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REPORT OF THE AUDIT COMMITTEE OF RESPONSIVE INDUSTRIES LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION

This report of the Audit Committee is issued in terms of SEBI circular no. (CFD/DIL3/CIR/2017/21) dated March 10, 2017 and any amendments thereof or modifications issued (including the circular being SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated 22 December 2020) ("the SEBI circular") as amended from time to time. The requirements of the said SEBI circular, *inter alia* make it mandatory for the Audit Committee to recommend the draft Scheme of Amalgamation.

A meeting of the Audit Committee of Responsive Industries Limited ("the Transferee Company" or "the Company") was held on Friday, July 02, 2021, *inter alia*, to consider and recommend the draft Scheme of Amalgamation between Axiom Cordages Limited ("the Transferor Company" or "Axiom") with the Company.

The aforesaid Audit Committee meeting was attended by the following Committee members:

Sr. No.	Name of the members	Designation	Status
1.	Manish Agarwal	Chairman	Non-Executive Independent Director
2.	Mrunal Shetty	Member	Executive Director - CFO
3.	Mita Jha	Member	Non-Executive Independent Director

Ms. Rishika Puri, Company Secretary & Compliance Officer of the Company was also present as the Secretary to the Audit Committee.

Mr. Manish Agarwal, Chairman of the Audit Committee chaired the aforesaid Audit Committee Meeting.

The following documents were considered and reviewed by the Audit Committee:

i) The draft Scheme of Amalgamation ("Scheme"), under Section 230 to 232 and other applicable provisions of the Companies Act, 2013 and Rules made thereunder;

ii) Audited financial statements of the Transferee Company and Transferor Company for the last 3 financial years.

iii) Valuation report from **Rashmi Shah, FCA** Registered Valuer dated July 02, 2021.

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iv) Fairness Opinion Report dated July 02, 2021 issued by **Saffron Capital Advisors Private Limited** SEBI registered Category – I Merchant Banker.

v) Statutory Auditor's Certificate

Salient features of Proposed Scheme:

- Appointed Date for the Scheme would be April 01, 2021;
- Upon the Scheme becoming effective and upon the amalgamation of Axiom with the Company, the shares held by the Company in Axiom as on the record date shall stand cancelled and the shares held by Axiom in the Company shall also stand cancelled and the share capital of the Company shall be reduced to that extent;
- Pursuant to the terms of the Scheme, the Company would allot 100 (One Hundred) fully paid-up Equity shares of the Company of face value of INR 1 each for every 128 (One Hundred and Twenty-Eight) fully paid-up equity shares of face value of INR 10 each held by other shareholders in Axiom;
- The transfer and vesting of the undertakings and business of Axiom in the Company will be effective from Appointed Date.

Need for amalgamation and Rationale of the scheme:

The Transferor Company is a subsidiary of the Transferee Company with common management, practices and is engaged in similar business activities. The Board of Directors of the Transferor Company and the Transferee Company are of the opinion that it shall be advantageous to consolidate the Indian operations and simplify the group structure in order to efficiently and economically manage the Transferee Company and Transferor Company as a single entity.

A consolidation of the Transferor Company and the Transferee Company by way of amalgamation would lead to a more efficient utilization of capital and cashflow, enhanced goodwill, integration of business functions and manpower which would lead to synergies in operation arising from consolidation of various projects and products leading to efficient utilization of resources including benefits arising out of economies of large scale, enhanced bargaining power, enhanced research and development capabilities and lower operating costs.

Consolidation of business in one single entity will provide several benefits including streamlining of structure by reducing the duplicity of administrative functions, multiplicity of legal and regulatory compliances and rationalization of costs.

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Upon amalgamation, the rights and interests of the shareholders or other stakeholders of the Transferee Company shall not be affected and the Scheme shall not be prejudicial to the interest of the shareholders or the stakeholders of the Transferor Company. The shareholders would consolidate their holdings and leverage the share value consequent in higher profitability.

The proposed arrangement will provide greater integration and flexibility to the Transferee Company and strengthen its position in the industry, in terms of assets, base, revenue, product and service range.

The creditors of the Transferor Company will not be affected by the Scheme since the assets of the Transferor and Transferee Companies (taken together) are more than the liabilities of the Transferor and Transferee Companies (taken together). Further even the creditors of the Transferee Company will not be affected by the Scheme since the assets of the Transferor Company are more than the liabilities of the Transferor Company. Further post the amalgamation, the assets of the Transferee Company shall be greater than its liabilities.

The amalgamation shall result in transfer of capital assets from the Transferor Company to the Transferee Company and such transfer shall be tax neutral under the provisions of Income-tax Act, 1961.

The proposed Scheme will be beneficial, advantageous and not prejudicial to the interests of the shareholders, creditors and other stakeholders of both the Companies involved.

Synergy of business of the entities involved in the scheme:

As elaborated in the rationale for scheme of Amalgamation, the Scheme would lead to increase in operational rationalization and better utilization of resources and hence the amalgamation will bring greater synergy in the operations.

Impact of scheme on the shareholders:

It is expected that the proposed consolidation will allow more focused strategy, standardization in operations, operating cost optimization, better monitoring and utilization of assets, which in turn would enhance shareholder's value.

The Audit Committee is of the informed opinion that the proposed scheme is for the best interest of the shareholders and creditors.

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Cost benefit Analysis:

Though the Scheme would lead to incurring of some costs towards implementation of the Scheme, however the benefit of the Scheme over the long term horizon would far outweigh such cost for the stakeholders considering the synergy benefits mentioned above post Amalgamation.

Recommendation:

The Audit Committee, having considered the aforementioned documents as placed before the Committee, rationale of the Scheme, its impact on the shareholders and its cost benefit analysis, the Committee after due deliberation unanimously recommends the draft Scheme for favorable consideration by the Board of Directors of the Company, Stock Exchanges, SEBI and other appropriate authorities.

For and on behalf of the Audit Committee

For **RESPONSIVE INDUSTRIES LIMITED**

Mr. Manish Agarwal

Chairman of the Committee

Date: July 02, 2021

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