



Annexure : 'C'

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pricol limited

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REPORT OF THE AUDIT COMMITTEE OF PRICOL LIMITED

Members Present:

Mr.R.Vidhya Shankar, Chairman (Independent)
Mr.C.R.Swaminathan, Member (Independent)
Mr.K.Murali Mohan, Member (Independent)

Auditor

Mr.C.S.Sathyanarayanan, Partner, Haribhakti & Co.,

Executives:

Mr.J.Sridhar, Chief Financial Officer
Mr.T.G.Thamizhanban, Company Secretary

Background:

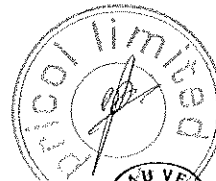
The Company has placed before the Audit Committee a Draft Scheme of Amalgamation ("Draft Scheme") for Amalgamation of Xenos Automotive Limited (Xenos) with Pricol Limited (the Company), for recommendation of the Scheme by the Audit Committee to the Board of Directors, Stock Exchanges and Securities and Exchange Board of India (SEBI) as required vide SEBI Circular No: CIR/CFD/DIL/5/2013 dated 4th February 2013 and CIR/CFD/DIL/8/2013 dated 21st May 2013 ('Circular').

In view of the above Circular, members of Audit Committee of the Company ('the Committee') discussed and approved the proposed amalgamation at the Audit Committee Meeting held on 24th January 2014 and have made this report, after perusing the following necessary documents:

- 1) Draft Scheme of Amalgamation for amalgamation of Xenos Automotive Limited with Pricol Limited.
- 2) Valuation Report issued by M/s.Haribhakti & Co (Independent Auditor).
- 3) Fairness Opinion issued by Centrum Capital Limited (Merchant Banker).

This report of the Audit Committee is made in order to comply with the requirements of the Circular.

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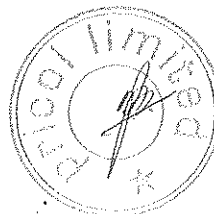
Proposed Scheme of Amalgamation

The Committee noted that the features of the Scheme were as under:

1. The scheme provides for amalgamation of Xenos Automotive Limited (Xenos) with the Company, subject to the approval of Stock Exchanges, Securities and Exchange Board of India, Shareholders & Secured Creditors of Xenos & Pricol, Hon'ble High Court of Madras, in the manner as required under the Companies Act and Securities and Exchange of Board of India (SEBI);.
2. The Appointed Date for the Scheme is 1st January 2014.
3. The scheme provides for transfer of assets and liabilities pertaining to Xenos on a going concern basis.
4. Based on the Swap Ratio of 1 (One) equity shares of Re.1/- each of Pricol Limited for every 122 (One Hundred and Twenty Two) equity shares of Rs.10/- each held by Xenos, as determined by the Valuers and fairness opinion provided by the Merchant Banker. Pricol will have to issue 296,721 equity shares of Re.1/- each to the shareholders of Xenos, as appearing on the record date. Thus the share capital of Pricol will increase by 0.314%
5. The difference between the share capital issued / allotted under this Scheme and the amount of share capital of Xenos shall be adjusted in the General Reserves of Pricol.
6. The debit balance in Profit & Loss Account appearing in the financial statement of Xenos shall be transferred and adjusted against the General Reserves of Pricol.
7. Inter-company outstanding balances between Xenos and Pricol of Rs.361.46 million owed by Xenos towards the supplies made by Pricol, the obligations in respect thereof shall come to an end and there shall be no liability in that behalf and corresponding effect shall be given in the books of account and records of Pricol.

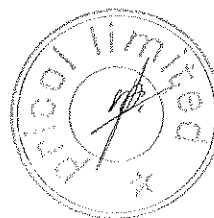
Rationale of Amalgamation :

- a) The Transferor Company and Transferee Company are engaged in lines of business in the automotive sector;
- b) The Transferee Company is a leading manufacturer of automotive products catering to the needs of vehicle manufacturers and replacement market in India and abroad; It has good capabilities in managerial, engineering and financial areas;





- c) The Transferor Company is dealing with automotive accessories, including manufacturing and contract manufacturing and has an established network through its 15 branches and 3 warehouses situated across the country. The Transferor Company has strengths in distribution, sales and after sales services through its network across India. Over a period of time, it has established its "Xenos" brand in the after-market space.
- d) An Analysis of the Auto Industry indicates that significant majority of accessories requirement is Direct to Vehicle Makers (OEM), Sale at Vehicle Makers showrooms under OEM brand name (OES) and Sale at Vehicle Makers showrooms under supplier brand name (DFS) and lately through the E-commerce platform, from the earlier dominance of the after- market channel. These market segments, hitherto untapped by the Transferor Company, can be tapped using Transferee Company's technical and managerial capabilities combined with the long standing and deep ties that the Transferee Company has with Vehicle Makers.
- e) The amalgamation will help the Transferee Company in creation of platform for a new business vertical and to act as a gateway for growth and expansion of business operations.
- f) The Transferor Company's products synergize well with the product groups of the Transferee Company like Driver Information Systems and Asset Management Products. The amalgamation would thus lead to improved customer connect and enhanced market share across product segments.
- g) By this amalgamation and through enhanced base of product offerings, the Transferee Company would serve as "One-Stop Solution Provider" for that range to the Original Equipment Manufacturers.
- h) The proposed amalgamation of the Transferor Company with the Transferee Company in accordance with this scheme would enable companies to realize benefits of greater synergies between their businesses and avail of the financial, managerial, technical, distribution and marketing resources of each other towards maximizing stakeholder value.
- i) The amalgamation will result in higher value proposition for the products and operations currently being done by the Transferee Company. Synergy of operations will result in benefits such as sustained availability and better procurement terms of components. Pooling of resources in manufacturing, engineering manpower, office space and other infrastructure will lead to better utilization and avoidance of duplication of facilities. Enhanced access to marketing networks/customers, reduction of administrative work etc will also lead to higher cost efficiencies.



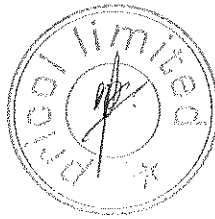
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Recommendations of the Audit Committee :

The Audit Committee recommends the Draft Scheme of Amalgamation for amalgamation of Xenos Automotive Limited with Pricol Limited, inter-alia taking into consideration the Valuation Report issued by M/s.Haribhakti & Co, (Independent Auditor) Fairness Opinion Report issued by Centrum Capital Limited (Merchant Banker) for favorable consideration by the Board, Stock Exchanges, Securities and Exchange Board of India and Honourable High Court, Madras.

Date : 24th January 2014
Place : Coimbatore.



R. Vidhya Shankar
R.Vidhya Shankar,
Chairman, Audit Committee
Pricol Limited