

**Report of the Audit Committee Meeting of AIA Engineering Limited held on Tuesday  
the 24<sup>th</sup> September 2013 at 10.30 a.m. in Ahmedabad**

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**PRESENT:**

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|---------------------------|---|----------|
| 1. Mr. Rajendra S. Shah   | : | Chairman |
| 2. Mr. Sanjay S. Majmudar | : | Member   |

**IN ATTENDANCE:**

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|-------------------------|---|----------------------------|
| 1. Mr. Bhadresh K. Shah | : | Managing Director          |
| 2. Mr. S. N. Jetheliya  | : | Secretary of the Committee |
| 3. Mr. Anand Sharma     | : | Statutory Auditors         |
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**Background:**

The Board of Directors of AIA Engineering Limited ("AIAEL" or "the Company") at its meeting held on Tuesday, the 24<sup>th</sup> September 2013 has approved, in principle, the Draft of the Scheme of Amalgamation ("Draft Scheme") of DCPL Foundries Limited (DCPL), a Wholly-owned Subsidiary of the Company with the Company as per the terms and conditions mentioned in the Draft Scheme with an Appointed Date of 1<sup>st</sup> April 2013.

Recently, SEBI vide its Circulars No. CIR/CED/DIL/5/2013 (the Circular) dated 4<sup>th</sup> February 2013 has amongst other requirements, sought a report from the Audit Committee of the Listed entity recommending the Draft Scheme taking into consideration, inter-alia, the Valuation Report.

However, SEBI vide its Circular CIR/CFD/DIL/8/2013 dated 21<sup>st</sup> May 2013 has clarified that Valuation Report from an Independent Chartered Accountant need not be required in cases where there is no change in the Shareholding Pattern of the Listed Company or in case a Wholly-owned Subsidiary of a listed entity is Amalgamated with the Parent Company where the shares and the Shareholding Pattern remains the same. However the Company has obtained a No Valuation Report from Talati & Talati, Chartered Accountants, the Statutory Auditors of the Company.

In view of the above circulars, members of the Audit Committee of the Company ("the Committee") discussed and approved the proposed Scheme of Amalgamation of DCPL with AIA at the Audit Committee meeting held on Tuesday, the 24<sup>th</sup> September 2013 and have made this report after pursuing the following necessary documents:

- Draft Scheme of Amalgamation;
- Valuation Report by Talati & Talati, Chartered Accountants
- Certificate obtained from the Statutory Auditors of the Company i.e. M/s. Talati & Talati, Chartered Accountants on the Accounting Treatment prescribed in Clause 24(i) of the Listing Agreement.
- Statutory Auditors certificate in respect of approval of the shareholders through postal ballot and e-voting will not be required and is not applicable as per Para 5.16 (a) of the SEBI Circular dated 4<sup>th</sup> February 2013,

The Report of the Audit Committee is made in order to comply with the requirements of the said Circulars.

**Proposed Scheme of Amalgamation:**

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



### **Rationale of Amalgamation:**

- (i) DCPL is a Wholly-owned Subsidiary of the Company (AIA).
- (ii) This Scheme is proposed for Amalgamation of DCPL with the Company. The amalgamation would, inter alia:
  - (a) enable the business of DCPL to be carried on more efficiently and advantageously with better economies of scale;
  - (b) bring more productive and optimum utilization of various resources;
  - (c) achieve synergies in business activities;
  - (d) eliminate unnecessary duplication of costs; and
  - (e) improve market share of AIA.

The Committee members further took note of Clause No. 11 of the Draft Scheme, which provides "*upon the Scheme being effective, and in consideration of the transfer of and vesting of the undertaking of DCPL in the Company in terms of the Scheme, all the equity shares issued by DCPL and held by the Company and / or its nominees shall stand cancelled and extinguished and in lieu thereof, no allotment of any shares in the Transferee Company shall be made to any person whatsoever.*"

The Committee further noted that since DCPL is a wholly-owned subsidiary of the Company and as a result of the Amalgamation, all the shares issued by DCPL and held by the Company and its nominees will stand cancelled. In view of this, there is no requirement to obtain a Valuation Report from an Independent Chartered Accountant as the Company will not issue any shares.

The Committee also noted the Certificate issued by the Statutory Auditors of the Company showing pre and post amalgamation Networth of the Company which was placed before the meeting.

The Committee further noted the certificate issued by the Statutory Auditors of the Company in respect of a Wholly-owned Subsidiary is being merged with the Parent and no shares will be issued or no consideration will be paid by the Transferee Company to the shareholders of the Transferor Company, hence approval of the Shareholders through postal ballot and e-voting will not be required and is not applicable as per Para 5.16 (a) of the SEBI Circular dated 4<sup>th</sup> February 2013, a copy of the said certificate was also placed before the members.

The Committee lastly noted that, the Statutory Auditors of the Company has reviewed the relevant Clause 12 of the Draft of the Scheme pertaining to "Accounting Treatment" and have issued a Certificate that the Accounting Treatment proposed in the Draft Scheme is in compliance of Accounting Standard No. AS-14 pertaining to "Accounting to Amalgamation", a copy of the said Scheme was also placed before the meeting.

### **Recommendation:**

The Audit Committee hereby recommends the Draft Scheme of Amalgamation of DCPL, a Wholly-owned Subsidiary of the Company with the Company for the approval of the Board.

Date: 24<sup>th</sup> September 2013  
Place: Ahmedabad



  
Rajendra S. Shah  
CHAIRMAN