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REPORT OF THE AUDIT COMMITTEE OF INDIAN METALS AND FERRO ALLOYS LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION AMONGST INDIAN METALS & CARBIDE LIMITED, B. PANDA AND COMPANY PRIVATE LIMITED AND INDIAN METALS AND FERRO ALLOYS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Background:

1. A meeting of the Audit Committee ("Committee") of Indian Metals And Ferro Alloys Limited (the "Company") as held on September 28, 2017, to consider and recommend to the Board of Directors the proposed Scheme of Amalgamation amongst Indian Metals & Carbide Limited ("IMCL" or "Transferor Company 1"), B. Panda And Company Private Limited ("BPCO" or "Transferor Company 2") and Indian Metals And Ferro Alloys Limited ("Company" or "Transferee Company") and their respective shareholders and creditors (hereinafter referred to as the "Scheme"), for the amalgamation of IMCL and BPCO with the Company, to be implemented under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.
2. This report of the Committee is made in order to comply with the requirements of Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 issued by the Securities and Exchange Board of India ("SEBI").
3. The following documents were placed for the consideration of the Committee:
 - (a) Draft Scheme,
 - (b) Audited Financial Statements of IMCL, BPCO and the Company for the financial years 2013-14, 2014-15, 2015-16 and 2016-17,
 - (c) Valuation Report dated September 27, 2017 issued by T R Chadha & Co LLP, Chartered Accountants ("Valuation Report"), and
 - (d) Fairness opinion dated September 28, 2017 issued by BNK Securities Pvt Ltd ("Fairness Opinion"), a category I Merchant Banker registered with SEBI.

Proposed Scheme:

1. The Committee noted the salient features of the Scheme as under:

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(a) The proposed Scheme provides for amalgamation of IMCL and BPCO into IMFA in accordance with the provisions of Sections 230 to 232 of the Companies Act, 2013 and the rules made thereunder.

2. The Committee reviewed the draft Scheme, Valuation Report and Fairness Opinion and also noted that the amalgamation of IMCL and BPCO respectively into IMFA is being envisaged with a view to consolidate business of IMCL into IMFA and rationalize and streamline the ownership structure of IMFA. The Committee further noted that the proposed Scheme when approved would enable achievement of various objectives, including the following:

- (a) Reduce overheads and administrative, managerial and other expenditure;
- (b) Provide greater efficiency and more optimal utilization of resources;
- (c) Reduce legal and regulatory compliances;
- (d) Create enhanced value for all stakeholders of the respective companies; and
- (e) Reorganize businesses to optimize for operational efficiency, rationalize for cost and streamline for growth.

3. The Committee reviewed and noted the Valuation Report, including the following recommendation:

(a) Since the Transferee Company is the beneficial owner of the entire issued, subscribed and paid-up equity share capital of the Transferor Company 1, upon the Scheme becoming effective, the entire issued, subscribed and paid-up equity share capital of the Transferor Company 1 shall stand cancelled and/ or extinguished without any further application, acts, resolutions, filings, instruments, charges, costs or deeds. Therefore, upon the Scheme becoming effective and upon vesting in and transfer of the entire business of the Transferor Company 1 into the Transferee Company in accordance with the Scheme, no shares shall be issued and allotted by the Transferee Company and no amount whatsoever be paid/ payable as consideration for the amalgamation of Transferor Company 1 with the Transferee Company.

(b) Simultaneously upon cancellation of all the equity shares held by the Transferor Company 2 in the Transferee Company as per Clause 3.9(b) of the Scheme, in consideration of the transfer to and vesting of the entire business and

2



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Undertaking of the Transferor Company 2 in terms of the Scheme, the Transferee Company shall, without any further application, act, instrument or deed being made by the shareholders of Transferor Company 2, issue and allot to all the equity shareholders of the Transferor Company 2 in proportion to their existing shareholding, as of the Effective Date, 1,39,18,046 (One Crore Thirty Nine Lac Eighteen Thousand and Forty Six) fully paid up equity shares of 10/- (Rupees Ten Only) each.

4. Further, the Fairness Opinion confirmed that the proposed shareholding is fair to the shareholders of the Company from a financial point of view.

5. The Committee further noted that the Valuation Report was perused by the promoters of IMFA some of whom are also shareholders of BPCO. As per the swap ratio suggested in the Valuation Report, the shareholders of BPCO are entitled to equity shares of IMFA which exceeds their existing shareholding comprising of 1,39,18,046 (One Crore Thirty Nine Lac Eighteen Thousand and Forty Six) equity shares in IMFA by 6159 equity shares. It was further informed that the shareholders of BPCO who are also promoters of IMFA have decided in the interest of public shareholders to take 1,39,18,046 (One Crore Thirty Nine Lac Eighteen Thousand and Forty Six) fully paid up equity shares of INR 10/- (Indian Rupees Ten Only) each which is equivalent to their existing shareholding in IMFA.

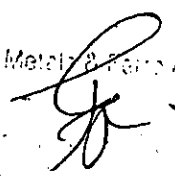
Recommendation of the Committee:

The Committee after taking into consideration the Valuation Report and the Fairness Opinion, recommends the draft Scheme for favorable consideration by the Board of Directors of the Company, the Stock Exchanges and SEBI.

**For and on behalf of the Audit Committee of
Indian Metals And Ferro Alloys Limited**


Chairman

Date: September 28, 2017
Place: Bhubaneswar


For Indian Metals & Ferro Alloys Ltd.