

REPORT OF THE AUDIT COMMITTEE OF ARVIND LIMITED ('TRANSFEROR COMPANY') RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN ARVIND LIMITED ('TRANSFEROR COMPANY') AND ARVIND ADVANCED MATERIALS LIMITED ('TRANSFeree COMPANY') AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

1. Background:

1.1. A meeting of the Audit Committee of Arvind Limited was held on May 6, 2024 to inter-alia consider and recommend the draft Scheme of Arrangement between Arvind Limited ('Transferor Company') and Arvind Advanced Materials Limited ('Transferee Company') and their respective shareholders and creditors ('Scheme') under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and rules made thereunder which provides for the transfer and vesting of the Advanced Materials Undertaking (as defined in the Scheme) from the Transferor Company to the Transferee Company as a going concern, on Slump Sale basis and for which lump sum cash consideration shall be paid by the Transferee Company to the Transferor Company and as per the other terms and conditions mentioned in the 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 Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated 20th June, 2023 ('SEBI Master Circular') and any amendments / modifications thereof and applicable provisions of Companies Act, 2013 and rules made thereunder. Pursuant to SEBI Master Circular, the Audit Committee is required to also comment on:

- Need for the merger/demerger/amalgamation/arrangement,
- Rationale of the scheme,
- Synergies of business of the entities involved in the scheme,
- Impact of the scheme on the shareholders,
- Cost benefit analysis of the scheme.

1.3. The following documents /information were placed before the Audit Committee:

- a. Draft Scheme duly initialled by the Company Secretary for the purpose of identification.
- b. Draft certificate issued by M/s. Deloitte Haskins & Sells LLP, Statutory Auditor stating to the effect that the accounting treatment contained in the Scheme is in compliance with all the Accounting Standards specified by the Central Government under Section 133 of the Companies Act, 2013 read with the rules framed thereunder or the Accounting Standards issued by ICAI, as applicable, and other generally accepted accounting principles.



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2. Proposed Scheme of Arrangement:

The Audit Committee noted the salient features of the Scheme as under:

- 2.1. The present Scheme of Arrangement is proposed for the transfer and vesting of the Advanced Materials Undertaking of the Transferor Company to the Transferee Company as a going concern, on Slump Sale basis in accordance with Section 2(42C) of the Income Tax Act 1961.
- 2.2. The Appointed Date of the scheme is 1st April 2024 or any other date as approved by Tribunal.
- 2.3. In consideration for the proposed transfer and vesting of the Advanced Materials Undertaking, the Transferee Company shall pay to the Transferor Company a lump sum cash consideration of INR.90.36 crores (after adjusting retained earnings of Rs. 474.65 crores).
- 2.4. The consideration for the transfer of the Advanced Materials Undertaking, as mentioned in above clause, shall be payable by the Transferee Company to the Transferor Company, in one or more tranches, with or without interest within a period of six months from the Effective Date.

3. Need for the Slump Sale & Rationale of the Scheme:

The Transferee Company is wholly owned subsidiary company of the Transferor Company.

The Transferor Company inter alia engaged in (i) Textiles business comprising of manufacturing and supply of woven, denim and garment products and (ii) Advanced Materials business comprising of manufacturing and supply of products relating to human protection, industrial and composites etc.

The Transferee Company is engaged, inter alia, in the business of manufacturing and supply of advanced materials.

The proposed arrangement will enable the Transferor Company to provide greater business attention and focus on the textiles business comprising of manufacturing and supply of woven, denim and garment products. In addition, the Advanced Materials Undertaking will be transferred into the Transferee Company to enable unlocking further more opportunities in the business of manufacturing and supply of products relating to human protection, industrial and composites in future.

The present arrangement would inter alia, result in the following main benefits for the above mentioned companies:

- (i) Consolidation of advanced materials business undertaken by the Transferor Company and its wholly owned subsidiary into singly entity.



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- (ii) Focused management and leadership attention for the Advanced Materials Business.
- (iii) Emergence of the Transferee Company as a predominantly advanced materials focused company, attracting investors and providing better flexibility in accessing capital, focused strategy and specialization for sustained growth.
- (iv) Value Creation for stakeholders
- (v) Streamlining operating structure
- (vi) Greater efficiencies in operations with optimum utilization of resources, increased cost saving are expected to flow from focused operational efforts, rationalization, standardization and simplification of business process and optimum utilization of resources.

In view of the aforesaid advantages, the Board of Directors of both the Companies have considered and proposed Scheme of Arrangement under the provisions of Section 230 to Section 232 of the Companies Act, 2013.

The present Scheme of Arrangement is proposed for the transfer and vesting of the Advanced Materials Undertaking of the Transferor Company to the Transferee Company as a going concern, on Slump Sale basis in accordance with Section 2(42C) of the Income Tax Act 1961.

The Scheme is in the interest of the Transferor Company, the Transferee Company and their respective stakeholders.

4. Synergies of business of the entities involved in the Scheme:

The Committee noted that the present Scheme does not involve any merger or demerger of the business of the Transferor Company. The Advanced Materials Undertaking is proposed to be transferred to a wholly owned subsidiary of the Transferor Company as a going concern by way of slump sale and on implementation of the Scheme, the Advanced Materials Undertaking will be continued by the Transferee Company with existing synergies.

5. Impact of the Scheme on the shareholders:

No negative impact on the shareholders is envisaged due to proposed Scheme of Arrangement as it is being transferred to wholly owned subsidiary of the Transferor Company where economic interest of shareholders of Transferor Company does not change.

The proposed transfer of the Advanced Materials Undertaking of the Transferor Company to the Transferee Company will improve visibility of the Advanced Materials portfolio by strengthening the positioning of Transferee Company in Advanced Materials segment;



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The transfer of the Advanced Materials Undertakings from the Transferor Company to the Transferee Company would inter-alia help to achieve synergies and value creation for stakeholders.

6. Cost benefit analysis of the Scheme:

Although the Scheme involves certain costs such as transaction cost, implementation cost, regulatory fees, stamp duties, etc., Scheme would entail the benefits specified in para 3 and 4 above.

7. Recommendation of the Audit Committee:

Taking into consideration the draft Scheme and its rationale, cost benefit analysis and impact on shareholders, synergies of the business involved, the Committee recommends the draft Scheme to the Board of Directors of the Company for its favourable consideration and approval.

**By the Order of Audit Committee
For, Arvind Limited**



**Dr. Bakul Dholakia
Chairman of the meeting**



Date: May 6, 2024

Place: Ahmedabad