

THE RAMARAJU SURGICAL COTTON MILLS LIMITED

Manufacturers of Antiseptic Dressings

REPORT OF THE AUDIT COMMITTEE OF THE RAMARAJU SURGICAL COTTON MILLS LIMITED ("COMPANY" OR "TRSCML") RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT PROVIDING FOR AMALGAMATION OF SRI HARINI TEXTILES LIMITED ("TRANSFEROR COMPANY" OR "SHTL") WITH THE RAMARAJU SURGICAL COTTON MILLS LIMITED ("TRANSFEEEE COMPANY") ADOPTED AT THE MEETING HELD ON 27TH SEPTEMBER, 2021 AT THE REGISTERED OFFICE OF THE COMPANY

PRESENT

Justice Shri P.P.S. Janarthana Raja	Chairperson
Shri N.K. Shrikantan Raja	Member
Shri P.J. Alaga Raja	Member
Shri P.J. Ramkumar Rajha	Member
Shri V. Santhanaraman	Member

In Attendance

Shri N. Vijay Gopal	Chief Financial Officer
Shri Walter Vasanth P J	Company Secretary & Compliance Officer

1. Background

- 1.1 A meeting of Audit Committee of The Ramaraju Surgical Cotton Mills Limited ("**Company**") was held on 27th September, 2021 to consider and recommend to the Board of Directors, draft scheme of arrangement providing for amalgamation of Sri Harini Textiles Limited ("**SHTL**" / "**Transferor Company**") with the Company, i.e., The Ramaraju Surgical Cotton Mills Limited ("**TRSCML**" / "**Transferee Company**") (hereinafter referred to as "**Scheme**") in accordance with Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 as amended and rules framed thereunder and in compliance with the provisions of the Income Tax Act, 1961 with effect from the Appointed Date i.e. April 01, 2021.
- 1.2 The equity shares of the Company are listed on Metropolitan Stock Exchange of India Limited ("**MSE**"). The Company will be filing the Scheme along with necessary information / documents with MSE.
- 1.3 The Committee noted that as per SEBI Circular - CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 ("**SEBI Circular**"), the Audit Committee of a listed company is required to recommend to the Board of Directors the draft scheme taking into account, *inter alia*, the Valuation Report and Fairness Opinion and also comment on the matters specified in said SEBI Circular. Accordingly, this report of Audit Committee is made in order to comply with the requirements of the SEBI Circular.
- 1.4 The following documents were placed before the Audit Committee:
 - a. Draft Scheme of Arrangement duly initialed by the Company Secretary of the Company for the purpose of identification;



- b. Valuation Report dated 27th September, 2021 issued by Den Valuation (OPC) Private Limited, Registered Valuer (“**Registered Valuer**”) describing the methodology adopted by him in arriving at and recommending the Share Exchange Ratios (“**Valuation Report**”);
- c. Fairness Opinion dated 27th September, 2021 issued by Vivro Financial Services Private Limited, Category I Merchant Banker providing the Fairness Opinion on the Share Exchange Ratio recommended by the Registered Valuer (“**Fairness Opinion**”);
- d. Draft of the Certificate to be issued by the Statutory Auditors of the Company i.e. M/s. N.A. Jayaraman & Co, Chartered Accountants, confirming that the accounting treatment contained in the draft Scheme is in compliance with Accounting Standards as notified under Section 133 of the Companies Act, 2013 read with the Rules framed thereunder and other generally accepted accounting principles;
- e. Audited financial statements of the Transferor Company and the Transferee Company for the preceding three financial years.

2. Proposed Scheme of Amalgamation and its impact:

2.1 Salient Features:

The Audit Committee reviewed the draft Scheme and noted the following salient features of the Scheme:

- a) The Scheme provides for amalgamation of Sri Harini Textiles Limited (“**SHTL**”/“**Transferor Company**”) with our Company, i.e., The Ramaraju Surgical Cotton Mills Limited (“**TRSCML**” / “**Transferee Company**”) (hereinafter referred to as “**Scheme**”) in accordance with Section 230 to 232 and other applicable provisions of the Companies Act, 2013 as amended and rules framed thereunder and in compliance with the provisions of the Income Tax Act, 1961;
- b) The Scheme shall be effective from the Appointed Date (i.e., April 01, 2021) but shall be operative from the Effective Date (*as defined in the Scheme*).
- c) Upon the Scheme becoming effective, the Transferor Company shall stand amalgamated with the Transferee Company and the entire business and Undertakings (*as defined in the Scheme*) of the Transferor Company shall stand transferred to and vested in the Transferee Company on a going concern basis;
- d) Upon the Scheme becoming effective, the Transferee Company shall issue and allot its fully paid-up equity shares (“**New Equity Shares**”) to the shareholders of the Transferor Company in following ratio:

Share Exchange Ratio	Description
34:1000	34 Equity Shares of Rs. 10/- each fully paid up of the Transferee Company for every 1,000 Equity Shares of Rs. 10/- each fully paid up held in the Transferor Company.

- e) The equity shares of the Transferor Company held by the Transferee Company shall stand cancelled and no New Equity Shares shall be issued in respect of the same;

- f) The New Equity Shares to be issued and allotted by the Transferee Company to the shareholders of the Transferor Company pursuant to the Scheme shall be listed and admitted for trading on MSE in terms of the Scheme.
- g) Upon the Scheme becoming effective, the Transferor Company shall stand dissolved without any further act or deed.

2.2 Need for the amalgamation and Rationale for the Scheme

The Audited Committee noted that the amalgamation pursuant to the Scheme is proposed with following objectives and rationale:

(i) Rationalization of Group Corporate Structure

The Transferor Company and the Transferee Company are part of the same group and are having common promoters and accordingly, the amalgamation of the Transferor Company into the Transferee Company pursuant to the Scheme would result in streamlining the group corporate structure. The amalgamation will further enable to reduce the number of entities within the group that require to be administered and also help realize operational synergies which would also result in simplification of structure and operations.

2.3 Synergies of business of the entities involved in the scheme

The amalgamation of the Transferor Company is primarily intended to rationalize the group structure which will help realize administrative and operational synergies. Further, assets and resources of the Transferor Company will be available to the Transferee Company which will provide a stronger asset base and infrastructure for future growth of the Transferee Company.

2.4 Cost Benefits Analysis of the Scheme

The Audited Committee noted that the amalgamation of the Transferor Company with the Transferee Company would, *inter alia*, provide the following benefits:

- a. Reduction in operative and administrative cost;
- b. Economies of scale, improved capital allocation, optimum utilization of resources and operational efficiency etc.;
- c. Elimination of inter-company holdings and layering of investments and business operations;
- d. Simplification of management structure;
- e. Stronger asset base and infrastructure for future growth.

The Scheme involves certain costs such as transaction cost, implementation cost, regulatory fees, stamp duty etc. However, the benefits of the Scheme over longer period would outweigh such costs for all stakeholders of the Transferee Company.

2.5 Impact of the Scheme on the shareholders

The Audit Committee noted that pursuant to the Scheme, the entire business and Undertakings (*as defined in the Scheme*) of the Transferor Company shall vest in the Transferee Company and accordingly, the shareholders of the Transferee Company will have share in return of larger business operations and asset base of the Transferee Company.

Considering the overall rationale and benefits of the Scheme, the Audit Committee is of the opinion that the Scheme is in the best interest of all stakeholders including the shareholders of the Transferee Company and no shareholder is expected to have disproportionate advantage or disadvantage in any manner.

2.6 The Audit Committee reviewed the Valuation Report, concurred with the valuation methodologies adopted by the Registered Valuer and noted that Valuation Report recommended the following share exchange ratio for the Scheme:

Share Exchange Ratio	Description
34:1000	34 Equity Shares of Rs. 10/- each fully paid up of the Transferee Company for every 1,000 Equity Shares of Rs. 10/- each fully paid up held in the Transferor Company.

2.7 The Audit Committee also noted that the Fairness Opinion confirms that the Share Exchange Ratio recommended in the Valuation Report is fair to the Transferor Company, Transferee Company and their respective shareholders;

2.8 The Audit Committee also noted the statutory auditors of the Company have confirmed that the accounting treatment contained in the draft Scheme is in compliance with Accounting Standards as notified under Section 133 of the Companies Act, 2013 read with the Rules framed thereunder and other generally accepted accounting principles.

3. Recommendation of the Audit Committee

Having considered the draft Scheme and its rationale and benefits, Valuation Report, Fairness Opinion, other documents as placed and impact of the Scheme on all stakeholders, the Audit Committee hereby unanimously recommends the Draft Scheme to the Board of Directors of the Company, MSE, Securities and Exchange Board of India ("SEBI"), the shareholders and creditors of the Company and all other appropriate authorities for their favourable consideration and approval.

For and on behalf of the Audit Committee of
The Ramaraju Surgical Cotton Mills Limited



N.K. Shrikantan Raja
Director
DIN: 00350693



Place : Rajapalayam
Date : 28.09.2021