

**REPORT OF THE AUDIT COMMITTEE RECOMMENDING DRAFT SCHEME OF ARRANGEMENT
FOR MERGER OF SALZER MAGNET WIRES LIMITED (CIN : U31300TZ2008PLC014746) WITH
SALZER ELECTRONICS LIMITED (CIN: L03210TZ1985PLC001535)**

The Securities and Exchange Board of India ("SEBI") vide its Circular No.CIR/CFD/DIL/5/2013 dated February 03,2013 read with CIR/CFD/CMD/16/2015 dated November 30,2015 has amongst the other requirements, sought a Report from the Audit Committee of Listed Companies recommending the Draft Scheme under Section 391-394 of the Companies Act 1965 as amended and the corresponding Provisions of the Companies Act 2013 upon their notification (including any statutory modification(s), or re-enactment(s) thereof.

Pursuant to the above, the draft Scheme of Arrangement for the Merger of Salzer Magnet Wires Limited with Salzer Electronics Limited by way of transfer of undertaking as defined in the draft Scheme was placed before the Audit Committee for its Recommendations.

The Audit Committee at its meeting held on November 05,2016 has reviewed at length rationale behind the proposed amalgamation / merger and also the draft Scheme of Arrangement and taken note of the following factors :-

- a) Both Salzer Electronics Limited & Salzer Magnet Wires Limited are engaged in the similar and synergistical line of business i.e., manufacture of electrical installation products to provide solutions for electrical applications and the proposed merger / amalgamation will provide a consolidated, synergistical and stronger operational structures to the business of the company and also provide the size economy in its infrastructure utility in a cost competitive manner to meet the customers satisfaction in power generation, machinery manufacturing and motor and automobile industries;
- b) Synergical Product profile and Manufacturing infrastructure facilities which would provide economics in operations and also performance of both the companies in particular with respect to the following
 - i) Strengthening the Product Profile with inclusion of products of Salzer Magnet Wires Limited and enlarging the offer to the customers under one roof besides accessing more customers and enhance its network for sales growth;
 - ii) Strong leverage for price negotiations with suppliers of copper, being major raw materials for both Companies' Products and generating substantial saving in Input cost;

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- iii) More focused Operational efforts, realizing synergies in terms of compliance, governance, administration and cost and
- iv) Better of utilization of resources in the combined entity.

As per the Draft Scheme:-

- 1) With effect from the opening of business as on the appointed date i.e April 01,2016, the undertaking of Salzer Magnet Wires Limited shall, without any further act or deed be and the same shall stand transferred to and vested in or deemed to have been transferred to or vested in Sazler Electronics Limited pursuant to the provisions of Section 394 and other applicable provisions of the said Act;
- 2) The Scheme, although operative from the appointed date, shall be become effective from the effective date;
- 3) All the staff, workmen and other employees in the service of Salzer Magnet Wires Limited immediately before the transfer of the undertaking shall become the staff, workmen and the employees of Sazler Electronics Limited without any interruption in their services by reason of the transfer of the undertaking;
- 4) Upon the Scheme becoming finally effective, in consideration of the transfer and vesting of the undertaking of Salzer Magnet Wires Limited in SEL in terms of the Scheme, the SEL shall subject to the provisions of the Scheme and without any further application or deed and approval of whatsoever, issue at par and allot One Equity shares (1) of Rs.10/- each credited as fully paid up in the capital of Sazler Electronics Limited for every Sixteen Equity shares (16) of the face value of Rs.10/- each held by the said shareholders in Salzer Magnet Wires Limited, whose names are appeared/ recorded in its register of members, on a date (record date) to be fixed by the Board of Directors of Sazler Electronics Limited, by making the shares of Salzer Magnet Wires Limited automatically stand cancelled.
- 5) Salzer Magnet Wires Limited shall not declare any dividend for the period from and after 1st April 2016 without the written consent of Sazler Electronics Limited.
- 6) Salzer Magnet Wires Limited shall not issue or allot any rights share or bonus share out of its authorised or unissued share capital for the time being.

It is therefore proposed that the Undertaking of Salzer Magnet Wires Limited be transferred to the Company, followed by the dissolution without winding up of Salzer Magnet Wires Limited and the consequent cancellation of all the equity shares held by the Company in Salzer Magnet Wires Limited pursuant Provisions of Section 391-394 of the Companies Act 1956 as amended and the corresponding Provisions of the Companies Act 2013 upon their notification (including any statutory modification(s), or re-enactment(s) thereof.



After consideration of the Draft Scheme of Arrangement for the Merger of Salzer Magnet Wires Limited with Salzer Electronics Limited, the Members of the Audit Committee formed an Opinion that the implementation of the proposed scheme of merger by way of transfer of the Undertaking of Salzer Magnet Wires Limited with Salzer Electronics Limited is in the best interest of the Company and its shareholders, Creditors and other Stakeholders.

The Audit Committee recommends the draft scheme for the consideration and approval of the Board of Directors in pursuance of requisite resolutions passed by the Members at their Meeting held on November 05,2016

Date : November 05,2016

Place : Coimbatore



N. Rangachary

Chairman of the Audit Committee

