Annexure - 4

ORIENT REFRACTORIES LTD.

(AN RHI MAGNESITA COMPANY)

REPORT OF THE AUDIT COMMITTEE OF THE DIRECTORS OF ORIENT REFRACTORIES LIMITED (THE COMPANY)

Present

Dr. Vijay Sharma	:	Chairman
Mr. R. S. Bajoria	:	Member
Mr. Erwin Jankovits	:	Member

In attendance

Mr. Sanjay Kumar	:	Member Secretary
Mr. Parmod Sagar	:	Managing Director & CEO
Mr. Sanjeev Bhardwaj	:	Chief Financial Officer
Mr. Manoj Gupta	:	Assistant Vice President (Finance & Accounts)

By invitation

Mr. Abhishek Rara	:	Authorised representative of Price Waterhouse, LLP, Statutory Auditors
Mr. Romesh Vijay	:	Authorised representative of Jain, Jindal & Co.
Mr. Rishab Kothari	:	Authorised representative of Keynote Corporate Services Limited

I. Background

The Company is a public company, limited by shares, incorporated on 26 November 2010 with the Registrar of Companies, National Capital Territory of Delhi and Haryana under the provisions of the Companies Act, 1956 with the corporate identification number L28113DL2010PLC210819 and having its registered office at 804-A, Chiranjiv Tower 43, Nehru Place, New Delhi 110 019. The Company is in the process of shifting its registered office to the State of Maharashtra and its registered office is proposed to be situated at Neelkanth Business Park, Room Number 604C, Opposite Railway Station, Vidhyavihar (West) Mumbai 400 086. The Company is in the business of manufacture and marketing of refractory products, systems and services and has various global partners for its international quality products.

RHI India Private Limited (**RHI India**) is a private company, limited by shares, incorporated on 15 June 2007 with the Registrar of Companies, Mumbai under the provisions of the Companies Act, 1956 with the corporate identification number U24119MH2007PTC171712 and having its registered office at Neelkanth Business Park, Room Number 604C, Opposite Railway Station, Vidhyavihar (West) Mumbai 400 086.

RHI Clasil Private Limited (**RHI Clasil**) is a private company, limited by shares, incorporated on 7 December 2005 with the Registrar of Companies, Hyderabad under the provisions of the Companies Act, 1956 with the corporate identification number U26914TG2005PTC048333. The registered office of RHI Clasil was situated at plot number 195, flat number 9, Srinilaya Apartments, Kavuri Hills, Madhapur, Hyderabad 500 081. RHI Clasil had filed an application for shifting of its registered office from the State of Telangana to the State of Maharashtra with the Regional Director (South East region), Hyderabad and the Regional Director allowed the shifting of RHI Clasil's registered office to the State of Maharashtra vide its order dated 11 May 2018. RHI Clasil has been issued a Certificate of Registration of Regional Director Order for Change of State on 4 July 2018 by the Registrar of Companies, Mumbai with corporate identification number U26914MH2005PTC311526 and its registered office is now situated at 301-302, Orbit Plaza, New Prabhadevi Road, Prabhadevi, Mumbai 400 025.

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RHI Clasil is primarily engaged in the business of manufacture and marketing of refractories and allied products.

Works :

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Bhiwadi - 301019
Dist. Alwar, Rajasthan, India
Phone : +91-1493-222266, 67, 68
Fax : +91-1493-222269
Email : bhiwadi@orlindia.com

Registered Office :

804-A, Chiranjiv Tower,
43 Nehru Place, New Delhi-110019, India
Phone : +91-11-41518482
Web. : www.orientrefractories.com
E-mail : ho@orlindia.com
CIN No.: L28113DL2010PLC210819

For Orient Refractories Ltd.

Sanjay Kumar
(Company Secretary)

RHI MAGNESITA

RHI India is primarily engaged in the business of purchase, sale, import, export and marketing of refractories, refractory products, chemicals, formulations, and related equipment.

The proposal to approve a draft scheme of merger of RHI India and RHI Clasil with and into the Company (**the Scheme**) to be implemented under Sections 230-232 and other applicable provisions of the Companies Act, 2013 (the **Companies Act**), was placed before and considered by Audit Committee at its meeting held on 31 July 2018 at 2:30 P.M. at The Crowne Plaza, Site No. 2, Sector 29, Opp. Signature Tower, Gurugram, Haryana, India.

The report of the Audit Committee, is made in order to comply with the requirements of circular no. CFD/DIL3/CIR/2017/21 dated 10 March 2017 on scheme of arrangements by listed entities issued by the Securities and Exchange Board of India (the **SEBI Circular**).

This report of the Audit Committee is prepared in order to comply with the requirements of the SEBI Circular after considering the draft Scheme and the following documents, as placed before it:

(i) valuation report dated 31 July 2018, received from Jain, Jindal & Co., an independent chartered accountant, setting out the recommended share exchange ratio (the **Valuation Report**);
(ii) fairness opinion dated 31 July 2018, received from Keynote Corporate Services Limited, a SEBI registered merchant banker (the **Fairness Opinion**); and
(iii) a draft certificate from the statutory auditors of the Company, M/s. Price Waterhouse, LLP., Chartered Accountants, confirming that the Scheme is in compliance with applicable accounting treatment notified under the Companies Act, 2013 and other generally accepted accounting principles (the **Auditor's Certificate**).

II. Proposed Scheme of Merger

The Audit Committee reviewed the draft Scheme, the Valuation Report and the Fairness Opinion and noted that the benefits of the draft Scheme were, *inter alia*:

(i) simplification of the corporate structure and consolidation of the India businesses of the RHIM group;
(ii) establishing a comprehensive refractory product portfolio;
(iii) realising business efficiencies, *inter alia*, through optimum utilisation of resources due to pooling of management, expertise, technologies and other resources of the companies;
(iv) improved allocation of capital and optimisation of cash flows contributing to the overall growth prospects of the combined company;
(v) creation of a larger asset base and facilitation of access to better financial resources; and
(vi) enhanced shareholder value pursuant to economies of scale and business efficiencies.

Salient features of the Scheme

The Scheme envisages transfer of the entire undertaking of RHI India and RHI Clasil (together, the **Transferor Companies**) in consideration for the issuance of equity shares of the Company to the shareholders of the Transferor Companies on the basis of the share exchange ratio arrived at pursuant to the relative valuations of the Company and the Transferor Companies. The Scheme also provides for automatic dissolution of the Transferor Companies upon completion of the proposed amalgamation in terms of the Scheme. The appointed date of the proposed merger is 1 January 2019.

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The Audit Committee reviewed and noted the Valuation Report, including the recommendation that on the effective date of the Scheme, the Company will issue and allot to the shareholders of RHI India and RHI Clasil (whose name is recorded in the registers of members of the Transferor Companies as on the record date) in the following manner:

For Orient Refractories Ltd

Sanjay Kumar
(Company Secretary)

ORIENT REFRACTORIES LTD.

(i) for every 100 equity shares of RHI India of face value of Rs. 10 each held in RHI India, every shareholder of the RHI India, shall without any application, act or deed, be entitled to receive 7,044 equity shares of face value of Re. 1 each of the Company, credited as fully paid up on the same terms and conditions of issue as prevalent in the Company; and

(ii) for every 1000 equity shares of RHI Clasil of face value of Rs. 10 each held in RHI Clasil, every shareholder of the RHI Clasil, shall without any application, act or deed, be entitled to receive 908 equity shares of face value of Re. 1 each of the Company, credited as fully paid up on the same terms and conditions of issue as prevalent in the Company.

The Audit Committee reviewed the Valuation report and the Fairness Opinion and noted the recommendations made therein. The Audit Committee also noted the Auditor's Certificate on the accounting treatment, prescribed in the draft Scheme, as required under the SEBI Circular.

The Audit Committee noted that the draft Scheme will require the approval of the public shareholders of the Company in terms of clause I.A.9(b) of Annexure I of the SEBI Circular and, therefore, an undertaking by the Company's auditors and the approval of the Board under clause I.A.9(c) of Annexure I of the SEBI Circular will not be required.

After considering the draft Scheme, the Valuation Report, the Fairness Opinion, and the Auditor's Certificate, the members of the Audit Committee are of the opinion that the implementation of the proposed Scheme is in the best interests of the Company and its shareholders, creditors and other stakeholders.

III. Recommendation of the Audit Committee

The Audit Committee has considered and noted the aforementioned documents and the draft Scheme and recommends the draft Scheme for favorable consideration of the Board, the stock exchanges and SEBI.

For and on behalf of Audit Committee of
Orient Refractories Limited

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For Orient Refractories Ltd.

Sanjay Kumar
(Company Secretary)

Dr. Vijay Sharma
Chairman
(DIN: 00880113)

Date: 31 July 2018
Place: Gurugram, Haryana

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