ANNEXURE IV (4)

SURAT TEXTILE MILLS LIMITED

REPORT OF THE AUDIT COMMITTEE OF SURAT TEXTILE MILLS LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN VARELI TRADING COMPANY LIMITED (AMALGAMATING COMPANY),SURAT TEXTILE MILLS LIMITED (AMALGMATED COMPANY) AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Present

Ms. Kruti Kothari	Chairperson
Mr. Harishchandra Bharucha	Member
Mr. Yogesh C. Papaiya	Member
Mr. Ketan A. Jariwala	Member

In attendance

Smt. Hanisha Arora	Company Secretary

1. Background:

(a) A meeting of the Audit Committee of Surat Textile Mills Limited ('**Company**') was held on 10th September, 2019 to consider and recommend the proposed Scheme of Arrangement ('**Scheme**') between Vareli Trading Company Limited (**VTCL**) and the Company in accordance with the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act 2013 read with relevant rules framed thereunder involving;

i. The amalgamation of VTCL with the Company, and dissolution of VTCL without winding up and consequent issuance of equity shares of the Company to the shareholders of VTCL in accordance with the Scheme.

ii. Various other matters incidental, consequential or otherwise integrally connected therewith,

(b) The Securities and Exchange Board of India vide its Circular no. CFD/DIL3/CIR/2017/21 datedMarch 10, 2017 ('**Circular**') has, amongst other requirements, sought a report from the AuditCommittee of the listed company, recommending the draft Scheme, after taking into consideration, inter alia, Valuer's Report on Share Exchange/Entitlement Ratio and the Fairness Opinion. Thisreport of the Audit Committee is made in order to comply with the requirement of the SEBI Scheme Circular.

(c) In this regard, the audit committee considered, inter alia, the following:

a. The Draft Scheme, duly initialed by the Chairperson of the Audit Committee for the purposeof identification:

b. Valuer's Report on Share Exchange/Entitlement Ratio dated 20th August, 2019 as obtained from Snehal Shah & Associates, Chartered Accountants ('Valuer's Report') for the purpose of determining the share exchange ratio ('**Valuation Report**'), with the report recommended;

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SURAT TEXTILE MILLS LIMITED

521 equity shares of the Company of Rs.1 each fully paid up for every 1 equity share of VTCL of Rs.10 each fully paid up

c. Fairness Opinion dated 20th August, 2019 issued by from Kunvarji Finstock Pvt. Ltd. Registered Merchant Banker, on the equity shares to be issued by the Company to the shareholders of VTCL pursuant to the Scheme ('**Fairness Opinion**').

2. Salient feature of the Draft Scheme:

The Audit Committee considered and observed the following in relation to the Scheme:

a. The draft scheme provides for the amalgamation of VTCL with the Company and the consequent dissolution of VTCL without winding up, pursuant to thereto.

b. The Appointed Date shall be 1st April, 2019 or such other date as the National Company Law Tribunal at Ahmedabad may direct.

c. All assets and liabilities of VTCL shall be incorporated in the Company's accounts pursuant to the amalgamation, in the manner specified under the draft Scheme.

d. On the amalgamation of VTCL with the Company, all the investments (including 7,75,80,026 number of equity shares of the Company), being held by VTCL, shall be cancelled off by operation of law and the same shall amount to Reduction of Share Capital of the Company to that extent.

   Upon the Scheme being effective, in consideration of the amalgamation of and vesting of VTCL in the Company and in terms of the scheme, the Company shall, without any further application act, instrument or deed, issue and allot to the equity shareholders of VTCL, equity shares of face value Rs.1 each credited as fully paid up of the Company in the ratio of 521 equity shares of the face value of Rs.1 each of the Company for every 1 equity share of Rs.10 of VTCL credited as fully paid up held on the Record Date by such equity shareholders in VTCL (the 'New Equity Shares')

   Considering the issue of new equity shares, there will not be any net reduction in the Issued, Subscribed and Paid up Share Capital of the Company, the Transferee Company.

e. Rationale for Scheme:

   The scheme is envisaged to provide following benefits:
   i. The amalgamation will help in elimination of the investment layer in the shareholding pattern of the Transferee Company
   ii. It will be helpful to achieve the benefits of the synergy of large scale operations.
   iii. This amalgamation will improve the financial strength of the combined entity.

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SURAT TEXTILE MILLS LIMITED

After consideration of the Draft Scheme the members of the Audit Committee are of the opinion that the implementation of the proposed Scheme of Arrangement between VTCL and the Company is in the best interest of the Company and its shareholders, creditors and the stakeholders.

3. Recommendation of the Audit Committee:

The Audit Committee, having considered the aforementioned documents as placed before the Committee including the Valuation Report and the Fairness Opinion, does hereby recommend the draft Scheme for favourable consideration by the Board of Directors of the Company, BSE Limited and the Securities and Exchange Board of India and other appropriate authorities.

By order of the Audit Committee.
For and on behalf of Surat Textile Mills Limited

Kruti Kothari
Kruti Kothari
Chairperson of the Audit Committee

SURAT TEXTILE MILLS LTD. SURAT

Date: 10th September, 2019
Place: Surat

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