



ASHOK LEYLAND

(51)

**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF ASHOK LEYLAND LIMITED  
RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION BETWEEN THE COMPANY AND HINDUJA  
FOUNDRIES LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

**Members Present:**

Mr. Sanjay K Asher, Chairman of the Committee  
Mr. Sudhindar K Khanna, Member of the Committee

**In Attendance:**

Mr. N Ramanathan, Company Secretary

**By Invitation:**

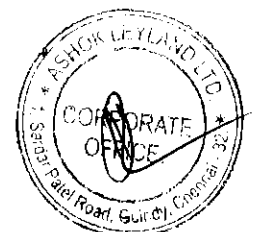
Mr. Gopal Mahadevan, Chief Financial Officer

**Background**

A meeting of the Audit Committee was held on September 14, 2016 to consider and recommend the proposed amalgamation of Hinduja Foundries Limited ("Transferor Company") with Ashok Leyland Limited ("Company" or "Transferee Company") under the provisions of Sections 391 to 394 of the Companies Act, 1956 and other related/applicable provisions, if any, of the Companies Act, 1956 and/or Companies Act, 2013. This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 ("SEBI Circular").

The following documents were placed before the Audit Committee:

- a) Draft Scheme of Amalgamation;
- b) Valuation Report dated September 14, 2016 submitted by Independent Valuers, Haribhakti & Co. LLP, Chartered Accountants;
- c) Fairness Opinion dated September 14, 2016 issued by SBI Capital Markets Limited, Merchant Banker;
- d) Certificate dated September 14, 2016 obtained from the Joint Statutory Auditors of the Company viz., M S Krishnaswami & Rajan, Chartered Accountants and Deloitte Haskins & Sells LLP, Chartered Accountants on the accounting treatment;





ASHOK LEYLAND

52

### Proposed Scheme of Amalgamation

The Audit Committee discussed the draft scheme of amalgamation, valuation report and the fairness opinion and noted the rationale and the benefits of the Scheme, which *inter-alia* includes the following:

- (i) Through the proposed amalgamation, the administrative and operational costs will be considerably reduced and the Company will be able to operate and run the business more effectively and economically resulting in better utilisation of resources.
- (ii) The proposed amalgamation will result in usual economies of a centralized scale of operations and eliminates duplication of work, reduction in overheads, better and more productive utilization of human and other resources thereby enhancing overall business efficiency and will bring in synergies for the Company.
- (iii) The proposed amalgamation will contribute in fulfilling and furthering the objects of these companies. It will strengthen, consolidate and stabilize the business of these companies and will facilitate further expansion and growth of their business.
- (iv) The Company will have the benefit of the combined assets and man-power of both the companies. These combined resources will enhance its capability to expand and increase its market share more effectively.
- (v) There is no likelihood that interests of any shareholder or creditor of either HFL or the Company would be prejudiced as a result of the proposed amalgamation. The proposed amalgamation will not impose any additional burden on the members of HFL and the Company.

The Audit Committee reviewed the Valuation Report and noted that the valuation report recommended the share exchange ratio as under:

- (i) 100 (one hundred) equity shares of Rs.10/- each fully paid of Hinduja Foundries Limited (Transferor Company) will get 40 (forty) equity shares of Re.1/- each fully paid of Ashok Leyland Limited (Transferee Company).
- (ii) 1,000 (one thousand) 2008 series GDRs of Hinduja Foundries Limited (Transferor Company) will get 133 (one hundred thirty three) equity shares of Re.1/- each fully paid of Ashok Leyland Limited (Transferee Company).
- (iii) 1 (one) 2016 series GDRs of Hinduja Foundries Limited (Transferor Company) will get 4,800 (four thousand eight hundred) equity shares of Re.1/- each fully paid of Ashok Leyland Limited (Transferee Company).

Further the Fairness opinion confirmed that the Share Exchange Ratio in the Valuation Report is fair to the shareholders of the Transferee Company and the Transferor Company.





**ASHOK LEYLAND**

**Recommendation of the Audit Committee**

The Audit Committee recommends the draft scheme of amalgamation, *inter alia* taking into consideration the Valuation Report dated September 14, 2016 presented by Haribhakti & Co, LLP, Chartered Accountants and the Fairness Opinion dated September 14, 2016 issued by SBI Capital Markets Limited to the Board of Directors for approval and favourable consideration by the Stock Exchanges and SEBI.

Sanjay K Asher  
Chairman of the Audit Committee

Date: September 14, 2016  
Place: Mumbai

**CERTIFIED TRUE COPY**

**FOR ASHOK LEYLAND LIMITED**

N. RAMANATHAN  
Company Secretary

