

REPORT OF THE AUDIT COMMITTEE OF ELECON ENGINEERING COMPANY LIMITED ("THE COMPANY" OR "THE TRANSFEREE COMPANY") TO RECOMMEND THE DRAFT SCHEME OF AMALGAMATION OF ELECON EPC PROJECTS LIMITED WITH THE COMPANY

Members present in Meeting held on 27th April 2016:

In Attendance:

- a. Shri Jal R. Patel, Chairman
- b. Shri Hasmukhlal S. Parikh
- c. Shri Pradip M. Patel

1. Background

- 1.1. In accordance with provisions of SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 ("Circular"), the draft Scheme of Amalgamation of Elecon EPC Projects Limited ("Transferor Company" or "EEPL") with Elecon Engineering Company Limited ("EECL" or "Company") ("Scheme") was placed before the Audit Committee to consider and recommend the Scheme to the Board taking into account, inter-alia, the Independent Valuation Reports dated 26th April 2016 submitted by the Independent Valuation Firms M/s. Haribhakti & Co. LLP, Chartered Accountants, Mumbai and M/s. SSPA & Co., Chartered Accountants, Mumbai respectively and Fairness Opinion Report by M/s. RBSA Capital Advisors LLP, SEBI registered Category I Merchant Banker.
- 1.2. The Audit Committee has prepared this report after considering the following documents:
 - a) Draft Scheme of Amalgamation
 - b) the Independent Valuation Reports dated 26th April 2016 submitted by the Independent Valuation Firms M/s. Haribhakti & Co. LLP, Chartered Accountants, Mumbai and M/s. SSPA & Co., Chartered Accountants, Mumbai.
 - c) Fairness Opinion Report dated 26th April 2016, issued by M/s. RBSA Capital Advisors LLP, SEBI registered Category I Merchant Banker.

2. Proposed Scheme of Amalgamation

2.1. This Scheme (as defined hereinafter) envisages the amalgamation of EEPL into EECL, resulting in consolidation of the business in one entity and strengthening the position of the merged entity, by enabling it to harness and optimize the synergies of the two companies. Accordingly, it would be in the best interests of the Transferor Company and the Transferee Company and their respective shareholders and creditors. The proposed amalgamation of EEPL into EECL is in line with the global trends to achieve size, scale, integration and greater financial strength and flexibility and in the interests of maximizing shareholders value. The merged entity

26 March

Gearing industries. Gearing economies.

ELECON ENGINEERING COMPANY LIMITED, Post Box # 6, Vallabh Vidyanagar - 388 120, Gujarat, India. Tel: +91 - 2692 - 227484 Fax: +91 - 2692 - 227484

Patel

is likely to achieve higher long-term financial returns than could not be achieved by the companies individually. The Transferor Company and the Transferee Company believe that the financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies of the Transferor Company and the Transferee Company pooled in the merged entity, will lead to increased competitive strength, cost reduction and efficiencies, productivity gains, and logistic advantages, thereby significantly contributing to future growth. Therefore, the management of the Transferor Company and the Transferee Company believe that this Scheme shall benefit the respective companies and other stake holders of respective companies, inter-alia, on account of the following reasons:

- i. Enable Transferee Company to use the resources of Transferor Company and vis-a-versa and generate synergy in operations in long term;
 - ii. The consolidated entity would be able to utilize its full potential and leverage on the combined financial strength as well as optimize the use of resources for the purpose of future growth;
 - iii. Reduction of overheads and other expenses, facilitate administrative convenience and ensure optimum utilization of available services and resources.
- 2.2. The proposed amalgamation and vesting of EEPL into EECL, with effect from the Appointed Date is in the interest of the shareholders, creditors, stakeholders and employees, as it would enable a focused business approach for the maximization of benefits to all stakeholders and for the purposes of synergies of business.
- 2.3. The salient features of the draft Scheme are, inter-alia, as under:
- a) The Scheme provides for amalgamation of EEPL with the Company.
 - b) The Appointed Date of the Scheme would be 30th March 2015
 - c) Effective Date would be the date on which all the conditions as mentioned in the Scheme are fulfilled and all the approvals are received.
 - d) All assets and liabilities of Transferor Company are to be transferred and vested in the Company.
 - e) The Company to issue its equity shares to the equity shareholders of EEPL on Record Date, based on the swap ratio determined by the valuer, M/s. Haribhakti & Co. LLP, Chartered Accountants and M/s. SSPA & Co., Chartered Accountants, Mumbai and fairness opinion provided by M/s. RBSA Capital Advisors LLP, SEBI registered Category I Merchant Banker, as under:
 - Every equity shareholder holding 2 (Two) fully paid up shares of Rs. 10 each of EEPL on the Record Date, shall be entitled to receive 37 (Thirty Seven) fully paid up shares of Rs. 2 each of the Company.
 - f) M/s. RBSA Capital Advisors LLP, SEBI registered Category I Merchant Banker has provided fairness opinion on the swap ratio.



Cranes



Rubber Industry



Marine Industry



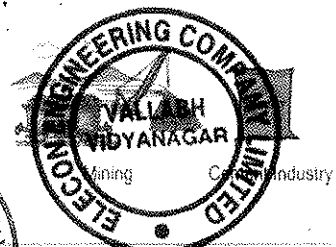
Plastic Industry



Power Industry



Steel Industry



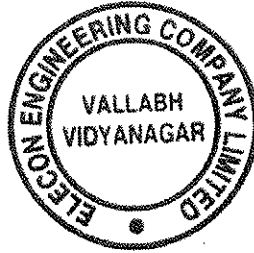
Gearing industries. Gearing economies



3. Recommendations of the Audit Committee

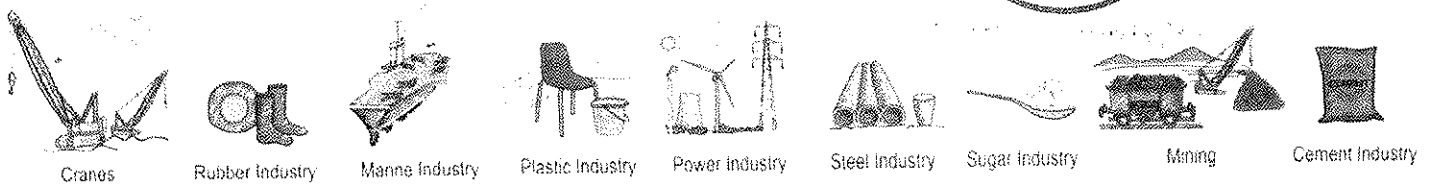
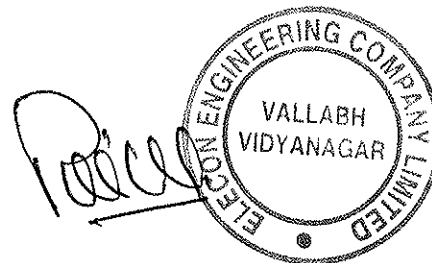
The Audit Committee approves and recommends the draft Scheme of amalgamation, inter-alia, taking into consideration the Valuation Report dated 26th April 2016 issued by M/s. Haribhakti & Co. LLP, Chartered Accountants and M/s. SSPA & Co., Chartered Accountants, Mumbai and the Fairness Opinion Report dated 26th April, 2016 issued by M/s. RBSA Capital Advisors LLP, for favorable consideration by the Board, the Stock Exchanges and SEBI.

Date: 27th April 2016
Place: Vallabh Vidyanagar



[Handwritten signature]

Member, Audit Committee



Gearing industries. Gearing economies.