



**RP - Sanjiv Goenka  
Group**

Growing Legacies



**REPORT OF THE AUDIT COMMITTEE OF CESC LIMITED RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT AMONGST THE COMPANY, CESC INFRASTRUCTURE LIMITED, SPENCER'S RETAIL LIMITED, MUSIC WORLD RETAIL LIMITED, SPEN LIQ PRIVATE LIMITED, NEW RISING PROMOTERS PRIVATE LIMITED, HALDIA ENERGY LIMITED, RP-SG RETAIL LIMITED, RP-SG BUSINESS PROCESS SERVICES LIMITED AND CRESCENT POWER LIMITED AND THEIR RESPECTIVE SHAREHOLDERS**

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**MEMBERS PRESENT:**

Mr. C. K. Dhanuka	Chairman
Mr. B. M. Khaitan	Member
Mr. S. Goenka	Member

**BY INVITATION:**

Mr. R. Banerjee	Executive Director (Finance)
Mr. S. Basu	Senior Manager (Internal Audit)

**IN ATTENDANCE:**

Mr. S. Mitra	Company Secretary
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**1. Background**

1.1. A meeting of the Audit Committee of the Company was held on 18 May 2017 to consider and recommend the proposed composite scheme of arrangement ("Scheme") amongst the Company, CESC Infrastructure Limited, Spencer's Retail Limited, Music World Retail Limited, Spen Liq Private Limited, New Rising Promoters Private Limited, Haldia Energy Limited, RP-SG Retail Limited RP-SG Business Process Services Limited and Crescent Power Limited and their respective shareholders under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

1.2. This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI circular number CFD/DIL3/CIR/2017/21 dated 10 March 2017.

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**CESC LIMITED**

**Authorised Signatory**

CESC Limited

CIN : L31901WB1978PLC031411a e-mail : [cesclimited@rp-sg.in](mailto:cesclimited@rp-sg.in)  
Regd. Office : CESC House, Chowringhee Square, Kolkata - 700 001, India  
Tel. : +91 33 2225 6040 Fax : +91 33 2225 3495 Web : [www.cesc.co.in](http://www.cesc.co.in)



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1.3. The following documents were placed before the Audit Committee:

- (a) Draft Scheme, duly initialed by the Company Secretary of the Company for the purpose of identification;
- (b) Valuation report dated 18 May2017 (“Valuation Report”) prepared by Messrs. Walker Chandiook & Co. LLP and BSR & Associates LLP, both independent Chartered Accountants, describing the methodology adopted by them in arriving at the share exchange ratio;
- (c) Fairness opinion dated 18 May2017 (“Fairness Opinion”) prepared Messrs. ICICI Securities Limited, a Category-I Merchant Banker providing the Fairness Opinion on the share exchange ratio as recommended by the Valuation Report; and
- (d) Certificate dated 18 May2017 obtained from the Statutory Auditors of the Company viz. Messrs. Lovelock & Lewes, Chartered Accountants, on the accounting treatment prescribed in the Scheme.

## 2. Proposed Scheme of Arrangement

2.1. The Audit Committee noted the rationale and the benefits of the Scheme which, *inter alia*, are as follows:

The Company is the flagship company of the RP-Sanjiv Goenka Group. Pursuant to a scheme of arrangement and amalgamation approved by the Hon'ble High Courts of Calcutta and London, on 1 April 1978, the Company took over the undertaking and assets, liabilities, reserves and surplus of The Calcutta Electric Supply Corporation Limited, the erstwhile Sterling Company incorporated in 1897 which supplied electricity to the cities of Kolkata and Howrah and adjoining areas in accordance with the license. Since 1978, the Company has been distributing electricity in the aforementioned areas, being its core business. The Company also has electricity generation business, *inter alia* supplying electricity to the licensed distribution business.

However, over the course of time, the Company has grown into a diversified conglomerate having interests in various businesses including distribution franchisee business, renewable energy including wind, solar and hydro power stations / projects, retail, business process outsourcing, information technology, real estate and entertainment. While each of the above businesses may be subject to industry specific risks, business cycles and operate *inter alia* under different market dynamics, they have a significant potential for growth and profitability.

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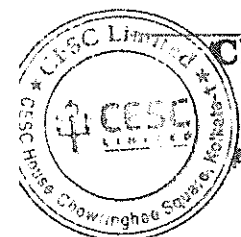
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CIN : L31901WB1978PLC03141 | e-mail : [cesclimited@rp-sg.in](mailto:cesclimited@rp-sg.in)  
Regd. Office : CESC House, Chowringhee Square, Kolkata - 700 001, India  
Tel. : +91 33 2225 6040 Fax : +91 33 2225 3495 Web : [www.cesc.co.in](http://www.cesc.co.in)

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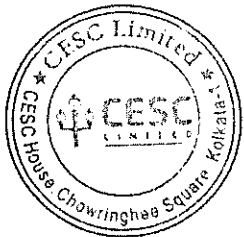


Given its diversified business, it has become imperative for the Company to reorient and reorganize itself in a manner that allows imparting greater focus on each of its businesses. With this repositioning, the Company is desirous of enhancing its operational efficiency. It will continue with its distribution business, with the generating stations currently supplying to the licensed distribution business continuing with such supply.

The Scheme proposes to reorganise and segregate the shareholdings of the Company in various businesses and thus proposes demerger of Generation Undertaking, Retail Undertaking 1 and IT Undertaking (all as defined in the Scheme) from the Company and Retail Undertaking 2 (as defined in the Scheme) from Spencer's Retail Limited to the Resulting Companies (as defined in the Scheme). Further, the Scheme proposes the merger of Transferor Companies (as defined in the Scheme) with and into Transferee Companies (as defined in the Scheme) to rationalise and streamline the group structure.

The proposed restructuring pursuant to this Scheme is expected, *inter alia*, to result in following benefits:

- i. segregation and unbundling of the generation, distribution, retail and business process outsourcing/ management business of the Demerged Companies (as defined in the Scheme) into the Resulting Companies and the Transferee Companies, which will enable enhanced focus on the Demerged Companies and Resulting Companies for exploiting opportunities of each of the said companies;
- ii. unlocking of value for the shareholders of the Demerged Companies, attracting investors and providing better flexibility in accessing capital, focused strategy and specialisation for sustained growth;
- iii. further expanding the business of the Resulting Companies into growing markets of India, thereby creating greater value for the shareholders of the Resulting Companies;
- iv. augmenting the infrastructural capability of the Resulting Companies to effectively meet future challenges in their respective businesses;
- v. the demerger of the Demerged Undertakings (as defined in the Scheme) to the Resulting Companies is a strategic fit for serving existing market and for catering to additional volume linked to new consumers;



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CIN : L31901WB1978PLC0314113 e-mail : [cesc.limited@ce-sc.co.in](mailto:cesc.limited@ce-sc.co.in)  
Regd. Office : CESC House, Chowringhee Square, Kolkata - 700 001, India  
Tel. : +91 33 2225 6040 Fax : +91 33 2225 3495 Web : [www.cesc.co.in](http://www.cesc.co.in)



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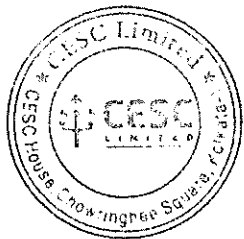


- vi. synergies in operational process and logistics alignment leading to economies of scale for the Resulting Companies and creation of sectoral efficiencies and benefitting stakeholders as well as optimization of operation and capital expenditure; and
- vii. enhancing competitive strength, achieving cost optimisation, ensuring benefits through pooling of the financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies of the Resulting Companies and the Company thereby significantly contributing to future growth and maximizing shareholders' value.

The proposed restructuring is in the interest of the shareholders, creditors, employees, and other stakeholders in each of the companies. At the same time, the proposed restructuring does not in any manner undermine and/or prejudice the interests of the consumers of the licensed distribution business of the Company.

2.2. The salient features of the draft Scheme are as under:

- (a) to amalgamate CESC Infrastructure Limited, Spencer's Retail Limited ("SRL") and Music World Retail Limited with the Company;
- (b) to demerge the Generation Undertaking from the Company into Haldia Energy Limited ("HEL") for consideration in the form of equity shares being issued by HEL to the shareholders of the Company;
- (c) to demerge the Retail Undertakings (as defined in the Scheme) from the Company and from SRL into RP-SG Retail Limited ("Retail Co") for consideration in the form of:
  - (i) equity shares being issued by RP-SG Retail Limited to the shareholders of the Company for the demerger of the Retail Undertaking 1 from the Company to Retail Co and
  - (ii) preference shares being issued by Retail Co to the shareholders of SRL i.e the Company for the demerger of the Retail Undertaking 2 from SRL to Retail Co
- (d) to demerge the IT Undertaking from the Company into RP-SG Business Process Services Limited ("IT Co") for consideration in the form of equity shares being issued by IT Co to the shareholders of the Company;



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CIN : L31901WB1978PLC0314111 e-mail : [cesclimited@rp-sg.in](mailto:cesclimited@rp-sg.in)  
Regd. Office : CESC House, Chowringhee Square, Kolkata - 700 001, India  
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- (e) to amalgamate Spen Liq Private Limited with IT Co;
- (f) to amalgamate New Rising Promoters Private Limited with Crescent Power Limited
- (g) to reduce and cancel the existing shareholding of the Company in HEL, Retail Co and IT Co;
- (h) reduce the face value of the equity shares of the Company from INR 10 per share to INR 5 per share and subsequently consolidate two equity shares of the Company of INR 5 each into one equity share of INR 10 each; and
- (i) utilise the securities premium of the Company.

The equity shares of HEL, Retail Co and IT Co shall be listed on Calcutta Stock Exchange, BSE Limited, and National Stock Exchange of India Limited, post effectiveness of the Scheme. The shareholders of the Company will get shares in these listed companies in the same proportion as their holding in the Company.

- 2.3. The Audit Committee reviewed the Valuation Report and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the share exchange ratio in the Valuation Report is fair to the shareholders of the Company.

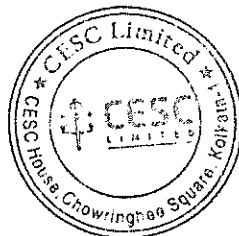
### 3. Recommendation of the Audit Committee

Taking into consideration the draft Scheme, Valuation Report, Fairness Report and other documents, as placed, the Audit Committee recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval.

By order of the Audit Committee  
For and on behalf of CESC Limited

Chairman,  
Audit Committee

Place: Kolkata  
Date: 18 May 2017



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