ANNEXURE-4

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REPORT OF THE AUDIT COMMITTEE OF DCM LIMITED ("COMPANY") RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT AMONGST THE COMPANY, DCM ENGINEERING LIMITED ('TRANSFEREE COMPANY') AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

1. **Members**

(a) Mr. Bipin Maira, Chairman
(b) Mr. Ravi Vira Gupta, Member
(c) Professor Sudhir Kumar Jain, Member

2. **Background**

In accordance with Section 177 and other relevant provisions of the Companies Act, 2013 ("**Act**"), read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules 2014, relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**"), the circular number CFD/DIL3/CIR/2017/21 dated March 10, 2017 issued by the Securities and Exchange Board of India ("**SEBI**"), read with the circular number CFD/DIL3/CIR/2017/26 dated March 23, 2017 issued by the SEBI, the circular number CFD/DIL3/CIR/2017/105 dated September 21, 2017 issued by the SEBI, the circular number CFD/DIL3/CIR/2018/2 dated January 3, 2018 issued by the SEBI and the SEBI circular number CFD/DIL1/CIR/P/2019/192 dated September 12, 2019 issued by the SEBI (collectively, the "**SEBI Circulars**"), the relevant rules, circulars and notifications issued under the Act and any other applicable laws, rules and regulations (including in each case any amendment(s), statutory modification(s) or re-enactment(s) for the time being in force), a draft of the scheme of arrangement amongst the Company, DCM Engineering Limited ("**Transferee Company**") and their respective shareholders and creditors under Sections 230-232 and other relevant provisions of the Act ("**Scheme**"), was placed before the audit committee of the Company ("**Audit Committee**"), for its consideration, and recommendation to the board of directors of the Company ("**Board**").

This report has been made by the Audit Committee after perusing *inter alia* the following necessary documents ("**Documents**"):

(a) Draft Scheme;
(b) Valuation report dated November 28, 2019, from Mr. Rakesh Mundra, a registered valuer;
(c) Fairness opinion dated November 28, 2019, from D & A Financial Services (P) Limited, a merchant banker registered with the Securities and Exchange Board of India; and
(d) Certificate dated November 28, 219, issued by M/s S.S Kothari Mehta & Company, Chartered Accountant, the statutory auditor of the Company, certifying that the

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accounting treatment proposed in the Scheme is in compliance with the accounting standards prescribed under the Act.

3. **Proposed Scheme**

The Audit Committee perused the Documents placed before it for its consideration and noted that the salient features of the draft Scheme are as under:

(i) transfer of the business undertaking relating to the engineering division of the Company ("**Business Undertaking**") and vesting of the Business Undertaking with and into the Transferee Company on a going concern basis by way of a slump sale (as defined under Section 2(42C) of the Income Tax Act, 1961), in the manner set out in the Scheme;

(ii) restructuring of the debt in relation to the Business Undertaking to be transferred by the Company to the Transferee Company pursuant to the Scheme after giving effect to the transfer of the Business Undertaking and vesting of such Business Undertaking with and into the Transferee Company; and

(iii) the appointed date for the Scheme (i.e. the date from which the Scheme will take effect) is opening of business hours as on October 1, 2019.

The Audit Committee considered the valuation report, dated November 28, 2019, from Mr. Rakesh Mundra, a registered valuer, and the fairness opinion dated November 28, 2019, from D & A Financial Services (P) Limited, a merchant banker registered with the Securities and Exchange Board of India, and noted that the transfer/vesting of Business Undertaking from the Company to the Transferee Company, a wholly owned subsidiary of the Company, shall be at nil consideration.

The Audit Committee also noted the rationale of the Scheme which is as follows:

(i) The management of the Company believes that the business interests of the Company in the Business Undertaking, which comprises the engineering division, and business undertakings of the Company other than the Business Undertaking (including the real estate business) ("**Remaining Undertaking**") require dedicated management focus and business strategies to ensure that the respective businesses are given the right impetus for growth by securing, among other things, strategic and financial partnership(s).

(ii) With a view to achieve greater management focus on each of the Remaining Undertaking and the Business Undertaking, the management of the Company proposes to transfer the Business Undertaking, and vest such Business Undertaking with and into the Transferee Company (a wholly owned subsidiary of Company).

(iii) With a view to restore profitability of and revive the Business Undertaking, it is considered necessary to induct financial/ strategic partner(s) in the Business

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Undertaking (which comprises the engineering division) who can provide critically required modern technology and financial investment to the Business Undertaking, enabling the Transferee Company to sustain and grow the operations of the Business Undertaking.

(iv) The management of the Company believes that the segregation of the Business Undertaking will enable the Transferee Company to restructure the outstanding loans, debts and liabilities of the Company in relation to the Business Undertaking, enabling the Transferee Company to improve serviceability of such outstanding loans, debts and liabilities and revive the Business Undertaking.

(v) The transfer of the Business Undertaking by the Company to the Transferee Company will enable the management of the Company to focus on the Remaining Undertaking and to develop and manage real estate assets, so as to derive long term annuity value for the shareholders. This will help in expediting the monetization of these assets and to bridge the gap between intrinsic value and market capitalization of the Company.

(vi) The management of the Company and the Transferee Company believe that the transfer of the Business Undertaking from the Company and vesting of such Business Undertaking with and into the Transferee Company and the restructuring of the outstanding loans, debt and liabilities in relation to the Business Undertaking, are in the larger interest of the shareholders, creditors and employees of the Company and the Transferee Company and will enhance the prospects of the future growth of the Company and the Transferee Company, and is likely to result in the following benefits for the Company and the Transferee Company:

a) imparting better management focus, facilitating administrative convenience and ensuring optimum utilization of various resources of the Company and Transferee Company;

b) increasing efficiencies in management, control and administration of the affairs of the Company and Transferee Company;

c) facilitating strategic investment in the Transferee Company;

d) enabling the Company and Transferee Company to focus on their core business verticals;

e) creating and enhancing stakeholders' value by unlocking the intrinsic value of the core businesses of the Company and Transferee Company;

f) enabling each of the Company and the Transferee Company to raise necessary resources for their respective businesses independently; and

g) achieving an optimum capital structure and commensurate assets which is likely to enhance the business prospects of the Company as well as the Transferee Company

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and provide for wealth creation for the shareholders of the Company and the Transferee Company in the long-term.

4. Recommendation of the Audit Committee

Having considered the Documents, the Audit Committee found the draft Scheme to be in the best interests of all the stakeholders in the Company and recommended the draft Scheme for favourable consideration by the Board, the shareholders of the Company, the BSE Limited, the National Stock Exchange of India Limited, the SEBI and the National Company Law Tribunal, New Delhi Bench.

Date: November 28, 2019
Place: New Delhi

For and on behalf of Audit Committee of DCM Limited

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Bipin Maira
(Chairman of Audit Committee)