OCL IRON & STEEL LTD.
REGD. OFFICE & WORKS
Vill : Lamloi - P.O.-Garvana
Rajgangpur : 770 017
Distt.- Sundargarh-Orissa, INDIA
Phone: +91 6624 222 562/563
Fax: +91 6624 222 564
eMail: oclrgp@oclsteel.in
www.oclsteel.in
CIN : L27102OR2006PLC008594

August 04, 2015

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
BandraKurla Complex, Bandra (E)
Mumbai – 400 051

Security Code: OISL

Subject: **Clarification with respect to announcement *vide* letter dated 23rd July, 2015 wherein the Board of Directors of OCL Iron and Steel Limited (the "Company") at their meeting held on 23rd July, 2015 has approved the scheme of arrangement involving the demerger of its Auto Component Business into its wholly-owned subsidiary, i.e., OISL Auto Limited ("Resulting Company").**

Dear Sir/Madam,

This is in reference to the captioned matter, the following is our reply, *in seriatim*, to the clarification dated 27th July, 2015 (**"Clarification"**) as sought by your good self (**"The Exchange"**):

1. That in response to the clarification as sought in clause (a) of the Clarification, it is submitted:
   a) The Ministry of Corporate Affairs *vide* General Circular No. 30/2014 dated 17th July, 2014, has clarified that the transactions arising out of Compromises, Arrangements and Amalgamations dealt with under specific provisions of the Companies Act, 1956 or the Companies Act, 2013, **will not attract the requirements under section 188 of the Companies Act, 2013**. Therefore, the proposed scheme of arrangement between the Company and the Resulting Company (**"the Scheme"**) does not fall within the ambit of Related Party Transactions under the provisions of Companies Act, 2013 read with the relevant rules, notifications and circulars made there under.

WORKS :
A-285, Chopanki Industrial Area
Chopanki, Bhiwadi, District - Alwar
Rajasthan INDIA 301 019
Phone: +91 9667569588
eMail: oclrgp@oclsteel.in
www.oclsteel.in

b) Without prejudice to the aforesaid, the proposed transaction is a Related Party Transaction in terms of sub clause (VII) of Clause 49 of the revised Listing Agreement. However, in terms of explanation (i) to sub clause (E) of clause 49 (VII) of the revised Listing Agreement, the proposed transaction is also exempt from compliance of provisions specified under sub clause (D) and (E) of said clause 49 w.r.t. approval of Related Party Transactions, as the transaction is between a holding company (i.e. the Company) and a wholly owned subsidiary (i.e. the Resulting Company).

c) Considering the aforesaid, the proposed transaction in our view shall be out of the ambit of Related Party Transactions in terms of the provision of Companies Act, 2013 read with the relevant rules, notifications and circulars made there under and in terms of the revised Listing Agreement.

d) Notwithstanding the aforesaid, the proposed transaction is subject to the approval of the shareholders of the Company (OCL IRON AND STEEL LIMITED) where not only the value but the majority in number shall approve the proposed transaction, which is more restrictive than the provisions as contained in the Companies Act, 2013 as well as the revised Listing Agreement for seeking approval of the shareholders in case of Related Party Transactions.

2. That in response to the clarification as sought in clause (b) of the Clarification, it is most humbly submitted:

a) That presently, the Company is engaged in two business segments viz. Iron and Steel Business and Auto component Business. The Iron and Steel business of the Company comprises of manufacturing, marketing, trading of steel (steel billets and DRI), sponge iron and cold rolling mill for higher value steel products and generation of power through captive power plants whereas the Auto Component Business of the Company comprises of the business of manufacturing of Axle casing, Trumpet Housing, Carrier Planetary Hub, Swivel hub, Axle Arm, Carrier, Brackets, Front Axle Support, Crankcase Machining and Cold Rolled Steel Sections for Auto Segments, i.e., Commercial and Passenger vehicles and Non-Auto Segments, i.e., Tractors, Agriculture and Construction Equipment.

b) The Resulting Company has been set up to undertake the business of manufacturing, trading and distributing all kinds of auto parts and components.

3. That in response to the clarification as sought in clause (c) of the Clarification, it is further submitted that the Boards of Directors of both the companies are of the view that proposed demerger of the Auto Component Business belonging to the Company into the Resulting Company would, *inter-alia,* have the following benefits:

a) Given the distinct nature of operations of both business segments, it is proposed to hive-off Auto Component Business from the Company into the Resulting Company, which, upon hive-off, is owned by the shareholders of the Company in the same proportion in which they own shareholding in the Company;

b) The demerger would enable greater/ enhanced focus of management in the Auto Component Business thereby facilitating the management to efficiently exploit opportunities for the business;

c) It is expected that the proposed demerger will lead to increased market capitalization of both the Companies which will exceed the market capitalization of the Company alone thereby unlocking shareholder value;

d) All the manufacturing assets and liabilities relating to Auto Component Business will be housed under one entity, i.e., the Resulting Company which will enable the Company to improve its business efficiency and focus on its core business, i.e. the Iron and Steel Business;

e) The demerger will thrive in achieving and sustaining competitiveness and development of long-term internal core competencies;

f) It is believed that the proposed segregation will create enhanced value for shareholders and allow a focussed strategy in operations which would be in the best interest of all the stakeholders. The demerger proposed by this Scheme will enable investors to hold investment in businesses with different investment characteristics thereby enabling them to select investments in business which best suit their investment strategies and risk profiles; and

g) The demerger will also provide for independent collaboration and expansion without committing the existing organization in its entirety.

4. That in response to the clarification as sought in clause (d) of the Clarification, it is submitted:

   a) That upon the sanction of the Scheme by the High Court of Orissa at Cuttack and the High Court of Rajasthan at Jaipur, the Resulting Company will issue and allot equity shares to the members of the Company in the following manner:

   - Equity shares of Re. 1/- each at par to each member of the Company whose name is recorded in the register of members of the Company as equity shareholder as on the Record Date or Book Closure Date in the ratio of 1:1 i.e. 1 (one) equity share of Re. 1/- each of the Resulting Company to be issued to the equity shareholders of the Company for every 1 (one) equity share of Re. 1/- each held by them in the Company.

   b) It is confirmed that the proposed demerger does not involve any cash consideration to be paid by the Resulting Company to the shareholders of the Company upon coming into effect of the Scheme.

   c) It is confirmed that proposed demerger would not result in any change in the shareholding pattern of the equity shares of the Company.

We hope that the above facts and position meets the requirements and clarifies the information as sought by the Exchange.

In case, your good office requires any further information or clarification from the Company, the Company will be obliged to provide the same at the earliest and to its convenience as possible.

Thanking you.

Yours faithfully,

For OCL Iron and Steel Limited

(Jyoti Mishra)
Company Secretary