

# KHURANA & SINGHAL

CHARTERED ACCOUNTANTS

37, GROUND FLOOR, CENTRUM PLAZA,

DLF GOLF COURSE ROAD, SECTOR – 53,

GURGAON (HARYANA) – 122003

TEL : 0124 - 4009970

**Private and Confidential**

October 14, 2016

Board of Directors  
DCM Limited  
6<sup>th</sup> Floor, Vikrant Tower,  
4, Rajendra Place,  
New Delhi-110 008

Dear Sirs,

**Subject: Share Entitlement Report**

## Context and Purpose

We refer to our Engagement Letter dated October 6, 2016 and subsequent discussions we have had with you, wherein you had requested our report on the ratio of allotment of Equity Shares of DCM Nouvelle Limited (the "Resulting Company") to be issued to shareholders of DCM Limited (the "Demerged Company") pursuant to demerger of the Demerged Undertaking (as defined in the Scheme of Arrangement) of the Demerged Company into the Resulting Company with effect from the Appointed Date of January 1, 2017, as per the Scheme of Arrangement, a draft of which has been provided to us for our review ("Draft Scheme"). The Demerged Company and the Resulting Company are collectively hereinafter referred to as "Companies".

## Background

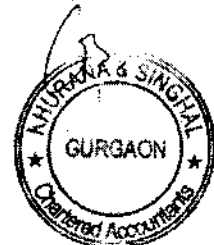
1. The Demerged Company is a public limited company incorporated on March 26, 1889 under the provisions of The Indian Companies Act, 1882 and its registered office is located at Vikrant Tower, 4, Rajendra Place, New Delhi - 110008. The Demerged Company is engaged in four business segments i.e. Textiles, Grey Iron Casting, Real Estate and IT Services. Its businesses *inter-alia* include manufacturing and/ or dealing in cotton yarns, threads and various other textiles and clothing related materials; manufacturing and supply of grey iron castings in automotive markets; real estate development, provision of services in IT Infrastructure management encompassing system administration, storage management, backup recovery, disaster management, databases, etc.
2. We understand that the Resulting Company is currently being incorporated as a public company under the Companies Act, 2013. Further, we have been given to understand that the total paid up equity capital of the Resulting Company would be Rs. 5,00,000 and such entire shareholding will be held by the Demerged Company along with 6 individual nominee shareholders.

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**For DCM LIMITED**

  
Company Secretary



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3. In connection with the Proposed Demerger and based on information made available by the management of the Demerged Company ("Management"), the Management has requested Khurana & Singhal, Chartered Accountants ("us" or "we" or "K&S") to provide a report on the ratio of allotment of Equity Shares of the Resulting Company to the shareholders of the Demerged Company (the "Services").
4. We understand that consequent to the Proposed Demerger, there will be no impact on the economic interest of the shareholders of the Demerged Company, since pursuant to the Proposed Demerger, the shareholders of the Demerged Company will be issued Equity Shares in the Resulting Company in the same proportion in which they hold Equity Shares in the Demerged Company.

## Procedures Undertaken

The procedures used in our analysis included such substantive steps as we considered necessary under the circumstance, including, but not necessarily limited to the following:

1. Considered the audited financial statements of the Demerged Company for the Financial Year ("FY") 2015-16 and the limited review report on the unaudited financial results for period ending 30 June 2016 of the Demerged Company;
2. Considered the provisional carved out financials of the Demerged Undertaking as on 31 March 2016, which are based on audited financial statements for FY 2015-16 of the Demerged Company;
3. Considered the number of Equity Shares of the Resulting Company to be issued to the shareholders of the Demerged Company pursuant to the Proposed Demerger of the Undertaking to the Resulting Company (as proposed by the Management);
4. Considered the draft Scheme;
5. Considered the existing shareholding pattern of the Demerged Company and the envisaged shareholding pattern of the Resulting Company;
6. Other information, interviews and correspondence with the Management, on which we have relied; and
7. Such other analysis, reviews and inquiries, as we considered necessary.

## Ratio of Allotment

1. The Management has proposed the following Share Entitlement Ratio for transfer of the Demerged Undertaking to the Resulting Company:

Particulars	Pursuant to transfer of the Demerged Undertaking to the Resulting Company
Equity Shares	1 (One Only) fully paid Equity Share of face value of Rs. 10/- each in the Resulting Company for every 1 (One Only) fully paid Equity Share of face value of Rs. 10/- each held in the Demerged Company

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Further, we have been given to understand that the Management proposes that the Equity Shares issued by the Resulting Company pursuant to the Proposed Demerger shall have the same rights to which the shareholders were entitled to in the Demerged Company.

2. The outstanding number of Equity Shares of the Demerged Company and the Resulting Company is as follows:
  - As on the report date, the issued, subscribed and paid-up capital of the Demerged Company consists of 18,677,749 Equity Shares of INR 10 each; and
  - We understand that upon incorporation, the issued, subscribed and paid-up capital of the Resulting Company shall consist of 50,000 Equity Shares of INR 10 each.

The shareholding pattern of the Demerged Company as on the date of this report has been provided in Annexure 1. The Equity Shares of the Resulting Company, issued and allotted upon incorporation, which would be held by the Demerged Company and other individual nominee shareholders, shall stand cancelled pursuant to the Scheme and hence, would not have any impact on the economic interest of the shareholders of the Demerged Company.

3. Based on the above, and scope limitations below, and considering that all the shareholders of the Demerged Company will, upon the Proposed Demerger, have their inter-se economic interests, rights and obligations in the Resulting Company in the same proportion as their economic interests, rights and obligations in the Demerged Company, in our view, the Share Entitlement Ratio as proposed by the Management is fair in relation to the Proposed Demerger.

## Scope Limitations

1. We have relied upon the information, data and explanations detailed above or as provided to us, for the purpose of reporting on the ratio of allotment of Equity Shares of the Resulting Company to the shareholders of the Demerged Company in connection with the Proposed Demerger.
2. For the purpose of opining on the Share Entitlement Ratio, we have used the financial and other information provided by the Management, which we believe to be reliable and our conclusions are dependent on such information being complete and accurate in all material respects. Our scope of work does not enable us to accept the responsibility for the accuracy and completeness of the information provided to us by the Management. We have, therefore, not conducted any due diligence review, independent audit or any other test or validation of such financial statements referred to above or of the information, explanations and representations provided to us. Accordingly, we do not express any opinion or any other form of assurance thereon and accept no responsibility for the same.
3. We have made no investigation of, and assume no responsibility for the title to, or liabilities against, the Equity Shares of the Demerged Company, and/ or the assets and liabilities of the Demerged Company.
4. The Management has represented that the financial statements as at 31 March 2016 and 30 June 2016, provided to us, include all disclosures necessary for presentation of the financial position and results of operations in accordance with generally accepted accounting principles in India.

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For DCM LIMITED

Company Secretary



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consistently applied, and disclosures otherwise required by the laws and regulations to which they are subject.

5. Our scope of work is limited to expression of our view on the proposed Share Entitlement Ratio and its impact on the economic interest of the shareholders of the Companies. Our report is not, nor should it be construed as, our opining or certifying the compliance of the Proposed Demerger of the Demerged Undertaking with the provisions of law including companies, foreign exchange management and taxation related laws or as regards any legal compliance or issues arising from such Proposed Demerger, or any other matter in connection with the Proposed Demerger.
6. An exercise like the current one, is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single Share Entitlement Ratio. While we have provided our view on the Share Entitlement Ratio based on the information available to us and within the scope of constraints of our engagement, others may have a different opinion. You acknowledge and agree that you have the final responsibility for determination of Share Entitlement Ratio for the Proposed Demerger and factors other than our report may need to be taken into account in determining such ratios. These will include your own assessment of the Proposed Demerger and may include the input of other professional advisors.

## **Distribution of Report**

1. This report has been prepared for the Board of Directors of the Companies and to the extent mandatorily required to be produced before judicial, regulatory or government authorities, in connection with the Proposed Demerger.
2. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their directors, employees or agents. In no circumstance shall the liability of our firm, its partners, directors or employees, relating to the Services provided in connection with the engagement set out in this report exceed the amount paid to us in respect of the fees charged for these Services.

We would like to record our appreciation for the courtesy and co-operation received by us during our course of work.

Your  
Oaura  
Partner



Membership Number: 099952

For and on behalf of

Khurana & Singhal, Chartered Accountants

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**For DCM LIMITED**



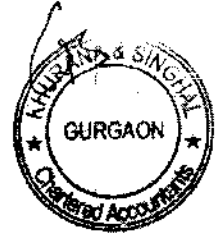
Company Secretary

# KHURANA & SINGHAL

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## Annexure I Shareholding Pattern of the Demerged Company

Category	Number of Equity Shares	Shareholding
Promoter and Promoter Group	9,066,584	48.54%
Public Shareholders	9,611,165	51.46%
<b>Total</b>	<b>18,677,749</b>	<b>100.00%</b>



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For DCM LIMITED

  
Company Secretary