

REPORT OF THE AUDIT COMMITTEE OF THAMBBI MODERN SPINNING MILLS LIMITED HELD ON 25th May, 2017 AT THE REGISTERED OFFICE OF THE COMPANY SITUATED at OMALUR ROAD, JAGIR AMMAPALAYAM, and SALEM 636302 AT 9:30 AM.

MEMBERS PRESENT:

1. Mr. M. Pugazhendi , Chairman of the Meeting
2. Mr. Ashok P shah, Member
3. Ms. Malathi Jagadeesan, Member

A) Background:

The Committee was provided with a Draft Scheme of Arrangement for its review and consideration. The Scheme is with regard to the Proposed Demerger of M/s. Thambbi Modern Spinning Mills Limited in terms of Section 230 – 240 of the Companies Act, 2013 and shall include any statutory modifications, re-enactment or amendments thereof) as per the terms and conditions mentioned in the draft scheme.

Further as per Securities and Exchange Board of India ('SEBI') vide Circular no. CIR/CFD/CMD/16/2015 dated November 30, 2015 (hereinafter collectively referred to as the Circular(s)) has amongst other requirements sought a report from the Audit committee of the listing entity recommending the Draft Scheme. The Report was filed with Bombay Stock exchange seeking for clarifications from the Stock exchange, if any. The Bombay Stock exchange provided observations and requested to file revised documents with it as per the Securities and Exchange Board of India ('SEBI') vide Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017.

This report of the Audit Committee is provided to comply with the requirements of the aforesaid Circular(s) after considering the following which were provided as part of the Audi committee Agenda:

1. Revised Draft Scheme of Demerger
2. Share Valuation Report from Shri. Laddagiri Jeyaraman
3. Share Valuation Report from R. Kannan, Practising Company Secretary
4. Valuation Report from the Independent Valuer M/s.C. Shanthaa Associates

and placed before at the meeting held on 25th May, 2017. Thereafter, the Committee shall furnish the Report recommending the Draft scheme after considering the above mentioned Valuation Report.



B) Proposed Scheme of De-Merger – Key highlights

- The Scheme provides for Demerger of M/s. Thambbi Modern Spinning Limited.
- Appointed date for the Scheme is 30th June, 2017
- The Audit Committee noted that the Scheme involves the holding company i.e M/s.Thambbi Modern Spinning Mills Limited and a newly incorporated 100% Wholly owned subsidiary company-M/s. Roshan Intergrated Private Limited.
- Merchant Banker has been appointed for the purpose of obtaining a fairness opinion on the Share entitlement ratio derived by the Independent Valuer.
- The Audit committee further noted that the Company has obtained certificate from their statutory auditors regarding the accounting treatment prescribed in the scheme.
- The Audit committee also noted that upon Demerger the below benefits is seen by the Company :
 - New Business Plan involves renewable energy specific to solar power.
 - New investors for the product either by way of loan or preferential allotment.
 - Lucrative profits in the Demerged entity and Resultant Company.
 - By way of such scheme of arrangement, the company can see future positive prospective.

C) Recommendation of the Audit Committee:

The Audit Committee after due deliberations has unanimously approved the revised proposed scheme of Demerger and has recommended the draft Scheme for review and considerations by the Board of Directors of the Company.

The Audit Committee after thorough due diligence proposed that the Share Valuation Report shared by Shri. R .Kannan, Practicing Company Secretary and by the Independent Auditors, Shri. Laddagiri Jeyaraman is more appropriate and also recommends for review and considerations by the Board of Directors of the Company.

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For Thambbi Modern Spinning Mills Limited,-Audit Committee



Chairman

Date: Salem

Place: 25.05.2017