Annex-"D" (Modified)

32.

ashima LIMITED

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# REPORT OF THE AUDIT COMMITTEE OF ASHIMA LIMITED RECOMMENDING THE MODIFIED SCHEME OF ARRANGEMENT FOR RECONSTRUCTION AND COMPROMISE BETWEEN ASHIMA LIMITED AND ITS EQUITY SHAREHOLDERS, PREFERENCE SHAREHOLDERS AND SECURED CREDITORS

## Members

a) Mr. Bihari B. Shah : Chairman
b) Mr. Atul Kumar Singh : Member

## In Attendance

a) Mr. Hiren Mahadevia : Company Secretary & Group CFO
b) Mr. Jayesh C. Bhayani : Chief Financial Officer

## 1. Background

The Audit Committee of the Company at their meeting held on 15th December, 2014 had considered and recommended the draft Scheme of Arrangement for Reconstruction and Compromise ('Original Scheme') of the Company with its Equity Shareholders, Preference Shareholders and Secured Creditors. The Board of Directors of the Company had thereafter approved the Original scheme and the Company had filed the Original Scheme with Bombay Stock Exchange and National Stock Exchange, along with various other documents and information, pursuant to clause 24(f) of the Listing Agreement and under other applicable rules, regulations and circulars of stock exchanges and Securities and Exchange Board of India ('SEBI').

The Committee took note of the fact that BSE and NSE raised several queries and sought details on several aspects of the Original Scheme, which were provided. The company officials had discussions with a SEBI official on 20.02.2015 with respect to certain matters of the Scheme. The SEBI official was of the view that it would be more appropriate to issue equity shares by way of Rights Issue as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as applicable to Rights Issue for part-funding settlement of debts with the Secured Creditors. Accordingly, the Company has decided to modify the Original Scheme by deleting Part IIIA of the Original Scheme relating to 'Issue of New Equity Shares to the Equity Shareholders of the Company' and also making other changes as may be required.

In addition to the above, based on commercial considerations, it is required to modify Option I of Settlement Options provided to Secured Creditors in the Original Scheme to additionally provide for payment of Shortfall Amount to Secured Creditors in the event and as per details specified in the draft Modified Scheme.

In accordance with the provisions of SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 read with SEBI Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013 (which provides clarifications with



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respect to the aforementioned Circular) ('Circulars'), the draft Modified Scheme of Arrangement for Reconstruction and Compromise ('the Modified Scheme') between Ashima Limited ("the Company" or "Ashima") and its equity shareholders, preference shareholders and secured creditors was placed before the Audit Committee by the Company, to consider and recommend the draft Modified Scheme to the Board of Directors of the Company.

This report is made in order to comply with the requirements of the Circulars after perusing the following necessary documents:

(a) Modified Scheme of Arrangement;

(b) Statutory Auditors Certificate dated March 7, 2015 issued by Dhirubhai Shah & Doshi, statutory auditors of the Company, in relation to the accounting treatment prescribed in the Scheme.

The salient features of the draft Modified Scheme are as under:

a. The Scheme provides for full and final settlement of the entire Outstanding Secured Debt of the Secured Creditors by way of payment towards the Outstanding Principal Secured Debt as per the provisions of the Scheme. As part of the Scheme, the Company will offer three different options as specified in the Scheme to settle the Outstanding Secured Debt of the Secured Creditors. The Secured Creditors can select any one of the said three options, failing which their Outstanding Secured Debt will be settled first as per Option III subject to the limit of Rs. 5 crores and balance Outstanding Secured Debt, if any, as per Option II.

b. Issue of Redeemable Non-Cumulative preference shares in lieu of existing Redeemable Cumulative preference shares held by the preference shareholders;

c. The Scheme shall be operative and effective from the Effective Date.

## 2. Recommendation of the Audit Committee

The Audit Committee has considered and noted the aforementioned documents along with the Modified Scheme and recommends the draft Modified Scheme, for favorable consideration by the Board of Directors of the Company, Stock Exchange(s) and SEBI.

Date: March 7, 2015
Place: Ahmedabad

ASHIMA LIMITED Ahmedabad

JCBhayani

**Jayesh C. Bhayani**
**Chief Financial Officer**