REPORT OF THE AUDIT COMMITTEE OF AARNAV FASHIONS LIMITED ('COMPANY' OR 'AFL') RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT PROVIDING FOR AMALGAMATION OF GOPI SYNTHETICS PRIVATE LIMITED, AARNAV SYNTHETICS PRIVATE LIMITED, AARNAV TEXTILE MILLS PRIVATE LIMITED, SYMBOLIC FINANCE AND INVESTMENT PRIVATE LIMITED, ANKUSH MOTOR AND GENERAL FINANCE COMPANY PRIVATE LIMITED (TOGETHER "TRANSFEROR COMPANIES") WITH AARNAV FASHIONS LIMITED ("TRANSFEREE COMPANY") ADOPTED AT THE MEETING HELD ON JANUARY 23, 2021 AT 03: 30 P.M. AT THE REGISTERED OFFICE OF THE COMPANY

PRESENT

Mr. Kuldeep Shah	Chairperson
Mr. Sourabh Patawari	Member
Mr. Madhur Murari Todi	Member

In Attendance

Radhakishan Lekhram Sharma	Chief Financial Officer
Nidhi Sanjaykumar Aggrawal	Company Secretary & Compliance Officer

1. Background

1.1 A meeting of Audit Committee of Aarnav Fashions Limited ("**Company**") was held on January 23, 2021 to consider and recommend to the Board of Directors, draft scheme of arrangement providing for amalgamation of Gopi Synthetics Private Limited ("**Transferor Company No. 1**"), Aarnav Synthetics Private Limited ("**Transferor Company No. 2**"), Aarnav Textile Mills Private Limited ("**Transferor Company No. 3**"), Symbolic Finance and Investment Private Limited ("**Transferor Company No. 4**") and Ankush Motor and General Finance Company Private Limited ("**Transferor Company No. 5**") (collectively referred as "**Transferor Companies**") with the Company, i.e., Aarnav Fashions Limited ("**AFL**" / "**Transferee Company**") (hereinafter referred to as "**Scheme**") in accordance with Section 230 to 232 and other applicable provisions of the Companies Act, 2013 as amended and rules framed thereunder and in compliance with the provisions of the Income Tax Act, 1961 with effect from the Appointed Date i.e. October 1, 2020.

1.2 The equity shares of the Company are listed on BSE Limited ("**BSE**"). The Company will be filing the Scheme along with necessary information / documents with BSE.

1.3 The Committee noted that as per SEBI Circular - CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended ("**SEBI Circular**"), the Audit Committee of a listed company is required to recommend to the Board of Directors the draft scheme taking into account, *inter alia*, the Valuation Report and Fairness Opinion and also comment on the matters specified in said SEBI Circular. Accordingly, this report of Audit Committee is made in order to comply with the requirements of the SEBI Circular.

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1.4 The following documents were placed before the Audit Committee:

a. Draft Scheme of Arrangement duly initialed by the Company Secretary of the Company for the purpose of identification;

b. Valuation Report dated January 23, 2021 issued by CA Hitendra Ranka, Registered Valuer (**"Registered Valuer"**) describing the methodology adopted by him in arriving at and recommending the Share Exchange Ratios (" **Valuation Report**");

c. Fairness Opinion dated January 23, 2021 issued by Vivro Financial Services Private Limited, Category I Merchant Banker providing the Fairness Opinion on the Share Exchange Ratio recommended by the Registered Valuer ("**Fairness Opinion**");

d. Draft of the Certificate to be issued by the Statutory Auditors of the Company i.e. M/s. Nahta Jain & Associates, Chartered Accountants, confirming that the accounting treatment contained in the draft Scheme is in compliance with Accounting Standards as notified under Section 133 of the Companies Act, 2013 read with the Rules framed thereunder and other generally accepted accounting principles;

e. Audited financial statements of the Transferor Companies and the Transferee Company for the preceding three financial years; and

f. Interim audited financials of the Transferor Companies for the half year ended September 30, 2020 and limited reviewed unaudited financials of the Transferee Company for the half year ended September 30, 2020.

2. Proposed Scheme of Amalgamation and its impact:

2.1 Salient Features:

The Audit Committee reviewed the draft Scheme and noted the following salient features of the Scheme:

a) The Scheme provides for amalgamation of Gopi Synthetics Private Limited ("**Transferor Company No. 1**"), Aarnav Synthetics Private Limited ("**Transferor Company No. 2**"), Aarnav Textile Mills Private Limited ("**Transferor Company No. 3**"), Symbolic Finance and Investment Private Limited ("**Transferor Company No. 4**") and Ankush Motor and General Finance Company Private Limited ("**Transferor Company No. 5**") (collectively referred as "**Transferor Companies**") with our Company, i.e., Aarnav Fashions Limited ("**AFL**" / "**Transferee Company**") (hereinafter referred to as "**Scheme**") in accordance with Section 230 to 232 and other applicable provisions of the Companies Act, 2013 as amended and rules framed thereunder and in compliance with the provisions of the Income Tax Act, 1961;

b) The Scheme shall be effective from the Appointed Date (i.e., October 1, 2020) but shall be operative from the Effective Date (*as defined in the Scheme*).

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Transferor Companies shall stand transferred to and vested in the Transferee Company on a going concern basis;

d) Upon the Scheme becoming effective, the Transferee Company shall issue and allot its fully paid up equity shares ("**New Shares**") to the respective shareholders of the Transferor Companies in following ratio:

Sr. No.	Share Exchange Ratio	Share Exchange Ratio for shareholders of	Description
1	56:100	GSPL	56 (Fifty Six) Equity Shares of Rs.10/- each fully paid up of AFL for every 100 (Hundred) Type A Equity Shares of Rs.10/- each fully paid up of GSPL and for every 100 (Hundred) Type B Equity Shares of Rs.10/- each fully paid up of GSPL.
2	58:100	ASPL	58 (Fifty Eight) Equity Shares of Rs.10/- each fully paid up of AFL for every 100 (Hundred) Equity Shares of Rs.10/- each fully paid up of ASPL.
3	136:100	ATMPL	136 (One Hundred and Thirty Six) Equity Shares of Rs.10/- each fully paid up of AFL for every 100 (Hundred) Type A Equity Shares of Rs.10/- each fully paid up of ATMPL and for every 100 (Hundred) Type B Equity Shares of Rs.10/- each fully paid up of ATMPL.
4	363:100	SFIPL	363 (Three Hundred and Sixty Three) Equity Shares of Rs.10/- each fully paid up of AFL for every 100 (Hundred) Equity Shares of Rs.10/- each fully paid up of SFIPL.
5	3,834:100	AMGFCPL	3,834 (Three Thousand Eight Hundred and Thirty Four) Equity Shares of Rs.10/- each fully paid up of AFL for every 100 (Hundred) Equity Shares of Rs.10/- each fully paid up of AMGFCPL.

e) The New Shares to be issued and allotted by the Transferee Company to the shareholders of Transferor Companies pursuant to the Scheme shall be listed and admitted for trading on BSE in terms of the Scheme.

2.2 Need for the amalgamation and Rationale for the Scheme

The Audited Committee noted that the amalgamation pursuant to the Scheme is proposed by the Board of Directors of the Transferor Companies and the Transferee Company with following objectives and rationale:

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(i) Consolidation of Business Operations into a listed entity

The Transferor Companies and the Transferee Company are engaged in the similar business operations (i.e., Textile) and accordingly, the amalgamation of the Transferor Companies with Aarnav Fashions Limited, the Transferee Company, a listed company will enable significant consolidation of the business operations of all the companies into a single entity which will create a stronger listed company with larger capital and assets base resulting in availability of larger resources, improved credit rating, enhanced visibility and availability of finances on favourable terms.

(ii) Rationalization of Group Corporate Structure

The Transferor Companies and the Transferee Company are part of the same group and are having common promoters and accordingly, the amalgamation of the Transferor Companies into the Transferee Company pursuant to the Scheme would result in streamlining the group corporate structure. The amalgamation will further enable to reduce the number of entities within the group that require to be administered and also help realize operational synergies which would also result in simplification of structure and operations.

2.3 Synergies of business of the entities involved in the scheme

As noted above in the Rationale for the Scheme, the amalgamation of the Transferor Companies with the Transferee Company will lead to creation of a stronger listed company with larger capital and assets base resulting in availability of larger resources, improved credit rating, enhanced visibility and availability of finances on favourable terms and the rationalized group structure will help realize administrative and operational synergies.

2.4 Cost Benefits Analysis of the Scheme

The Audited Committee noted that the amalgamation of the Transferor Companies with the Transferee Company would, *inter alia*, provide the following benefits:

a. Stronger base and infrastructure for future growth, benefits of scale, translating into increased business opportunities and reduced expenses;
b. Simplification of management structure, elimination of duplication and multiplicity of compliance requirements, rationalization of administrative expenses, better administration and cost reduction (including reduction in administrative and other common costs);
c. Improved capital allocation, optimum utilization of resources and operational efficiency resulting into greater integration and greater financial strength and flexibility for the Transferee Company;
d. Improved organizational capability and leadership, arising from combination of human capital who collectively have diverse skills, talent and vast experience to compete successfully;
e. Elimination of inter-company holdings and layering of investments and business operations; and
f. Enhanced value for all stakeholders including shareholders, lenders, customers and employees.

The Scheme involves certain costs such as transaction cost, implementation cost, regulatory fees, stamp duty etc. However, the benefits of the Scheme over a longer period would outweigh such costs for all stakeholders of the Transferee Company.

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2.5 Impact of the Scheme on the shareholders

The Audit Committee noted that pursuant to the Scheme, the entire business and Undertakings (*as defined in the Scheme*) of the Transferor Companies shall vest in the Transferee Company and accordingly, the shareholders of the Transferee Company will have share in return of larger business operations and asset base of the Transferee Company.

Considering the overall rationale and benefits of the Scheme, the Audit Committee is of the opinion that the Scheme is in the best interest of all stakeholders including the shareholders of the Transferee Company and no shareholder is expected to have disproportionate advantage or disadvantage in any manner.

2.6 The Audit Committee reviewed the Valuation Report, concurred with the valuation methodologies adopted by the Registered Valuer and noted that Valuation Report recommended the following share exchange ratios for the Scheme:

Sr. No.	Share Exchange Ratio	Share Exchange Ratio for shareholders of	Description
1	56:100	GSPL	56 (Fifty Six) Equity Shares of Rs.10/- each fully paid up of AFL for every 100 (Hundred) Type A Equity Shares of Rs.10/- each fully paid up of GSPL and for every 100 (Hundred) Type B Equity Shares of Rs.10/- each fully paid up of GSPL.
2	58:100	ASPL	58 (Fifty Eight) Equity Shares of Rs.10/- each fully paid up of AFL for every 100 (Hundred) Equity Shares of Rs.10/- each fully paid up of ASPL.
3	136:100	ATMPL	136 (One Hundred and Thirty Six) Equity Shares of Rs.10/- each fully paid up of AFL for every 100 (Hundred) Type A Equity Shares of Rs.10/- each fully paid up of ATMPL and for every 100 (Hundred) Type B Equity Shares of Rs.10/- each fully paid up of ATMPL.
4	363:100	SFIPL	363 (Three Hundred and Sixty Three) Equity Shares of Rs.10/- each fully paid up of AFL for every 100 (Hundred) Equity Shares of Rs.10/- each fully paid up of SFIPL.
5	3,834:100	AMGFCPL	3,834 (Three Thousand Eight Hundred and Thirty Four) Equity Shares of Rs.10/- each fully paid up of AFL for every 100 (Hundred) Equity Shares of Rs.10/- each fully paid up of AMGFCPL.

2.7 The Audit Committee also noted that the Fairness Opinion confirms that the Share Exchange Ratio recommended in the Valuation Report is fair to the Transferor Companies, Transferee Company and their respective shareholders;

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2.8 The Audit Committee also noted the statutory auditors of the Company have confirmed that the accounting treatment contained in the draft Scheme is in compliance with Accounting Standards as notified under Section 133 of the Companies Act, 2013 read with the Rules framed thereunder and other generally accepted accounting principles.

3. Recommendation of the Audit Committee

Having considered the draft Scheme and its rationale and benefits, Valuation Report, Fairness Opinion, other documents as placed and impact of the Scheme on all stakeholders, the Audit Committee hereby unanimously recommends the Draft Scheme to the Board of Directors of the Company, BSE Limited, Securities and Exchange Board of India ("SEBI"), the shareholders and creditors of the Company and all other appropriate authorities for their favourable consideration and approval.

By the order of the Audit Committee
For and on behalf of the Audit Committee of Aarnav Fashions Limited

Kuldeep Shah
Chairman - Audit Committee
DIN: 08365637

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Place: Ahmedabad

Date: January 23, 2021