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APM INDUSTRIES LIMITED

910, Chiranjiv Tower, 43, Nehru Place, New Delhi-110019
Phone : (011) 26441015-17 Fax : (011) 26441018
E-mail : delhi@apmindustries.co.in
CIN No. : **L21015RJ1973PLC015819**
Website : www.apmindustries.co.in

REPORT OF THE AUDIT COMMITTEE OF APM INDUSTRIES LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT AMONG APM INDUSTRIES LIMITED ('AIL') AND APM FINVEST LIMITED ('AFL') AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS, AT ITS MEETING HELD ON JANUARY 11, 2018

MEMBERS PRESENT:

Shri K R Gupta	:	**Chairman**
Shri R R Bagri	:	**Member**
Shri S G Rajgarhia	:	**Member**

PERMANENT INVITEE:

Shri H R Sharma	:	**Managing Director**

IN ATTENDANCE:

Miss Jyoti Upadhyay	:	**Company Secretary**

Background

a. A meeting of the Audit Committee of APM Industries Limited ('the Company') was held on **January 11, 2018** inter alia to give its recommendation to the Board of Directors on the proposed Scheme of Arrangement ("the Scheme")for Demergerof Finance and Investment Undertaking ("Demerged Undertaking") of the Company and subsequent amalgamation with its wholly owned subsidiary, APM Finvest Limited ("Resulting Company") in accordance with the provisions of Sections 230 to 232 of the Companies Act, 2013 ("Act") and other applicable provisions of the Act.

b. The Securities and Exchange Board of India ("SEBI") vide its ***Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017*** ('Circular') has, amongst other requirements, sought a Report from the Audit Committee of the Listed Companies recommending the Draft Scheme of Arrangement under Section 230 - 232 of the Companies Act, 2013, after taking into consideration, inter-alia, the Share Entitlement Ratiofrom a Chartered Accountant.

c. In light of above circular of SEBI, the Audit Committee at its meeting held on January 11, 2018, examined the following documents –

   i. *Draft Scheme of Arrangement.*

   ii. *Share Entitlement Ratio Report issued by of M/s Bansal Abihnav & Co., Chartered Accountants dated January 8th, 2018.*

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iii. *Fairness Opinion on share entitlement ratio on the scheme dated January 9th, 2018issued by M/s. Finshore Management Services Limited, a SEBI Registered (Category 1) Merchant Banker.*

iv. *Draft Certificate of Net Worth of the Company dated January 11, 2018 issued by M/s Chaturvedi & Partners, Chartered Accountants, Statutory Auditors of the Company.*

v. *Draft Certificate from M/s Chaturvedi & Partners, Chartered Accountants, Statutory Auditors of the Company confirming the accounting treatment mentioned in the scheme is in compliance with the applicable accounting standards notified under the Companies Act, 2013 and other generally accepted accounting principles.*

Accordingly, the members of the Committee noted the following:

1. Brief about the Companies

1.1. **APM Industries Limited,** bearing CIN L21015RJ1973PLC015819 was originally incorporated as "Ajay Paper Mills Private Limited" on 21st September, 1973 in accordance with the provisions of the Companies Act, 1956. The Company, thereafter, got converted into a public limited company on 15thdecember, 1976 and consequently the name was changed to "Ajay Paper Mills Limited". The name of the Company was again changed to its present name "APM Industries Limited" on 19th April, 1990.The registered office of the Company is situated at SP-147, RIICO Industrial Area, Bhiwadi, Rajasthan - 301019.

The Company is a widely held listed company having its equity shares listed at 'BSE Limited' (BSE). The Company is currently engaged in two distinct and diverse business activities through the following undertakings, namely –

a) Yarn manufacturing undertaking - manufacturing of synthetic blended (polyester, viscose & acrylic) yarn. Yarn manufacturing business undertaking here in after may also be referred as the Core Business of the Company.

b) Finance and Investment Undertaking – Finance and Investment business includes investment in shares and other securities of companies and granting of loans and advances.

1.2. **APM Finvest Limited,** bearing CIN U65990RJ2016PLC054921 was incorporated as such on 13th May, 2016 in accordance with the provisions of the Companies Act, 2013. The registered office of the Resulting Company is situated at SP-147, RIICO Industrial Area, Bhiwadi, Rajasthan - 301019. The Company is wholly owned subsidiary of APM Industries Limited (the "Company").

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The Company is registered with Reserve Bank of India (RBI) as non-deposit accepting non-banking financial company.

2. **Proposed Scheme of Arrangement**

The Scheme inter alia provides for –

2.1. demerger of Finance & Investment Undertaking of the Demerged Company into its wholly owned subsidiary, APM Finvest Limited, on a going concern basis, and

2.2. issuance of equity shares by the Resulting Company to the shareholders of APM Industries Limited in the ratio as provided in clause 1 of Part C of the scheme, as per the terms and conditions more fully set forth in the draft scheme of arrangement. The shares issued and allotted by Resulting Company shall be listed at BSE Limited (BSE), the Stock Exchange, where the shares of Demerged Company are presently listed.

2.3. cancellation of shares held by the Company in the Resulting Company. Accordingly post demerger there would be mirror image proportionate shareholding of Demerged Company and Resulting Company i.e. economic interest of shareholders shall remain intact and in the same ratio.

3. Presently each of the business activities (as stated above) being carried out by the Company is distinct and diverse in its business characteristics. Also, both the businesses are entirely unrelated and at different stages of maturity with different risk and return profiles and capital and operational requirements. Accordingly, the proposed demerger would open avenues for resizing and inorganic growth opportunities for the businesses provide multiple listing avenues, along with creating opportunity for shareholders to participate in business of choice and reposition the businesses in their respective market segments, thereby creating opportunities for value creation for the respective stakeholders.

4. The Audit Committee reviewed the Share Entitlement Ratio issued by Bansal Abhinav & Co., Chartered Accountants and noted that in consideration of demerger of finance and investment undertaking, the Resulting Company shall issue its equity shares to the equity shareholders of the Company in the following ratio:

"for every 1 (one) equity share of face value of Rs. 2/- (Rupees two only) each held in APM Industries Limited as on the record date, the equity shareholders of APM Industries Limited shall be issued 1 (one) equity share of face value Rs. 2/- (Rupees two only) each credited as fully paid-up in APM Finvest Limited"

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5. The Appointed Date for the scheme of arrangement will be April 1, 2018 or such other date as may be decided by the Board of the Demerged Company and the Resulting Company with the consent or as per the direction by the Tribunal.

6. The Scheme is in compliance with provisions of Section 2 (19AA) and other applicable provisions of the Income Tax Act, 1961

Recommendations of the Audit Committee

After consideration, the members of the Audit Committee unanimously took note of the "Share Entitlement Ratio issued by Bansal Abhinav & Co., Chartered Accountants" and formed an opinion that the implementation of the proposed Scheme is in the best interest of the Company and its shareholders, creditors and other stakeholders. The Committee recommends the draft Scheme for favourable consideration by the Board of Directors, Stock Exchange(s) and SEBI.

By order of Audit Committee
For and on behalf ofAPM Industries Limited

APM Industries Limited New Delhi

K.R. Gupta
Chairman, Audit Committee

Date: January 11, 2018
Place: New Delhi