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**REPORT OF THE AUDIT COMMITTEE OF CIMMCO LIMITED
("CIMMCO/COMPANY/TRANSFEROR") RECOMMENDING THE DRAFT
SCHEME OF AMALGAMATION OF CIMMCO AND TITAGARH CAPITAL PRIVATE
LIMITED WITH TITAGARH WAGONS LIMITED ("SCHEME")**

Members of the Audit Committee of the Board of Directors of Cimmco Limited present in the meeting of the said Committee held on 14th August, 2019:

Members:

- i. Shri Jagdish Kumar Shukla - Chairman
- ii. Shri Anil Kumar Agarwal - Member
- iii. Shri M.J.Z. Mowla - Member

A. BACKGROUND:

1. A meeting of the Audit Committee of the Board of Directors of Cimmco Limited ("the Company" or "Cimmco") was held on Wednesday, the 14th day of August, 2019 inter alia to consider the proposal and recommend to the Board of Directors of the Company, a Scheme of Amalgamation (in review of the Scheme recommended by this Committee and approved by the Board at their respective meetings held on 30th May, 2019) under Sections 230 to 232 read with other applicable provisions of the Companies Act, 2013 and provisions of other applicable laws, for amalgamation of the Company (Transferor Company No. 1- a listed subsidiary of the Transferee) and Titagarh Capital Private Limited (Transferor Company No. 2- wholly owned subsidiary of the Transferee) with Titagarh Wagons Limited (Transferee Company) with effect from the Appointed Date, i.e. the 1st day of April, 2019, by a Scheme of Amalgamation ("Scheme") amongst the Company, Transferor Company No. 2, Transferee Company and their respective shareholders and Creditors.
2. The equity shares of the Company are listed on BSE Limited (BSE) and The National Stock Exchange of India Limited (NSE). The Company is also listed at The Calcutta Stock Exchange (CSE), however it has applied for delisting from CSE and the application is under process. The Company will be filing the Scheme along with the necessary information/documents with the concerned Stock Exchanges.
3. The Committee noted that as per SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ('Circular') it is mandatory for the Audit Committee of all listed companies to recommend to the Board of Directors the Draft Scheme of Amalgamation taking into account the Valuation Report.

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This report of the Audit Committee is made in order to comply with the requirements of the aforesaid Circular. The following documents were placed before the Audit Committee:

- 1) Draft Scheme of Amalgamation initialled by the Group Company Secretary for the purpose of identification.
- 2) Valuation Report dated 14th August, 2019 (being addendum to the Valuation Report dated 30th May, 2019) issued by MSKA & Associates, Chartered Accountants ("Valuer"), describing the methodology adopted by them in arriving at and recommending the Share Exchange Entitlement Ratio (defined hereinafter) ("Valuation Report"); and
- 3) Fairness Opinion Report dated 14th August, 2019 (being addendum to the Fairness Opinion Report dated 30th May, 2019) prepared by VC Corporate Advisors Pvt Ltd, Merchant Banker ("Merchant Banker"), providing the Fairness opinion on the share entitlement ratio (defined hereinafter) recommended by the valuer, MSKA & Associates, Chartered Accountants ("Fairness Opinion").

B. Proposed Scheme of Amalgamation :

4. The Audit Committee examined the draft Scheme of Amalgamation ("**Scheme**"), which *inter alia* provides for the following:
 - a) The Scheme of Amalgamation provides for amalgamation of the Company (Transferor Company No. 1- a listed subsidiary of the Transferee) and Titagarh Capital Private Limited (Transferor Company No. 2- wholly owned subsidiary of the Transferee) with Titagarh Wagons Limited (Transferee Company), pursuant to Sections 230 to 232 and other relevant provisions of the Companies Act, 2013.
 - b) The Scheme upon being effective would help in achieving improved operational efficiency and optimum advantages, synergy in operations, optimum utilization of manpower through improved organizational capacity and leadership, strengthen the business by pooling in the resources, better economic control, increased financial strength and provide flexibility and enhanced ability of the amalgamated entity to undertake large projects, thereby contributing to enhancement of future business potential and overall be in the interest of and beneficial to all the stakeholders.
 - c) The Scheme shall come into operation from the Appointed Date as per Scheme, which is April 01, 2019.



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Upon the scheme becoming effective,

1. The Transferee Company shall without any further act or deed issue and allot 13 (Thirteen) Equity Shares of Rs. 2/- each fully paid up for every 24 (Twenty Four) Equity Shares of Rs. 10/- each fully paid up held by the shareholders of the Transferor Company No. 1 whose names appear in the register of members as on the Record Date (as defined in the Scheme).
 2. Transferor Company No. 2: Titagarh Capital Private Limited (TCPL) being wholly owned subsidiary of the Transferee Company, no consideration is payable and the equity and preference shares held by the Transferee Company in TCPL shall, without further act or deed stand cancelled.
- d) Upon the Scheme becoming effective, all assets, liabilities, contracts, rights, obligations of the Transferor Companies shall stand transferred to the Transferee Company, as a going concern, with effect from the appointed date.
- e) The Scheme will become effective on obtaining all approvals and upon filing of the certified copy of the Order of the NCLT with the Registrar of Companies, as mentioned in the draft Scheme.
- f) The equity shares issued by the Company to the shareholders of the Transferor Company 1 pursuant to the Scheme are proposed to be listed on the Stock Exchanges in terms of the Scheme and the SEBI Circular.

C. Recommendation of the Audit Committee :

5. The Audit Committee, after due deliberation and consideration of the draft Scheme, the Valuation Report and the Fairness Opinion, as referred hereinabove, do hereby unanimously recommend the draft Scheme for favourable consideration by the Board of Directors of Cimmco Limited, the Stock Exchange(s) and Securities Exchange Board of India (SEBI).

Place: Kolkata
Date: 14/08/2019

By Order of the Audit Committee
For CIMMCO LIMITED


J.K. Shukla
Chairman of the Audit Committee