

**REPORT OF THE AUDIT COMMITTEE OF ORICON ENTERPRISES LIMITED**

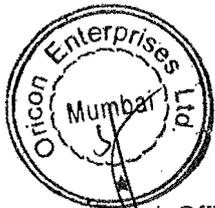
**BACKGROUND**

The draft Scheme of Amalgamation of Oricon Properties Private Limited [OPPL] (the Transferor Company) with Oricon Enterprises Limited [OEL] (the Transferee Company) and their respective shareholders ("the Scheme") was placed before the Audit Committee for its consideration and recommendation to the Board of Directors of the Company as required vide SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 ("Circular").

In view of the said circular, the Audit Committee of the Company considered, discussed and recommended the Scheme and made this report after reviewing the following documents:

1. Draft Scheme of Amalgamation;
2. Audited Financial Statements of OPPL and OEL for the financial years 2013-14, 2014-15 and 2015-16 and Unaudited Financial Statements for the 6 months ended on 30<sup>th</sup> September, 2016;
3. Report in the matter of amalgamation of OPPL and OEL dated 1<sup>st</sup> February, 2017 issued by M/s. K.S. Jhaveri & Co., Chartered Accountants;
4. Fairness opinion dated 1<sup>st</sup> February, 2017 issued by Systematix Capital Services Pvt. Ltd. Mumbai
5. Certificate issued by M/s. Khandelwal Jain & Co, Chartered Accountants, Statutory Auditors of the Company as required under para I(A)(5)(a) of Annexure I of the Circular, to the effect that the accounting treatment contained in the Scheme is in compliance with all the Accounting Standards specified by the Central Government under Section 133 of the Companies Act, 2013 read with the rules framed thereunder or the Accounting Standards issued by ICAI, as applicable, and other generally accepted accounting principles.

The Audit Committee also took note of the fact that the valuation report in this case is not applicable since it involves the amalgamation of OPPL the wholly owned subsidiary



with the Company and there are no shares to be issued on account of amalgamation under the scheme. The report of the Audit Committee is made in compliance with the said circular.

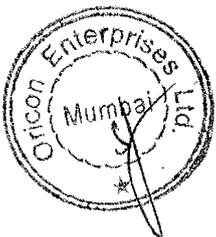
#### **PROPOSED SCHEME**

- The salient features of the Draft Scheme are as under:
  1. Scheme provides for the amalgamation of OPPL (Transferor Company) the wholly owned subsidiary of OEL into OEL (Transferee Company) pursuant to Section 230 to 233 of the Companies Act 2013.
  2. The Transferor Company is wholly owned subsidiary of the Transferee Company, thus pursuant to the Scheme no new shares shall be issued after the NCLT at Mumbai Bench sanctions the Scheme.
  3. Upon the coming into effect of the Scheme, the Undertaking of the Transferor Company shall without any further act, instrument or deed be merged and transferred to and vested in or be deemed to have been transferred to and vested as a going concern in the Transferee Company pursuant to the applicable provisions of the Act on and from the Appointed Date.
  4. Upon the scheme being effective, the Authorized Share Capital of the Transferor Company shall be consolidated with the Authorized Share Capital of the Transferee Company.

#### **RATIONALE AND BENEFITS**

The Audit Committee noted the rationale and benefits that may be derived from the said amalgamation which are summarized as below:

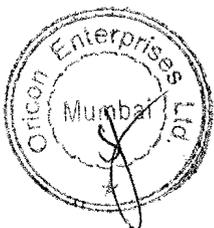
- a) Greater integration and greater financial strength and flexibility for the amalgamated entity, which would result in maximizing overall shareholder value and will improve the competitive position of the combined entity.
- b) The existence of independent companies at times result in duplication of efforts and the integration and combination of such businesses will lead to greater and optimal utilization of resources. The amalgamation would, therefore, enable the Transferee



Company to increase operations and confer a competitive advantage on the entire business. With integrated processes, the Transferee Company can achieve higher scales of operation.

- c) The amalgamation of the operations of the Transferor Company into the Transferee Company will assist the Transferee Company and its management in meeting the funding through a common funding mechanism. This will result in effective management and utilization of funds for capital expenditure and working capital. The efficiencies generated through cash management of the merged entity and access to cash flow generated by the combined business can be deployed more efficiently to fund organic and inorganic growth opportunities and to maximize shareholders value.
- d) The amalgamated company will have the benefit of synergy, optimum use of human relations, expertise, and stability of operations and would help to achieve economies of scale through efficient utilization of resources and facilities.
- e) Strengthened leadership in the Industry, in terms of the asset base, revenues, product range, production volumes and market share of the combined entity. The amalgamated entity will have the ability to leverage on its large asset base and vast pool of intellectual capital, to enhance shareholder value.
- f) Enable the shareholders of Oricon Enterprises Limited to get direct participation in the business of its present wholly owned subsidiary (being Oricon Properties Private Limited)
- g) Simplified group and business structure;

Thus, as a whole, amalgamation of the Transferor Company with the Transferee Company in terms of the Scheme will be beneficial for both the companies, their shareholders, their creditors, employees, customers and all others concerned with the two companies.



## **RECOMMENDATION OF THE AUDIT COMMITTEE**

The Audit Committee recommends the draft Scheme, inter alia, taking into consideration that there would not be any issuance of shares and consequently no valuation process is required, for favorable consideration by the Board of Directors of the Company, Stock Exchange(s) and SEBI.

**For and on behalf of the Audit Committee of Oricon Enterprises Limited**

Sd/-

**Sanjay Dosi**

**Chairman-Audit Committee**

**Date: 1<sup>st</sup> February, 2017**

**Place: Mumbai**

