Sankar Aiyer & Co., chartered accountants, statutory auditors of OCL, certifying the pre & post Scheme net worth of the respective companies.

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 5th November, 2016:

- a) The Scheme provides for the following:

- (i) Reduction of issued, subscribed and paid up equity share capital of ODCL by reduction in the face value of issued, subscribed and paid up equity shares of ODCL from Rs. 10/- (Rupees Ten only) each to Rs. 2/- (Rupees Two only) each, with simultaneous reduction in the face value of all the equity shares of Rs. 10/- (Rupees Ten only) each in the authorised equity share capital of ODCL by Rs. 8 (Rupees Eight only) per share, to Rs. 2/- (Rupees Two only) each and creation of requisite number of new equity shares of face value of Rs. 2/- (Rupees Two only) such that the aggregate amount of authorised share capital of ODCL remains unchanged; ("ODCL Capital Reduction");
- (ii) (a) Amalgamation of DBL with ODCL ("DBL Amalgamation") and consequent dissolution of DBL without winding up; (b) Reduction by way of cancellation of the entire issued, subscribed and paid up equity share capital of ODCL held by DCBL ("Equity Cross Holding Cancellation"); and (c) Reduction by way of cancellation of the entire issued, subscribed and paid up optionally convertible redeemable preference share capital of ODCL held by DCBL ("Preference Cross Holding Cancellation") ("Equity Cross Holding Cancellation" and "Preference Cross Holding Cancellation" collectively referred to "Cross Holding Cancellation"), and corresponding reduction of securities premium account of DCBL;
- (iii) Transfer of undertakings of ODCL pertaining to its cement and refractory operations and power, rail and solid waste management systems by way of slump exchange to DCBL as a going concern, together with all their respective properties, assets, liabilities, employees, rights, benefits and interest therein, without assigning value to individual assets and liabilities for which DCBL shall discharge the consideration of Rs. 6,200 Crores (Rupees Six thousand and two hundred crore only) by issuance of its 7,97,94,080 (Seven crore ninety seven lakh ninety four thousand and eighty) equity shares of face value of Rs. 10/- (Rupees Ten only) each to ODCL, at a premium of Rs. 767/- (Rupees Seven Hundred and Sixty Seven only) per share ("ODCL Undertakings' Slump Exchange");
- (iv) Change of name of "OCL India Limited" (i.e., the new name to be given to "Odisha Cement Limited" in terms of Scheme 1 (as defined above) upon the same becoming effective) to "Dalmia Bharat Limited" upon the Scheme becoming effective;

as integral parts of the Scheme and as per the terms and conditions mentioned therein.

- b) Proposed Appointed Date for DBL Amalgamation and ODCL Undertakings' Slump Exchange is January 1, 2015;
- c) Based on the reports placed before the meeting, the share exchange ratio for DBL Amalgamation and consideration for ODCL Undertakings' Slump Exchange shall be as under:

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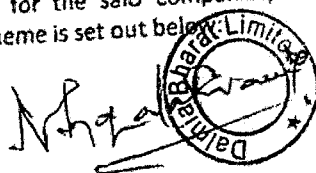
DBL Amalgamation - Pursuant to DBL Amalgamation, shareholders of the Company shall be issued 2 (Two) equity shares of face value of Rs. 2/- (Rupees Two only) each fully paid up of ODCL, for every 1 (One) equity share of face value of Rs. 2/- (Rupees Two only) each fully paid up held in the Company.

ODCL Undertakings' Slump Exchange - Pursuant to ODCL Undertakings' Slump Exchange, DCBL shall discharge the lump sum consideration of Rs. 6,200 Crs. (Rupees Six Thousand and Two Hundred Crores only) by issuance of its 7,97,94,080 (Seven crore ninety seven lakh ninety four thousand and eighty) equity shares of face value of Rs. 10/- (Rupees Ten only) each to ODCL, at a premium of Rs. 767/- (Rupees Seven Hundred and Sixty Seven only) per share.

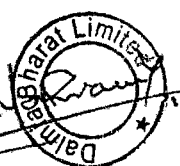
- d) The Company shall stand dissolved without winding up pursuant to the Scheme.
- e) The Audit Committee further noted that the Fairness Opinion provided by Axis Capital Limited, confirms that the aforesaid share exchange ratio for DBL Amalgamation from the Company's shareholders' perspective is fair and fairness opinion provided by SPA Capital Advisors Ltd., confirms that the share exchange ratio for DBL Amalgamation from OCL's shareholders' perspective is also fair.
- f) The equity shares of ODCL to be issued by ODCL to the shareholders of the Company pursuant to the Scheme shall be listed on the BSE Ltd. and National Stock Exchange of India Ltd. upon the Scheme becoming effective.
- g) The Audit Committee also took note of the Auditor Certificate that confirms the accounting treatment contained in the draft Scheme.
- h) The Audit Committee also took note of the net worth certificate issued by (i) M/s. S. S. Kothari Mehta & Co., chartered accountants, statutory auditors of the Company (ii) M/s. S. S. Kothari Mehta & Co., chartered accountants, statutory auditors of ODCL, (iii) M/s. S. S. Kothari Mehta & Co., chartered accountants, statutory auditors of DCBL, and (iv) M/s. V. Sankar Aiyer & Co., chartered accountants, statutory auditors of OCL, certifying the pre & post Scheme net worth of the respective companies. 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 and DCBL 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 5th November, 2016 noted the background and rationale for the said draft Scheme. ODCL, DBL and DCBL belong to the Dalmia Bharat group ("DB Group Companies"). This Scheme is intended to restructure these companies and consolidate their business in a manner which is expected to enable better realisation of potential of their businesses, yield beneficial results and enhanced value creation for the said companies, their respective shareholders and stakeholders. The rationale for the Scheme is set out below.



- (i) The arrangement and amalgamation will result in financial resources of ODCL, DBL and DCBL 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 amongst different DB Group Companies.
- (ii) The arrangement and amalgamation will result in simplification of the corporate structure of the DB Group Companies with one listed company controlling all the cement companies in the group.
- (iii) The arrangement and amalgamation will result in consolidation of businesses and operations of the DB Group Companies, located in different parts of the country, thereby enabling the group to derive benefits of geographical diversification.
- (iv) The arrangement and amalgamation will provide synergistic integration of the business operations of DB Group Companies thus enabling better operational management with greater focus.
- (v) Synergies arising out of consolidation of alike and supporting businesses through the arrangement and amalgamation will lead to (a) alignment of interest of all stakeholders; (b) improved earnings and cash flow of DCBL as the Transferee Company and (c) improved alignment of debt repayments with cash flow.
- (vi) DCBL as the Transferee Company will have better leveraging capability due to its enlarged net worth base and increased business capability to offer a wider portfolio of products and services to its customers by virtue of its diversified businesses, enlarged resource base and deeper client relationships, thus improving its ability to effectively exploit the growing market potential and enhanced business prospects for the group.
- (vii) The arrangement and amalgamation will bring about simplicity in working, reduction in various statutory and regulatory compliances and related costs, which presently have to be duplicated in different entities, reduction in operational and administrative expenses and overheads, better cost and operational efficiencies and it will also result in coordinated optimum utilization of resources.
- (viii) The arrangement and amalgamation will result not only in consolidating and improving the internal systems, procedures and controls but will also bring greater management and operational efficiency due to integration of various similar functions presently being carried out in each individual entity within the DB Group Companies such as information technology, human resources, finance, legal and general management, and this will lead to the organization becoming more efficient and capable of responding swiftly to volatile and rapidly changing market scenarios.
- (ix) The arrangement and amalgamation will 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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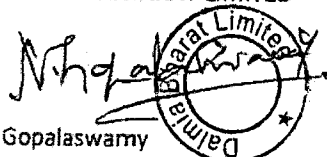
Thus, the Scheme, as envisaged, involving arrangement and amalgamation would enable seamless access to strong business relationships, closer and better focused attention being given to the businesses which would get integrated, aligned and streamlined, leading to achievement of their full business and growth 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 exchange ratio for DBL Amalgamation and consideration for ODCL Undertakings' Slump Exchange, 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) be filed with SEBI, the BSE Limited and National Stock Exchange of India Limited for their favorable consideration.

Place: Mumbai
Date: November 05, 2016

For DALMIA BHARAT LIMITED


N. Gopalaswamy

Chairman of the Audit Committee