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REPORT OF AUDIT COMMITTEE OF RITESH PROPERTIES AND INDUSTRIES LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF RITESH SPINNING MILLS LIMITED, RITESH IMPEX PRIVATE LIMITED AND H B FIBRES LIMITED WITH RITESH PROPERTIES AND INDUSTRIES

Members of Committee present in the meeting:

1. **Mr. Surendar Kumar Sood (Chairman)**
2. **Mr. Gurpreet Singh Brar(Member)**
3. **Mr. Roop Kishore Fatehpuria(Member)**

Background:

A meeting of the Audit Committee of the Company was held on Tuesday, September 18, 2018 at 12:00 p.m. to consider and recommend the draft scheme of amalgamation ("**Scheme**") of Ritesh Spinning Mills Limited ("**RSML**"), Ritesh Impex Private Limited ("**RIPL**") and H B Fibres Limited ("**HBFL**") with and into Ritesh Properties and Industries Limited ("**Company**" or "**Transferee Company**") under section 230 to 232 of the Companies Act, 2013 ("**Act**") to the Board of Directors of the Company. *[For the sake of convenience, RSML, RIPL and HBFL are hereinafter collectively referred to as "**Transferor Companies**". Further, the Transferor Companies and Transferee Company are hereinafter collectively referred to as "**Companies**".]*

A brief description of the Transferor Companies is as follows:

(a) RSML is a public limited company incorporated on May 31, 1994 under the provisions of the Companies Act, 1956. RSMLis engaged in the business of spinning, weaving and finishing of textiles. Apart from the aforesaid business, RSML is also engaged in the business of real estate;

(b) RIPL is a private limited company incorporated on April 27, 1994 under the provisions of the Companies Act, 1956. RIPL is engaged in the business of buying, selling, import, export and acting as a trader of all kinds of readymade garments, cloth, linen, etc. Apart from the aforesaid business, RIPL is also engaged in the business of real estate; and

(c) HBFL is a public limited company incorporated on September 17, 1986 under the provisions of the Companies Act, 1956. HBFL is engaged in the business of buying,

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Director

selling, import, export, acting as agents and dealers and suppliers of agricultural and non-agricultural intermediate products, metal products, handicraft, all types of textile and garment related products including silk, jute, hosiery and mixed fabrics etc. Apart from the aforesaid business, HBFL is also engaged in the business of real estate.

In terms of the Securities and Exchange Board of India ("**SEBI**") circular no.CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with circular no. CFD/DIL3/CIR/2017/105 dated September 21, 2017 and circular no. CFD/DIL3/CIR/2018/2 dated January 03, 2018; the Audit Committee is required to recommend the scheme of arrangement to the Board of Directors taking into consideration the valuation report, fairness opinion on the said valuation report and statutory auditor's certificate for accounting treatment under section 133 of the Act.

The Restructuring Committee in its meeting held on September 18, 2018 considered the following documents and further recommended the same to Audit Committee for its approval:

(a) Draft Scheme;

(b) Valuation Report received from M/s Santosh K Singh & Co., Chartered Accountants, and Firm Regn. No. 019877N dated September 12, 2018 recommending share exchange ratio for the Scheme;

(c) Fairness Opinion dated September 14, 2018 issued by M/s 3Dimension Capital Services Limited, SEBI registered Merchant Banker (Regn. No. INM000012528) indicating that share exchange ratio recommended in valuation report appears to be fair reasonable; and

(d) Certificate received from M/s S.M. Mathur & Co., Chartered Accountants, Firm Regn. No. 006588N, statutory auditors of the Company confirming the accounting treatment specified in the scheme of amalgamation is in compliance with the Accounting Standards prescribed by Central Government as specified under section 133 of the Act.

Proposed Scheme of Amalgamation

The Audit Committee reviewed the draft Scheme, valuation report, fairness opinion and noted the following salient features and benefits of the Scheme:

(a) The proposed amalgamation will result in consolidation of the businesses of the Transferor Companies in one entity, simplifying its holding structure and strengthening position of amalgamated entity (i.e. Transferee Company) thereby enabling it to harness and optimize synergies of the Transferor Companies.

(b) The Transferee Company shall have a sharper focus on underlying businesses with an aim of achieving operational efficiencies. Accordingly, consolidation of businesses of

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Companies would be in the best interests of Companies as well as their respective shareholders and other stakeholders.

(c) The proposed amalgamation of Transferor Companies with and into Transferee Company is in line with the current global industry practice to achieve size, scalability, integration, greater financial strength and flexibility thereby maximizing shareholder value and to achieve higher long-term financial returns.

(d) Any cross holding of shares between the Transferor Company and the Transferee Company (either directly or through nominees) shall stand cancelled without any further application, act or deed.

(e) The Transferee Company shall issue its equity shares as consideration to the draft Scheme in the following manner:

(i) 4 (Four) equity shares of Rs. 10/- (Rupees Ten only) each fully paid up of the Company to the shareholders of RSML in lieu of 1 (One) equity share of Rs. 10/- (Rupees Ten only) each fully paid up held by equity shareholders of RSML;

(ii) 4 (Four) equity shares of Rs. 10/- (Rupees Ten only) each fully paid up of the Company to the debenture of RSML in lieu of every 1 (One) equity share of Rs. 10/- to be issued as per terms and conditions of conversion of compulsorily convertible debentures of Rs. 5,000/-(Rupees Five Thousand only) each of RSML to the existing compulsorily convertible debenture holder of RSML;

(iii) 1,756 (one Thousand Seven Hundred and Fifty Six) equity shares of Rs. 10/- (Rupees Ten only) each fully paid up of the Company to the shareholders of RIPL in lieu of 1 (One) equity shares of Rs. 100/- (Rupees One Hundred only) each fully paid up held by equity shareholders of RIPL; and

(iv) 14 (Fourteen) equity shares of Rs. 10/- (Rupees Ten only) each fully paid up of the Company to the shareholders of HBFL in lieu of 1 (One) equity share of Rs. 10/- (Rupees Ten only) each fully paid up held by equity shareholders of HBFL.

The fractional shares, if any, to be issued to equity shareholders and debenture-holders of RSML, RIPL and HBFL shall be rounded off to the nearest whole integer.

(f) Upon the proposed amalgamation becoming effective all assets, liabilities, contracts, rights, obligations etc. of Transferor Companies as at the appointeddate shall stand transferred to Transferee Company and the Transferor Companies stand dissolved without any further act or deed.

The Scheme shall result in following benefits:

The Scheme envisages amalgamation of the Transferor Companies with and into the Transferee Company, resulting in consolidation of the businesses of the Transferor Companies in one entity, simplifying its holding structure and strengthening position of amalgamated entity (i.e.

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Transferee Company) thereby enabling it to harness and optimize synergies of the Transferor Companies. It is intended that the Transferee Company shall have a sharper focus on underlying businesses with an aim of achieving operational efficiencies. Accordingly, consolidation of businesses of Companies would be in the best interests of Companies as well as their respective shareholders and other stakeholders. The proposed amalgamation of Transferor Companies with and into Transferee Company is in line with the current global industry practice to achieve size, scalability, integration, greater financial strength and flexibility thereby maximizing shareholder value and to achieve higher long-term financial returns. The amalgamation would also result in intermediary benefits as stated hereunder:

(a) Optimum and efficient utilization of resources either in form of assets and sharing of ancillary facilities;

(b) Collaboration and enhancement of competitive strengths of Companies including their financial, human and technological resources;

(c) Benefit of obtaining synchronisation of synergies;

(d) Structured and better management focussing on holistic growth of the businesses; and

(e) Cost saving by way of reduction of overheads, administrative, managerial and other expenditure and to bring about operational rationalization, efficiency and optimum utilization of various resources.

Further, there is no adverse effect of this Scheme on the directors, key management personnel, promoters, non-promoter members, creditors and employees of the Companies and the same would be in the best interest of all stakeholders.

Recommendation of the Audit Committee:

Taking into consideration the share exchange ratio prescribed in the valuation report and the fairness opinion on the said share exchange ratio, the Audit Committee unanimously agreed to recommend the draft scheme of amalgamation for favorable consideration to the Board of Directors of the Company.

Certified True Copy
For Ritesh Properties and Industries Limited

For Ritesh Properties & Industries Ltd.

Kavya Arora
Director
Din: 02794500

Director

Date: 18.09.2018

Place: New Delhi