

PRICOL LIMITED

Passion to Excel

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✧ CUSTOMERS ✧ EMPLOYEES ✧ SHAREHOLDERS ✧ SUPPLIERS

REPORT ON RECOMMENDATION OF THE AUDIT COMMITTEE OF PRICOL LIMITED ON THE DRAFT SCHEME OF AMALGAMATION BETWEEN PRICOL LIMITED AND PRICOL PUNE LIMITED**MEMBERS PRESENT**

Mr.R.Vidhya Shankar, Chairman

Mr.C.R.Swaminathan

Mrs.Vanitha Mohan

SECRETARY

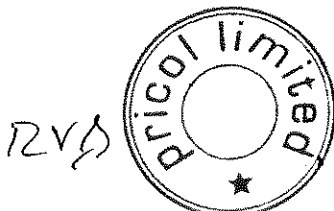
Mr.T.G.Thamizhanban, Company Secretary

PRESENT BY INVITATION

1. Mr.C.S.Sathyanarayanan, Partner, Haribhakti& Co., LLP
2. Mr.J.Sridhar, Group Finance Director
3. Mr.S.Shrinivasan, Chief Financial Officer

1. Background

- 1.1. A meeting of the Audit Committee of Pricol Limited ("Pricol" or "Company") was held on 25th January, 2016 to consider and recommend the proposed Amalgamation of the Company with its subsidiary, Pricol Pune Limited ("Pricol Pune" or "Amalgamated Company"), w.e.f. April 1, 2015, implemented in terms of a Scheme of Amalgamation ("Scheme") to be entered among the Company and Pricol Pune and their respective Shareholders under Sections 391 - 394 of the Companies Act, 1956, read with Section 100 and other applicable provisions of the Companies Act, 1956 or Companies Act, 2013, as applicable.
- 1.2. This report of the Audit Committee is made in order to comply with the requirements of SEBI Circular No CIR/CFD/CMD/16/2015 dated November 30, 2015 issued by the Securities and Exchange Board of India ("SEBI Circular").
- 1.3. The following documents were placed before the Audit Committee:
 - a draft Scheme of Amalgamation, duly initialled by the Company Secretary of the Company for the purpose of identification;



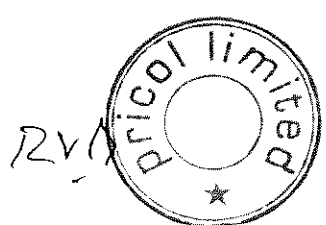
Audit Committee Recommendation

- the Valuation Report & Share Exchange Report dated 25th January, 2016 prepared by Sharp & Tannan, Independent Chartered Accountants, describing the methodology adopted by them in arriving at the Share Exchange Ratio; (Valuation Report as per Para 1(A)(4) of Annexure-I of SEBI Circular CIR/CFD/CMD/16/2015 dated November 30, 2015)
- Fairness Opinion dated 25th January, 2016 prepared by Centrum Capital Limited, an Independent Merchant Banker providing the Fairness Opinion on the Share Exchange Ratio recommended by Sharp & Tannan ("**Fairness Opinion**"); and
- An undertaking certified by the statutory auditor M/s. Haribhakti & Co, LLP, clearly stating the reasons for non-applicability of Para 1(A)(9) (a) of Annexure-I of SEBI Circular CIR/CFD/CMD/16/2015 dated November 30, 2015. The above is based on the Undertaking duly signed by the Company Secretary.

2. Proposed Scheme of Amalgamation

2.1. The Audit Committee noted the rationale and the benefits of the Scheme, which, *inter-alia*, are as follows:

- The Amalgamation will consolidate the business. Further, the Amalgamation will provide a high level of synergistic integration to the Amalgamated Company's operations, better operational management and provide value addition to existing and future orders of the Company and Amalgamated Company by integrating the respective technical, financial and other expertise and resources.
- Synergies arising out of consolidation of business will lead to enhancement of net worth of the combined business and reflection of true net-worth in the financial statements (as all assets, tangible and intangible, including those not recorded in the books of Pricol, and liabilities of Pricol shall be taken over by Pricol Pune and recorded at their respective fair values), improved alignment of debt and enhancement in earnings and cash flow.
- The Amalgamated Company would be able to better leverage on its large capital base, comprehensive suite of products and services, extensive corporate customer relationships, strong brand and vast talent pool. The Amalgamated Company would have enhanced businesses potential and increased capability to offer a wider portfolio of products and services with a diversified resource base and deeper client relationships.
- The proposed Amalgamation would result in financial resources of Pricol and Pricol Pune being efficiently merged and pooled leading to more effective and centralised management of funds, greater economies of scale, stronger base for future growth and reduction of administrative and manpower expenses and overheads (i.e. cost rationalization), which are presently being multiplied, being separate entities. Amalgamation shall lead to greater efficiency in management of the businesses, simplicity and reduction in regulatory compliances, cost and operational efficiencies as well as optimum utilization of resources which will help the Amalgamated Company in keeping its business competitive in the long run and enhance the value of stakeholders.



Audit Committee Recommendation

- The Amalgamation will provide greater internal control and functional integration at various levels of the organization such as Information Technology, human resources, finance, legal and general management leading to an efficient organization capable of responding swiftly to volatile and rapidly changing market scenarios.
 - The Amalgamation will facilitate debt consolidation of the Company in the Amalgamated Company, which will improve the debt servicing abilities through improved cash flows and simplified administration of debt both for the Company and Amalgamated Company and for the lenders.
- 2.2. The audit committee reviewed the Valuation Report and noted that the Valuation Report recommended Share Exchange Ratio, as under:
- Every equity shareholder of Pricol would receive 1 (one) fully paid up equity share of Pricol Pune of face value Re.1/- (Rupee One Only) each for every 1(one) fully paid up equity share of Re.1 (Rupee One only) each held in Pricol.
- Upon Amalgamation, the equity shares of Pricol Pune held by Pricol will be cancelled.
- 2.3. Further, the Fairness Opinion confirmed that the Share Exchange Ratio in the Valuation Report is fair to the shareholders of the Company and the amalgamated company.
- 2.4. The equity shares of Pricol Pune Limited are proposed to be listed on BSE Ltd. and National Stock Exchange of India Ltd. Post Amalgamation, Pricol Pune Limited shall be renamed as Pricol Limited.

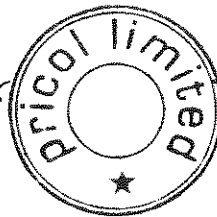
3. Recommendation of the Audit Committee

The Audit Committee recommends the draft Scheme, taking into consideration the Valuation Report & share exchange ratio, to the Board of Directors of the Company for its approval and for favourable consideration by the Stock exchange(s) and Securities and Exchange Board of India.

By Order of the Audit Committee
For and on behalf of
Pricol Limited

R. Vidhya Shankar

R. Vidhya Shankar
Chairman, Audit Committee



Date: Coimbatore
Place: 25th January, 2016