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 CIN No : L99999GJ1982PLC005253

**REPORT OF THE AUDIT COMMITTEE OF ASHIMA LIMITED
 (CIN: L99999GJ1982PLC005253) RECOMMENDING THE DRAFT SCHEME OF
 AMALGAMATION AND ARRANGEMENT BETWEEN ASHIMA DYECOT
 PRIVATE LIMITED AND ASHIMA LIMITED ISSUED AT THE MEETING OF THE
 AUDIT COMMITTEE OF ASHIMA LIMITED HELD ON 19TH OCTOBER, 2019 AT
 THE REGISTERED OFFICE OF THE COMPANY**

Members Present in person:

Mr. Sanjay Majmudar – Chairman (Independent Director)
 Mrs. Koushlya Melwani – Member (Independent Director)

In Attendance:

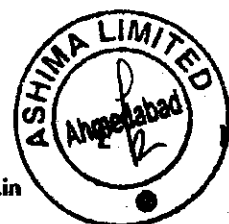
Mr. Hiren Mahadevia – Company Secretary
 Mr. Jayesh C. Bhayani – Chief Financial Officer

1. Background

The Company has placed before the Audit Committee, draft Scheme of Amalgamation and Arrangement (“Scheme”) among Ashima Limited (“Company” or “Transferee Company”) and Ashima Dyecot Private Limited (“ADPL” or “Transferor Company”) under the provisions of Sections 230 - 232 read with Section 66 and other applicable provisions of the Companies Act, 2013 read with relevant rules framed thereunder for recommendation of the Scheme by the Audit Committee to the Board of Directors as required vide SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (as amended from time to time) (“Circular”), applicable provisions of the Companies Act, 2013 (including relevant rules and regulations) and Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

T E X C E L L E N C E

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This report is made in order to comply with the requirements of the Circular after considering the following:

- (a) Draft Scheme, duly initialled by Company Secretary of the Company for the purpose of identification;
- (b) Audited financial statements of ADPL for the year ending March 31, 2019, March 31, 2018 and March 31, 2017 and for the half year ended 30th June 2019;
- (c) Share Exchange Valuation Reports dated 19th October 2019 issued by N S Kumar & Co., Independent Chartered Accountant having Registration No. 139792W and Niranjn Kumar, Registered Valuer having IBBI Registration No IBBI/RV/06/2018/10137 providing the share exchange ratio for the amalgamation of Transferor Company with the Transferee Company under the Scheme;
- (d) Fairness Opinion dated 19th October 2019 issued by M/s. Kunvarji Finstock Private Limited, a Category I Marchant Banker, having SEBI Registration No. INM000012564 providing the fairness opinion on the share exchange ratio recommended by N.S. Kumar & Co., Independent Chartered Accountants and Niranjn Kumar, Registered Valuer as referred above, in connection with amalgamation of Transferor Company with the Transferee Company under the Scheme; and
- (e) Certificate obtained from the Statutory Auditors of the Company i.e. M/s. Mukesh M Shah & Co., Chartered Accountants, having Firm Registration No. 106625W confirming that the Scheme is in compliance with the applicable accounting standards notified under the Companies Act, 2013 and other generally accepted accounting principles.

2. Proposed Scheme of Amalgamation and Arrangement

The Audit Committee considered and observed the following in relation to the Scheme:





(a) The Company is engaged in manufacturing of "Cotton Fabric Products" while ADPL is engaged in the business of "processing textile fabrics" and manufacturing of "readymade garments". Thus, the business of ADPL and the Company are complementary to each other and have considered the rationale and purpose captured in the draft Scheme of Amalgamation and Arrangement;

(b) The salient features of the Scheme are:

(i) Share Exchange Ratio

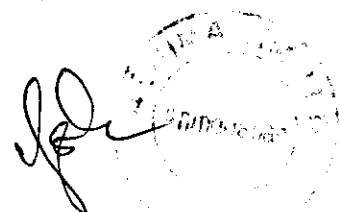
"348 (Three Hundred Forty Eight) New Equity Shares of the Transferee Company of the face value of Rs.10/- (Rupees Ten Only) each, credited as fully paid-up for every 100 (One Hundred) Equity Shares of Rs.10/- (Rupees Ten Only) each fully paid-up held by such member in the Transferor Company"

(ii) That the Scheme shall be effective from opening of business hours on April 01, 2019 ("Appointed Date");

(iii) The equity shares of the Company to be issued to the shareholders of Transferor Company pursuant to the Scheme shall be listed on BSE Limited and National Stock Exchange of India Limited (subject to trading permission being granted by the stock exchanges) and shall rank *pari-passu* with the existing equity shares of the Company in all respects;

(c) The Audit Committee has further noted the following:

The Fairness Opinion provided by M/s. Kunvarji Finstock Private Limited, a Category I Merchant Banker confirms that the share exchange ratio provided in the Share Exchange Valuation Report obtained from N.S. Kumar & Co., Independent Chartered Accountants and Niranjana Kumar, Registered Valuer is fair to the Company, ADPL and their respective shareholders.





The Statutory Auditors of the Company have confirmed that the accounting treatment as specified in the Scheme is in accordance with the applicable accounting standards notified under Companies Act, 2013 and other generally accepted accounting principles.

3. Recommendation of the Audit Committee

After taking into account the Share Exchange Valuation Reports, Fairness Opinion, Statutory Auditors' Certificate on accounting treatment and aforesaid points, the Audit Committee recommends the draft Scheme to the Board of Directors for its approval and for due consideration and approval by the stock exchange(s), Securities and Exchange Board of India and other regulatory authorities.

For and on behalf of Ashima Limited

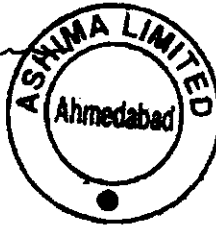
Full
Sign *Sanjay Majmudar*

Sanjay Majmudar

Audit Committee Chairman

Date: 19th October, 2019

Place: Ahmedabad



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