

Crompton Greaves Limited

Registered Office:

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Report of the Audit Committee of the Crompton Greaves Limited

Members Present :

Dr O Goswami	Chairman
Mr S Labroo	Member
Mr G Thapar	Member

Background

Crompton Greaves Limited (hereinafter referred to as “CGL” or “Transferee Company”) is a public company incorporated under the Companies Act, 1913 having its registered office at 6th Floor, CG House, Dr. Annie Besant Road, Worli, Mumbai – 400 030. CGL is one of the world’s leading engineering corporations. It provides end-to-end solutions, helping its customers use electrical power effectively and increase industrial productivity with sustainability. Since incorporation Company has been a pioneer and has retained its leadership position in the management and application of electrical energy.

CG Energy Management Limited (hereinafter referred to as “CGEML” or “Transferor Company No. 1”) is a public company incorporated under the Companies Act, 1956 having its registered office at 6th Floor, CG House, Dr. Annie Besant Road, Worli, Mumbai – 400 030. CGEML is presently not carrying on any business as such but holds investments, inter-alia, in other companies and its other activities are incidental thereto.

CG-ZIV Power Automation Solutions Limited (hereinafter referred to as “CG-ZIV” or “Transferor Company No. 2”) is a public company incorporated under the Companies Act, 1956 having its registered office at 6th Floor, CG House, Dr. Annie Besant Road, Worli, Mumbai – 400 030. CG-ZIV is presently engaged in manufacturing of Substation Automation Systems for Substations in EHV and UHV range, including protective relays, differential relays, bay control units, bus-bar systems, substation units, etc.

It is proposed to amalgamate CGEML & CG-ZIV with CGL under the scheme of amalgamation (the scheme), placed before the Audit Committee.

In terms of the SEBI CIRCULAR No. CIR/CFD/DIL/5/2013 dated February 04, 2013 (the circular) the Audit committee is required to recommend the scheme taking into consideration the valuation report. The report of the Audit Committee is made in order to comply with requirements of the said circular.

The Audit Committee considered the following documents:

- (a) The Scheme of Amalgamation;

- (b) Valuation Report dated 16th January, 2014, of M/s. K K Mankeshwar & Co, Chartered Accountants, issued in accordance with Clause 24(f) of the Listing Agreement and SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 read with clarifications provided by SEBI CIR/CFD/DIL/8/2013 dated May 21, 2013;
- (c) Fairness Opinion dated 20th January, 2014, issued in accordance with Clause 24(h) of Listing Agreement by Pantomath Capital Advisors Pvt Ltd, SEBI Registered Cat-I Merchant Bankers ("**Merchant Bankers**") indicating that Valuation Report dated 16th January, 2014, of M/s. K K Mankeshwar & Co, Chartered Accountants, is fair and reasonable;
- (d) Certificate dated 20th January, 2014 of Sharp & Tannan, Statutory Auditors confirming compliance of all the Accounting Standards including AS-14 "Accounting for Amalgamation" specified by the Central Government in Section 211(3C) of the Companies Act, 1956, as required by Clause 24(i) of the Listing Agreement.

The Transferee Company owns 100% of the paid up share capital of the Transferor Company and as a result of the amalgamation, the shares of Transferor Companies held by the Transferee Company will stand cancelled, with no issuance of shares or payment of other consideration of the Transferor Company. There will be no change in the shareholding pattern of the Transferee Company post merger.

Proposed Scheme of Amalgamation

The Committee noted that the salient features of the Scheme are as under:

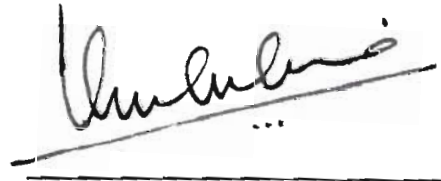
- (i) Since CG-ZIV and CGEML are wholly owned subsidiaries of CGL, the entire equity share capital of CG-ZIV and CGEML held by CGL will be cancelled.
- (ii) The Authorised Share Capital of CG-ZIV and CGEML will be merged with the Authorised Share Capital of CGL thereby enhancing CGLs Authorised Share Capital by Rs 46.60 crores, without payment of stamp duty on this tranche of share capital.
- (iii) There will be no stamp duty payable on transfer of CG-ZIV and CGEML's properties & assets to CGL, since there will be no shares allotted or issued by CGL in exchange of CG-ZIV and CGEML's shares, and no consideration will be paid by CGL for the merger.
- (iv) With effect from 1st April, 2014, the assets and liabilities of CG-ZIV and CGEML will be transferred and accounted in the books of CGL at book value. The book value will be the value thereof as on 1st April, 2014, in the books of CG-ZIV and CGEML.
- (v) The balances in various reserve accounts including Profit & Loss Account of CG-ZIV and CGEML as on 1st April, 2014, will be transferred to, and aggregated with the corresponding reserves into the books of CGL.
- (vi) Any excess/deficit amount after transfer of (iv) and (v) above and cancellation of equity share capital mentioned at (i) against the value of investments of CGL in CG-ZIV and CGEML, will be adjusted by CGL in its General Reserves or such other reserves as may be approved by the High Court.

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 applicable for favorable consideration by the Board of Directors of the Company; Stock Exchange(s) and the Securities and Exchange Board of India.

Date: 28th January, 2014

Place: Mumbai

A handwritten signature in black ink, appearing to read 'Dr O Goswami', is written over a horizontal line. There are three dots below the signature.

Dr O Goswami
Chairman, Audit Committee