INDSIL HYDRO POWER AND MANGANESE LIMITED

Regd. Office :
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Phone : (+91/0) (422) 4522922, 23
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CIN : L27101TZ1990PLC002849

REPORT OF AUDIT COMMITTEE OF INDSIL HYDRO POWER AND MANGANESE LIMITED RECOMMENDING THE AMALGAMATION OF INDSIL ENERGY AND ELECTROCHEMICALS PRIVATE LIMITED WITH THE COMPANY

Members:

1. Dr.A.K.Sreedharan – Chairman
2. Mr.Vinod Narsiman – Member
3. Dr.T.C.P.Nambiar – Member

In Attendance:

1. Mr.R.Murali – Chief Financial Officer (CFO)
2. Mr.S.Mahadevan – Company Secretary
3. Smt.K.R.Divya – Internal Auditor
4. Mr.E.R.Rajaram – Auditor

Background:

Pursuant to SEBI Circular No.CFD/DIL3/CIR/2017/21 dated 10th March 2017, **Indsil Hydro Power And Manganese Limited (CIN: L27101TZ1990PLC002849)** (hereinafter referred to as "the Company") has placed before its Audit Committee at the meeting held on 16th June 2017, the draft Scheme of Amalgamation (hereinafter referred to as "the Scheme") proposing the amalgamation of M/s.Indsil Energy and Electrochemicals Private Limited (CIN:U04010TZ1996PTC007421) (being the Transferor Company) with the Company (being the Transferee Company) seeking the recommendations of the Committee on the proposed Scheme. The equity shares of the Company are, presently, listed on BSE Limited ("BSE").

After taking into consideration the following documents, the Audit Committee, at its meeting held on 16th June 2017, has reviewed the proposed Scheme and hereby reports as under;

Plant No. VI - 679, Pallatheri, Elapully. Palakkad, Kerala - 678 007.
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a. Copy of the draft Scheme of Amalgamation.
b. Copy of the Valuation Report dated 16th June 2017 obtained from M/s.Doogar & Associates, Chartered Accountants, New Delhi
c. Copy of the Fairness Opinion dated 16th June 2017 issued by M/s.Mefcom Capital Markets Limited, SEBI Registered Category I Merchant Banker.

Rationale of the proposed Scheme of Amalgamation:

The Scheme of Amalgamation is expected to yield the following benefits:

(i) Enable consolidation of the business of both companies into one entity which will facilitate economies of scale, focused growth, operational efficiencies, business synergies and better supervision of the business of the group.
(ii) Bring in a Thermal Power base which would effectively diversify the transferor's risk in terms of dependence on monsoons for its power plant.
(iii) Consolidation of a 50% stake in Al-Tamman Indsil Ferro Chrome LLC, a Ferrochrome manufacturing Company located in the Sultanate of Oman and consolidation of other subsidiary companies.
(iv) Result in a diversified power generation base and also regional diversification across Chattisgarh, Andhra Pradesh, Kerala and the Sultanate of Oman including diversification of products like Ferro Chrome, Low Carbon Silico Manganese and regular Silico Manganese.
(v) Pooling of resources (including manpower, management, administration and marketing resources) of the aforesaid companies resulting in, synergies of operations and optimisation of logistics, resulting in more productive utilisation of said resources, savings in cost and operational efficiencies.
(vi) Strengthening financial position and increased leverage capacity of the merged entity
(vii) Create long term value to the shareholders by unlocking value since the business and profits will accrue to a single entity.

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Salient Features of the proposed Scheme of Amalgamation:

- The Scheme provides for merger of M/s.Indsil Energy and Electrochemicals Private Limited with the Company pursuant to Section 230 to 232 of the Companies Act, 2013.
- The Appointed Date for the Scheme is fixed as 1st April, 2017.
- The Scheme provides for transfer of assets and liabilities pertaining to M/s.Indsil Energy and Electrochemicals Private Limited on a 'going concern' basis to the Company.
- The Scheme is subject to the approval of SEBI, BSE Limited ("BSE"), and the Hon'ble National Company Law Tribunal, Chennai bench and such other Authorities as may be necessary in this regard.

Share Exchange Ratio:

M/s.Doogar & Associates, Chartered Accountants, New Delhi have recommended the following Share Exchange Ratio for the said amalgamation

- 49 (Forty Nine) equity shares of Rs.10/- each credited as fully paid in M/s.Indsil Hydro Power and Manganese Limited (the Transferee Company) for every 100 (One Hundred) equity shares of Rs.2/- each in M/s.Indsil Energy and Electrochemicals Private Limited (the Transferor Company).

Pursuant to the Scheme of Amalgamation, 1 (One) 10% Cumulative Redeemable Preference Share of Rs.10/- each fully paid in M/s.Indsil Hydro Power and Manganese Limited (the Transferee Company) shall be issued for every 1 (One) Convertible Optionally Redeemable Preference share of Rs.10/- each in M/s.Indsil Energy and Electrochemicals Private Limited (the Transferor Company)

M/s.Mefcom Capital Markets Limited, the SEBI Registered Category I Merchant Banker, has examined the Valuation report issued by M/s.Doogar & Associates, Chartered Accountants, New Delhi and have issued their Fairness Opinion on the proposed Scheme.

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Recommendations of the Audit Committee:

In view of the above, the Audit Committee, after taking into consideration the (a) draft Scheme of Amalgamation (b) the Valuation Report dated 16th June 2017 obtained from M/s.Doogar & Associates, Chartered Accountants, New Delhi and (c) the 'Fairness Opinion' dated 16th June 2017 issued by M/s.Mefcom Capital Markets Limited, Merchant Bankers, hereby recommends the draft Scheme of Amalgamation proposing the amalgamation of M/s.Indsil Energy and Electrochemicals Private Limited (CIN:U04010TZ1996PTC007421) (being the Transferor Company) with the Company (being the Transferee Company) for the favourable consideration and approval of the Board of Directors, BSE Limited ("BSE") and The Securities and Exchange Board of India ("SEBI").

For and On behalf of the Audit Committee of
Indsil Hydro Power and Manganese Limited

A.K.Sreedharan
DIN: 00043167
Chairman of Audit Committee

Date: 16th June 2017
Place: Coimbatore

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