

**“REPORT OF AUDIT COMMITTEE OF BOARD OF DIRECTORS
OF JAIPRAKASH ASSOCIATES LIMITED**

1. Background:

1.1 A meeting of the Audit Committee was held on 23rd January 2015, inter-alia, to consider the proposal to sell part of Company’s Cement Business viz. the business, assets and operations of its integrated cement business (including captive power plants) at Bela and Siddhi located in the State of Madhya Pradesh as under

- (a) integrated cement plant with clinker capacity of 2.1 MTPA and cement grinding capacity of 2.6 MTPA at Bela, M.P. alongwith CPP of 25 MW, and
- (b) integrated cement plant with clinker capacity of 3.1 MTPA and cement grinding capacity of 2.3 MTPA at Sidhi, M.P. alongwith CPP capacity of 155 MW

to UltraTech Cement Limited (**UltraTech**) under a mutually agreed transaction structure on a going concern basis without allocating any Purchase Price to the individual assets, at a consideration equivalent to an amount of Rs.5,325 Crores adjusted for transfer of Financial indebtedness and Net Working Capital of the Business (Transaction). The said arrangement/transaction has already been recommended by the Restructuring Committee of the Board of Directors of the Company.

1.2 The said meeting was attended by S/Shri B.K. Goswami (in the Chair), S.C. Bhargava & K.P. Rau. The following also attended the meeting for giving information and replies to the queries of the members : S/Shri Sunil Kumar Sharma, Executive Vice Chairman, Rahul Kumar, Wholetime Director & CFO, R.B. Singh, CFO (Cement). Shri Harish K Vaid, Sr. President (Corporate Affairs) & Company Secretary was also present.

1.3 This report of the Audit Committee is made in terms of Circular number CIR/CFD/DIL/5/2013 dated 4th February 2013 and Circular number CIR/CFD/DIL/8/2013 dated 21st May 2013 (together the “**SEBI Circulars**”) issued by the Securities and Exchange Board of India (“**SEBI**”).

- 1.4 The Committee noted that since the proposed sale is from the Company to an unrelated company and there will be no allotment of shares to anyone, post amalgamation there will be no change in shareholding pattern of the Company. Accordingly, in terms of Para 4.2 of SEBI Circular dated 21.05.2013, no valuation report from an Independent Chartered Accountant is required. However, Valuation Report was sought from M/s Bansi S. Mehta & Co., Chartered Accountants, Mumbai voluntarily. The Company also voluntarily obtained the Fairness Opinion on the said Valuation Report from M/s. Sobhagya Capital Options Limited, a SEBI Registered Merchant Banker.
- 1.5 The Committee considered the following, as placed before the meeting:
- (i) The Scheme of Arrangement between Jaiprakash Associates Limited (JAL), (Transferor Company), UltraTech Cement Limited (UltraTech), (Transferee Company) and their respective shareholders and creditors;
 - (ii) The Implementation Agreement between JAL, Transferor Company and UltraTech, Transferee Company, pursuant to which the said Business will be transferred, as a going concern on a slump exchange basis, to the Transferee Company and in exchange for which, the Securities will be issued by the Transferee Company to the Transferor Company, on the agreed terms and conditions, & also other related documents to be executed between both the companies;
 - (iii) Valuation Report dated 23rd January 2015 of M/s. Bansi S. Mehta & Co., Independent Chartered Accountants, confirming the fair Enterprise Value of the business to be sold; and
 - (iv) Fairness Opinion dated 23rd January 2015 on the said Valuation Report of M/s. Bansi S. Mehta & Co., from M/s. Sobhagya Capital Options Limited, a SEBI Registered Merchant Banker confirming that the said Valuation Report was fair.

2. Review of Report on Fair Valuation by Audit Committee:

The Audit Committee reviewed the aforesaid Report dated 23rd January 2015 of the Independent Valuers. The Committee appraised the methodology and approach followed by the valuers. The Audit Committee also reviewed the Fairness Opinion dated 23rd January 2015 on the said Valuation Report of M/s. Bansi S. Mehta & Co., from M/s. Sobhagya Capital Options Limited, a SEBI Registered Merchant Banker confirming that the said Valuation Report was fair.

Being satisfied with the Valuation, the Committee concluded that the Valuation was fair and reasonable. The Committee also noted that no shares were being allotted by JAL to any one in consideration of the proposed sale of business.

3. Salient Features of the Scheme

The Committee was apprised of the salient features of the proposed Scheme as under:-

- A. The Scheme of Arrangement was between Jaiprakash Associates Limited (JAL) (**Transferor Company**), UltraTech Cement Limited (UltraTech), (**Transferee Company**) and their respective shareholders and creditors. The shares of both JAL & UltraTech were listed on stock exchanges.
- B. This Scheme provides for the transfer of the subject Business of the Transferor Company to and the vesting thereof in the Transferee Company on a slump exchange basis, in accordance with the terms of the Scheme and pursuant to the provisions of sections 391 to 394 of the Companies Act, 1956 or any modifications/re-enactment thereof and other relevant provisions of the said Act and in exchange for which, the Securities will be issued by the Transferee Company to the Transferor Company.
- C. The Transferor Company and the Transferee Company would enter into an agreement (expectedly dated 23rd January 2015) (Implementation Agreement), pursuant to which the subject Business will be transferred, as a going concern on a slump exchange basis, to the Transferee Company and in exchange for which, the Securities will be issued by the Transferee Company to

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the Transferor Company, on the agreed terms and conditions.

D. The transfer of the Business pursuant to this Scheme would, *inter alia*, result in the following benefits:

(i) In case of the Transferor Company (JAL):

(a) unlocking of value for the Transferor Company by transfer of part of its assets; and

(b) helping the Transferor Company in deleveraging its balance sheet, including reduction of debt and interest outgo as well as creation of value for the shareholders of the Transferor Company.

(ii) In case of the Transferee Company (UltraTech):

(a) Entry into one of the growing markets of India, viz. the Satna cluster in Madhya Pradesh which contributes to around ten percent (10%) of all India cement demand; and

(b) Creating value for shareholders by acquiring ready to use assets reducing time to markets, availability of land, mining leases, fly ash and railway infrastructure leading to logistical efficiency.

E. The Appointed Date shall be the Effective Date and the Effective Date shall be the date on which the Scheme becomes effective i.e. when the business is duly transferred from the Transferor Company to the Transferee Company in accordance with the terms of the Scheme/ Implementation Agreement.

F. The Scheme was divided into following main parts: Part I deals with the definitions and share capital of the Transferor Company and Transferee Company; Part II deals with transfer of the Business from the Transferor Company and its vesting in the Transferee Company and matters incidental thereto; and Part III deals with the general terms and conditions that would be applicable to the Scheme.

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4. Recommendations

After discussions, the Audit Committee recommended the draft Scheme of Arrangement for approval of the Board and Stock Exchanges. The Committee also recommended the Implementation Agreement along with other related documents, to be entered into between the Transferor Company and Transferee Company, for approval of the Board. The Committee also accepted and took on record the Valuation Report dated 23rd January 2015 submitted by M/s. Bansi S. Mehta & Co., Independent Chartered Accountants, Mumbai alongwith the Fairness Opinion dated 23rd January 2015 on the said Valuation Report of M/s. Bansi S. Mehta & Co., from M/s. Sobhagya Capital Options Limited, a SEBI Registered Merchant Banker, and directed that the same may also be placed before the Board.”

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For JAIPRAKASH ASSOCIATES LIMITED



(HARISH K. VAID)

Off. President (Corporate Affairs) & Company Secretary

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