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MANGALAM CEMENT LTD.

UCO Bank Building, (4th Floor), 5, Parliament Street, New Delhi - 110001



February 7, 2012

To
The Board of Directors
Mangalam Timber Products Limited
9/1, R.N. Mukherjee Road
Kolkata 700 001

Dear Sirs,

Re: Scheme of Amalgamation of Mangalam Timber Products Ltd.
with Mangalam Cement Ltd.

By a letter dated 1st of May, 2010 addressed to the Board of Directors of Mangalam Cement Limited, you inter alia proposed amalgamation of Mangalam Timber Products Limited with Mangalam Cement Ltd.

After various meetings and discussions between ourselves and yourselves, a Board meeting was convened of Mangalam Cement Limited on 12th of May, 2010 to consider your proposal for amalgamation. At the said meeting your proposal for amalgamation was in principle accepted and accordingly Stock Exchanges were informed of the same but subject however to due diligence and acceptable fair valuation.

On 24th August, 2010, another Board meeting was held of Mangalam Cement Limited to discuss the amalgamation and the progress made on due diligence and fair valuation. On 28th September, 2010, another Board meeting of Mangalam Cement Limited was held wherein report of Ernst & Young on valuation and share exchange ratio were placed. The Board after due deliberation accepted the valuation and share exchange ratio as proposed by Ernst & Young. Under the share exchange ratio,

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The explanatory statement given in the notice to the shareholders for approval to the Scheme of amalgamation inter alia provides.

“ The Boards of Directors of MTPL and MCL shall be entitled to revoke, cancel and declare the Scheme of no effect if the Boards of Directors are of the view that the coming into effect of the Scheme could have adverse implication on MTPL and MCL”.

In view of the uncertainty and long delay and disappearance of all essential and vital matters considered in approving the scheme of amalgamation including fair basis now resulting in unfavourable share exchange ratio, the Board of directors of Mangalam Cement Limited at its meeting held on 7th February, 2012 decided to withdraw from the scheme of amalgamation between Mangalam Cement Limited and Mangalam Timber Products Limited for the reasons as stated hereinabove.

Thanking you,

Yours faithfully,
For Mangalam Cement Limited

KC Jain
(Managing Director)

Cc: Asst Vice President
National Stock Exchange of India Ltd,
Exchange Plaza, Bandra Kurla Complex
Bandra(E),
Mumbai-400051

✓ CC: Dy Gen Mgr (Deptt of Corporate Services)
Bombay Stock Exchange Ltd,
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai 400001



one share of Mangalam Cement Limited was to be allotted against ten equity share of Mangalam Timber Products Limited held by shareholders of Mangalam Timber Products Limited.

On 23rd October, 2010, a draft Scheme of Amalgamation prepared by lawyers was placed before the Board meeting of Mangalam Cement Limited, which was approved and accepted. On 26th January, 2011, another Board meeting was held of Mangalam Cement Limited wherein the fair valuation report was submitted and considered and approved by the Board.

On 13th March, 2011, another Board meeting of Mangalam Cement Limited was held wherein "No Objection" Certificates received from Stock Exchanges namely, Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, for the scheme of amalgamation were placed and the decision was taken to file the application before the Hon'ble High Court of Rajasthan, Jaipur for their sanction of the scheme of amalgamation.

In February, 2011 a petition for calling meeting of shareholders and unsecured creditors was filed by us in the Hon'ble High Court of Rajasthan, Jaipur and on the 7th of April 2011 an order was passed by the Hon'ble High Court of Rajasthan, Jaipur for convening a meeting of the equity shareholders of Mangalam Cement Limited and its unsecured creditors on 21st May 2011 for approval of the scheme of amalgamation. Since there was only one secured creditor having total debt nil, hence, calling of meeting of secured creditors was dispensed with by the Hon'ble High Court of Rajasthan.

On 21st May, 2011, meeting of the shareholders and unsecured creditors of Mangalam Cement Ltd. was held whereby the scheme of amalgamation was unanimously approved by the shareholders and the unsecured creditors of Mangalam Cement Limited and a report to that effect was filed in the Hon'ble High Court of Rajasthan at Jaipur. Subsequently, in the month of July, 2011, another



application was filed before the Hon'ble High Court of Rajasthan for their final sanction on the scheme of amalgamation. The said application has been pending for the last six months and no order has been passed on the said application and is being adjourned from time to time. Our lawyers have informed us that the Hon'ble High Court shall not sanction the scheme of amalgamation and will dismiss our application unless we immediately file before the court the report to the effect that the shareholders of Mangalam Timber Products Limited have approved the scheme of amalgamation.

We were informed by you that you, after obtaining necessary approval from the Stock Exchanges viz., Bombay Stock Exchange Limited and National Stock Exchange of India Limited, filed an application in the Hon'ble High Court of Orissa at Cuttack for an order to convene a meeting of the equity shareholders of Mangalam Timber Products Limited, seeking their approval for sanction of the amalgamation. Such application was filed by you in the Hon'ble High Court of Orissa at Cuttack on the 15th of March, 2011 and on 22nd of April, 2011 an order was passed by the Hon'ble High Court of Orissa at Cuttack, wherein they directed that the meeting of the equity shareholders of Mangalam Timber Products Limited be held for the purpose of approval of sanction of amalgamation on 29th May, 2011. We were informed that the said meeting proposed on 29th May, 2011 was adjourned on the ground that the two Chairmen appointed by the Hon'ble High Court of Orissa at Cuttack to conduct the meeting were not available on the said date.

Thereafter, we were informed that you after a gap of more than two months, on 1st of August, 2011, filed an application in the Hon'ble High Court of Orissa at Cuttack for a direction to fix another date for holding the meeting of the equity shareholders for seeking their approval on the scheme of



amalgamation and the said application is still pending and till date no order has been passed for holding of the meeting of the equity shareholders of Mangalam Timber Products Limited for their approval on the scheme of amalgamation.

You will appreciate that the 'appointed date' under the Scheme of Amalgamation is 1st of April, 2010 and the scheme of amalgamation was prepared and the share exchange ratio and the valuation were fixed and accepted on the basis that we would be able to obtain the orders from both the Hon'ble High Court of Rajasthan, Jaipur and the Hon'ble High Court of Orissa, Cuttack sanctioning the scheme of amalgamation by July/August, 2011. For last six months we have been requesting you time and again to apprise us of the developments and to obtain and submit to us the approval of the shareholders to the said scheme of amalgamation. In spite of repeated requests and reminders, you have till date not obtained order from the Hon'ble High Court of Orissa at Cuttack to convene the meeting of the equity shareholders to obtain their approval on the scheme of amalgamation.

Since we decided on the amalgamation between ourselves and yourselves, at your request we had from time to time lent and advanced to you during the pendency of the amalgamation application a sum of Rs. 30 Crores. The scheme of amalgamation inter alia provided that the Intercompany balance between the transferor company and the transferee company shall come to an end and a corresponding entry shall be given in the books and records of Mangalam Cement Limited for reduction of any assets and/or liability, as the case may be.

The share exchange ratio and the fair basis of amalgamation were determined and arrived at after taking into consideration the net asset value method, comparable companies multiple method, discounted cash flows method, with more emphasis on market price method.



In view of the considerable delay, all the vital parameters considered in arriving at the fair basis of amalgamation have disappeared and evaporated and which is further aggravated in view of the total uncertainty as to when you would be able to obtain all the requisite approvals and sanctions from your shareholders and appropriate authorities on the scheme of amalgamation.

The scheme of amalgamation was also considered on the basis of the unaudited profit and loss accounts of the companies for 3 months ending June 30, 2010 and the audited balance sheet of the companies as on 31st March, 2010 and the budgeted profit and loss accounts and balance sheet of Mangalam Timber Products Limited for the period ending 31st March, 2011 to 31st March, 2015. It has been observed from the accounts submitted by you for the period 1st July, 2010 upto September, 2011, that you have incurred a loss of Rs.174.47 Lacs against the budgeted profit of Rs.463.22 Lacs and further there has been a loss of production and sales from 31276.71 (MT) and Rs.8200.04 Lacs against the budgeted production and sales of 38,465 (MT) and Rs.10641.25 Lacs.

The entire fixation of the share exchange ratio on the basis of the valuation made has now become unworkable and unrealistic and if such scheme is sanctioned on the basis of the share exchange ratio as provided, it shall cause immense loss and prejudice to us and our shareholders. The scheme of amalgamation inter alia provides

“Without prejudice to the generality of the foregoing the Transferor Company and the Transferee Company (by their respective Board of Directors or such other person or persons, as the respective Board of Directors may authorise) shall each be at liberty to withdraw from this Scheme in case any condition or alteration imposed by any authority is unacceptable to them or as may otherwise be deemed expedient or necessary.”