

Arvind Limited  
LALBHAI GROUP

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CIN - L17119GJ1931PLC000093

# ARVIND

**REPORT OF THE AUDIT COMMITTEE OF ARVIND LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT AMONGST ARVIND LIMITED AND ARVIND FASHIONS LIMITED AND ANVESHAN HEAVY ENGINEERING LIMITED AND THE ANUP ENGINEERING LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS, AT ITS MEETING HELD ON WEDNESDAY, 8 NOVEMBER 2017 AT 09:00 AM AT MUMBAI.**

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**Members Present:**

Mr. Dileep Chokshi	Chairman
Mr. Nilesh Shah	Member
Mr. Jayesh Shah	Member

**1. Background**

- 1.1. A meeting of the Audit Committee of the Company was held on 8 November 2017 to, *inter-alia*, consider and recommend the draft Composite Scheme of Arrangement amongst Arvind Limited ("**Demerged Company**") and Arvind Fashions Limited ("**Resulting Company 1**") and Anveshan Heavy Engineering Limited ("**Resulting Company 2**" or "**Transferee Company**") and The Anup Engineering Limited ("**Transferor Company**") and their respective Shareholders and Creditors ("**Scheme**") under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 which provides for the demerger and vesting of the Demerged Undertakings (*as defined in the Scheme*) from the Demerged Company to the Resulting Companies (*as defined in the Scheme*) on a going concern basis, amalgamation of the Transferor Company with the Transferee Company and the consequent issue of shares by the Resulting Companies (*as defined in the Scheme*) and the Transferee Company in the manner set out in this Scheme.
- 1.2. This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India ("**SEBI**") (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI circular number CFD/DIL3/CIR/2017/21 dated 10 March 2017 ("**SEBI Circular**").
- 1.3. The following documents were placed before the Audit Committee:
- Draft Scheme, duly initialed by the Chairman of the Company for the purpose of identification;
  - Valuation report dated 8<sup>th</sup> November, 2017 ("**Valuation Report**") issued by Walker Chandiook & Co. LLP, independent Chartered Accountants, describing the methodology adopted by them in arriving at the share entitlement ratio for the aforementioned demergers and amalgamation; and



- (c) Fairness opinion dated 8<sup>th</sup> November, 2017 (“Fairness Opinion”) issued by Vivro Financial Services Pvt. Ltd., a Category-I Merchant Banker providing the Fairness Opinion on the share entitlement ratio as recommended by the Valuation Report.

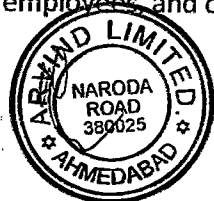
## 2. Draft Scheme of Arrangement

- 2.1. The Audit Committee noted the rationale and the benefits of the Scheme which, *inter alia*, are as follows:

The restructuring proposed pursuant to this Scheme is expected, *inter alia*, to result in following benefits:

- (i) segregation and unbundling of the Branded Apparel business and the Engineering businesses of the Demerged Company into the Resulting Company 1 and Resulting Company 2;
- (ii) unlocking of value for the shareholders of the Demerged Company;
- (iii) emergence of the Demerged Company as a focused textiles company, attracting investors and providing better flexibility in accessing capital, focused strategy and specialisation for sustained growth;
- (iv) creation of listed Branded Apparel company and Engineering company with ability to achieve valuation based on respective risk-return profile and cash flows, attracting the right investors and thus enhancing flexibility in accessing capital;
- (v) enhancing attractiveness of the entities for management teams by enabling ESOPs in each entity with direct correlation of the rewards to their efforts;
- (vi) allowing the management of each of the Resulting Companies to pursue independent growth strategies in different regional and overseas markets;
- (vii) augmenting the infrastructural capability of the Resulting Companies to effectively meet future challenges in their businesses;
- (viii) achieving cost optimisation and specialisation for sustained growth;
- (ix) enhancing operational efficiencies, ensuring synergies through pooling of the financial, managerial, and technical resources, personnel capabilities, skills, expertise and technologies by merging the engineering businesses into Resulting Company 2.

The proposed restructuring is in the interest of the shareholders, creditors, employees, and other stakeholders in each of the companies.



2.2. The salient features of the Scheme are as under:

- The demerger, transfer and vesting of the Branded Apparel Undertaking from the Demerged Company to the Resulting Company 1 and the Engineering Undertaking from the Demerged Company to the Resulting Company 2 on a going concern basis, and the consequent issue of shares by the Resulting Company 1 and Resulting Company 2 in accordance with the provisions of Sections 230 to 232 of the Companies Act, 2013, Rules made thereunder and other applicable provisions of Applicable Law;
- The amalgamation of Transferor Company with Resulting Company 2 or Transferee Company in accordance with the provisions of Sections 230 to 232 of the Companies Act, 2013, Rules made thereunder and other applicable provisions of Applicable Law; and
- The reduction of the share capital of the Resulting Company 1 and Resulting Company 2 or Transferee Company in accordance with Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

2.3. The Audit Committee reviewed the Valuation Report and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the share swap ratio in the Valuation Report is fair to the shareholders of the Company.

3. Recommendation of the Audit Committee

Taking into consideration the draft Scheme & its rationale and benefits, Valuation Report, Fairness Report and other documents, as placed, the Audit Committee recommends the draft Scheme to the Board of Directors of the Company for its favorable consideration and approval.

By Order of the Audit Committee

For and on Behalf of ARVIND LIMITED

  
Chairman, Audit Committee

Place: Mumbai

Date: 8<sup>th</sup> November, 2017

