

Annexure 4.

Report dated 22nd March, 2016 from the Audit Committee
recommending the draft Scheme

**REPORT ON RECOMMENDATION OF THE AUDIT COMMITTEE OF
TRIVENI ENGINEERING & INDUSTRIES LIMITED ON THE DRAFT SCHEME
OF ARRANGEMENT OF TRIVENI ENGINEERING & INDUSTRIES LIMITED
AND TRIVENI INDUSTRIES LIMITED**

A. BACKGROUND

Pursuant to the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015, a draft Scheme of Arrangement between Triveni Engineering & Industries Limited ("the Transferor Company" or "the Company") and Triveni Industries Limited ("the Resulting Company") and their respective shareholders and creditors was placed before the Audit Committee at its meeting held on March 22, 2016 for its review, consideration and recommendation to the Board.

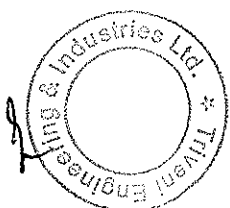
In view of the above, members of the Audit Committee of the Company, after discussions have approved the draft Scheme and have made this report after perusing the following documents:

1. Draft Scheme of Arrangement
2. Share Entitlement Ratio Report dated March 19, 2016 of M/s SS Kothari Mehta & Co, Independent Chartered Accountants
3. Fairness Opinion dated March 21, 2016 issued by D & A Financial Services (P) Ltd., Independent Merchant Banker registered with SEBI
4. Certificate dated March 22, 2016 of Auditors of the Company i.e. M/s J.C. Bhalla & Co., Chartered Accountants on the accounting treatment prescribed in the Scheme

B. PROPOSED SCHEME OF ARRANGEMENT

I. The Audit Committee discussed and noted the rationale and the benefits of the Scheme of Arrangement which include inter alia the following:

- a. The Transferor Company is engaged in the businesses of manufacturing and refining of sugar, distillation of alcohol, generation of power, manufacturing of gears & gear boxes and providing water and waste water treatment/ management solutions. As part of an overall re-organization plan and in order to achieve greater efficiencies in its operations and with the intent of providing focus and greater attention to each of its businesses, it is considered desirable and expedient to transfer the Demerged Undertaking (as defined in the draft Scheme and referred to in Clause II (b) herein) to the Resulting Company. This will result in separating Sugar Business and the Engineering Business and the transfer therefore will enable focused management orientation to each of the businesses due to individual specialization and leadership vision.

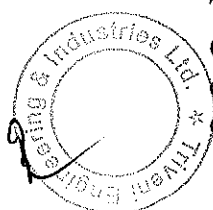


- b. Opportunities for creating strategic partnership and flexibility of fund raising capability for future growth and expansion and to create a business structure which is geared to take advantage of possible growth opportunities.
- c. The businesses and activities of the Transferor Company and Resulting Company will be carried on more economically, conveniently and advantageously under the proposed Scheme and the same will have beneficial results for both the companies, their shareholders, stakeholders and all concerned.
- d. The Transferor Company and the Resulting Company, post transfer and vesting of the Demerged Undertaking will have better financial, business and operational prospects including but not limited to efficient management of costs, better maintenance of the manufacturing facilities and improved administrative control on the said businesses.
- e. The separation of Sugar Business and Engineering Business would also result in unlocking and maximizing shareholders value.

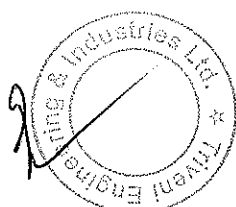
II. THE SALIENT FEATURES OF THE DRAFT SCHEME OF ARRANGEMENT

- a. The Scheme envisages transfer and vesting of the Demerged Undertaking [as defined in the draft Scheme and referred to in clause (b) below] of the Transferor Company into the Resulting Company including all related assets and liabilities and other consequential matters under the provisions of Sections 391 to 394 read with sections 100 to 103 of the Companies Act 1956 and section 52 of the Companies Act 2013 and other applicable provisions of the Companies Act, 1956 and Companies Act, 2013, as and when notified and made applicable.
- b. The Company's Demerged Undertaking means the Sugar Business of the Transferor Company including the following units: (a) Distillery unit located in District Muzaffarnagar, Uttar Pradesh; (b) Sugar manufacturing unit, Cogeneration unit, Fuel dispensing station and Branded goods division (including branded sugar) located in Khatauli, District Muzaffarnagar, Uttar Pradesh; (c) Sugar manufacturing unit and Cogeneration unit located in Deoband, District Saharanpur, Uttar Pradesh; (d) Sugar manufacturing unit including incidental cogeneration facilities located in Sabitgarh, District Bulandshahar, Uttar Pradesh; (e) Sugar manufacturing unit including incidental cogeneration facilities located in Chandanpur, District J.P. Nagar, Uttar Pradesh; (f) Sugar Manufacturing unit located in Rani Nangal, District Moradabad, Uttar Pradesh; (g) Sugar manufacturing unit including incidental cogeneration facilities located in Milak Narayanpur, District Rampur, Uttar Pradesh; (h) Sugar manufacturing unit located in Ramkola, District Kushinagar, Uttar Pradesh and administrative/corporate/sales offices pertaining to the aforesaid business, on a going concern basis, including inter-alia the assets and liabilities relating thereto, which is proposed to be demerged and vested into Triveni Industries Limited and the consideration for demerger to be discharged as under:

"Equity shareholders of the Transferor Company holding paid up Equity Shares in the Transferor Company and whose names appear in Register of Members of the Transferor Company on the Record Date shall be issued 1 (One) Equity Share of Re. 1/- (one) each, credited as fully paid in the equity share capital of the Resulting Company for every 1(One) Equity Share of Re. 1/- each held by them in the Transferor Company."



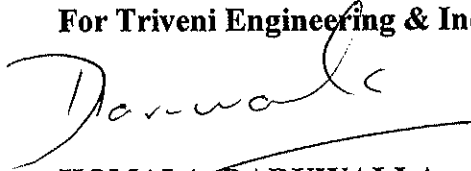
- c. Upon the Scheme becoming effective and immediately upon issuance of the equity shares of the Resulting Company to the shareholders of the Transferor Company, as an integral part of the Scheme, the existing 50,000 fully paid equity shares of Re.1/- each of the Resulting Company held by the Transferor Company comprising 100% of the total issued and paid-up equity share capital of the Resulting Company, shall stand cancelled without any further act or deed on the part of the Resulting Company.
- d. The Appointed Date for transfer and vesting of Demerged Undertaking would be commencement of business on 1st day of April, 2016.
- e. All assets, liabilities, movable and immovable properties, investments, employees, consents, approvals, licenses, contracts, deeds, of the Demerged Undertaking will be transferred to the Resulting Company.
- f. The liabilities pertaining to and transferred with the Demerged Undertaking includes inter-alia, specific loans or borrowings raised, incurred and utilized solely for the activities and operations of the Demerged Undertaking and so much of the amounts of the general or multipurpose borrowings of the Transferor Company, allocable to the Demerged Undertaking as stand in the same proportion in which the value of the assets transferred under this Scheme bears to the value of the assets of the Transferor Company immediately before the demerger, as prescribed under section 2(19AA) the Income Tax Act, 1961.
- g. In order to ensure that post restructuring, the Resulting Company, into which the Demerged Undertaking is transferred and vested into, is able to adequately meet their liquidity requirements, a financial assistance of Rs.100 crores is to be extended by the Transferor Company to the Resulting Company by March 31, 2017 or such other extended period, as may be mutually agreed to by and between the Board of Directors of both the companies.
- h. After the proposed restructuring, it is proposed to get TIL listed on BSE Limited and National Stock Exchange of India Limited. TIL will apply for listing in compliance with all applicable provisions under law, subject to necessary permissions, sanctions and/ or approvals of the statutory/ regulatory authorities.
- h. Post sanction of the Scheme, the Transferor Company would continue with all the Engineering business comprising inter-alia of manufacture of gears & gear boxes and providing products, solutions and execution of contracts involving water & waste-water treatment in the industrial and municipal sectors.
- i. There would be no change in the shareholding of the Transferor Company.



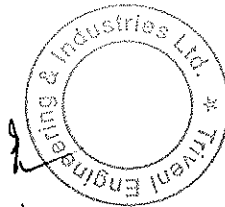
C. RECOMMENDATION OF THE AUDIT COMMITTEE

The Audit Committee, after extensive discussions on the various terms and features of the Scheme recommends the draft Scheme of Arrangement and the aforementioned documents including Share Entitlement Ratio Report and the Fairness Opinion for favorable consideration by the Board of Directors, Stock Exchange(s), and SEBI. The Audit Committee has authorized the Board of Directors or any such person as authorized by the Board of Directors, to carry out such modifications, alterations and changes in the Scheme of Arrangement as may be expedient or necessary.

By Order of the Audit Committee
For Triveni Engineering & Industries Limited



HOMALA DARUWALLA
Chairperson of the Audit Committee



Place: New Delhi
Date : 22nd March, 2016