



Steel Exchange India Limited

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REPORT OF THE AUDIT COMMITTEE OF STEEL EXCHANGE INDIA LIMITED

Members:

1. Mr. C. Siva Prasad	Chairman
2. Mr. R. Ramachandra Rao	Member
3. Mr. B. Suresh	Member

On Invitation:

Mr. P.A. Ramaiah	Statutory Auditors
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In Attendance:

Mr. B. Narahari	Company Secretary
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1. Background:

The Audit Committee was informed that the management is proposing to place the draft Scheme of Amalgamation of Simhadri Power Limited (SPL) with the Company i.e. Steel Exchange India Limited (SEIL) before the Board of Directors of the Company ("Board") for its consideration and approval.

The Audit Committee was further informed that SEBI vide circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 amongst other requirements sought a report of the Audit Committee of the listed entity recommending the draft Scheme taking into consideration inter alia the valuation report, before the same is placed before the Board.

In view of the above circular, the draft Scheme of Amalgamation was placed before this meeting for the recommendation of the aforesaid Scheme by the Audit committee and this report of the Audit Committee has been made after perusing the following necessary documents:

- Draft Scheme of Amalgamation.
- Valuation Report dated June 24, 2013 prepared by K P & Associates, Chartered Accountants, recommending share exchange ratio.
- Fairness Opinion Report dated June 28, 2013 obtained from Quintessence Enterprises Private Limited, Category I Merchant Banking Company.
- Certificate obtained from the Statutory Auditors of the Company i.e. M/s Pavuluri & Co, on the accounting treatment prescribed in the Scheme.

This report of the Audit Committee is being furnished to comply with the requirement of the aforesaid circular.

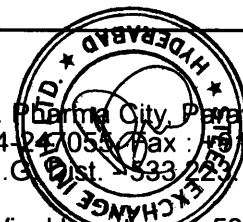
WORKS

Re-Rolling Division : Simhadri TMT Steels, Plot No. 1, I.D.A., J.N. Pharmed City, Pampayada Mandalam, Visakhapatnam - 531 021. Phone : +91-8924-247055, Fax : +91-8924-247685

Power Plant & Steel Melting Division : Opp. Manadapalli New Bridge, Kothapeta, E.C. Dist. - 533 023. Telefax : +91-8855-244406

Factory Unit - II : Plot No. 17 & 18, 'E' Block, IDA Autonagar, Visakhapatnam - 530 012. Telefax : 0891-2766437

Integrated Steel : Srirampuram (Village), Kota Mandal, Kothavalasa, Visakhapatnam District





2. Proposed Scheme of Amalgamation:

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

- a. The Scheme provides for Amalgamation of Simhadri Power Limited (SPL) with Steel Exchange India Limited (SEIL).
- b. The Appointed Date for the Scheme is April 1, 2013.
- c. The share exchange ratio as calculated by the Independent valuers as 2:1 i.e. for every Two (2) shares of Rs. 10/- each fully paid up of SPL, One (1) equity share of Rs. 10/- each fully paid up of SEIL would be issued and allotted to the shareholders of SPL.
- d. The Scheme provides for the transfer of the entire undertaking of SPL to SEIL.
- e. The proposed Amalgamation of SPL with SEIL would bring the entire operations under one roof thus leading integrating itself into a bigger entity and would also achieve greater financial strength with a view to enhance shareholders' wealth.
- f. The Amalgamation will help in creation of a strong and competitive entity. The combination of the operations will create a unique level of integration and will enable substantial savings in cost.
- g. It will also enhance the scale of operations thereby providing significant impetus to the growth of both the companies, since they are engaged in lines of business that could draw upon synergies of both the companies.

The Audit Committee having considered the strengths of both SPL and SEIL observed that the proposed Amalgamation of SPL with SEIL as per the draft Scheme of Amalgamation will be advantageous to both the Transferee Company and Transferor Company, inter-alia, on account of operation synergies, reduction in costs etc.

The Audit Committee noted that the Company has obtained certificate obtained from the Statutory Auditors of the Company regarding accounting treatment prescribed in the Scheme.

3. Recommendation of the Audit Committee:

The Audit Committee recommends the draft Scheme of Amalgamation, taking into consideration the Valuation report and swap ratio as calculated therein, to the Board for its approval and also for favourable consideration by the Stock Exchanges and the Securities and Exchange Board of India.

Siva Prasad Chivukula
Chairman of the Audited Committee

Date: July 1, 2013

Place: Visakhapatnam

