

REPORT OF THE AUDIT COMMITTEE OF RRIL LIMITED (“THE COMPANY”) RECOMMENDING THE DRAFT SCHEME OF MERGER BY ABSORPTION OF KRKUMAR INDUSTRIES LIMITED BY RRIL LIMITED AND THEIR RESPECTIVE SHAREHOLDERS IN ACCORDANCE WITH THE PROVISIONS OF SECTION 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013.

To,
The Board of Directors
RRIL Limited
A-325, Hari Om Plaza, M.G. Road,
Near Om Kareshwar Temple,
Borivali East
Mumbai 400066

1. Background

- 1.1 A meeting of the Audit Committee of the Company was held on March 05, 2020 to consider and recommend the proposed Scheme of Merger by absorption of KRKumar Industries Limited (“KRK”/ “the Transferor Company”) with RRIL Limited (“RRIL”/ “the Transferee Company”/ “the Company”) and their respective shareholders under 230 to 232 of Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 (“Scheme”).
- 1.2 The Scheme inter alia provides for Merger by Absorption of KRK with RRIL. The Equity Shares of the Company are listed on BSE limited. The Company will be filing the Scheme of Merger by Absorption along with necessary information / documents to the BSE limited.
- 1.3 This report of Audit Committee is made in order to comply with the requirement of Securities and Exchange Board of India (“SEBI”) circular No. CFD/DIL3/CIR/2017/21 dated 10th March, 2017 as amended from time to time and read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 1.4 The following documents were placed before the Audit Committee:
 - a) Draft Scheme of Merger by Absorption.
 - b) Valuation Report dated March 04, 2020 issued by Mr. Dinesh Kumar Deora (Registered Valuer- Securities or Financial Assets).
 - c) Fairness Opinion Report dated March 05, 2020 issued by Mark Corporate Advisors Private Limited; a SEBI registered Merchant Banker providing the Fairness Opinion on the share

entitlement recommended in the Valuation Report prepared by Mr. Dinesh Kumar Deora (Registered Valuer- Securities or Financial Assets).

- d) Draft Certificate obtained from the Statutory Auditors of the Company i.e. Subramaniam Bengali & Associates, Chartered Accountants to the effect that the accounting treatment contained in the Scheme is in compliance with all the applicable Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and other generally accepted accounting principles in India.

2. Proposed scheme

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

- a) The Appointed Date of the Scheme is 1st April, 2020 and Effective date is date on which the authenticated copies or certified copies of the Orders of the National Company Law Tribunal (NCLT), sanctioning the Scheme are filed with the Registrar of Companies, Mumbai by the Transferor Company and the Transferee Company.
- b) Under the Proposed Scheme, all assets and liabilities of KRK of whatsoever nature and wherever situated shall without any further act or deed be transferred to and vested in RRIL with effect from the appointed date.
- c) In consideration of transfer and vesting of KRK into RRIL in terms of the Scheme, RRIL will issue fully paid up equity shares of face value of Rs.5 each to the registered fully paid up equity shareholders of KRK as on the record date defined in the scheme. As per the Valuation Report prepared by Mr. Dinesh Kumar Deora, (Registered Valuer- Securities or Financial Assets) the share exchange ratio determined was against 1 (One) Equity Share of the face value of Rs.10 each of the KRK, 14 (Fourteen) Equity Shares of the face value of Rs. 5/- each of the RRIL shall be issued to the Shareholders of KRK on basis of the valuation of the assets and liabilities of the Company carried out by them as provided in their report.
- d) KRK and RRIL, belonging to the same group of management, are largely engaged in the similar kind of business activities i.e. dealing in textile products and re-development of housing project, and any other related activities. Which will be beneficial to the merged entity for its product portfolio pursuant to the Scheme coming into effect.
- e) Presently, the Transferor Company is engaged in the business pertaining to Construction and Textile activities. Whereas, the Transferee Company is engaged in the business of Trading in Textile products in fabrics and Yarn and also venturing into the business activities of real estate / re-development of Housing property. The proposed Merger by Absorption will enable the integration of the business activities of the Transferor Company with the Transferee Company.

- f) The proposed Scheme of Merger by Absorption will result in usual economies of a centralized and a large company including elimination of duplicate work, reduction in overheads, better and more productive utilization of financial, human and other resource and enhancement of overall business efficiency. The proposed Scheme will enable these Companies to combine their managerial and operating strength, to build a wider capital and financial base and to promote and secure overall growth.
 - g) The proposed Merger by Absorption will result in significant reduction in multiplicity of legal and regulatory compliances, which at present are required to be made separately by the Transferee Company as well as by the Transferor Company.
 - h) The proposed Merger by Absorption would enhance the shareholders' value of the Transferor Company and the Transferee Company.
 - i) The proposed Merger by Absorption will have beneficial impact on the Transferor Company and the Transferee Company, their shareholders, employees and other stakeholders and all concerned.
 - j) As on December 31, 2019, RRIL has a net worth of Rs.27,05,60,061 (Rupees Twenty Seven Crores Five Lacs Sixty Thousand Sixty One only) excluding Goodwill and Deferred Tax Assets and KRK has a net worth of Rs.7,09,25,144 (Rupees Seven Crores Nine Lakhs Twenty Five Thousand One Hundred and Forty Four only). The combined entity will have net worth of around Rs.34,12,33,569/- (Rupees thirty four crore twelve lacs thirty three thousand five hundred sixty nine only) which will enable the merged entity with more negotiation power for debt finance considering its size and financial strength further the merged entity will have option of equity financing.
- 2.2 The Audit Committee reviewed the Valuation Report, Fairness Opinion and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the Scheme is fair and reasonable to the Shareholders of the Company.
- 2.3 The Audit Committee reviewed the Draft certificate of Accounting treatment issued by Subramaniam Bengali & Associates, Chartered Accountants, the Statutory Auditors of the Company and noted that the accounting treatment as specified in the scheme is in compliance with all the applicable Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and other generally accepted accounting principles in India.
- 2.4 The Equity Shares of RRIL to be issued and allotted to the Equity Shareholders of KRK pursuant to the Scheme of Merger by Absorption shall be listed on BSE Limited (subject to trading approval granted by BSE Limited).



3. Recommendation of Audit Committee

Audit committee after due deliberations and consideration of all the terms of the Draft Scheme, Valuation Report, Fairness Opinion and the specific points mentioned above, recommended the Scheme for favorable consideration by the Board of Directors of the Company, BSE Limited and Securities and Exchange Board of India.

By Order of Audit Committee
For and on behalf of RRIL Limited

Pinakin P. Mehta
Chairman of Audit committee

Place: Mumbai
Date: 05.03.2020