



KIRLOSKAR PNEUMATIC COMPANY LIMITED

Enriching Lives

A Kirloskar Group Company

Report on recommendations of the Audit Committee on the Draft Scheme of Arrangement and Amalgamation between Kirloskar RoadRailer Limited (the 'Transferor Company I') and Pneumatic Holdings Limited (the 'Transferor Company II') and Kirloskar Pneumatic Company Limited (the 'Transferee Company') and their respective shareholders.

The Company has placed before the Audit Committee, the Draft Scheme of Arrangement and Amalgamation between Kirloskar RoadRailer Limited ('KRL' or the 'Transferor Company I') and Pneumatic Holdings Limited ('PHL' or the 'Transferor Company II') and Kirloskar Pneumatic Company Limited ('KPCL' or the 'Transferee Company') and their respective shareholders for recommendation of the Scheme by the Audit Committee to the Board of Directors as required vide SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 ('Circular').

In view to comply with the said Circular, members of the Audit Committee at its meeting held on October 20, 2016, discussed and recommended the Draft Scheme after considering the following documents:

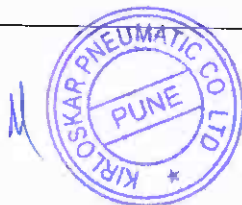
- Draft Scheme of Arrangement and Amalgamation between Kirloskar RoadRailer Limited and Pneumatic Holdings Limited and Kirloskar Pneumatic Company Limited and their respective shareholders;
- Valuation Report recommending Share Exchange Ratio submitted by M/s. SSPA & Co., (Chartered Accountants);
- Fairness Opinion issued by Inga Capital Pvt. Ltd., on the valuation report recommending Share Exchange Ratio of M/s SSPA & Co., Chartered Accountants; and
- Certificate obtained from the Statutory Auditors of the Company viz. M/s P. G. Bhagwat (Chartered Accountants) on the accounting treatment prescribed in the Scheme.

Below are the Recommendations of the Audit Committee on the Draft Scheme of Arrangement:

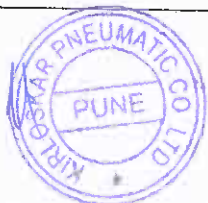
1.	Date	October 20, 2016
2.	Name of the Transferor Companies	i. Kirloskar RoadRailer Limited ('Transferor Company I') ii. Pneumatic Holdings Limited ('Transferor Company II')
3.	Name of the Transferee Company	Kirloskar Pneumatic Company Limited
4.	Salient Features of the Scheme	KRL ('Transferor Company I') is a 100% subsidiary of KPCL ('Transferee Company'). PHL ('Transferor Company II') is a holding company and presently holds 54.45% of KPCL ('Transferee Company').



		<p>KRL ('Transferor Company I') and PHL ('Transferor Company II') will be amalgamated with KPCL ('Transferee Company'). The appointed date for the Scheme shall be 1st day of April, 2016.</p> <p>Since KRL is a 100% subsidiary of KPCL, no consideration will be issued on merger of KRL with KPCL.</p> <p>In consideration of the transfer of and vesting of the assets and said liabilities of PHL in KPCL in terms of this Scheme, KPCL shall without any further application or deed, issue and allot:</p> <p>a) 53 (Fifty Three) fully paid-up equity shares of Rs. 10/- (Rupees Ten only) for every 40 (Forty) fully paid-up equity shares of Rs. 10/- (Rupees Ten Only) each, held by the shareholders in PHL.</p>
5.	Name of the Independent Chartered Accountant	SSPA & Co. (Chartered Accountants)
6.	Details of Audit Committee	<p>The composition of the Audit Committee, is as follows:</p> <ol style="list-style-type: none"> Mr. Sunil Shah Singh – Chairman (Independent Director) Mr. G. Krishna Rao – Member (Independent Director) Dr. Ajay Kumar Dua – Member (Independent Director) Mr. D. R. Swar - Member (Non Executive, Non Independent Director) <p>Secretary of the Company acts as Secretary to the Committee.</p>
7.	Members Present	<ol style="list-style-type: none"> Mr. G. Krishna Rao – Chairman of the Meeting (Independent Director) Dr. Ajay Kumar Dua – Member (Independent Director) Mr. D. R. Swar - Member (Non Executive, Non Independent Director)
8.	Leave of Absence	Mr. Sunil Shah Singh – Chairman (Independent Director)



9.	In Attendance	Mr. Jitendra R. Shah – Company Secretary
10.	By Special Invitation	<p>I. Mr. Rahul C. Kirloskar – Executive Chairman II. Mr. Aditya Kowshik – Managing Director III. Mr. Suhas S. Kolhatkar – Vice President & CFO IV. Mr. Hemant Sethi – Hemant Sethi & Co. - Advocates V. Mr. Parag Ved – SSPA & Co. (Chartered Accountants) VI. Mr. Sanjay S. Athavale – Partner, M/s P. G. Bhagwat (Chartered Accountants) - Statutory Auditor VII. Mr. S. Karthikeyan – Inga Capital Pvt Limited</p>
11.	Recommendation on the Draft Scheme of amalgamation and Exchange Ratio taking into consideration the Valuation Report	Based on review of the draft Scheme of Arrangement and Amalgamation between KRL and PHL and KPCL and their respective shareholders, Valuation Report dated October 20, 2016 issued by SSPA & Co., Independent Chartered Accountants and the Fairness Opinion issued by Inga Capital Pvt. Ltd., on the valuation, the Audit Committee believes that the Scheme of Arrangement and Amalgamation and Exchange Ratio of 53 (Fifty Three) fully paid up equity share of Rs. 10/- (Rupees Ten only) each of KPCL for every 40 (Forty) fully paid-up equity shares of Rs. 10/- (Rupees Ten only) each, held by the shareholders in PHL is fair and reasonable.
12.	Summary of reasons for recommendations	The Fair Exchange Ratio has been arrived on the basis of proposal of PHL to acquire additional 13,375 equity shares of KPCL from the existing cash balance, use the remaining cash balance post the said acquisition and realization of leased assets to meet the costs, fees and expenses in relation to the proposed amalgamation and then to distribute the balance, if any, by way of dividend to the shareholders of PHL. Further upon amalgamation shareholders of PHL would be entitled to the same number of shares of KPCL which they indirectly own prior to effective date of the proposed amalgamation through their holding in PHL, thereby making them shareholders of KPCL directly without affecting



		<p>interest of other shareholders of KPCL as there would be no change in the paid up share capital of KPCL. An independent fairness report of the Merchant Banker on the valuation report is also available. Auditors of the company have also certified the accounting treatment in the draft scheme of amalgamation to be in compliance with SEBI Regulations and applicable Accounting Standards. In the above circumstances, the Exchange ratio as mentioned in Draft Scheme of Amalgamation is fair and reasonable.</p>
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To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this statement is, in all material respect, true and correct and not misleading, whether by omission or any information or otherwise.

Date: October 20, 2016
Place: Pune




Chairman