

RRIL Limited

[Formerly Known as S R K Industries Limited]

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF RRIL LIMITED AT ITS MEETING HELD ON 5TH MARCH, 2020 AT ITS REGISTERED OFFICE AT A-325, HARI OM PLAZA, M.G. ROAD, NEAR OM KARESHWAR TEMPLE, BORIVALI (EAST), MUMBAI- 400066, MAHARASHTRA EXPLAINING EFFECT OF THE SCHEME OF MERGER BY ABSORPTION ("SCHEME") OF KRKUMAR INDUSTRIES LIMITED ("TRANSFEROR COMPANY") BY RRIL LIMITED ("TRANSFeree COMPANY") ON SHAREHOLDERS, KEY MANAGERIAL PERSONNEL, PROMOTER AND NON-PROMOTER SHAREHOLDERS, LAYING OUT IN PARTICULAR THE SHARE EXCHANGE RATIO, IF ANY.

The proposed Scheme of Merger by Absorption ("Scheme") of KRKumar Industries Limited ("KRK" or "Transferor Company") by RRIL Limited ("RRIL" or "Transferee Company" or "Company") and their respective shareholders and creditors was approved by the Board of Directors of the Company vide resolution passed at its Meeting held on 5th March, 2020.

The provisions of Section 232(2)(c) of the Companies Act, 2013, requires the Directors to adopt a report explaining the effect of the Scheme on Shareholders, Key Managerial Personnel ("KMP"), Promoter and Non-Promoter Shareholders, laying out in particular the share exchange ratio, specifying any special valuation difficulties. The said report is required to be circulated to the Shareholders along with the notice convening the Meeting.

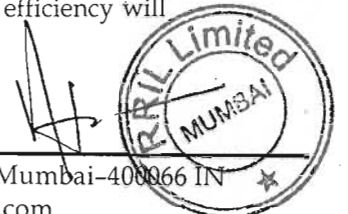
Having regard to the aforesaid provision, the following documents were placed before the Board of Directors of the Company:

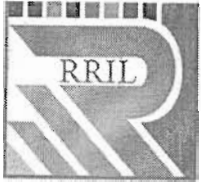
- i. Draft Scheme of Merger by Absorption.
- ii. Valuation Report dated March 04, 2020 issued by Mr. Dinesh Kumar Deora (Registered Valuer-Securities or Financial Assets).
- iii. Fairness Opinion Report dated March 05, 2020 issued by Mark Corporate Advisors Private Limited; a SEBI registered Merchant 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).
- iv. 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.
- v. Report of the Audit Committee dated 5th March, 2020 recommending the Scheme to the Board for approval.

Rationale for the Scheme

The merger of the Company with KRKumar Industries Limited is based on the following rationale:

- i. 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.
- ii. Economies of scale will play a bigger role as the consolidated entity's operational efficiency will



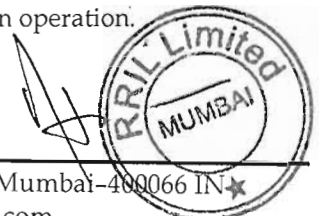


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increase, which will in turn allow the merged entity to compete on a larger scale in the industry, thus benefiting the merged entity and the shareholders.

- iii. 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.
- iv. This merger will provide an opportunity to leverage assets and build a stronger sustainable business. It will provide an opportunity to fully leverage stronger asset capabilities, experience, expertise and infrastructure of both the companies and thus increased ability for promotion of business activities as well as for fund raising as may be required for business development.
- v. The Transferor and Transferee Company are under common control and it would be advantageous to combine the activities and operations in a single Company and to build strong capability to effectively meet future challenges in competitive business environment.
- vi. This merger will result in business synergy, pooling of physical, financial and human resource of these Companies for the most beneficial utilization of these factors in the combined entity.
- vii. The merger will result to synergic benefits, efficiency of operations and management, rapid growth of the entity, optimum utilization of its resources and minimization of the administrative and operative costs, in a value creation for the shareholders and stakeholders of KRK and RRIL as the combined amalgamated company will have improved efficiency, market share, financial structure, larger cash flows and stronger consolidated revenue and profitability.
- viii. 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 amalgamation will enable the integration of the business activities of the Transferor Company with the Transferee Company.
- ix. This merger 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.
- x. The Merger will result in significant reduction in multiplicity of legal and regulatory compliances which at present are required to be done separately by the Transferee Company as well as by the Transferor Company.
- xi. The merger of KRK with RRIL would result in consolidation of business activities of both the companies and will facilitate effective management of investments and synergies in operation.



Registered Office : A-325, Hari Om Plaza, M.G.Road, Near Omkareshwar Temple, Borivali (E), Mumbai-400066 IN★

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CIN : L17121MH1991PLC257750



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Valuation

The Valuation of the Company has been arrived at on basis of working the Weightage of Two Methods i.e. Net Asset Value Method and Market Value Method; and the Valuation of the KRKumar Industries Limited has been arrived at on basis of working the Weightage of Two Methods i.e. Net Asset Value Method and Income Method for the purpose of working out of share exchange swap ratio for Merger.

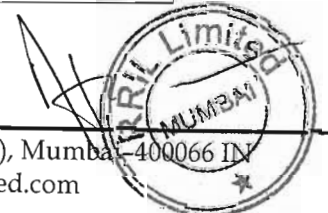
As per the Valuation Report dated 4th March, 2020 provided by Mr. Dinesh Kumar Deora (Registered Valuer- Securities or Financial Assets) has determined the Share Exchange Ratio as 14:1 i.e. 14 (Fourteen) Equity Shares of the Face value of Rs. 5 each of the RRIL will be issued against 1 (One) Equity Share of the Face value of Rs. 10 each held by the shareholders of the KRKumar Industries Limited.

Upon sanction of the said Scheme by the NCLT and upon the Scheme becoming effective, without any further act or deed on the part of RRIL, RRIL will, in aggregate, issue and allot 4,31,20,000 (Four Crores Thirty One Lacs Twenty Thousand Only) Equity Shares of Rs. 5/- each (the "New Shares") to registered fully paid-up equity shareholders of KRK on the Record Date, as decided by the Board in the ratio of; 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.

Effect of the Scheme on Equity Shareholders (promoter shareholders and non-promoter shareholders), employees and KMPs of the Company:

Disclosure about the effect of the Scheme on the following persons:

Sr. No.	Category	Effect of the Scheme
1.	Shareholders	<p>Pursuant to this Scheme, as part of the consideration for merger, RRIL will issue and allot 4,31,20,000 (Four Crores Thirty One Lacs Twenty Thousand Only) Equity Shares of Rs. 5/- each (the "New Shares") to registered fully paid-up equity shareholders of KRK on the Record Date, as decided by the Board in the ratio of; 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.</p> <p>The New Shares issued and allotted by RRIL in terms of this Scheme shall rank <i>pari-passu</i> in all respects with the existing shares of RRIL, including in respect of dividends, if any, that may be declared by RRIL, on or after the Effective Date.</p>
2.	Promoters	The Scheme does not contemplate payment of any additional considerations to the Promoters except to the extent of their shareholding in KRKumar Industries Limited.
3.	Non-Promoter Shareholders	There is no adverse effect of the Scheme on the Non Promoter Shareholders of RRIL.
4.	Key Managerial Personnel (KMP) (other than Directors)	No change in the KMP of the RRIL is expected pursuant to the Scheme.



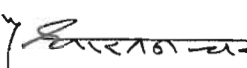


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5.	Directors	There is no adverse effect of the Scheme on the Directors of RRIL.
6.	Depositors	RRIL does not have any public deposits and accordingly, it does not have any depositors so the question of scheme having effect on depositor does not arise.
7.	Creditors	The Scheme is expected to be in the best interest of the Company's creditors.
8.	Debenture holders	RRIL has no outstanding debentures and therefore, the effect of the Scheme on debenture holders does not arise.
9.	Deposit trustee & Debenture trustee	RRIL does not have any public deposits and accordingly, it does not have any depositors or deposit trustee and so the question of scheme having effect on depositor or deposit trustee does not arise. Further, there are no debenture holders or debenture trustee in RRIL as no debentures are issued. Thus, the question of scheme having effect on debenture holder or debenture trustee does not arise.
10.	Employees of the Company	Employees in relation to the Transferor Undertaking shall become the employees of the Transferee Company. No rights of employees shall get affected.

For and on behalf of the Board of Directors,


Ratanchand D Jain
Managing Director
DIN: 01604521



Place: Mumbai
Date: 5th March, 2020