



Regd. Office & Works
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www.arrowtextiles.com
CIN-L51494MH2008PLC178384



Arrow Textiles Limited

REPORT OF THE AUDIT COMMITTEE OF ARROW TEXTILES LIMITED ('ATL' OR 'THE COMPANY') ON SCHEME OF AMALGAMATION OF ARROW TEXTILES LIMITED ('ATL' OR 'FIRST TRANSFEROR COMPANY') AND MMG INDIA PRIVATE LIMITED ('MMG' OR 'SECOND TRANSFEROR COMPANY') WITH DELTA MAGNETS LIMITED ('DML' OR 'TRANSFEE COMPANY') AND THEIR RESPECTIVE SHAREHOLDERS

Present – Directors / Members

- | | | |
|-------------------------|---|----------|
| 1. Mr. Aditya Mangaldas | : | Chairman |
| 2. Mr. Chand Arora | : | Member |
| 3. Dr. Vrajesh Udani | : | Member |

In Attendance

- | | | |
|---------------------------|---|-------------------|
| 1. Mr. Saurabh Gangadhare | : | Company Secretary |
|---------------------------|---|-------------------|

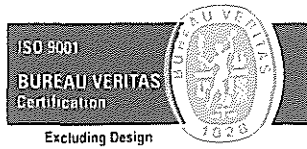
By Invitation

- | | | |
|-------------------|---|-------------------------|
| 1. Mr. Ulhas Kale | : | Chief Financial Officer |
|-------------------|---|-------------------------|

1. Background

- 1.1. A meeting of the Audit Committee of Arrow Textiles Limited ('the Company') was held on Wednesday, 19th September 2018 *inter-alia* to consider and recommend to the Board of Directors the proposed Scheme of Amalgamation of Arrow Textiles Limited ("ATL" or "First Transferor Company") and MMG India Private Limited ("MMG" or "Second Transferor Company") with Delta Magnets Limited ("DML" or "Transferee Company") and their respective Shareholders (hereinafter referred to as "Scheme" or "the Scheme" or "this Scheme") under Sections 230 to 232 of the Companies Act, 2013 ('the Act') and other applicable provisions of the Act.
- 1.2. The Scheme *inter-alia* provides for the merger of the Company and MMG with DML.
- 1.3. The Equity Shares of the Company are listed on BSE Limited ('BSE') and National Stock Exchange of India Limited ('NSE'). The Company will be filing the Scheme along with necessary information / documents with both the mentioned Stock Exchanges.
- 1.4. The report of Audit Committee is made in order to comply with the requirements of the SEBI circular no. CFD/DIL3/CIR/2017/21 dated 10th March, 2017 after considering the following:
 - a) Draft Scheme of Amalgamation, duly initialed by Mr. Saurabh Gangadhare, Company Secretary of the Company for the purpose of identification;
 - b) Share Swap Ratio Report dated 19th September 2018 issued by M/s Bharat Kotak & Co, Independent Chartered Accountants;





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- c) Fairness Opinion dated 19th September 2018 issued by M/s Dalmia Securities Private Limited, a Category I Merchant Banker providing the fairness opinion on the Share Swap Ratio Report prepared by M/s Bharat Kotak & Co, Independent Chartered Accountants; and
- d) Audited financial statements of the Company, DML and MMG for the year ended 31st March, 2018, 31st March, 2017 and 31st March, 2016.

2. Proposed Scheme

2.1. The salient features of the draft Scheme of Amalgamation are as under:

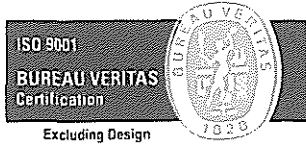
- a) The Scheme *inter-alia* provides for merger of the Company and MMG with DML.
- b) The Audit Committee of Board of Directors of the Company is of the opinion that proposed merger would *inter-alia* achieve the following objectives:
 - Provide an opportunity to leverage combined assets and enable optimum utilization of existing resources by pooling of resources to facilitate future expansion of business of Transferee Company
 - Reduce managerial overlaps involved in operating multiple entities and increase operational and management efficiency, integrate business functions and eliminate duplication and rationalization of administrative expenses;
 - Synchronization of efforts to achieve uniform corporate policy, greater integration and greater financial strength and flexibility for amalgamated entity; and
 - Improving organizational capability and leadership arising from pooling of human capital that has diverse skills, talent and vast experience to compete successfully in an increasingly competitive industry

2.2. The Audit Committee reviewed the Share Swap Ratio Report and noted the report and recommended the following:

Pursuant to the Scheme becoming effective, DML shall issue and allot shares to the shareholders of the Company with respect to merger of the Company with DML under this Scheme. As per the Share Swap Ratio Report, the share swap ratio is as follows:

“DML will issue 23 (Twenty Three) equity shares of Rs. 10/- each, fully paid up, to the equity shareholders of ATL as on the Record Date (as may be determined in terms of the Scheme) for every 100 (Hundred) equity shares of Rs. 10/- each, fully paid up, of ATL.”





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- 2.3. Further, the Fairness Opinion confirmed that the Share Swap Ratio Report is fair to DML, ATL and MMG
- 2.4. The proposed Appointed Date for the merger will be 1st October, 2018 or such other date as may be fixed or approved by the National Company Law Tribunal or such other competent authority as may be applicable.
- 2.5. Under the proposed Scheme, all assets and liabilities of the Company and MMG, of whatsoever nature and where so ever situated, including the immovable properties, if any, shall without any further act or deed be transferred to and vested in DML as a going concern with effect from the Appointed Date.

3. Recommendations of the Audit Committee

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme of Amalgamation, Share Swap Ratio Report, Fairness Opinion and the specific points mentioned above, recommends the draft Scheme of Amalgamation for favorable consideration by the Board of Directors of the Company, the Stock Exchange(s) and SEBI.

By Order of the Audit Committee

For and on behalf of

Arrow Textiles Limited

Aditya Mangaldas

Chairperson of the Audit Committee

Date: 19th September, 2018

Place: Mumbai

