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**REPORT OF THE AUDIT COMMITTEE OF INDO COUNT INDUSTRIES LIMITED ("COMPANY" OR "ICIL")
RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF PRANAVADITYA SPINNING MILLS
LIMITED ("PSML") WITH INDO COUNT INDUSTRIES LIMITED AND THEIR RESPECTIVE SHAREHOLDERS
ISSUED AT THE MEETING OF THE AUDIT COMMITTEE OF THE COMPANY HELD ON OCTOBER 21, 2020
AT 11.00 A. M. THROUGH VIDEO CONFERENCING (VC)**

MEMBERS PRESENT:

1. Mr. Dilip J. Thakkar - Chairman (Independent Director)
2. Mr. Kailash R. Lalpuria - Member (Executive Director & CEO)
3. Mr. Prem Malik - Member (Independent Director)
4. Mr. Siddharth Mehta - Member (Independent Director)

Apart from Audit Committees members, Chief Financial Officer, Company Secretary and other invitees were present at the Meeting.

Mr. Dilip J. Thakkar, Chairman occupied the Chair.

1. A draft Scheme of Amalgamation of Pranavaditya Spinning Mills Limited ("PSML/ Transferor Company") with Indo Count Industries Limited ("ICIL/ Transferee Company/ the Company") and their respective shareholders under Section 230 to 232 and other applicable provisions of the Companies Act, 2013 and Rules made thereunder (herein after referred to as "the Scheme"), was placed before the Audit Committee of the Company at its meeting held on October 21, 2020 for its consideration and recommendation to the Board Directors of the Company in compliance with the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and SEBI circular ref. no CFD/DIL3/CIR/2017/21 dated March 10, 2017.
2. The Audit Committee noted Rationale & salient features of the proposed scheme as under:

Rationale

The Rationale given in the Scheme was reviewed and noted by the Audit Committee. The amalgamation of PSML with the Company shall have following benefits:

- a. Consolidation of the Transferor Company and the Transferee Company will achieve simplified corporate structure, rationalize the number of listed entities and result in a single listed entity with combined businesses.
- b. Provide an opportunity to leverage combined assets and build a stronger sustainable business. Specifically, it will also enable optimal utilization of existing resources which are in excess of the current business requirements of the Transferor Company and provide an opportunity to fully leverage assets, capacities, experience and infrastructure of the Transferor Company and Transferee Company.



Indo Count Industries Ltd

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Marketing Office: Dosti Imperia, 2nd floor, Manpada, Ghodbunder Road, Thane (w) - 400 607, Maharashtra, India; T: 022 4151 1800, F: 022 2172 0121
Home Textile Division: T3, Kagal - Hatkanangale Five Star, MIDC Ind. Area, Kolhapur - 416216, Maharashtra, India; T: 0231 662 7900, F: 0231 662 7979
Spinning Division: D1, MIDC, Gokul Shirgaon, Kolhapur - 416234, Maharashtra, India; T: 0231 268 7400, F: 0231 267 2161
Regd. Office: Office No. 1, Plot No. 268, Village Alte, Kumbhoj Road, Taluka Hatkanangale, Dist. Kolhapur - 416 109, Maharashtra, India; T: 0230 2463100 / 2461929
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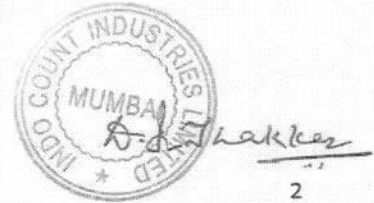
- c. Reducing managerial overlaps involved in operating multiple entities, enable cost savings and effective utilization of valuable resources which will enhance the management focus thereby leading to increase in operational and management efficiency; integrate business functions; eliminate duplication and rationalization of administrative expenses.
- d. Synchronization of efforts to achieve uniform corporate policy, greater integration and greater financial strength and flexibility for the Transferee Company.
- e. Better value creation for the shareholders of both the companies enabling the public shareholders to hold shares of the combined listed entity.
- f. Upon completion of the amalgamation, the Transferor Company will be dissolved. Consequently, there would be lesser regulatory and legal compliance obligations including accounting, reporting requirements, statutory and internal audit compliance requirements, tax filings, company law compliances, Stock Exchange compliances etc. and therefore reduction in administrative costs.

Salient Features of the scheme

- a. PSML is the subsidiary of ICIL, wherein ICIL holds 74.53% of paid up equity share capital of PSML. The scheme envisages amalgamation of PSML with ICIL.
- b. The Appointed date for the said scheme is 1st October, 2020 or such other date as may be approved by the Hon'ble National Company Law Tribunal ('NCLT').
- c. With effect from appointed date and upon the scheme becoming effective, all assets, liabilities and entire business of PSML shall get transferred and vested into the ICIL.
- d. Upon this Scheme becoming effective, in consideration of the amalgamation of PSML (Transferor Company), ICIL shall issue and allot its equity shares to shareholders of PSML as on Record Date in the following share exchange ratio as per the valuation Report issued by Registered Valuers and Independent Chartered Accountant:

2 (Two) fully paid Equity Shares of face value of INR 2/- each of ICIL (Transferee Company) shall be issued and allotted for every 15 (Fifteen) Equity shares of face value of INR 10/- each held in PSML (Transferor Company).

- e. Effective Date means the last of the dates on which the certified copies of the Order of NCLT, Mumbai bench under Sections 230 & 232 of the Act sanctioning the Scheme is filed with the Registrar of Companies, Pune, at Maharashtra by the Transferor Company and Transferee Company;



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3. Following documents were *inter alia* placed before the Committee:

- a. Valuation Report dated October 21, 2020 of AZR & Associates, Independent Chartered Accountant & Amit Kumar Singh, Registered Valuers;
- b. Fairness Opinion dated October 21, 2020 of Ernst & Young Merchant Banking Services LLP, Merchant Banker;
- c. Certificate by Suresh Kumar Mittal & Co., Statutory Auditors pursuant to SEBI circular ref. no. CFD/DIL3/CIR/2017/21 dated March 10, 2017.

4. Recommendation of the Audit Committee:

After considering *inter alia*, the Scheme of Amalgamation, the Valuation Report, Fairness Opinion and other documents as placed before the Audit Committee, the Audit Committee hereby unanimously recommends the draft Scheme for favourable consideration by the Board of Directors of the Company.



By Order of the Audit Committee
For Indo Count Industries Limited

D. J. Thakkar

Dilip J. Thakkar
Chairman of Audit Committee

Place: Mumbai
Date: 21st October, 2020

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