



CHROME SILICON LIMITED

(Formerly Known as VBC Ferro Alloys Ltd)

CIN: L27101TG1981PLC003223 GST: 36AAACV7258A1ZG

REPORT OF THE AUDIT COMMITTEE OF CHROME SILICON LIMITED ("THE COMPANY") RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF ORISSA POWER CONSORTIUM LIMITED (OPCL) (1ST TRANSFEROR COMPANY) AND VBC RENEWABLE ENERGY PRIVATE LIMITED (VBCREPL) (2ND TRANSFEROR COMPANY) WITH CHROME SILICON LIMITED (TRANSFeree COMPANY) AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS ADOPTED AT ITS MEETING HELD ON 7TH MARCH 2025.

The following members of the Audit Committee ("**Committee**") of Chrome Silicon Limited ("**Company**") were present at the meeting:

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|------------------------------|--|
| 1. Mr Hirak Kumar Basu | - Independent Director and Chairman of the Committee |
| 2. Mr. Indoori Narasingh Rao | - Independent Director |
| 3. Mr. Packirisamy Raju | - Independent Director |

1. Background

- 1.1 A meeting of the Audit Committee of the company was held on March 7, 2025 at 03.00 p.m., to consider and recommend to the Board of Directors (**Board**) of the company the draft Scheme of Amalgamation of Orissa Power Consortium Limited ("OPCL/1st Transferor Company") and VBC Renewable Energy Private Limited ("VBCREPL/2nd Transferor Company") with Chrome Silicon Limited ("Transferee Company") and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") and the rules and regulations made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) ("**Act**"), and other applicable laws including the master circular bearing no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, issued by the Securities and Exchange Board of India ("SEBI"), ("SEBI Scheme Circular"), the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Requirements) Regulations, 2015 ("Listing Regulations").
- 1.2 The Company is a public company incorporated under the Companies Act, 1956 with CIN: L27101TG1981PLC003223 and has its registered office at Progressive Towers, 3rd Floor, 6-2-913/914, Khairatabad, Hyderabad-500004, Telangana, India. The equity shares of the company are listed on BSE Limited.
- 1.3 The Transferor Companies are incorporated under the provisions of the Companies Act, 1956.
- 1.4 In terms of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 the Committee is required to provide a report recommending the draft Scheme taking into consideration *inter alia* the valuation report. This report of the Committee is also required to, in terms of the SEBI Scheme Circular comment on the (a) need for the merger/ amalgamation/arrangement; (b) rationale of the Scheme, (c) synergies of business of the entities involved in the Scheme, (d) the impact of the Scheme on the shareholders of the company and (e) cost benefit analysis of the Scheme.
- 1.5 The Scheme shall be filed with the relevant jurisdictional National Company Law Tribunal as per Section 230 to 232 and other applicable provisions of the Act and will also be in compliance with Section 2(1B) and other applicable provisions of the Income-tax Act, 1961 and other applicable laws including the SEBI Scheme Circular.





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1.6 This Report is made in compliance with the SEBI Scheme Circular.

2. Documents perused by the Committee

In connection with the Scheme, *inter alia*, the following documents were placed before the Committee for its consideration:

- (i) Draft Scheme of Amalgamation;
- (ii) Valuation report dated March 7, 2025 issued by A. SOMESWARA RAO, Registered Valuer- Securities or Financial Assets (IBBI Registration No. IBBI/RV/02/2019/11544) ("Share Exchange Ratio"), describing the methodology adopted by them in arriving at the share exchange ratio in connection with the Scheme;
- (iii) Fairness Opinion dated March 7, 2025 issued by AFCO Capital India Private Limited (SEBI Registered Category 1 Merchant Banker with Regn No. MB/INM000012555), an Independent SEBI registered Merchant Banker ("Fairness Opinion"), providing an opinion on the fairness of the share entitlement ratio specified in the Share Exchange Ratio; and
- (iv) Certificate dated March 7, 2025 issued by M/s. Pavuluri & Associates Chartered Accountants (ICAI Firm Registration No.012194S), the Statutory Auditors of the Company, confirming the accounting treatment in the prescribed manner in the Scheme is in compliance with the accounting standards prescribed under Section 133 of the Act and other generally accepted accounting principles.

3. The following presentations were made to the Committee:

- a) Scheme synopsis by Mr. P.V. Rao, Whole-Time Director of the Company;
- b) Financial and tax due diligence by Mr. R. Dharmender, CFO;
- c) Salient features of the Scheme and legal due diligence findings by Mr. VVVS Murthy, Group Company Secretary;
- d) Valuation report by Mr. A. Someswara Rao
- e) Fairness Opinion by Mr. R. Dharmender, CFO

4. Salient features of the Scheme

The Audit Committee considered and noted the salient features of the Scheme which provides *inter alia*:

(i) Amalgamation of the 1st Transferor Company and 2nd Transferor Company ("**Transferor Companies**") with Transferee Company, and the consequent dissolution without being wound up of Transferor Companies and matters incidental thereto:

(ii) The Appointed Date for the Scheme is July 1, 2024.

The Scheme is conditional upon and subject to the following conditions precedent:





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- (i) the Stock Exchange(s) having issued their observation / no-objection letters as required under the SEBI LODR Regulations read with the SEBI Scheme Circular;
- (ii) the Scheme being approved by the respective requisite majority of each class of members and creditors of the Companies as applicable or as may be required under the Act and as may be directed by the Tribunal;
- (iii) the Scheme being approved by the public shareholders of the Amalgamated Company through e-voting in terms of paragraph 10(a) of Part I of the SEBI Scheme Circular and the votes cast by the public shareholders of the Amalgamated Company in favour of the Scheme being more than the number of votes cast by public shareholders of the Amalgamated Company against this Scheme;
- (iv) the sanction of the Scheme by the Tribunal under Sections 230 to 232 and other relevant provisions of the Act and receipt of the Sanction Order;
- (vi) the satisfaction (or waiver in writing) of such other conditions precedent as mutually agreed amongst *inter alia* the Companies in writing; and
- (vii) the certified copies of the Order having been filed by the Companies with the ROC.

5. Need for the amalgamation

- CSL's business is highly dependent on power tariffs and market fluctuations in ferroalloys, making its revenue volatile.
- OPCL and VBCREPL, being a power generation companies, having a steady revenue stream with minimal market fluctuations.
- The merger will provide CSL with assured income flow.

6. RATIONALE OF THE SCHEME

The proposed amalgamation of Orissa Power Consortium Limited (OPCL) and VBC Renewable Energy Private Limited (VBCREPL) (hereinafter referred as Power Generation Companies) with Chrome Silicon Limited (CSL) (Ferro Alloys Manufacturing Company) is driven by strategic and financial synergies aimed at long-term stability and value creation for stakeholders. The key rationales for this merger are as follows:

Revenue Stability and Risk Mitigation

- CSL's business is highly dependent on power tariffs and market fluctuations in ferroalloys, making its revenue volatile.
- OPCL and VBCREPL, being a power generation companies, having a steady revenue stream with minimal market fluctuations.
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Operational Synergies and Cost Optimization

Integration of OPCL's power generation with CSL's operations will result in cost efficiency and better resource utilization.

The combined entity can leverage economies of scale in procurement, operations, and administration.

Risk Diversification

- **Market Fluctuation Hedging:** CSL's revenues are subject to market fluctuations in ferroalloy prices, which are influenced by global demand and supply dynamics. The stable revenue from power generation can act as a hedge against these fluctuations, providing financial stability to the merged entity.

Enhanced Financial Performance

- **Improved Profit Margins:** The cost savings from operational efficiencies would enhance the overall profitability of the merged entity.
- **Stronger Balance Sheet:** The combined entity would benefit from stable cash flows of Power Generation, which can be used to fund CSL's capital-intensive operations or expansion plans, reducing the need for external financing.

Strategic Growth and Competitive Advantage

- **Expansion Opportunities:** The merger could enable the combined entity to explore new markets or diversify into related industries, leveraging the strengths of both companies.

Shareholder Value Creation

- **Enhanced Earnings Stability:** The combined entity's diversified revenue streams and reduced operational risks would lead to more stable earnings, attracting long-term investors.
- **Potential for Higher Valuation:** The synergies and growth opportunities from the merger could result in a higher valuation for the merged entity compared to the individual companies.
- **Regulatory and Compliance Benefits**
The combined entity will benefit from better regulatory compliance and tax efficiencies.

Conclusion:

The merger of VBCREPL and OPC Limited with CS Limited is a strategically sound decision that leverages the complementary strengths of both companies. The combined entity would benefit from cost efficiencies, risk diversification, and enhanced financial performance, creating long-term value for shareholders and stakeholders.

The integration, consolidation and amalgamation of the Transferor Companies with the Transferee Company would inter alia have the following benefits:





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- (a) economies of scale, operational synergies & efficiencies at multiple levels of business operations;
- (b) optimization in administrative, managerial efficacy, man power and reduction of cost of operations;
- (c) pooling of resources for faster growth;
- (d) ease of doing business and diversification in the long run of business;
- (e) increase credit worthiness and easy to avail/ borrow funds at a subsidized rate of interest as the consolidation of assets will give more financial strength;
- (f) significant reduction in multiplicity of legal and regulatory compliances;
- (g) improved customer satisfaction; and
- (h) improved investor perception and ultimately enhancing shareholders' value

7. Synergies of business of the Companies involved in the Scheme

The background and information about the Transferor Companies and the Company are, inter-alia, as under:

- a) Orissa Power Consortium Limited (Transferor Company 1) and VBC Renewable Energy Private Limited (Transferor Company 2) are engaged with the business activities relating to electric power generation, transmission and distribution.
- b) Chrome Silicon Limited is engaged with the business activities relating to manufacturing of Ferro Alloys.
- c) Taking into consideration the growth prospects available, it is proposed to undertake the merger; and
- d) Further, the benefits arising out of the proposed Scheme are stated above.

The Committee reviewed the draft Scheme, Valuation Report and Fairness Opinion and noted the need and the rationale of the Scheme and that the proposed Scheme would be in the best interest of the Companies and their respective shareholders as it will yield advantages as mentioned above.

8. Impact of the Scheme on the shareholders of the company

- 8.1 The Committee reviewed the Valuation Report and noted the valuation and the Share Exchange Ratios for the proposed amalgamation as recommended by the valuer. In consideration for the amalgamation, the following issuances of securities are proposed:





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(i) In respect of amalgamation of the 1st Transferor Company and 2nd Transferor Company with Transferee Company, the Transferee Company shall issue Shares to the shareholders of 1st Transferor Company and 2nd Transferor Company as per the following Share Exchange Ratio:

- The existing shareholders of 1st Transferor company will be allotted equity shares in CSL in the ratio of 2:9 i.e. an existing shareholder of OPCL holding 9 Equity shares of Rs.10/- each in OPCL will get 2 Equity shares of CSL of Rs. 10/- each fully paid up.
- The existing shareholders of 2nd Transferor company will be allotted equity shares in CSL in the ratio of 1:5 i.e. an existing shareholder of VBCREPL holding 5 Equity shares of Rs.10/- each in VBCREPL will get 1 Equity share of CSL of Rs. 10/- each fully paid up.

(ii) No consideration would be payable for shares held by Transferee Company in 1st Transferor Company which shall stand cancelled without any further act or deed as an integral part of the Scheme.

8.2 The equity shares of the Company to be issued and allotted to the shareholders of the Amalgamating Companies shall rank *pari passu* in all respects with the then existing equity shares of the Company and shall be listed on BSE Limited after obtaining requisite approvals.

8.3 The Committee noted that the Scheme is intended to create value for stakeholders including respective shareholders, customers and employees as the combined business would benefit from increased scale, innovations in technology and expanded reach with integrated growth opportunities, improvement in productivity and operational efficiencies, among others.

8.4 Accordingly, the Committee is of the informed opinion that the Scheme will be advantageous and beneficial to the Company and its stakeholders/ shareholders.

9. Cost benefit analysis of the Scheme

- Integration of OPCL's power generation with CSL's operations will result in cost efficiency and better resource utilization.
- The combined entity can leverage economies of scale in procurement, operations, and administration.
- The cost savings from operational efficiencies would enhance the overall profitability of the merged entity.
- The combined entity would benefit from stable cash flows of Power Generation, which can be used to fund CSL's capital-intensive operations or expansion plans, reducing the need for external financing.

10. Recommendation of the Committee

10.1 The Committee reviewed the Valuation Report and noted the valuation and the Share Exchange Ratios. No special valuation difficulties were noted. Further, the Committee also noted the Fairness Opinion from AFCO Capital India Private Limited in respect of the Valuation Report along with Certificate issued by the statutory auditor of the company.





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10.2 In view of the above, the Committee after due deliberations and after taking into consideration the Valuation Report, Fairness Opinion, Auditor's certificate and all the terms of the draft Scheme, need for the merger/ amalgamation / arrangement; rationale of the Scheme, synergies of business of the entities involved in the Scheme, the impact of the Scheme on the shareholders, and cost benefit analysis of the Scheme, and other documents presented before the Committee, recommends the draft Scheme for approval.

For and on behalf of Audit Committee of Chrome Silicon Limited

Signature:

Name: HIRAK KUMAR BASU

Designation: Chairman of the Audit Committee

DIN: 09701496

Date: March 7, 2025

Place: Hyderabad

