ANNEXURE-4

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Raymond
LIMITED

SECRETARIAL DEPARTMENT
Jekegram, Pokhran Road No. 1, Thane (W) - 400 606
Maharashtra, India
CIN No.: L17117MH1925PLC001208
Tel: (91-22) 4036 7000 / 6152 7000
Fax: (91-22) 2541 2805
www.raymond.in

REPORT OF THE AUDIT COMMITTEE OF RAYMOND LIMITED RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT BETWEEN RAYMOND LIMITED AND PROPOSED NEW CO AND RAYMOND APPAREL LIMITED AND SCISSORS ENGINEERING PRODUCTS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

Present - Members:

1. Shri Ishwar Das Agarwal, Independent Director - Chairperson
2. Shri Dinesh Lal, Independent Director - Member
3. Shri Surya Kant Gupta, Non-Executive Director - Member

In Attendance

Shri Thomas Fernandes – Company Secretary

1. Background

1.1 A draft Composite Scheme of Arrangement under Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013, as may be applicable, between Raymond Limited ('the Demerged Company' or 'the Transferee Company' or 'RL' or 'the Company'), Proposed New Co ('the Resulting Company' or 'NC'), Raymond Apparel Limited ('the Transferor Company 1' or 'RAL') and Scissors Engineering Products Limited ('the Transferor Company 2' or 'SEPL') and their respective Shareholders ("Scheme") has been placed before the Audit Committee by the management for it to consider recommending the said draft Scheme to the Board of Directors.

1.2 The Scheme inter-alia provides for :

- The amalgamation of the Transferor Company 1 and the Transferor Company 2 with the Company;
- Demerger of the Lifestyle Business Undertaking of the Company into the Proposed Resulting Company on a going concern basis; and
- Cancellation and reduction of existing share capital of Proposed Resulting Company;

The Equity shares of the Company are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"). The Company will be filing the Scheme along with necessary information / documents with both the mentioned exchanges.

1.3 The report of Audit Committee is made in order to comply with the requirements of the SEBI circular No CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 after considering the following:

a) Draft Scheme, duly initialed by Company Secretary of the Company for the purpose of identification;

b) Valuation report dated November 07, 2019 issued by M/s SSPA & Co., Chartered Accountants;

RAYMOND LTD.

REGISTERED OFFICE
Plot No. 156/H No. 2, Village Zadgaon,
Ratnagiri - 415 612, Maharashtra
Tel: (02352) 232514
Fax: (02352) 232513

c) Valuation Report dated November 07, 2019 of R V Shah & Associates, Chartered Accountants (Registered Valuers).

d) Fairness Opinion Report dated November 07, 2019 issued by M/s. Pantomath Capital Advisors Private Limited, Category I Merchant Banker providing the fairness opinion on the share entitlement recommended in the valuation report prepared by M/s SSPA & Co., Chartered Accountants;

e) A certificate, in draft, dated November 07, 2019 obtained from the Statutory Auditors of the Company i.e. M/s. Walker Chandiok & Co. LLP, Chartered Accountants to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013; and

f) a draft undertaking dated November 07, 2019 issued by the Statutory Auditors of the Company i.e., M/s Walker Chandiok & Co. LLP, Chartered Accountants, clearly stating the reasons for non-applicability of Sub Para 9(a) of Annexure I of the SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017.

2. Rationale for the Scheme

2.1 The Demerged Company, through itself and its subsidiaries is primarily engaged in the business of branded textiles, branded apparels, garmenting as well as B2C shirting and B2B textile sale, MTM and textile manufacturing ('the Lifestyle business'). Along with its textile segment, the Demerged Company through itself, its subsidiaries and associates / joint ventures is also engaged in a diversified profile including businesses such as real estate, aviation, FMCG, auto components tools and hardware and denim manufacturing etc. ('the Non-Lifestyle business').

2.2 The Lifestyle business and Non-Lifestyle business have different market segments, industry specific risks, business cycles and individually, have a significant potential for growth, profitability and the ability to attract different types of investors. Owing to the diversified business involvement, it has become imperative for the Demerged Company to reorganize itself so as to enable greater management focus on Lifestyle business as well as Non-Lifestyle business.

2.3 In order to simplify the overall group structure and create efficiencies, the Scheme proposes amalgamation of Transferor Company 1 and Transferor Company 2 with the Transferee Company.

2.4 Post the merger, in order to create flexibility and investor focus it is proposed by the management of the Demerged Company to segregate the Lifestyle business from the Non-Lifestyle business. Hence, the Scheme proposes a demerger of the Lifestyle business carried out by the Demerged Company and its subsidiaries into Resulting Company.

2.5 The proposed restructuring would have the following benefits:

- Segregation of the Lifestyle business from the Non-Lifestyle business to position the Lifestyle business likened to peers;
- Independent existence of self-sustaining pure play businesses;
- Create enhanced value for the shareholders of the Demerged Company;
- Enable the Demerged Company and the Resulting Company to each have focused strategy and specialization for sustained growth and profitability as well as the ability to attract investors and have better access to capital;

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- Clear strategic roadmap towards improved performance outlook and increased investor confidence;
- Enable specialization and operational efficiencies for the individual businesses for their sustained growth; and
- Simplification of overall group structure and creating efficiencies through amalgamation.

3. **<u>Proposed Draft Scheme</u>**

3.1 The Audit Committee noted that since the Transferor Company 1 and the Transferor Company 2 are wholly owned subsidiaries of the Company, no shares shall be issued by the Company to the shareholders of Transferor Company 1 and the Transferor Company 2 pursuant to the Amalgamation of Transferor Company 1 and the Transferor Company 2 with the Company as part of the Scheme becoming effective.

3.2 The Audit Committee reviewed the valuation report and noted the report and recommended the following:
In consideration for the demerger of Lifestyle Business Undertaking of the Company into the Proposed Resulting Company in terms of the Scheme and based on valuation report issued by M/s SSPA & Co., Chartered Accountants and fairness opinion provided by M/s Pantomath Capital Advisors Private Limited, Category I Merchant Banker, the Proposed Resulting Company will issue and allot an aggregate of:

"[1] fully paid up equity share of INR 10 (Indian Rupees Ten) each of the Proposed Resulting Company for every [1] equity share of INR 10 (Indian Rupees Ten) each held in the Company as on the Record Date, as defined in the Draft Scheme, in the proportion of their holding in the Company.

and

[1] fully paid up equity share of INR 10 (Indian Rupees Ten) each of the Proposed Resulting Company for every [1] 0.01%Compulsorily Convertible Preference Share ('CCPS') of INR 10 (Indian Rupees Ten) each held in the Company as on the Record Date, as defined in the Draft Scheme, in the proportion of their holding in the Company."

3.3 Further, the Fairness Opinion confirmed that the share entitlement in the valuation report is fair to the Company and their respective shareholders.

3.4 Further, M/s. Walker Chandiok & Co. LLP, Chartered Accountants, Statutory Auditors of the Company have confirmed that the accounting treatment as specified in the Scheme are in accordance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013.

3.5 Further, M/s. Walker Chandiok & Co. LLP, Chartered Accountants, Statutory Auditors of the Company have given a draft undertaking clearly stating the reasons for non-applicability of Para 9(a) of Annexure I of the SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017.

3.6 The proposed Appointed Date of the Scheme will be April 01, 2020.

3.7 The equity shares of Proposed Resulting Company to be issued and allotted to the equity shareholders of the Demerged Company pursuant to the Scheme shall be listed on BSE Limited and National Stock Exchange of India Limited (subject to trading permission being granted by the stock exchanges).

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4. Recommendations of the Audit Committee

4.1 The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme, Valuation report, Fairness Opinion Report, Certificate and confirmation and undertaking from Statutory Auditors and the specific points mentioned above, recommends the draft Scheme for favorable consideration by the Board of Directors of the Company, the BSE, the NSE and Securities Exchange Board of India.

By Order of the Audit Committee

For and on behalf of
RAYMOND LIMITED

RAYMOND LTD.

Chairman
~~Chairperson~~ of the Audit Committee
Date: November 07, 2019
Place: Mumbai