

THE RAMARAJU SURGICAL COTTON MILLS LIMITED

Manufacturers of Antiseptic Dressings

REPORT OF COMMITTEE OF INDEPENDENT DIRECTORS 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 ("TRANSFEREE 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 P.A.S. Alaghar 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

Mr. Justice Shri P.P.S. Janarthana Raja occupied the chair.

Background

A meeting of Independent Directors 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.

Requirement of SEBI Circular

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 committee of Independent Directors of a listed company is required to recommend the draft scheme to the Board of Directors taking into account, *inter alia*, that the scheme is not detrimental to the shareholders of the listed entity. Accordingly, this report of is made in order to comply with the requirements of the SEBI Circular.

Documents reviewed by the Committee

The following documents were placed before and reviewed by the Committee:

- Draft Scheme of Arrangement duly initialed by the Company Secretary of the Company for the purpose of identification;



- ii. 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**”);
- iii. 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**”);
- iv. 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.

Rationale of the Draft Scheme

The 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.

Further, 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.

Salient Features of the Draft Scheme

The 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.

Recommendation of the Independent Director Committee

Having considered the Scheme, Valuation Report, Fairness Opinion and other documents, the Independent Director Committee hereby unanimously recommends that Draft Scheme is not detrimental to the shareholders of the Transferee Company and 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 Independent Directors Committee of
The Ramaraju Surgical Cotton Mills Limited**

P.J. Alaga Raja

P.J. Alaga Raja
Independent Director
Independent Director Committee
DIN : 00446057



Place : Rajapalayam
Date : 28.09.2021