Report of the Audit Committee of Manugraph India Limited (MIL) on Merger by Absorption of Constrad Agencies (Bombay) Private Limited (CABPL) and Manu Enterprises Limited (MEL) and Santsu Finance and Investment Private Limited (SFIPL) with the Company

Composition of the Audit Committee:

Mr. Hiten C. Timbadia	:	Chairman & Independent Director
Mr. Perses M. Bilimoria	:	Independent Director
Mr. Abhay J. Mehrotra	:	Independent Director

In attendance

Mr. Hiten C. Timbadia	:	Chairman & Independent Director
Mr. Perses M. Bilimoria	:	Independent Director
Mr. Abhay J. Mehrotra	:	Independent Director
Mr. Suresh Narayan	:	Chief Financial Officer
Mr. Mihir V. Mehta	:	Company Secretary

1. **Background:**

(i) A Meeting of Audit committee was held on May 8, 2018 to consider and recommend to the Board the proposed scheme of Merger by Absorption of Constrad Agencies (Bombay) Private Limited (First Transferor Company) and Manu Enterprises Limited (Second Transferor Company) and Santsu Finance and Investment Private Limited (Third Transferor Company) with Manugraph India Limited (Transferee Company) under section 230 to 232 of Companies Act, 2013 and other Applicable provisions of said act.

(ii) This report of Audit Committee is for compliance with the requirements of Circular CFD/DL3/CIR/2017/21 dated March 10, 2017 issued by Securities and Exchange Board of India ("SEBI Circular").

2. Documents placed before Audit Committee

The following documents were placed before the Audit Committee:

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

(b) Valuation report dated 07th May, 2018 issued by M/s. SSPA & Co., Chartered Accountants describing the methodology adopted by them in arriving at share exchange ratio between (a) Manu Enterprises Limited (Second Transferor Company) and Manugraph India Limited (Transferee Company); (b) Santsu Finance and Investment Private Limited (Third Transferor Company) and Manugraph India Limited (Transferee Company).

(c) Fairness Opinion dated May 7, 2018 issued by M/s. Fortress Capital Management Services Pvt. Ltd., the Merchant Banker on Valuation Report.

(d) Draft Certificate issued by M/s. Natvarlal Vepari & Co., Chartered Accountants, the statutory auditors of the Company confirming that the accounting treatment in the scheme is in accordance with applicable Indian Accounting Standards under Companies Act 2013, and other Accounting principles generally accepted in India.

3. Proposed Scheme

(i) The Audit Committee noted the background and rationale for the proposed scheme, which are, *inter alia,* as follows:

- Consolidation of subsidiary of MIL thereby resulting in reduction of number of entities in the Group, direct ownership of assets of the subsidiary and optimization of administrative costs;
- Consolidation and reorganization of the promoter holding in MIL thereby simplifying shareholding structure;
- Long term stability and transparency in the holding structure of MIL; and
- Demonstrate the promoter's group direct commitment to and engagement with MIL.

(ii) The management proposes to achieve the above pursuant to the draft scheme under Section 230 to 232 and all other provisions of the Companies Act, 2013, in the manner set out therein.

4. <u>The key highlights of Draft Scheme, inter alia, are as under:</u>

(a) Pursuant to the draft scheme of arrangement:

- CABPL, MEL and SFIPL would be Amalgamated with MIL;
- The existing shares of MIL held by MEL and SFIPL shall be cancelled and fresh shares of MIL shall be issued to the shareholders of MEL and SFIPL as an integral part of the scheme;
- CABPL is a wholly owned subsidiary company and accordingly no consideration shall be payable pursuant to the merger and the equity shares held by MIL in CABPL shall stand cancelled.

(b) On the Scheme becoming effective, all employees of CABPL and MEL and SFIPL shall become the employees of MIL respectively without any break in service on same terms and conditions on which they were engaged.

(c) All legal proceedings of whatsoever nature by or against CABPL and MEL and SFIPL pending and/or arising before the Effective Date shall not abate or be discontinued or be in any way prejudicially affected by reason of the Scheme or by anything contained in this Scheme but shall be continued and enforced by or against MIL, as the case may be, in the same manner and to the same extent as would or might have been continued and enforced by or against CABPL and MEL and SFIPL.

(d) Subject to the other provisions of this Scheme, all contracts, deeds, bonds, insurance, letters of intent, undertakings, arrangements, policies, agreements (including shareholders agreements and investor agreements) and other instruments, if any, of whatsoever nature pertaining to CABPL and MEL and SFIPL, to which CABPL and MEL and SFIPL is a party and subsisting or having effect on the Effective Date, shall be in full force and effect against or in favor of MIL, as the case may be, and may be enforced by or against MIL as fully and effectually as if, instead of CABPL and MEL and SFIPL.

(e) The Scheme is and shall be conditional upon and subject to the approvals and/or sanctions laid down therein.

(f) The proposed scheme shall not cause any prejudice to the creditors of the Company.

5. <u>Recommendations of the Audit Committee</u>

The Audit Committee has considered and noted the aforementioned documents and the draft scheme, and recommends the draft Scheme of Merger by Absorption to the Board of Directors of the Company for their consideration and approval, inter-alia, taking into

consideration the benefits of the scheme and fairness opinion report dated May 7, 2018 2018 issued by M/s. Fortress Capital Management Services Pvt. Ltd., the Merchant Banker.

Date: 8th May 2018

Place Mumbai

CHAIRMAN