Date: 2nd September, 2021

**BSE Limited**
**Corporate Relationship Department**
**1st Floor, New Trading Ring,**
**Rotunda Building, P J Towers,**
**Dalal Street, Fort,**
**Mumbai 400001**
**Stock Code: 530185**

Sir/Madam,

**Sub.:** **Notice of the meeting of the Equity shareholders of Surat Textile Mills Limited convened pursuant to the directions of the Hon'ble National Company Law Tribunal, Ahmedabad Bench**

**Ref.:** **In the matter of the Scheme of Arrangement between Vareli Trading Company Limited and Surat Textile Mills Limited ('Company')**

This is to inform you that by a order dated 16th August, 2021 ('**Tribunal Order**'), the Ahmedabad Bench, Court 2 of the Hon'ble National Company Law Tribunal ('Tribunal') in the Company Scheme Application No. CA(CAA)No.58/NCLT/AHM/2021 has directed a meeting of the shareholders of the Company.

In pursuance of the Tribunal Order and as directed therein and in compliance with the applicable provisions of the Companies Act, 2013 ('**the Act**') and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('**SEBI Listing Regulations**'), further notice is hereby given that a meeting of the equity shareholders of the Company will be held through video conferencing ('**VC**') / other audio visual means ('**OAVM**') on **Thursday, 7th October, 2021 at 3:00 p.m. (IST)**.

The Meeting is being conducted through VC/OAVM, in compliance with the operating procedures, issued from time to time, by the Ministry of Corporate Affairs, Government of India and the NCLT Order.

The details such as manner of (i) casting vote through e-voting and (ii) attending the meeting through VC / OAVM have been set out in the Notice of the meeting.

An equity shareholder, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the cut-off date, i.e., Thursday, 30th September, 2021 only shall be entitled to exercise his/her/its voting rights on the resolution proposed in the notice and attend the meeting of the equity shareholders. Voting rights of equity shareholder / beneficial owner (in case of electronic shareholding) shall be in proportion to his/her/its shareholding in the paid-up equity share capital of the Company as on the cut-off date, i.e., Thursday, 30th September, 2021.

Contd…

SURAT TEXTILE MILLS LTD. SURAT

Copy of the Notice and Statement under Sections 230 and 232 read with Section 102 and other applicable provisions of the Act read with Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, of the aforesaid meeting is attached.

Further please note that as per the aforesaid order of NCLT, the meetings of secured creditors and unsecured creditors of applicant Transferee Company are not required to be convened and are hereby dispensed with.

The above announcement is also being made available on the website of the Company viz. www.surattextilemilsltd.com.

This disclosure is being made in compliance with Regulation 30 of the SEBI Listing Regulations, as amended.

You are requested to disseminate the above information on your website.

Thanking you,

Yours faithfully,
**For Surat Textile Mills Limited**

**Chinmay M. Methiwala**
**Company Secretary and Compliance Officer**

Encl.: As above.

SURAT TEXTILE MILLS LTD. SURAT

# SURAT TEXTILE MILLS LIMITED

**Registered Office**: Tulsi Krupa Arcade, 6th Floor,
Puna-Kumbharia Road, Dumbhal, Surat 395010.
**CIN**: L17119GJ1945PLC000214; **Website**: www.surattextilemillsltd.com
**Tel.No.**: (0261) 2311198 **Fax**: (0261) 2311029
**E-mail**: sharedepartment@stml.in

**NOTICE CONVENING MEETING OF EQUITY SHAREHOLDERS OF SURAT TEXTILE MILLS LIMITED PURSUANT TO ORDER DATED 16TH AUGUST, 2021 OF THE HON'BLE NATIONAL COMPANY LAW TRIBUNAL, AHMEDABAD BENCH, AHMEDABAD**

| **MEETING** | |
|---|---|
| **Day** | **Thursday** |
| **Date** | **7th October, 2021** |
| **Time** | **3:00 P.M. (IST)** |
| Mode of meeting | Through video conferencing / other audio-visual means |
| Cut off date for e-voting | Thursday, 30th September, 2021 |
| Remote e-voting start date and time | Saturday, 2nd October, 2021, at 9:00 a.m. (IST) |
| Remote e-voting end date and time | Wednesday, 6th October, 2021, at 5:00 p.m. (IST) |
| **Venue** | **In view of the ongoing COVID-19 pandemic and related social distancing norms, as per the directions of the Hon'ble National Company Law Tribunal, Ahmedabad Bench, Ahmedabad, the meeting shall be conducted through video conferencing / other audio-visual means.** |

**INDEX**

**The Notice of the Meeting, Statement under Sections 230 and 232 read with Section 102 and other applicable provisions of the Act and Rule 6 of the CAA Rules (page nos. A-1 to A-29) and Annexure A to Annexure M (page nos. B-1 to B-88) constitutes a single and complete set of documents and should be read together as they form an integral part of this document.**

**Form CAA2**

**[Pursuant to Section 230(3) and Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016]**

**BEFORE THE HON'BLE NATIONAL COMPANY LAW TRIBUNAL, AHMEDABAD BENCH**
**COMPANY SCHEME APPLICATION NO. CA (CAA) 58 OF 2021**
**IN THE MATTER OF SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013**
**AND**
**IN THE MATTER OF THE SCHEME OF ARRANGEMENT BETWEEN**
**VARELI TRADING COMPANY LIMITED & ITS SHAREHOLDERS AND CREDITORS**
**AND**
**SURAT TEXTILE MILLS LIMITED & ITS SHAREHOLDERS AND CREDITORS**

**SURAT TEXTILE MILLS LIMITED**, a company incorporated under the Companies Act, 1913 having Corporate Identity Number: L17119GJ1945PLC000214 and its registered office at 6th Floor, Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010, Gujarat, India **………… Applicant Company**

**NOTICE CONVENING THE MEETING OF THE EQUITY SHAREHOLDERS OF THE APPLICANT COMPANY**

**NOTICE** is hereby given that by an Order dated 16th August 2021, in the above mentioned Company Scheme Application (**the 'Order'**), the Hon'ble National Company Law Tribunal, Ahmedabad Bench **('NCLT' or 'Tribunal'**) has directed inter alia that a Meeting of the Equity Shareholders of the Company be convened and held on **Thursday, 7th October, 2021 at 3:00 p.m. (IST)** through video conferencing ("**VC**") / other audio visual means ("**OAVM**"), in compliance with the applicable provisions of the Companies Act, 2013 ("**Act**") and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Listing Regulations**") to consider, and if thought fit, pass, with or without modification(s), the following resolution for approval of the proposed Scheme of Amalgamation between Vareli Trading Company Limited ("**Transferor Company**") & its shareholders and Surat Textile Mills Limited ("**Transferee Company**") & its shareholders ("**Scheme**") by requisite majority as prescribed under Section 230(1)and (6) of the Act and SEBI Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 and SEBI Circular SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020, as amended:

"**RESOLVED THAT** pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, the rules, circulars and notifications made thereunder (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), SEBI Circular CFD/DIL3/CIR/2017/21 dated 10th March 2017 and the observation letter issued by BSE Limited dated 3rd February, 2021,subject to the provisions of the Memorandum and Articles of Association of the Transferee Company and subject to the approval of Hon'ble jurisdictional National Company Law Tribunal ("**NCLT**") and subject to such other approvals, permissions and sanctions of regulatory and other authorities, as may be necessary and subject to such conditions and modifications as may be deemed appropriate by the Parties to the Scheme, at any time and for any reason whatsoever, or which may otherwise be considered necessary, desirable or as may be prescribed or imposed by the NCLT or by any regulatory or other authorities, while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Transferee Company (hereinafter referred to as the "**Board**", which term shall be deemed to mean and include one or more Committee(s) constituted/to be constituted by the Board or any other person authorised by it to exercise its powers including the powers conferred by this Resolution), the arrangement embodied in the Scheme of Arrangement between Vareli Trading Company Limited & its shareholders and Surat Textile Mills Limited & its shareholders ("**Scheme**"), be and is hereby approved.

**FURTHER RESOLVED THAT** the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may, in its absolute discretion deem requisite, desirable, appropriate or necessary to give effect to this Resolution and effectively implement the arrangement embodied in the Scheme and to make any modifications or amendments to the Scheme at any time and for any reason whatsoever, and to accept such modifications, amendments, limitations and/or conditions, if any, which may be required and/or imposed by the NCLT while sanctioning the arrangement embodied in the Scheme or by any authorities under law, or as may be required for the purpose of resolving any questions or doubts or difficulties that may arise including passing of such accounting entries and /or making such adjustments in the books of accounts as considered necessary in giving effect to the Scheme, as the Board may deem fit and proper."

**TAKE FURTHER NOTICE** that the equity shareholders shall have the facility and option of voting on the resolution for approval of the Scheme by casting their votes (a) through e-voting system available at the Meeting to be held virtually or (b) by remote electronic voting ("**remote e-voting**") during the period as stated below:

| **REMOTE E-VOTING PERIOD** | |
|---|---|
| Commencement of voting | Saturday, 2nd October, 2021 at 9.00 a.m. (IST) |
| End of voting | Wednesday, 6th October, 2021 at 5.00 p.m. (IST) |

A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the cut-off date, i.e., Thursday, 30th September, 2021 only shall be entitled to exercise his/her/its voting rights on the resolution proposed in the Notice and attend the Meeting. A person, who is not a equity shareholder as on the cut-off date, should treat the Notice for information purpose only.

A copy of the said Scheme, statement under Sections 230 and 232 read with Section 102 and other applicable provisions of the Act and Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 ("CAA Rules") along with all annexures to such statement are enclosed herewith. A copy of this Notice and the accompanying documents are also placed on the website of the Transferee Company viz. www.surattextilemillsltd.com; the website of KFin Technologies Private Limited (https://evoting.kfintech.com), being the agency appointed by the Transferee Company to provide the e-voting and other facilities for convening of the Meeting; and the website of the Stock Exchange i.e., BSE Limited at www.bseindia.com.

The Tribunal has appointed Mr. Ullas G. Shah, Chartered Accountant to be the Chairperson for the Meeting and Mr. Jigar Vyas, a Practicing Company Secretary (Membership No. FCS 8019 COP No. 14468) of Jigar Vyas & Associates to be the Scrutinizer for the Meeting.

The above mentioned Scheme, if approved at the aforesaid Meeting, will be subject to the subsequent sanction of the Tribunal, and such other approvals, permissions and sanctions of regulatory or other authorities as may be necessary.

**Sd/-**
**Ullas G. Shah**
**Chairperson appointed by**
**Tribunal for the Meeting**

**Surat, 1st September, 2021**

**Registered Office:**
Tulsi Krupa Arcade, 6th Floor,
Puna-Kumbharia Road,
Dumbhal,
Surat 395010.

**Notes:**

1. Pursuant to the directions of the Hon'ble National Company Law Tribunal, Ahmedabad Bench vide its Order dated 16th August, 2021 ("Tribunal"), the Meeting of the equity shareholders of the Company is being conducted through Video Conferencing ("VC") / other audio visual means ("OAVM") facility to transact the business set out in the Notice convening this Meeting. As such, physical attendance of equity shareholders has been dispensed with. The deemed venue for the Meeting shall be the Registered Office of the Company.

2. The statement pursuant to Sections 230 and 232 read with Section 102 and other applicable provisions of the Companies Act, 2013 ("Act") and Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 in respect of the business set out in the Notice of the Meeting is annexed hereto.

3. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the cut-off date (specified above in the Notice) only shall be entitled to exercise his/her/its voting rights on the resolution proposed in the Notice and attend the Meeting. A person, who is not a equity shareholder as on the cut-off date, should treat the Notice for information purpose only.

4. Since this Meeting is being held through VC / OAVM, physical attendance of equity shareholders has been dispensed with. Accordingly, the facility for appointment of proxies by the equity shareholders will not be available for the Meeting and hence the Proxy Form and Attendance Slip are not annexed hereto.

5. No route map of the venue of the Meeting is annexed hereto, since this Meeting is being held through VC / OAVM.

6. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote at the Meeting.

7. Equity shareholders attending the Meeting through VC / OAVM shall be reckoned for the purpose of quorum. In terms of the Tribunal Order and Section 103 of the Act, the quorum for the meeting of equity shareholders is 30 (thirty) equity shareholders attending the Meeting.

8. The Notice of the Meeting and the accompanying documents mentioned in the Index are being sent through electronic mode to those equity shareholders whose email addresses are registered with the Company / Depositories.

9. The equity shareholders may note that the aforesaid documents are also available on the website of the Company and can be accessed / downloaded using the link: http://www.surattextilemillsltd.com/reportsfiling.aspx and on the website of the Stock Exchange i.e., BSE Limited at www.bseindia.com, and on the website of KFin Technologies Private Limited, Company's Registrar and Transfer Agent ("KFinTech"), at https://evoting.kfintech.com. If so desired, equity shareholders may obtain a physical copy of the Notice and the accompanying documents, i.e., Scheme and the Statement under Sections 230 and 232 read with Section 102 and other applicable provisions of the Act and Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 etc., free of charge. A written request in this regard, along with details of your shareholding in the Company, may be addressed to the Company Secretary at sharedepartment@stml.in

**PROCEDURE FOR REMOTE E-VOTING AND E-VOTING AT THE MEETING:**

10. Pursuant to the directions of the Tribunal given under the Tribunal Order and the provisions of Section 108 and other applicable provisions of the Act read with the Companies (Management and Administration) Rules, 2014, as amended, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing to its equity shareholders facility to exercise their right to vote on the resolution proposed to be passed (i) remotely, using an electronic voting system on the dates mentioned herein below ("remote e-voting''); and (ii) at the Meeting by electronic means ("e-voting at the Meeting").

    The Company has engaged the services of KFin Technologies Private Limited (KFinTech) as the agency to provide the facility for remote e-voting and e-voting at the Meeting. The manner of voting using e-voting facility is provided in the instructions given below.

    The remote e-voting facility will be available during the voting period specified above in the Notice.

    The remote e-voting will not be allowed beyond the end date and time specified in the voting period as stated in the Notice and the remote e-voting module shall be forthwith disabled by KFinTech upon expiry of the aforesaid period.

    Further, the facility for voting through electronic voting system will also be made available at the Meeting and equity shareholders attending the Meeting who have not cast their votes by remote e-voting will be able to vote electronically at the Meeting through such facility.

    Voting rights of a equity shareholder / beneficial owner (in case of electronic shareholding) shall be in proportion to his/her/its shareholding in the paid-up equity share capital of the Company as on the cut-off date (specified in the Notice).

    Pursuant to the directions of the Hon'ble Tribunal, Mr. Jigar Vyas, a Practising Company Secretary (Membership No.: FCS 8019) of Jigar Vyas & Associates, shall act as Scrutiniser to scrutinise the process of remote e-voting and e-voting at the Meeting in a fair and transparent manner and they have communicated their willingness to be appointed and will be available for the said purpose.

**PROCEDURE FOR JOINING THE MEETING THROUGH VC / OAVM:**

11. The Company will provide VC / OAVM facility to its equity shareholders for participating at the Meeting.

    a) Equity shareholders will be able to attend the Meeting through VC / OAVM, through Kfin Technologies web-link https://emeetings.kfintech.com

    b) Members whose email IDs are not registered with the Company/Depository Participants(s), and consequently the Notice of Meeting and e-voting instructions cannot be serviced, will have to follow the following process:

        i. Members who have not registered their email address and in consequence the Notice of Meeting and e-voting instructions cannot be serviced, may temporarily get their email address and mobile number provided with KFintech, by accessing the link: https://ris.kfintech.com/clientservices/mobilereg/ mobileemailreg.aspx. Members are requested to follow the process as guided to capture the email address and mobile number for sending the soft copy of the notice and e-voting instructions along with the User ID and Password. In case of any queries, member may write to einward.ris@kfintech.com.

ii. Alternatively, member may send an e-mail request at the email id einward.ris@kfintech.com along with scanned copy of the signed copy of the request letter providing the email address, mobile number, self-attested PAN copy and Client Master copy in case of electronic folio and copy of share certificate in case of physical folio for sending the copy of the Scheme, Notice of meeting and the e-voting instructions.

iii. After receiving the e-voting instructions, please follow all steps above to cast your vote by electronic means.

**Instructions relating to e-voting:**

**I. Login method for remote e-voting for individual members holding securities in demat mode:**

(a) As per Circular No. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 issued by the Securities and Exchange Board of India, individual members holding securities in demat mode are allowed to vote through their demat account maintained with Depositories/Depository Participants. Members are advised to update their mobile number and email address in their demat accounts in order to access remote e-voting facility. Following is the login method for remote e-voting for individual members holding securities in demat mode:

| Type of members | Login Method |
|---|---|
| **Individual members holding securities in demat mode with NSDL** | **(i) User already registered for IDeAS facility:**<br>(a) Visit URL: https://eservices.nsdl.com<br>(b) Click on the “Beneficial Owner” icon under “Login” under ‘IDeAS’ section.<br>(c) On the new page, enter User ID and Password. Post successful authentication, click on “Access to e-Voting”<br>(d) Click on company name or e-Voting service provider and you will be re-directed to e-Voting service provider website for casting the vote during the remote e-Voting period.<br>**(ii) User not registered for IDeAS e-Services:**<br>(a) To register click on link : https://eservices.nsdl.com<br>(b) Select “Register Online for IDeAS” or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp<br>(c) Proceed with completing the required fields.<br>(d) Follow steps given in above point (i)<br>**(iii) Alternatively by directly accessing the e-Voting website of NSDL**<br>(a) Open URL: https://www.evoting.nsdl.com/<br>(b) Click on the icon “Login” which is available under ‘Shareholder/Member’ section.<br>(c) A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password / OTP and a Verification Code as shown on the screen. |

| | |
|---|---|
| | (d) Post successful authentication, you will requested to select the name of the company and the e-voting service provider name, i.e. KFinTech. |
| | (e) On successful selection, you will be redirected to KFinTech e-voting page for casting your vote during the remote e-voting period. |
| **Individual members holding securities in demat mode with CDSL** | **(i) Existing user who have opted for Easi/Easiest**<br>(a) Visit URL: https://web.cdslindia.com/myeasi/home/login or URL: www.cdslindia.com<br>(b) Click on New System Myeasi<br>(c) Login with your registered user id and password.<br>(d) The user will see the e-Voting Menu. The Menu will have links of e-voting service provider i.e. KFinTech e-voting portal.<br>(e) Click on e-voting service provider name to cast your vote.<br>**(ii) User not registered for Easi/Easiest**<br>(a) Option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration<br>(b) Proceed with completing the required fields.<br>(c) Follow the steps given in above point (i) |
| | **(iii) Alternatively, by directly accessing the e-Voting website of CDSL**<br>(a) Visit URL: www.cdslindia.com<br>(b) Provide your demat Account Number and PAN No.<br>(c) System will authenticate user by sending OTP on registered mobile and email as recorded in the demat account.<br>(d) After successful authentication, user will be provided links for the respective e-voting service provider i.e. KFinTech where the e-voting is in progress. |
| **Individual members login through their demat accounts / website of Depository Participant** | You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL /CDSL for remote e-voting facility. Once logged-in, you will be able to see e-voting option.<br>Once you click on e-voting option, you will be redirected to NSDL/CDSL site after successful authentication, wherein you can see e-voting feature.<br>Click on options available against company name or e- voting service provider i.e. KFinTech and you will be redirected to e-voting website of KFinTech for casting your vote during the remote e-voting period without any further authentication. |

(b) Members who are unable to retrieve User ID/Password are advised to use Forgot User ID and Forgot Password option available at respective websites of NSDL/CDSL.

(c) Please contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30 and please contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022- 23058738 or 022-23058542-43.

**II. Login method for remote e-voting for members holding securities in physical mode:**

The non-individual members or members holding securities in physical mode desiring to exercise their vote(s) through remote e-voting process are requested to refer to the detailed procedure given as under:

(a) Open your web browser during the voting period and navigate to https://evoting.kfintech.com.
(b) Enter the login credentials (i.e. User ID and password sent with this Notice through e-mail). If you have already registered with KFinTech for e-voting, you can use your existing User ID and password for casting your votes.
(c) After entering these details appropriately, click on "LOGIN".
(d) You will now reach password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
(e) You need to login again with the new credentials.
(f) On successful login, the system will prompt you to select the "EVENT" i.e. Surat Textile Mills Limited.
(g) On the voting page, enter the number of shares (which represents the number of votes) as on the cut-off date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/AGAINST" taken together should not exceed your total shareholding as mentioned therein. You may also choose the option ABSTAIN. If the member does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.
(h) Members holding multiple Folios/Demat Accounts need to choose the voting process separately for each Folios/ Demat Accounts.
(i) Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
(j) You may then cast your vote by selecting an appropriate option and click on "Submit".
(k) A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, members can login any number of times till they have voted on the resolution(s).
(l) Corporate/Institutional Members (i.e. other than Individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter, etc. together with attested specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at email ID csjigarvyas@gmail.com with a copy marked to evoting@kfintech.com. The scanned image of the above mentioned documents should be in the naming format "Corporate Name_ EVENT No."
(m) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and remote e-voting User Manual for shareholders available at the download section of http://evoting.kfintech.com or contact KFinTech at Tel No. 1800 345 4001 (Toll Free).

## III. OTHER INSTRUCTIONS

I. **Speaker Registration:** The Members who wish to speak during the meeting may register themselves as speakers for the meeting to express their views. They can visit https://emeetings.kfintech.com and login through the user id and password provided in the mail received from Kfintech. On successful login, select 'Speaker Registration' which will opened from Saturday, 2nd October, 2021 (9:00 a.m. IST) to Wednesday, 6th October, 2021 (5:00 p.m. IST). Members shall be provided a 'queue number' before the meeting. The Company reserves the right to restrict the speakers at the meeting to only those Members who have registered themselves, depending on the availability of time for the meeting.

II. **Post your Question:** The Members who wish to post their questions prior to the meeting can do the same by visiting https://emeetings.kfintech.com. Please login through the user id and password provided in the mail received from Kfintech. On successful login, select 'Post Your Question' option which will opened from Saturday, 2nd October, 2021 (9:00 a.m. IST) to Wednesday, 6th October, 2021 (5:00 p.m. IST).

III. In case of any query and/or grievance, in respect of voting by electronic means, Members may refer to the Help & Frequently Asked Questions (FAQs) and E-voting user manual available at the download section of https://evoting.kfintech.com (KFintech Website) or contact Manager-Corporate Registry at evoting@kfintech.com or call KFintech's toll free No. 1-800-309-4001 for any further clarifications.

IV. Equity shareholders can also update their mobile number and e-mail id in the user profile details which may be used for sending further communication(s).

V. In case of any query pertaining to e-voting, equity shareholders may refer to the "Help" and "FAQs" sections / E-voting user manual available through a dropdown menu in the "Downloads" section of KFinTech's website for e-voting: https://evoting.kfintech.com or contact KFinTech as per the details given under sub-point no. IV below.

VI. Equity shareholders are requested to note the following contact details for addressing e-voting related grievances:
**Ms. Shobha Anand,**
**Deputy Vice President,**
KFin Technologies Private Limited
Selenium Tower-B, Plot 31 & 32, Financial District,
Nanakramguda, Serilingampally Mandal, Hyderabad 500032
Email: shobha.anand@kfintech.com

**VII. Instructions for e-voting at the Meeting:**

Facility to cast vote at the Meeting will be made available on the Video Conferencing Meeting Screen and will be activated once commencement of e-voting is announced at the Meeting. An icon, "Vote", will be available at the bottom left on the Meeting Screen. Once the voting at the Meeting is announced by the Chairperson of the Meeting, you will be able to cast your vote by clicking on this icon.

**VIII. Declaration of Results on the Resolution:**

The Scrutiniser will, after the conclusion of e-voting at the Meeting, scrutinise the votes cast at the Meeting and votes cast through remote e-voting, make a consolidated Scrutiniser's Report and submit the same to the Chairperson of the Meeting.

The result of the voting shall be announced by the Chairman of the meeting or a person authorized by him in writing on or before 9th October, 2021 upon receipt of the Scrutinizer's Report. The results announced, along with the Scrutinizer's Report, shall be placed on the Company's website viz. www.surattextilemillsltd.com immediately after declaration. The results shall also be immediately forwarded to the stock exchange where the Company's equity shares are listed i.e. BSE Limited at www.bseindia.com and shall also be displayed on the Notice Board at the Registered office of the Company.

Subject to receipt of requisite majority of votes (as per Section 230 to 232 of the Act, and SEBI Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 and SEBI Circular SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020, as amended, issued by the Securities and Exchange Board of India ("SEBI")), the Resolution proposed in the Notice shall be deemed to have been passed on the date of the Meeting (specified in the Notice).

**PROCEDURE FOR INSPECTION OF DOCUMENTS:**

12. Documents for inspection as referred to in the Notice will be available electronically for inspection without any fee by the shareholders from the date of circulation of this Notice up to the date of Meeting. Equity shareholders seeking to inspect such documents can visit the "Investor Relations" section on the website of the Company http://www.surattextilemillsltd.com

13. Equity Shareholders seeking any information with regard to the Scheme or the matter proposed to be considered at the Meeting, are requested to write to the Company at least seven days before the date of the Meeting through email on sharedepartment@stml.in. The same will be replied to by the Company, suitably.

14. Equity shareholders are requested to carefully read all the Notes set out herein and in particular, instructions for joining the Meeting, manner of casting vote through remote e-voting or e-voting at the Meeting.

**Sd/-**
**Ullas G. Shah**
**Chairperson appointed by**
**Tribunal for the Meeting**

**Surat, 1st September, 2021**

**Registered Office:**
Tulsi Krupa Arcade, 6th Floor,
Puna-Kumbharia Road,
Dumbhal,
Surat 395010.

**BEFORE THE HON'BLE NATIONAL COMPANY LAW TRIBUNAL, AHMEDABAD BENCH**
**COMPANY SCHEME APPLICATION NO. CA (CAA) 58 OF 2021**
**IN THE MATTER OF SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013**
**AND**
**IN THE MATTER OF THE SCHEME OF ARRANGEMENT BETWEEN**
**VARELI TRADING COMPANY LIMITED & ITS SHAREHOLDERS AND CREDITORS**
**AND**
**SURAT TEXTILE MILLS LIMITED & ITS SHAREHOLDERS AND CREDITORS**

**SURAT TEXTILE MILLS LIMITED**, a company incorporated under the Companies Act, 1913 having Corporate Identity Number: L17119GJ1945PLC000214 and its registered office at 6th Floor, Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010, Gujarat, India …………. **Applicant Company**

**STATEMENT UNDER SECTIONS 230 AND 232 READ WITH SECTION 102 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 ("ACT") AND RULE 6 OF THE COMPANIES (COMPROMISES, ARRANGEMENTS AND AMALGAMATIONS) RULES, 2016 ("CAA RULES") TO THE NOTICE OF THE MEETING OF EQUITY SHAREHOLDERS OF SURAT TEXTILE MILLS LIMITED CONVENED PURSUANT TO ORDER OF THE HON'BLE NATIONAL COMPANY LAW TRIBUNAL, AHMEDABAD BENCH ("TRIBUNAL") DATED 16TH AUGUST, 2021 ("TRIBUNAL ORDER")**

1. This is a statement accompanying the Notice convening the meeting of the equity shareholders of the Company, pursuant to the Order dated Monday, 16th August 2021 passed by the Hon'ble National Company Law Tribunal, Ahmedabad Bench **("Hon'ble Tribunal" or "NCLT"**) in the Company Scheme Application No. CA(CAA) No.58 of 2021, referred to hereinabove, to be held on **Thursday, 7th October 2021 at 3:00 p.m. IST** for the purpose of considering, and if thought fit, approving the arrangement embodied in the Scheme of Amalgamation of Vareli Trading Company Limited with Surat Textile Mills Limited and their respective shareholders. ("**Scheme**").

2. A copy of the Scheme is enclosed herewith as **Annexure A**. The proposed Scheme is envisaged to be effective from the Appointed Date. The Appointed Date is as defined in the Scheme. The Scheme shall be operative from the Effective Date.

3. Pursuant to the Order dated 16th August 2021 passed by the Hon'ble Tribunal in Company Scheme Application No. CA(CAA) No.58 of 2021, a meeting of the equity shareholders of the Company is being called, convened and conducted for the purpose of considering, and if thought fit, approving the Scheme.

4. The Scheme provides to amalgamate the Transferor Company into the Transferee Company, as a result of which the shareholders of the Transferor Company viz. the promoter group of the Transferor Company (who are also part of the promoter group of the Transferee Company) shall directly hold shares in the Transferee Company. Accordingly, the shares held by the Transferor Company in the Transferee Company will be cancelled and an equivalent number of shares (New Equity Shares) will be allotted to the existing shareholders of the Transferor Company.

5. The draft Scheme was placed before the Audit Committee and Board of Directors of the Transferee Company at their respective meetings both held on 05/11/2019 respectively. In accordance with the provisions of SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, the Audit Committee of the Transferee Company vide a resolution passed on 05/11/2019 recommended the Scheme to the Board of the Directors inter-alia taking into

account (i) Valuation Report issued by M/s. Snehal Shah & Associates, Chartered Accountants (Registered Valuers), (ii) Fairness Opinion issued by M/s. Kunvarji Finstock Private Limited, a Category I Merchant Banker and (iii) Certificate issued by M/s. Sharp & Tannan Associates, Chartered Accountants, Statutory Auditors of the Transferee Company in relation to the accounting treatment prescribed in the Scheme.

6. Based upon the recommendation of the Audit Committee, the Board of Directors of the Transferee Company approved the Scheme subject to the approval of the shareholders, NCLT and such other governmental/statutory authorities as advised by NCLT.

7. **BACKGROUND OF THE COMPANIES INVOLVED IN THE SCHEME IS AS UNDER:**

**Surat Textile Mills Limited ('the Transferee Company' or 'the Company)**

7.1 Surat Textile Mills Limited ("Transferee Company") having Corporate Identity Number (CIN) L17119GJ1945PLC000214 was incorporated on 29th November, 1945, under the provisions of the Companies Act, 1913 under the name 'The Surat Textile Mills Limited'. The name of the Transferee Company was changed to 'Garden All Cotton Limited' and a fresh certificate of incorporation consequent on change of name was issued by the Registrar of Companies, Gujarat on 21st July, 1993.

7.2 The name of the Transferee Company was further changed to 'Garden Cottons and Yarns Limited' and a fresh certificate of incorporation consequent on change of name was issued by the Registrar of Companies, Gujarat on 5th October, 1993. The name of the Transferee Company was further changed from 'Garden Cottons and Yarns Limited' to 'Surat Textile Mills Limited' and a fresh certificate of incorporation consequent on change of name was issued by the Registrar of Companies, Gujarat on 11th March, 1997. The Transferee Company is a public company within the meaning of the Act.

7.3 The registered office of the Company is situated at 6th Floor, Tulsi Krupa Arcade, Puna-Kumbharia Road, Dumbhal, Surat 395010, Gujarat, India. The Transferee Company is registered with the Registrar of Companies, Ahmedabad having Corporate Identity Number L17119GJ1945PLC000214. Its Permanent Account Number with the Income Tax Department is AADCS4562M. The email address of the Transferee Company is: sharedepartment@stml.in and website is www.surattextilemillsltd.com.

7.4 During the last five years, there has been no change in the name and registered office of the Transferee Company. The equity shares of the Transferee Company are listed on stock exchange BSE Limited ("BSE").

7.5 The objects for which the Transferee Company has been established are set out in its Memorandum of Association. They are briefly given as under:

i) To carry on the business of manufacturing, cleaning, spinning, bleaching, knitting, dyeing, colouring, weaving, printing, ginning, pressing or processing, purchasing, buying, selling, exchanging, twisting, exporting, importing, job-working, outsourcing, insourcing, marketing, give or take on loan, trading dealing in all types of chips and yarn, fibres and intermediaries, textiles, fabrics including cotton, grey yarn, flex, hemp, jute, linen, wool, silk, grey cloth/fabric, readymade garments and made-ups, synthetic yarn, rayon yarn, partially oriented yarn, draw textured yarn, polyester filament yarn, polyester staple fibre and such other fibre, fibres and fibrous materials, hosiery and knitted material or allied products, by-products, substances or substitutes for all or any of them, or yarn or yarns, for textile or other use, as may be practicable and to deal with all related products thereto.

ii) To carry on business of traders (wholesale and/or retail) in all commodities and commodity derivatives, and to act as market makers, underwriters, sub-underwriters, providers of service for commodity related activities.

iii) To undertake the business as general traders and merchants to buy, sell, take, hold, deal in, convert, modify, add value, transfer, to deal in any commodity market, commodity exchange, spot exchange or otherwise dispose of commodities in physical mode and/or in electronic mode, transaction in the nature of hedging, spot trading, forward commodity contracts, rate swaps, commodity future/swaps, commodity futures and options and in derivatives of all the commodities, whether for the purpose of trading, hedging, arbitrage, or any other purpose, whether in India or abroad and to undertake the activity of warehousing and processing as may be required for the aforesaid purpose(s) in commodities such as Agriculture : Wheat, Cotton, Rice, Corn, Jute, Rubber, Mustard Seed, Soyabeen, Dhaniya, Jeeru etc. Metals: Copper, Zinc, Gold, Silver, Aluminium, Nickel, Lead etc. Energy: Natural Gas, Crude Oil, Heating Oil, etc. Meat and Livestock: Cattle, Egg, etc. and its commodity derivatives, and to carry on the above business in India and abroad.

iv) To do the business of commodity warehousing, processing and consumption.

There has been no change in the object clause of the Transferee Company during the last 5 years.

7.6 The Transferee Company is engaged in the business of manufacturing, cleaning, spinning, bleaching, knitting, dyeing in all kinds of chips and yarn, fibers and intermediaries, textiles, fabrics, etc.

a. The details of the Authorized, issued, subscribed and paid up share capital of the Transferee Company as on 31st March, 2021 are as under:

| **Particulars** | **Amount in Rs.** |
|---|---:|
| **Authorised share capital** | |
| 75,00,00,000 equity shares of Rs.1 each | 75,00,00,000 |
| **Total** | **75,00,00,000** |
| **Issued, Subscribed and Paid-up Share Capital** | |
| 22,20,64,440 equity shares of Rs.1 each | 22,20,64,440 |
| **Total** | **22,20,64,440** |

The latest annual financial statements of the Transferee Company have been audited for the financial year ended on 31st March, 2021. The unaudited financial results (limited reviewed) of the Transferee Company for the quarter ended 30th June, 2021 is attached hereto as **Annexure L.**

There is no change in the issued, subscribed and paid up share capital of the Transferee Company subsequent to 31st March 2021. Shares of the Transferee Company are listed on BSE Limited.

Further, the Transferor Company holds 77580026 equity shares of Rs.1/- each fully paid up in the Transferee Company, representing about 34.94% of the total paid up share capital of the Transferee Company as on 31st March 2021.

**Vareli Trading Company Limited (‘the Transferor Company’)**

7.7 Vareli Trading Company Limited (“Transferor Company”) was incorporated on 10th February, 1987, under the provisions of the Companies Act, 1956. A certificate of incorporation has been issued by the Registrar of Companies, Gujarat Ahmedabad.

7.8 The registered office of the Company is situated at Dr. Amichand Shah’s Wadi, Rampura Tunki, Surat 395003, Gujarat. The Transferor Company is registered with the Registrar of Companies, Ahmedabad having Corporate Identity Number (CIN) U65910GJ1987PLC009405. Its Permanent Account Number with the Income Tax Department is AAACV8309E. The email address of the Transferor Company is: rampura31@gmail.com.

7.9 During the last five years, there has been no change in the name and registered office of the Transferor Company.

7.10 The objects for which the Transferor Company has been established are set out in its Memorandum of Association. They are briefly given as under:

1. To carry on the business as manufacturers and dealers in all kinds of fabrics, yarn, fibers and textile by-products including all types of synthetic fabrics from alternate types of yarn and materials.
2. To carry on the business of spinners, processors, weavers, manufacturers, ginners, pressers, packers and balers of polyester nylon, man-made fibers synthetic fibers, staple fibers, cotton jute, hemp, silk, artificial silk, rayon, wool, and other fibrous material and bristles and any of the materials produced therefrom or therewith or production thereof and the business of weaving or otherwise manufacturing, bleaching, printing and selling yarn fabrics whether textile frebled, knitted or looped and of buying selling and dealing in polyester, rayon, man-made fibers, synthetic fiber, staple fibers, cotton, silk, art-silkm wool, hemp and other fibrous materials, bristles and other material produced therefrom and therewith, yarn, cloth lined rayon, made therefrom and generally to carry on business of spinners, processors, weavers and doublers, linen manufacturers, rayon, man-made fibers, synthetic fibers staple fiber, cotton, flax, hemp, jute, silk, artificial silk, wool, yarn, and clothe merchant, cleaners, combers, spinners, processors, weavers, bleachers, dyers, printers, makers of vitriol bleaching and dying materials and to transact curing and preparing, processing that may be necessary or expedient for the company and to purchase and sell raw materials and manufactures articles.”

   There has been no change in the object clause of the Transferor Company during the last 5 years.

7.11 The Transferor Company is primarily engaged in the business of trading in all types of textiles fabrics including finished, yarn and grey textile fabrics.

a. The details of the Authorized, issued, subscribed and paid up share capital of the Transferee Company as on date of this Notice is as follows:

| Particulars | Amount in Rs. |
|---|---|
| **Authorised share capital** | |
| 10,00,000 Equity Shares of Rs. 10 each | 1,00,00,000 |
| 80,00,000 1% Non-Cumulative Optionally Convertible Preference Shares of Rs. 10 each | 8,00,00,000 |
| **Total** | **9,00,00,000** |
| **Issued, Subscribed and Paid-up Share Capital** | |
| 1,48,906 Equity Shares of Rs. 10 each | 14,89,060 |
| **Total** | **14,89,060** |

There is no change in the issued, subscribed and paid up share capital of the Transferor Company subsequent to 31st March 2021. Shares of the Transferor Company are not listed on any of the stock exchanges.

**8. RATIONALE OF THE SCHEME:**

It is proposed to amalgamate the Transferor Company into the Transferee Company by this Scheme, as a result of which the shareholders of the Transferor Company viz. the promoter group of the Transferor Company (who are also part of the promoter group of the Transferee Company) shall directly hold shares in the Transferee Company and the following benefits shall, inter alia, accrue to the Companies:

a) The amalgamation will help in elimination of the investment layer in the shareholding pattern of the Transferee Company.
b) It will be helpful to achieve the benefits of the synergy of large-scale operation.
c) This amalgamation will improve the financial strength of the combined entity.

Accordingly, the Board of Directors of the Transferor Company and the Transferee Company have formulated this Scheme for the transfer and vesting of all the assets of the Transferor Company with and into the Transferee Company pursuant to the provisions of Sections 230-232 and other relevant provisions of the Companies Act, 2013 (including any statutory modification or re-enactment or amendment thereof).

**9. SALIENT FEATURES GIVEN HEREUNDER FORMS PART OF THE SCHEME:**

9.1 The Scheme is presented under Sections 230-232 and other applicable provisions of the Companies Act, 2013, as may be applicable, for the amalgamation of the Transferor Company with the Transferee Company;

9.2 The Transferor Company and the Transferee Company shall make application(s) and/or petition(s) under Sections 230-232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 to the jurisdictional NCLT, as the case may be for sanction of this Scheme and all matters ancillary or incidental thereto and the same is complied by the respective companies;

9.3 'Appointed Date' means 1st April 2019;

9.4 'Effective Date' means last of the dates on which the certified copies of the order sanctioning this Scheme of Amalgamation passed by the NCLT is filed with the Registrar of Companies by the Transferor Company and the Transferee Company and if the certified copies are filed on different dates, last of such dates.

**The other salient features of the Scheme as filed with NCLT Ahmedabad Bench and as per the respective clause of the Scheme, are as under:**

**5. BUSINESS AND PROPERTY IN TRUST AND CONDUCT OF BUSINESS OF VTCL FOR STML**

With effect from the Appointed Date and up to and including the Effective Date:

5.1 VTCL shall be carrying on and be deemed to have been carrying on all business and activities and shall hold and stand possessed of and shall be deemed to hold and stand possessed of all assets, rights, title, interest, authorities, contracts, investments and strategic decisions for and on account of, and in trust for STML;

5.2 All income or profits accruing or arising to VTCL, or all costs, charges, expenses or losses arising or incurred by it (including the effect of taxes, if any, thereon), shall, for all purposes, be treated as profits, income, costs, charges, expenses, taxes or losses, as the case may be, of STML;

5.3 It is clarified that any advance tax paid / TDS credits / TDS certificates received by VTCL shall be deemed to be the advance tax paid by / TDS credit / TDS certificate of STML.

5.4 All assets howsoever acquired by VTCL for carrying on its business, operations or activities and the liabilities relating thereto shall be deemed to have been acquired and are also contracted for and on behalf of STML.

5.5 STML shall also be entitled, pending sanction of the Scheme, to apply to the Central Government, State Government, and all other agencies, department and statutory authorities concerned, wherever necessary, for such consents, approvals and sanctions which STML may require including the registration, approvals, exemptions, relieves, etc., as may be required / granted under any law for the time being in force for carrying on business of VTCL.

5.6 Without prejudice to the above, VTCL from the date of filing this Scheme with the NCLT up to and including the Record Date shall not make any change in its capital structure, whether by way of increase (by issue of equity shares on a rights basis, bonus shares or otherwise) decrease, reduction, reclassification, sub-division or consolidation, reorganization, or in any other manner which may, in any way, affect the Share Exchange Ratio except under any of the following circumstances:

(i) By mutual consent of the respective Board of Directors of VTCL and STML; or
(ii) By way of any obligation already subsisting as on the date of filing this Scheme with the NCLT.

5.7 The transfer of assets, properties, liabilities or Undertaking(s) and the continuance of proceedings by or against VTCL shall not affect any transaction or proceedings already concluded by VTCL on or after the Appointed Date to the end and intent that STML accepts and adopts all acts, deeds things done and executed by VTCL in regard thereto as done executed by STML on behalf of itself.

5.8 VTCL undertakes that it will preserve and carry on the business with diligence and utmost business prudence and agrees that it will not, without prior written consent of STML, alienate, charge, mortgage or encumber or otherwise deal with or dispose of any assets or any part thereof or recruit new employees (in each case except in the ordinary course of business) or conclude settlements with union or employees without the concurrence of STML or undertake substantial expansion or change the general character of the business; and

5.9 VTCL and/or STML shall be entitled, pending sanction of the Scheme, to apply to the Central/State Government(s), regulatory/local/administrative bodies and all other agencies, departments and authorities concerned as are necessary under any law for such consents, approvals and sanctions which STML may require to carry on the business of VTCL.

**6 CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS**

6.1 Subject to the other provisions contained in the Scheme, all contracts, deeds, bonds, debentures, agreements and other instruments of whatever nature to which VTCLis party, subsisting or having effect immediately before the effective date shall remain in full force and effect against or in favour of STML, as the case may be, and may be enforced as fully and as effectually as if, instead of VTCL, STML had been a party thereto.

6.2 It is clarified that in case of any such instruments including contracts, deeds, bonds, debentures etc, wherever required, STML shall amend or modify such instrument etc, as may be appropriate, by appending, attaching or affixing thereto such addendum, stickers, papers, supplementary modification deeds etc with or without affixing the Common Seal of the Company, to denote and signify STML as a party thereto stepping instead and in place of VTCL. Further, STML shall be deemed to be authorized to execute any such deeds, writings or confirmations on behalf of VTCLand to implement or carry out all formalities required on the part of VTCL to give effect to the provisions of this Scheme.

**7. LEGAL PROCEEDINGS**

If any suit, writ petition, appeal, revision or claims or action before any statutory or quasi-judicial authority or tribunal other proceedings of whatever nature (hereinafter called “the Proceedings”) by or against VTCL be pending, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the amalgamation of VTCL or of anything contained in the Scheme, but the Proceedings may be continued, prosecuted and enforced by or against STML in the same manner and to the same extent as it would be or might have been continued, prosecuted and enforced by or against any of VTCL as if the Scheme had not been made. On and from the effective date, STML shall and may initiate any legal proceedings for and on behalf of VTCL.

**8. STAFF, WORKMEN AND EMPLOYEES OF VTCL**

All the staff, workmen and other employees in the service of VTCL immediately before the amalgamation under the Scheme shall become the staff, workmen and employees of STML on the basis that –

8.1 Their service shall be continuous and shall not be interrupted by reason of the amalgamation;

8.2 The terms and conditions of service applicable to the said staff, workmen or employees after such amalgamation shall not in any way be less favorable to them than those Applicable to them immediately before the amalgamation; and

8.3 It is expressly provided that as far as Provident Fund, Gratuity Fund, Superannuation Fund or any other Fund created or existing for the benefit of the staff, workmen and other employees of VTCL are concerned, upon the Scheme becoming effective, STML shall stand substituted for VTCL for all purposes whatsoever related to the administration or operation of such Funds or in relation to the obligation to make contributions to the said Funds in accordance with provisions of such Funds as per the terms provided in the respective Trust Deeds. It is the aim and intent that all the rights, duties, powers and obligations of VTCL in relation to such Funds shall become those of STML and all the rights, duties and benefits of the employees of VTCL under such Funds and Trusts shall be protected. It is clarified that the services of the employees of VTCL will also be treated as having been continuous for the purpose of the aforesaid Funds or provisions.

**9. Issue of the consideration by STML:**

9.1 Upon the Scheme being effective, in consideration of the amalgamation of and vesting of VTCL in STML and in terms of the Scheme, STML shall, without any further application, act, instrument or deed, issue and allot to the equity shareholders of VTCL (whose names are registered in the Register of Members of VTCL on the Record Date, or his /her/its legal heirs, executors or administrators or, as the case may be, successors), equity shares of face value Re. 1/- (Rupees one) each credited as fully paid up of STML in the ratio of 521 equity shares of the face value of Re. 1/- (Rupees one) each of STML for every 1 equity share of Rs. 10/- (Rupees Ten) of VTCL credited as fully paid-up held on the Record Date by such equity shareholders or their respective legal heirs, executors or administrators or, as the case may be, successors in VTCL (the "New Equity Shares").

9.2 The new equity shares issued and allotted by STML in terms of the scheme shall be subject to the provisions of the memorandum and articles association of STML and shall rank pari-passu in all respects.

9.3 On the amalgamation of VTCL with STML, all the investment (including 7,75,80,026 number of the equity shares of STML), being held by VTCL, shall be cancelled off and the same shall amount to Reduction of Share Capital of STML to that extent, as envisaged in clause 11 hereinunder. However, considering the issue of new shares to the shareholders of VTCL, there will not be any Net Reduction in the share capital of STML.

9.4 The issue and allotment of new equity shares to the members of VTCL pursuant to clause 9.1 of this Scheme is an integral part of the scheme. The approval of this scheme by the members of STML shall be deemed to be due compliance with all applicable provisions of the Companies Act 2013 including but not limited to Section 62(1) (c) of the Companies Act 2013 if applicable for the issue and allotment of new equity shares by STML to the members of VTCL.

9.5 Where equity shares of STML are to be allotted to heirs, executors or administrators or, as the case may be, to successors of deceased equity shareholders of VTCL, the concerned heirs, executors, administrators or successors shall be obliged to produce evidence of title, satisfactory to the Board of Directors of STML.

9.6 In the event that STML or VTCL restructures its equity share capital by way of share split / consolidation / issue of bonus shares / fresh allotment of securities or other similar action at any time before the record date during the pendency of the Scheme, the Share Exchange Ratio shall be adjusted appropriately and the same shall be approved by the Boards of both STML and VTCL. Shares to be issued by STML to the shareholders of VTCL under this chapter, shall automatically be listed on the stock exchanges.

**10. ACCOUNTING TREATMENT IN THE BOOKS OF TRANSFEREE**

10.1 Upon this scheme becoming effective, STML shall record the assets and liabilities of VTCL as transferred to STML pursuant to this scheme, at their respective book values thereof.

10.2 STML shall follow the method of accounting as prescribed for the "Pooling of Interest Method" under Ind AS 103 Business Combination as notified under the Companies (Indian Accounting Standard) Rules, 2015.

10.3 The face value of equity shares issued by STML to the shareholders of VTCL pursuant to this scheme will be recorded as equity share capital of STML.

10.4 The identity of the reserves of VTCL, shall be preserved and they shall appear in the financial statements of STML in the same manner and form, in which they appeared in the financial statements of VTCL respectively, prior to this scheme becoming effective. Accordingly, if prior to this scheme becoming effective there is any reserve in the financial statements of VTCL available for distribution whether as bonus shares or dividend or otherwise, the same would also be available in the financial statements of STML for such distribution pursuant to this scheme becoming effective.

10.5 All inter – Company payables, receivables (including loans, advances etc.) and balances between VTCL and STML including investment of VTCL into STMLshall be cancelled and STML shall accordingly not record any of such payables, receivables and balances in its books.

10.6 The difference between the assets and liabilities of VTCL to be transferred pursuant to this scheme to the STML and Reserves & Surplus of the VTCL, after making the adjustment for the clause 10.4 and 10.5, and value of consideration shall be adjusted against the balance of Capital Reserve.

**11. RESTRUCTURE IN THE FORM OF CAPITAL REDUCTION OF THE TRANSFEREE COMPANY**

11.1 Upon the Scheme being effective, 7,75,80,026 shares held by VTCL, the Transferor Company, in STML, the Transferee Company, shall stand cancelled by operation of law as the consequence of amalgamation. The issued, subscribed and paid up share capital of STML shall stand reduced from Rs. 22,20,64,440/-to Rs. 14,44,84,414/-, i.e to the extent of Rs. 7,75,80,026/-

11.2 The above referred reduction of equity share capital being consequential in nature is proposed to be effected as an integral part of the Scheme. The approval of the members and creditors of the Transferee Company to the proposed Scheme shall be deemed to be their approval under the provisions of Section 66 of the Companies Act, 2013 and all other applicable provisions of the Act and the Transferee Company shall not be required to undertake any separate proceedings for the same. The order of the Hon'ble NCLT sanctioning the Scheme shall be deemed to be an Order under subsection (3) of the Section 66 of the Companies Act, 2013. In view of the same, the Transferee Company shall not be required to separately comply with Section 66 of the Companies Act, 2013 or any other provisions of Companies Act, 1956 or Companies Act, 2013.

11.3 However, considering the issue of new shares as envisaged in Clause 9.1, there will not be any net reduction in the Issued, Subscribed and Paid up Share Capital of STML, the Transferee Company and it Transferee shall not be required to add "And Reduced" after its name.

**12. DISSOLUTION OF THE TRANSFEROR COMPANY**

Upon this Scheme becoming effective, VTCL shall be dissolved without winding up pursuant to the provisions of Section 232 of the Act.

**13. VALIDITY OF EXISTING RESOLUTIONS, ETC**

Upon the coming into effect of the Scheme, the resolutions of VTCL as are considered necessary by the Board of Directors of STML which are validly subsisting be considered as resolutions of STML. If any such resolutions have any monetary limits approved under the provisions of the Act or of any other applicable statutory provisions, then said limits, as are considered necessary by the Board of Directors of STML, shall be added to the limits, if any, under the like resolutions passed by STML.

**14. CONSOLIDATION OF AUTHORIZED SHARE CAPITAL**

14.1 Upon the scheme being effective, the Authorized Share Capital of VTCL being Rs. 1,00,00,000/- (Rupees One Crore only) towards Equity Share Capital and Rs. 8,00,00,000/- (Rupees Eight Crores only) towards Preference Share Capital shall be consolidated with the Authorized Share Capital of STML, without any further act or deed and without any further payment of the stamp duty or the registration fees.

14.2 The consolidated Capital shall be reclassified as follows:
(i) 1,00,00,000 equity shares having Face Value of Re. 1 per share
(ii) 8,00,00,000 equity shares having Face Value of Re. 1 per share

14.3 Consequently, Clause V of the Memorandum of Association of STML shall be replaced as under:

**Clause V of Memorandum of Association: -**

"The Authorized Share Capital of the Company is Rs. 84,00,00,000/- [Rupees Eighty Four Crores only] divided into 84,00,00,000 Equity Shares of Re. 1/- [Rupees One only]with such rights, privileges and conditions attached thereto as may be determined by the General Meetings at the time of issue. The Company has and shall always have the power to divide the Share capital from time to time and to vary, modify and abrogate any rights, privileges, conditions attached to the Share in such a manner as may from the time being provided in the regulations of the Company".

14.4 Under the accepted principle of Single Window Clearance, it is hereby provided that the above referred amendment of Memorandum of Association of STML, viz. Change in the Capital Clause and its reclassification shall become operative as an integral part of the scheme. The consent of the shareholders of the Transferee Company to this Scheme shall be deemed to be sufficient for the purposes of effecting the above amendment to the Memorandum of Association of the Transferee Company and no further resolution under Section 13 of the Act and any other applicable provisions of the Act and rules and regulations framed thereunder would be required to be separately passed, nor shall the Transferee Company be required to pay any additional registration fees, stamp duty, etc.

**10. RELATIONSHIP BETWEEN THE TRANSFEROR COMPANY AND THE TRANSFEREE COMPANY:**

The Transferor Company is promoter group company of the Transferee Company i.e. Surat Textile Mills Limited.

**11. APPROVALS:**

11.1 Pursuant to the SEBI Circulars read with Regulation 37 of the SEBI Listing Regulations, the Transferee Company had filed necessary applications before BSE Limited seeking their no-objection to the Scheme. The Transferee Company has received the observation letter from BSE Limited dated 3rd February 2021 conveying their no objection to the Scheme (‘**Observation Letter’**). Copy of the aforesaid Observation Letter is enclosed herewith as **Annexure D**.

11.2 The Scheme along with related documents is available on the website of the Company and BSE Limited and was open for complaints/comments. The Company did not receive any complaint/comment and accordingly a Nil Complaint report was filed with BSE Limited which is annexed herewith as **Annexure E.**

**12. CAPITAL STRUCTURE PRE AND POST AMALGAMATION:**

Upon the Scheme becoming effective and upon amalgamation of the Transferor Company into the Transferee Company in terms of the Scheme, the Transferee Company shall, without any application, act or deed, issue and allot new equity shares, credited as fully paid-up, to the Members of the Transferor Company holding fully paid-up equity shares of the Transferor Company. The existing shares held by the Transferor Company in the equity share capital of the Transferee Company shall, without any further application, act, instrument or deed stand cancelled. The pre and post amalgamation capital structure of the Transferor Company and the Transferee Company is provided herein.

**Pre and post Arrangement shareholding pattern of Transferee Company as on 30th June, 2021 is as follows:**

| **Sr.No.** | **Description** | **Name of Shareholder** | **Transferee company** | | | |
|---|---|---|---|---|---|---|
| | | | **Surat Textile Mills Limited** | | | |
| | | | **Pre-arrangement** | | **Post-arrangement** | |
| | | | **No.of shares** | **%** | **No.of shares** | **%** |
| **(A)** | **Shareholding of Promoter and Promoter Group** | | | | | |
| **1** | **Indian** | | | | | |
| (a) | Individuals / Hindu Undivided Family (Names of Promoters) | Shri Praful A. Shah | 27830471 | 12.53% | 70497766 | 31.75% |
| | | Shri Praful A. Shah (HUF) | 10000450 | 4.50% | 10000971 | 4.50% |
| | | Smt. Shilpa P. Shah | 10015450 | 4.51% | 21652506 | 9.75% |
| | | Shri Alok P. Shah | 10015000 | 4.51% | 21652056 | 9.75% |
| | | Shri Suhail P. Shah | 10015000 | 4.51% | 21652056 | 9.75% |
| | | Smt. Deepika A. Shah | -- | -- | 521 | 0.00% |
| | | Shri Alok P. Shah (HUF) | -- | -- | 521 | 0.00% |
| (b) | Central Government/ State Government(s) | | -- | -- | -- | -- |
| (c) | Bodies Corporate | Palomar Textiles Limited | 6545820 | 2.95% | 6545820 | 2.95% |
| | | Introscope Properties | 1700 | 0.00% | 1700 | 0.00% |
| | | Vareli Trading Co. Ltd. | 77580026 | 34.94% | -- | -- |
| | | Garden Silk Mills Limited | 14500000 | 6.53% | 14500000 | 6.53% |
| | | Prabhat Silk Mills Ltd Partner Rayben Investment | 1000 | 0.00% | 1000 | 0.00% |
| (d) | Financial Institutions/ Banks | | -- | -- | -- | -- |
| (e) | Any Others | | -- | -- | -- | -- |
| | | | | | | |
| | **Sub Total(A)(1)** | | **166504917** | **74.98%** | **166504917** | **74.98%** |

**13. EXTENT OF SHAREHOLDING OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:**

13.1 Save as otherwise provided in the Scheme, the Directors and Key Managerial Personnel (KMP) and their respective relatives of the Transferee Company and Transferor Companies may be deemed to be concerned and/or interested in the Scheme only to the extent of their shareholding in their respective Companies, or to the extent the said Directors/KMP are the partners, Directors, Members of the Companies, firms, association of persons, bodies corporate and/or beneficiary of trust that hold shares in any of the Companies. Save as aforesaid, none of the Directors, Managing Director or the Manager or KMP of the Transferee Company and the Transferor Company have any material interest in the Scheme.

13.2 The details of the present Directors and KMP of the Transferee Company and their respective shareholdings in the Transferee Company and the Transferor Companies as on the date of this Notice is as follows:

| Name of Directors/KMP | Designation | Equity Shares of | |
|---|---|---|---|
| | | Transferee Company | Transferor Company |
| Mr. Manikant R. Momaya | Managing Director | Nil | Nil |
| Mr. Yogesh C. Papaiya | Wholetime Director & CFO | Nil | Nil |
| Mr. Harishchandra B. Bharucha | Non-Executive Director | Nil | Nil |
| Mr. Ketan A. Jariwala | Non-Executive Director | Nil | Nil |
| Ms. Kruti Kothari | Non-Executive Director | Nil | Nil |

13.3 The details of the present Directors and KMP of the Transferor Company and their respective shareholdings in the Transferee Company and the Transferor Companies as on the date of this Notice is as follows:

| Name of Directors/KMP | Designation | Equity Shares of | |
|---|---|---|---|
| | | Transferee Company | Transferor Company |
| Mr. Praful A. Shah | Director | 27830471 | 81,897 |
| Mr. Alok P. Shah | Director | 10015000 | 22,334 |
| Mr. Suhail P. Shah | Director | 10015000 | 22,336 |

**14 GENERAL:**

14.1 The Transferee Company and the Transferor Company have made a joint application before the National Company Law Tribunal, Ahmedabad Bench for the sanction of the Scheme under Sections 230- 232 and other applicable provisions of the Companies Act, 2013.

14.2 There is no amount due from the Transferee Company to its Secured Creditors as on 31st May, 2021.

14.3 There is no amount due from the Transferee Company to its Unsecured Creditors as on 31st May 2021.

14.4 There is an amount of Rs.1,58,775/- due from the Transferor Company to its Unsecured Creditors as on 31st May 2021.

14.5 There is no amount due from the Transferor Company to its Secured Creditors as on 31st May, 2021.

14.6 In relation to the Meeting of the Transferee Company, Equity Shareholders of the Transferee Company whose names are appearing in the records of the Transferee Company as on Thursday, 30th September 2021 (Record Date/Cut-off Date) shall be eligible to cast their votes using remote e-voting facility or through e-voting at the meeting.

14.7 The Scheme is not expected to have any adverse effects on the KMP, directors, promoters, non-promoter members, depositors, creditors, debenture holders, deposit trustee, debenture trustee, and employees of the Transferee Company and the Transferor Company, wherever relevant.

14.8 The rights and interests of Secured Creditors and Unsecured Creditors of either of the companies, if any, will not be prejudicially affected by the Scheme as no compromise, sacrifice or waiver is, at all called from them nor their rights sought to be modified in any manner and post the Scheme, the Transferee Company will be able to meet its liabilities as they arise in the ordinary course of business.

14.9 Except to the extent of the shares held by the Directors and KMP stated under paragraph 13 above, none of Directors and KMP of the Transferee Company or their respective relatives is any way connected or interested in the aforesaid resolution.

14.10 The Audited accounts for the period ended 31st March 2021 & unaudited accounts for the quarter ended 30th June 2021 of the Transferee Company indicates that it is in a solvent position, has enough liquidity and would be able to meet liabilities as they arise in the course of business. There is no likelihood that any creditors of the Transferee Company would lose or be prejudiced as a result of this Scheme being passed since no compromise, sacrifice or waiver is at all called for from them nor are their rights sought to be adversely modified in any manner. Hence, the amalgamation will not cast any additional burden on the shareholders or creditors of the Transferee Company, nor will it adversely affect the interest of any of the shareholders or creditors.

14.11 There is no winding up proceedings admitted against the Transferee Company as of date.

14.12 No investigation proceedings are pending or are likely to be pending under the provisions of Chapter XIV of the Companies Act, 2013 or under the provisions of the Companies Act, 1956 in respect of the Transferee Company.

14.13 The Transferee Company and the Transferor Company will send Notice under Section 230(3) of the Companies Act, 2013 and the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 of the Act to seek approvals / sanctions /no-objections from certain regulatory and governmental authorities for the Scheme such as the Income Tax, Registrar of Companies, Regional Director and the Official Liquidator and will obtain the same at the relevant time. In case no representation is received within the stated period of thirty days from the date of receipt of such notice, it shall be presumed that they have no representation to make on the proposed Scheme of Amalgamation.

14.14 In the event that the Scheme is withdrawn in accordance with its terms, the Scheme shall stand revoked, cancelled and be of no effect and null and void.

14.15 Names and addresses of the Directors and Promoters and Promoter Group are as under:

**Directors:**

| **Sr.No.** | **Name** | **Category** | **Address** |
|---|---|---|---|
| 1 | Mr. Praful A. Shah | Director | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 2 | Mr. Alok P. Shah | Director | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 3 | Mr. Suhail P. Shah | Director | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |

**Promoters:**

| Sr.No. | Name | Category | Address |
|---|---|---|---|
| 1 | Mr. Praful A. Shah | Promoter | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 2 | Mr. Praful A. Shah (HUF) | Promoter | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 3 | Mrs. Shilpa P. Shah | Promoter | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 4 | Mr. Alok P. Shah | Promoter | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 5 | Mr. Suhail P. Shah | Promoter | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 6 | Mrs. Dipika A. Shah | Promoter | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 7 | Mr. Alok P. Shah (HUF) | Promoter | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |

14.16 Names and addresses of the Directors and Promoters and Promoter Group are as under:

**Directors:**

| Sr.No. | Name | Category | Address |
|---|---|---|---|
| 1 | Mr. Manikant R.Momaya | Managing Director | A/301 Silver Mist Apartment Versova Andheri West Mumbai 400092 |
| 2 | Mr. Yogesh C. Papaiya | Wholetime Director & CFO | 18 Prakash Society Athwalines Surat 395007 |
| 3 | Mr. Harishchandra B. Bharucha | Non-Executive Director | 6/C, Ratna Nilam Apartment, Chandni Chowk, Piplod, Surat 394518 |
| 4 | Mr. Ketan A. Jariwala | Non-Executive Director | 901, Shree Apartment, Makkaipool, Nanpura, Surat 395001 |
| 5 | Ms. Kruti Kothari | Non-Executive Director | B/404, Crimson Palace, Opp. Mr. Ram Marble, Althan Road, Bhatar, Surat 395017 |

**Promoters:**

| Sr.No. | Name | Address |
|---|---|---|
| 1 | Praful Amichand Shah (Huf) | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 2 | Mr. Praful A. Shah | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 3 | Mr. Alok P. Shah | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 4 | Mr. Suhail Praful Shah | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 5 | Mrs. Shilpa Praful Shah | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |

| | | |
|---|---|---|
| 6 | Garden Silk Mills Limited | Tulsi Krupa Arcade, 1st Floor, Puna-Kumbharia Road, Dumbhal, Surat 395010 |
| 7 | Introscope Properties Private Ltd | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 8 | Vareli Trading Co Ltd | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 9 | Palomar Textiles Ltd | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |
| 10 | Prabhat Silk Mills Ltd<br>Partner Rayben Investment | Dr. Amichand Shah's Wadi, Rampura Tunki, Surat 395003 |

14.17 The Board of Directors of the Transferee Company approved the Scheme on 10th September, 2019. Details of Directors of the Transferee Company who voted in favour / against / did not participate on resolution passed at the Meeting of the Board of Directors of the Transferee Company are given below:

| Name of Director | Voted in favour / against / did not participate or vote |
|---|---|
| Mr. Manikant R.Momaya | Voted in Favour |
| Mr. Yogesh C. Papaiya | Voted in Favour |
| Mr. Harishchandra B. Bharucha | Voted in Favour |
| Mr. Ketan A. Jariwala | Voted in Favour |
| Ms. Kruti Kothari | Voted in Favour |

14.18 The Board of Directors of the Transferor Company approved the Scheme on 4th December 2019. Details of directors of the Transferor Company who voted in favour / against / did not participate on resolution passed at the Meeting of the Board of Directors are given below:

| Name of Director | Voted in favour / against / did not participate or vote |
|---|---|
| Mr. Praful A. Shah | Voted in Favour |
| Mr. Alok P. Shah | Voted in Favour |
| Mr. Suhail P. Shah | Voted in Favour |

14.19 For the purpose of amalgamation of the Transferor Company with the Transferee Company, Snehal Shah & Associates, Chartered Accountants (Registered Valuers) have recommended a fair share exchange ratio of allotment of equity shares as under:

*Transferor Company as on the date of this report holds 77580026 equity shares of face value of Rs. 1 each fully paid-up of Transferee Company. Upon the effective date, pursuant to amalgamation of Transferor Company with Transferee Company, the entire shareholding of Transferor Company in Transferee Company shall be cancelled off and the same shall amount to reduction of share capital of Transferee Company to that extent. However, considering the issue of new shares to the shareholders of Transferor Company, pursuant to the amalgamation, there would be no change in the paid-up share capital of Transferee Company.*

*Based on the above in the event of amalgamation of Transferor Company with Transferee Company, the Valuers have recommended a fair share exchange ratio as follows:*

*"521 equity shares of the face value of Rs. 1 each fully paid-up of Transferee Company shall be issued and allotted as fully paid up to the equity shareholders of Transferor Company in the proportion of their holding in Transferor Company."*

14.20 A copy of the Valuation Report and Fairness Report are annexed herewith as **Annexure B** and **Annexure C** respectively.

14.21 A report adopted by the Directors of the Transferee Company, explaining the effect of the Scheme is attached herewith as **Annexure G**. The Transferee Company does not have any debenture holders, deposit trustee and debenture trustee. There will be no adverse effect on account of the Scheme as far as the depositors, employees, and creditors of the Transferee Company are concerned.

14.22 As far as the employees of the Transferee Company are concerned there would not be any change in their terms of employment on account of the Scheme. Further, no change in the Board of Directors of the Transferee Company is envisaged on account of the Scheme.

14.23 The electronic copy of the following documents shall be available for inspection by the Equity Shareholders of the Transferee Company in the investor section of the website of the Company. The weblink of the same is: www.surattextilemillsltd.com/investorrelationship.

a) Copy of the Order passed by the Hon'ble NCLT in Company Scheme Application No. CA(CAA) No.58 of 2021, dated 16th August 2021 of the Transferee Company and the Transferor Company;

b) Copy of the Memorandum and Articles of Association of the Transferee Company and the Transferor Company;

c) Copy of the annual reports of the Transferee Company for the financial year ended 31st March 2021, 31st March 2020 and 31st March 2019;

d) Copy of the audited financial statements of the Transferor Company for the financial year ended 31st March 2021, 31st March 2020, and 31st March 2019;

e) Copy of Valuation on Report issued by M/s. Snehal Shah & Associates, Chartered Accountants;

f) Copy of the Fairness Opinion, issued by M/s. Kunvarji Finstock Private Limited, to the Board of Directors of the Transferee Company;

g) Copy of the Audit Committee Report of the Transferee Company;

h) Copy of the resolutions passed by the respective Board of Directors of the Transferee Company and the Transferor Company approving the Scheme;

i) Copy of the Statutory Auditors' certificate issued by M/s. Sharp and Tannan Associates, Chartered Accountants to the Transferee Company;

j) Abridged Prospectus as provided in Part E of Schedule VI of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, including applicable information pertaining to Vareli Trading Company Limited;

k) Copy of the complaint report submitted by the Transferee Company to BSE Limited;

l) Copy of the no adverse observations/no objection letter issued by BSE Limited to the Transferee Company;

m) Copy of the Scheme; and

n) Copy of the Reports adopted by the Board of Directors of the Transferee Company pursuant to the provisions of Section on 232(2) (c) of the Act.

This Statement may be treated as an Explanatory Statement under Sections 230(3) and 102 of the Companies Act, 2013 read with Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016. A copy of this Scheme and Explanatory Statement may be obtained free of charge on any working day (except Sundays and public holidays) prior to the date of the Meeting, from the Registered Office of Transferee Company.

**Sd/-**
**Ullas G. Shah**
**Chairman appointed for the Meeting**

**Dated this 1st September, 2021**

**Registered Office:**
Tulsi Krupa Arcade, 6th Floor,
Puna-Kumbharia Road,
Dumbhal,
Surat 395010

**COMPOSITE SCHEME OF ARRANGEMENT**

**BETWEEN**

**VARELI TRADING COMPANY LIMITED**

**AND**

**SURAT TEXTILE MILLS LIMITED**

**AND**

**THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

**(UNDER SECTIONS 230 TO 232 READ WITH SECTION 66 OF THE COMPANIES ACT, 2013)**

VARELI TRADING COMPANY LTD. SURAT.

SURAT TEXTILE MILLS LTD. SURAT

**PREAMBLE**

This composite scheme of arrangement (hereinafter referred to as the '**Scheme'**) provides for i) the amalgamation of Vareli Trading Company Limited with Surat Textile Mills Limited and ii) reduction of equity share capital of Surat Textile Mills Limited pursuant to the provisions of Sections 230 to 232, Section 66 and other applicable provisions of the Companies Act, 2013 and rules made thereunder. The Scheme also provides for other matters consequential thereto and/or otherwise integrally connected therewith including but not limited to (i) issue of equity shares by the Transferee Company to the respective shareholders of the Transferor Company and (ii) the dissolution of the Transferor Company without winding up.

**DESCRIPTION OF COMPANIES**

A. Vareli Trading Company Limited is a public limited Company incorporated under the Companies Act, 1956 (CIN U65910GJ1987PLC009405), having its registered office at Dr Amichand Shah Wadi, Rampura Tunki, Surat – 395003, Gujarat, India (herein after referred to as "**VTCL**" or ("**Transferor Company**"). VTCL is primarily engaged in the business of trading in all types of textiles fabrics including finished, yarn and grey textile fabrics. It is the promoter company of the Transferee Company.

B. Surat Textile Mills Limited is a public limited Company incorporated under the Indian Companies Act, 1913 (CIN L17119GJ1945PLC000214), having its registered office at Tulsi Krupa Arcade, 6th Floor, Near Aai Mata Chowk Puna-Kumbharia Road, Dumbhal, Surat – 395010, Gujarat, India(herein after referred to as "**STML**" or "**Transferee Company**"). STML, is engaged in the business of manufacturing, cleaning, spinning, bleaching, knitting, dyeing in all kinds of chips and yarn, fibers and intermediaries, textiles, fabrics, etc.

The equity shares of STML are listed on the Bombay Stock Exchange Limited. (BSE).

## RATIONALE OF THE SCHEME

Under this scheme of arrangement, all the Assets & Liabilities of VTCL will be taken over by STML. The scheme is envisaged to provide following benefits:

(1) The amalgamation will help in elimination of the investment layer in the shareholding pattern of the Transferee Company.

(2) It will be helpful to achieve the benefits of the synergy of large scale operations.

(3) This amalgamation will improve the financial strength of the combined entity.

In view of the abovementioned reasons, it is considered desirable and expedient to implement the proposed scheme of arrangement.

## DEFINITIONS & SHARE CAPITAL

### 1. DEFINITIONS

In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the following meanings:

1.1 "**Act**" or "**The Act**" means the Companies Act, 2013 or any statutory modification or reenactment thereof;

1.2 "**The Appointed Date**" means 01st April, 2019 or such other date as the National Company Law Tribunal at Ahmedabad may direct;

1.3 "**Applicable Law(s)**" means (a) all the applicable statutes, notification, enactments, act of legislature, listing agreement, bye-laws, rules, regulations, guidelines, rule of common law, policy, code, directives, ordinance, orders or other instructions having force of law enacted or issued by any Appropriate Authority



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including any statutory modifications or re-enactment thereof for the time being in force (b) administrative interpretations, writs, injunctions, directions, directives, judgments, arbitral awards, decree, orders, or governmental approvals of, or agreement with , any relevant authority, as may be in force from time to time;

1.4 **"Tribunal"** shall mean the National Company Law Tribunal, Ahmedabad Bench. .

1.5 **"Transferor Company"** means Vareli Trading Company Limited, a public limited Company incorporated under the Companies Act, 1956 having its registered office at Dr Amichand Shah Wadi, Rampura Tunki, Surat – 395003, Gujarat, India;

1.6 **"Transferee Company"** means Surat Textile Mills Limited, a public limited Company incorporated under the Companies Act, 1956, having its registered office at Tulsi Krupa Arcade, 6th Floor, Near Aai Mata Chowk Puna-Kumbharia Road, Dumbhal, Surat – 395010, Gujarat, India;

1.7 **"The Effective Date"** means the date on which certified copies of the Order passed by the National Company Law Tribunal sanctioning the scheme are filed with the Registrar of Companies, Gujarat at Ahmedabad after obtaining the consents, approvals, permissions, resolutions, agreements, sanctions and orders necessary therefore.

Reference in the Scheme to the date of "**Coming into effect of this Scheme**" or "**Upon the Scheme being effective**" shall mean the effective date.

1.8 **"Record Date"** means the date to be fixed by the Board of Directors of the Companies for the purpose of determining the members of the Companies to whom shares will be issued and allotted pursuant to the Scheme and.

1.9 "**Scheme**", "**the Scheme**" and "**this Scheme**", means the present Scheme of Arrangement in its present form or with any modifications or amendments approved, imposed or directed by the National Company Law Tribunal, Stock Exchanges and/or SEBI,.

1.10 "**Stock Exchanges**" shall mean BSE Limited where equity shares of STML are currently listed.

1.11 '**Undertaking**' shall mean and include all the assets, rights and properties (hereinafter referred to as "the said Assets") and all the debts, liabilities, duties and obligations (hereinafter referred to as "the said Liabilities") of the Transferor Company as on the Appointed Date. Without prejudice to the generality of above, the undertaking of the Transferor Company shall include:

(i) All immovable properties i.e. land together with the buildings and structures standing thereon (whether freehold, leasehold, leave and licensed, right of way, tenancies or otherwise) of the Transferor Company and all documents (including panchnamas, declarations, receipts) of title, rights and easements in relation thereto and all rights, covenants, continuing rights, title and interest in connection with the said immovable properties;

(ii) all assets, as are movable in nature of the Transferor Company, whether present or future or contingent, tangible or intangible, in possession or reversion, corporeal or incorporeal (including plant and machinery, furniture,



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fixtures, office equipments, communication facilities, installations, vehicles), actionable claims, earnest monies and sundry debtors, financial assets, outstanding loans and advances, recoverable in cash or in kind or for value to be received, provisions, receivables, funds, cash and bank balances and deposits including accrued interest thereto with Government, semi-Government, local and other authorities and bodies, banks, customers and other persons, the benefits of any bank guarantees, performance guarantees;

(iii) all the investments, being the investments in subsidiaries Companies, joint venture Companies, associate Companies, Partnership firms or investments of any other nature of the Transferor Company.

(iv) all permits, licenses, permissions including municipal permissions, right of way, approvals, clearances, consents, benefits, registrations, rights, entitlements, credits, certificates, awards, sanctions, allotments, quotas, no objection certificates, exemptions, concessions, liberties and advantages (including those granted/issued/given by any governmental, statutory or regulatory or local or administrative bodies for the purpose of carrying on the business of the Transferor Company or in connection therewith) including those relating to privileges, powers, facilities of every kind and description of whatsoever nature and the benefits thereto that pertain exclusively to the Transferor Company;

(v) all contracts, agreements, service orders, operation and maintenance contracts, memoranda of understanding, memoranda of undertakings, memoranda of agreements,



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memoranda of agreed points, minutes of meetings, bids, tenders, expression of interest, letter of intent, hire and purchase arrangements, lease/license agreements, tenancy rights, agreements/panchnamas for right of way, equipment purchase agreements, agreement with customers, purchase and other agreements with the supplier/manufacturer of goods/service providers, other arrangements, undertakings, deeds, bonds, schemes, concession agreements, insurance covers and claims, clearances and other instruments of whatsoever nature and description, whether written, oral or otherwise and all rights, title, interests, claims and benefits there under of the Transferor Company;

(vi) all applications (including hardware, software, licenses, source codes, para-meterisation and scripts), registrations, goodwill, licenses, trade names, trademarks, service marks, copy rights, patents, domain names, designs, trade secrets, research and studies, technical knowhow, confidential information and all such rights of whatsoever description and nature of the Transferor Company;

(vii) all rights to use and avail telephones, telexes, facsimile, email, internet, leased line connections and installations, utilities, electricity and other services, reserves, provisions, funds, benefits of assets or properties or other interests held in trusts, registrations, contracts, engagements, arrangements of all kind, privileges and all other rights, easements, liberties and advantages of whatsoever nature and wheresoever situated belonging to or in the ownership, power or possession and in control of or vested in or granted in favour of or enjoyed by the Transferor Company or in



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connection with or relating to the Transferor Company and all other interests of whatsoever nature belonging to or in the ownership, power, possession or control of or vested in or granted in favour of or held for the benefit of or enjoyed by the Transferor Company;

(viii) all books, records, files, papers, engineering and process information, software licenses (whether proprietary or otherwise), test reports, computer programmes, drawings, manuals, data, databases including databases for procurement, commercial and management, catalogues, quotations, sales and advertising materials, product registrations, dossiers, product master cards, lists of present and former customers and suppliers including service providers, other customer information, customer credit information, customer/supplier pricing information, and all other books and records, whether in physical or electronic form of the Transferor Company;

(ix) all debts (whether secured or unsecured), borrowings including loans and borrowings from banks/financial institutions, obligations, duties and liabilities including contingent liabilities of the Transferor Company;

(x) all legal or other proceedings of whatsoever nature of the Transferor Company.

All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning as prescribed to them under the Companies Act, 1956/2013, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, Income Tax Act, 1961 and other applicable laws, rules, regulations, bye laws, as the case may be, including any statutory modification or re-enactment thereof from time to time.

**SHARE CAPITAL OF THE COMPANIES**

2. The authorized, issued, subscribed and paid-up share capital of the Transferor Company and Transferee Company are as under:

2.1 The Share Capital of the Transferor Company(VTCL) as on 31.12.2018 is as under:

| **Authorized Share Capital** | **Amount (INR)** |
|---|---|
| 10,00,000 Equity Shares of Rs. 10/- each | 1,00,00,000 |
| 80,00,000 1% Non-Cumulative Optionally Convertible Preference Shares of Rs. 10/- each | 8,00,00,000 |
| **Total** | **9,00,00,000** |
| | |
| **Issued, Subscribed and Paid up Share Capital** | |
| 1,48,906 Equity Shares of Rs. 10/- each | 14,89,060 |
| | |
| **Total** | **14,89,060** |

The authorized, issued, subscribed and paid-up share capital of Transferor Company (VTCL) is the same as above as on the date of Board meeting sanctioning the Scheme.

2.2 The Share Capital of the Transferee Company (STML) as on 31.12.2018 is as under:

| **Authorized Share Capital** | **Amount (INR)** |
|---|---|
| 75,00,00,000 Equity Shares of Re. 1/- each | 75,00,00,000 |
| **Total** | **75,00,00,000** |



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| | |
|---|---|
| | |
| **Issued, Subscribed and Paid up Share Capital** | |
| 22,20,64,440 Equity Shares of Re. 1/- each | 22,20,64,440 |
| **Total** | **22,20,64,440** |

The authorized, issued, subscribed and paid-up share capital of Transferee Company (STML) is the same as above as on the date of Board meeting sanctioning the Scheme. The Transferor Company holds around 34.94% in share capital of Transferee Company.

**AMALGAMATION AND VESTING OF ASSETS AND LIABILITIES**

3. With effect from the opening of business as on the Appointed Date, the Undertaking shall, without any further act or deed, be and the same shall stand transferred to and vested in or deemed to have been transferred to or vested in the Transferee Company pursuant to the provisions of Section 230 to 232 and other applicable provisions of the Companies Act, 2013 and also in accordance with section 2(1B) of the Income Tax Act, 1961, without any further act or deed, as per the provisions contained herein and in this scheme.

3.1 All immovable properties i.e. land together with the buildings and structures standing thereon (whether freehold, leasehold, leave and licensed, right of way, tenancies or otherwise) of the Transferor Company and all documents (including panchnamas, declarations, receipts) of title, rights and easements in relation thereto and all rights, covenants, continuing rights, title and interest in connection with the said immovable properties;

3.2 All assets, as are movable in nature of the Transferor Company, whether present or future or contingent, tangible or intangible, in possession or reversion, corporeal or incorporeal (including plant and machinery, furniture, fixtures, office equipments, communication

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facilities, installations, vehicles), actionable claims, earnest monies and sundry debtors, financial assets, outstanding loans and advances, recoverable in cash or in kind or for value to be received, provisions, receivables, funds, cash and bank balances and deposits including accrued interest thereto with Government, semi-Government, local and other authorities and bodies, banks, customers and other persons, the benefits of any bank guarantees, performance guarantees;

3.3 All the investments, being the investments in subsidiaries Companies, joint venture Companies, associate Companies, Partnership firms or investments of any other nature of the Transferor Company.

3.4 All the Liabilities, obligations including the charges or encumbrances on assets/undertaking, guarantees given, of the Transferor Company, shall, without any further act or deed, be and stand transferred, to the Transferee Company, pursuant to the applicable provisions of the said Act, so as to become as from the Appointed Date, the debts, liabilities, duties and obligations of the Transferee Company. The consent of any third party or other person who is a party to any contract or arrangement by virtue of which debts, liabilities, duties and obligations liabilities have arisen, in order to give effect to the provisions of this Clause & Scheme. Provided however that this shall not mean or result into enhancing the security for any loan, deposit or obligation created by the Transferor Company. The Transferee Company shall not be obliged to create any further or additional security therefore.

3.5 All taxes (including but not limited to advance tax, tax deducted at source, minimum alternate tax, any tax credits, securities transaction tax, taxes withheld/paid in a foreign country, value added tax, sales tax, excise service tax, etc) payable by or refundable to the Transferor Company, including all or any refunds or claims shall be treated as



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the tax liability or refunds/claims, etc., as the case may be, of the Transferee Company, and any tax incentives, advantages, privileges, exemptions, benefits, credits, holidays, remissions, reductions, etc., as would have been available to the Transferor Company , shall upon the Scheme being effective, be available to the Transferee Company.

3.6 Upon the Scheme being effective, the Transferee Company shall be entitled to claim refunds or credits, including input tax credit, with respect to taxes paid by, for, or on behalf of, the Transferor Company, under applicable laws, including income tax (including tax losses), minimum alternate tax, sales tax, value added tax, service tax, CENVAT or any other tax, whether or not arising due to any inter se transaction, even if the prescribed time limits for claiming such refunds or credits have lapsed.

3.7 Upon the coming into effect of the Scheme, all tax compliances under any tax laws by the Transferor Company on or after Appointed Date shall be deemed to be made by the Transferee Company.

3.8 Upon the Scheme being effective, any advance tax, self-assessment tax, minimum alternate tax and/or TDS credit available or vested with the Transferor Company , including any taxes paid and taxes deducted at source and deposited by the Transferee Company on inter se transactions during the period between the Appointed Date and the Effective Date shall be treated as advance tax paid by the Transferee Company and shall be available to the Transferee Company for set-off against its liability under the Income-tax Act, 1961 and any excess tax so paid shall be eligible for refund together with interest. Any TDS certificates issued by the Transferee Company to, or for the benefit of, the Transferor Company under the Income-tax Act, 1961 with respect to the inter se transactions would be available to the Transferee Company to seek refund of from the tax authorities in compliance with



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law. Further, TDS deposited, TDS certificates issued or TDS returns filed by the Transferor Company on transactions other than inter se transactions during the period between the Appointed Date and the Effective Date shall continue to hold good as if such TDS amounts were deposited, TDS certificates were issued and TDS returns were filed by the Transferee Company. Any TDS deducted by, or on behalf of, the Transferor Company on inter se transactions will be treated as advance tax deposited by the Transferee Company.

3.9 The Transferee Company is also expressly permitted to claim refunds, credits, including restoration of input CENVAT credit, tax deduction in respect of nullifying of any transaction between the Transferor Company and the Transferee Company.

3.10 Provided that upon the Scheme being effective, the Transferee Company is also expressly permitted to reopen and revise its financial accounts for any relevant year, income tax returns, withholding tax returns, service tax returns, value added tax returns, sales tax returns, excise and CENVAT returns, and any other statutory returns and filings under the tax laws, notwithstanding that the period of filing/revising such return may have lapsed to obtain TDS certificates, including TDS certificates relating to transactions between the Transferor Company and the Transferee Company, and to claim refunds, advance tax and withholding tax credits, etc., pursuant to the provision of this Scheme.

3.11 It is hereby provided that such accounts can be reconstructed notwithstanding anything contained in any other law in force and it shall become operative on the scheme being effective by virtue of the fact that the NCLT, while approving the scheme as a whole, have also resolved and accorded the relevant consents as required respectively under Section 131 of the Companies Act, 2013 or any other provisions



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of the Act and it is deemed that the reconstruction of accounts have been made in compliance with section 131 of the Companies Act, 2013.

4. **COMPLICANCE WITH SECTION 2(1B) OF THE INCOME-TAX ACT, 1961**

The provisions of this Scheme as they relate to the amalgamation of VTCL, with and into STML, have been drawn up to comply with the conditions relating to "Amalgamation" as specified under the tax laws, including section 2(1B) and other relevant sections of the Income tax Act, 1961. If any terms or provisions of this Scheme are found to be or interpreted to be inconsistent with any of the said provisions at a later date, whether as a result of any amendment of law or any judicial or executive interpretation or for any other reason whatsoever, the aforesaid provisions of the tax laws shall prevail. This Scheme shall then stand modified to the extent determined necessary to comply with the said provisions. The power to make such amendments as may become necessary shall vest with the Board of Directors of VTCL and STML, which power shall be exercised reasonably in the best interests of the companies concerned.

5. **BUSINESS AND PROPERTY IN TRUST AND CONDUCT OF BUSINESS OF VTCL FOR STML**

With effect from the Appointed Date and up to and including the Effective Date:

5.1 VTCL shall be carrying on and be deemed to have been carrying on all business and activities and shall hold and stand possessed of and shall be deemed to hold and stand possessed of all assets, rights, title, interest, authorities, contracts, investments and strategic decisions for and on account of, and in trust for STML;

5.2 All income or profits accruing or arising to VTCL, or all costs, charges, expenses or losses arising or incurred by it (including the effect of taxes, if any, thereon), shall, for all purposes, be treated as profits,



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income, costs, charges, expenses, taxes or losses, as the case may be, of STML;

5.3 It is clarified that any advance tax paid / TDS credits / TDS certificates received by VTCL shall be deemed to be the advance tax paid by / TDS credit / TDS certificate of STML.

5.4 All assets howsoever acquired by VTCL for carrying on its business, operations or activities and the liabilities relating thereto shall be deemed to have been acquired and are also contracted for and on behalf of STML.

5.5 STML shall also be entitled, pending sanction of the Scheme, to apply to the Central Government, State Government, and all other agencies, department and statutory authorities concerned, wherever necessary, for such consents, approvals and sanctions which STML may require including the registration, approvals, exemptions, relieves, etc., as may be required / granted under any law for the time being in force for carrying on business of VTCL.

5.6 Without prejudice to the above, VTCL from the date of filing this Scheme with the NCLT up to and including the Record Date shall not make any change in its capital structure, whether by way of increase (by issue of equity shares on a rights basis, bonus shares or otherwise) decrease, reduction, reclassification, sub-division or consolidation, reorganization, or in any other manner which may, in any way, affect the Share Exchange Ratio except under any of the following circumstances:

(i) By mutual consent of the respective Board of Directors of VTCL and STML; or

(ii) By way of any obligation already subsisting as on the date of filing this Scheme with the NCLT.



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5.7 The transfer of assets, properties, liabilities or Undertaking(s) and the continuance of proceedings by or against VTCL shall not affect any transaction or proceedings already concluded by VTCL on or after the Appointed Date to the end and intent that STML accepts and adopts all acts, deeds things done and executed by VTCL in regard thereto as done executed by STML on behalf of itself.

5.8 VTCL undertakes that it will preserve and carry on the business with diligence and utmost business prudence and agrees that it will not, without prior written consent of STML, alienate, charge, mortgage or encumber or otherwise deal with or dispose of any assets or any part thereof or recruit new employees (in each case except in the ordinary course of business) or conclude settlements with union or employees without the concurrence of STML or undertake substantial expansion or change the general character of the business; and

5.9 VTCL and/or STML shall be entitled, pending sanction of the Scheme, to apply to the Central/State Government(s), regulatory/local/administrative bodies and all other agencies, departments and authorities concerned as are necessary under any law for such consents, approvals and sanctions which STML may require to carry on the business of VTCL.

## 6. CONTRACTS, DEEDS, BONDS AND OTHER INSTRUMENTS

6.1 Subject to the other provisions contained in the Scheme, all contracts, deeds, bonds, debentures, agreements and other instruments of whatever nature to which VTCL is party, subsisting or having effect immediately before the effective date shall remain in full force and effect against or in favour of STML,



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as the case may be, and may be enforced as fully and as effectually as if, instead of VTCL, STML had been a party thereto.

6.2 It is clarified that in case of any such instruments including contracts, deeds, bonds, debentures etc, wherever required, STML shall amend or modify such instrument etc, as may be appropriate, by appending, attaching or affixing thereto such addendum, stickers, papers, supplementary modification deeds etc with or without affixing the Common Seal of the Company, to denote and signify STML as a party thereto stepping instead and in place of VTCL. Further, STML shall be deemed to be authorized to execute any such deeds, writings or confirmations on behalf of VTCL and to implement or carry out all formalities required on the part of VTCL to give effect to the provisions of this Scheme.

## 7. LEGAL PROCEEDINGS

If any suit, writ petition, appeal, revision or claims or action before any statutory or quasi-judicial authority or tribunal other proceedings of whatever nature(hereinafter called "the Proceedings") by or against VTCL be pending, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the amalgamation of VTCL or of anything contained in the Scheme, but the Proceedings may be continued, prosecuted and enforced by or against STML in the same manner and to the same extent as it would be or might have been continued, prosecuted and enforced by or against any of VTCL as if the Scheme had not been made. On and from the effective date, STML shall and may initiate any legal proceedings for and on behalf of VTCL.

## 8. STAFF, WORKMEN AND EMPLOYEES OF VTCL



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All the staff, workmen and other employees in the service of VTCL immediately before the amalgamation under the Scheme shall become the staff, workmen and employees of STML on the basis that –

8.1 Their service shall be continuous and shall not be interrupted by reason of the amalgamation;

8.2 The terms and conditions of service applicable to the said staff, workmen or employees after such amalgamation shall not in any way be less favorable to them than those Applicable to them immediately before the amalgamation; and

8.3 It is expressly provided that as far as Provident Fund, Gratuity Fund, Superannuation Fund or any other Fund created or existing for the benefit of the staff, workmen and other employees of VTCL are concerned, upon the Scheme becoming effective, STML shall stand substituted for VTCL for all purposes whatsoever related to the administration or operation of such Funds or in relation to the obligation to make contributions to the said Funds in accordance with provisions of such Funds as per the terms provided in the respective Trust Deeds. It is the aim and intent that all the rights, duties, powers and obligations of VTCL in relation to such Funds shall become those of STML and all the rights, duties and benefits of the employees of VTCL under such Funds and Trusts shall be protected. It is clarified that the services of the employees of VTCL will also be treated as having been continuous for the purpose of the aforesaid Funds or provisions.

**CONSIDERATION AND ACCOUNTING TREATMENT**

## 9. ISSUE OF THE CONSIDERATION BY STML

9.1 Upon the Scheme being effective, in consideration of the amalgamation of and vesting of VTCL in STML and in terms of the Scheme, STML shall, without any further application, act, instrument or deed, issue and allot to the equity shareholders of VTCL (whose names are registered in the Register of Members of VTCL on the Record Date, or his /her/its legal heirs, executors or administrators or, as the case may be, successors), equity shares of face value Re. 1/- (Rupees one) each credited as fully paid up of STML in the ratio of 521 equity shares of the face value of Re. 1/- (Rupees one) each of STML for every 1 equity share of Rs. 10/- (Rupees Ten) of VTCL credited as fully paid-up held on the Record Date by such equity shareholders or their respective legal heirs, executors or administrators or, as the case may be, successors in VTCL (the "New Equity Shares").

9.2 The new equity shares issued and allotted by STML in terms of the scheme shall be subject to the provisions of the memorandum and articles association of STML and shall rank pari-passu in all respects.

9.3 On the amalgamation of VTCL with STML, all the investment (including 7,75,80,026 number of the equity shares of STML), being held by VTCL, shall be cancelled off and the same shall amount to Reduction of Share Capital of STML to that extent, as envisaged in clause 11 hereinunder. However, considering the issue of new shares to the shareholders of VTCL, there will not be any Net Reduction in the share capital of STML.

9.4 The issue and allotment of new equity shares to the members of VTCL pursuant to clause 9.1 of this Scheme is an integral part of



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the scheme. The approval of this scheme by the members of STML shall be deemed to be due compliance with all applicable provisions of the Companies Act 2013 including but not limited to Section 62(1) (c) of the Companies Act 2013 if applicable for the issue and allotment of new equity shares by STML to the members of VTCL.

9.5 Where equity shares of STML are to be allotted to heirs, executors or administrators or, as the case may be, to successors of deceased equity shareholders of VTCL, the concerned heirs, executors, administrators or successors shall be obliged to produce evidence of title, satisfactory to the Board of Directors of STML.

9.6 In the event that STML or VTCL restructures its equity share capital by way of share split / consolidation / issue of bonus shares / fresh allotment of securities or other similar action at any time before the record date during the pendency of the Scheme, the Share Exchange Ratio shall be adjusted appropriately and the same shall be approved by the Boards of both STML and VTCL. Shares to be issued by STML to the shareholders of VTCL under this chapter, shall automatically be listed on the stock exchanges.

## 10. ACCOUNTING TREATMENT IN THE BOOKS OF TRANSFEREE

10.1 Upon this scheme becoming effective, STML shall record the assets and liabilities of VTCL as transferred to STML pursuant to this scheme, at their respective book values thereof.

10.2 STML shall follow the method of accounting as prescribed for the "Pooling of Interest Method" under Ind AS 103 Business Combination as notified under the Companies (Indian Accounting Standard) Rules, 2015.

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10.3 The face value of equity shares issued by STML to the shareholders of VTCL pursuant to this scheme will be recorded as equity share capital of STML.

10.4 The identity of the reserves of VTCL, shall be preserved and they shall appear in the financial statements of STML in the same manner and form, in which they appeared in the financial statements of VTCL respectively, prior to this scheme becoming effective. Accordingly, if prior to this scheme becoming effective there is any reserve in the financial statements of VTCL available for distribution whether as bonus shares or dividend or otherwise, the same would also be available in the financial statements of STML for such distribution pursuant to this scheme becoming effective.

10.5 All inter – Company payables, receivables (including loans, advances etc.) and balances between VTCL and STML including investment of VTCL into STML shall be cancelled and STML shall accordingly not record any of such payables, receivables and balances in its books.

10.6 The difference between the assets and liabilities of VTCL to be transferred pursuant to this scheme to the STML and Reserves & Surplus of the VTCL, after making the adjustment for the clause 10.5 and 10.6, and value of consideration shall be adjusted against the balance of Capital Reserve.

11. **RESTRUCTURE IN THE FORM OF CAPITAL REDUCTION OF THE TRANSFEREE COMPANY**

11.1 Upon the Scheme being effective, 7,75,80,026 shares held by VTCL, the Transferor Company, in STML, the Transferee Company, shall stand cancelled by operation of law as the consequence of



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amalgamation. The issued, subscribed and paid up share capital of STML shall stand reduced from Rs. 22,20,64,440/- to Rs. 14,44,84,414/ -, i.e to the extent of Rs. 7,75,80,026/-

11.2 The above referred reduction of equity share capital being consequential in nature is proposed to be effected as an integral part of the Scheme. The approval of the members and creditors of the Transferee Company to the proposed Scheme shall be deemed to be their approval under the provisions of Section 66 of the Companies Act, 2013 and all other applicable provisions of the Act and the Transferee Company shall not be required to undertake any separate proceedings for the same. The order of the Hon'ble NCLT sanctioning the Scheme shall be deemed to be an Order under subsection (3) of the Section 66 of the Companies Act, 2013. In view of the same, the Transferee Company shall not be required to separately comply with Section 66 of the Companies Act, 2013 or any other provisions of Companies Act, 1956 or Companies Act, 2013.

11.3 However, considering the issue of new shares as envisaged in Clause 9.1, there will not be any net reduction in the Issued, Subscribed and Paid up Share Capital of STML, the Transferee Company and it Transferee shall not be required to add "And Reduced" after its name.

## 12. DISSOLUTION OF THE TRANSFEROR COMPANY

Upon this Scheme becoming effective, VTCL shall be dissolved without winding up pursuant to the provisions of Section 232 of the Act.

## 13. VALIDITY OF EXISTING RESOLUTIONS, ETC

Upon the coming into effect of the Scheme, the resolutions of VTCL as are considered necessary by the Board of Directors of STML which are validly subsisting be considered as resolutions of STML. If any such resolutions have any monetary limits approved under the provisions of the Act or of any *other applicable statutory provisions*, then said limits, as are

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considered necessary by the Board of Directors of STML, shall be added to the limits, if any, under the like resolutions passed by STML.

## 14. CONSOLIDATION AND RESTRUCTURE OF SHARE CAPITAL AND AMENDMENT TO MEMORANDUM OF ASSOCIATION OF STML

### 14.1 CONSOLIDATION OF AUTHORIZED SHARE CAPITAL

14.1.1 Upon the scheme being effective, the Authorized Share Capital of VTCL being Rs. 1,00,00,000/- (Rupees One Crores only) towards Equity Share Capital and Rs. 8,00,00,000/- (Rupees Eight Crores only) towards Preference Share Capital shall be consolidated with the Authorized Share Capital of STML, without any further act or deed and without any further payment of the stamp duty or the registration fees.

14.1.2 The consolidated Capital shall be reclassified as follows:

(i) 1,00,00,000 equity shares having Face Value of Re. 1 per share

(ii) 8,00,00,000 equity shares having Face Value of Re. 1 per share

14.2 Consequently, Clause V of the Memorandum of Association of STML shall be replaced as under:

**Clause V of Memorandum of Association: -**

"The Authorized Share Capital of the Company is Rs. 84,00,00,000/- [Rupees Eighty Four Crores only] divided into 84,00,00,000 Equity Shares of Re. 1/- [Rupees One only]with such rights, privileges and conditions attached thereto as may be determined by the General Meetings at the time of issue. The Company has and shall always have the power to divide the Share capital from time to time and to vary, modify and abrogate any rights, privileges, conditions attached to the Share in such a



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manner as may from the time being provided in the regulations of the Company".

14.3 Under the accepted principle of Single Window Clearance, it is hereby provided that the above referred amendment of Memorandum of Association of STML, viz. Change in the Capital Clause and its reclassification shall become operative as an integral part of the scheme. The consent of the shareholders of the Transferee Company to this Scheme shall be deemed to be sufficient for the purposes of effecting the above amendment to the Memorandum of Association of the Transferee Company and no further resolution under Section 13 of the Act and any other applicable provisions of the Act and rules and regulations framed thereunder would be required to be separately passed, nor shall the Transferee Company be required to pay any additional registration fees, stamp duty, etc.

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## 15. APPLICATIONS TO NATIONAL COMPANY LAW TRIBUNAL

The Companies shall, with all reasonable dispatch, make joint petitions to the National Company Law Tribunal at Ahmedabad pursuant to Sections 230 to 232 read with other applicable provisions of the Companies Act, 2013, as may be applicable, from time to time, for holding/dispensing with the meetings of the shareholders and/or Creditors of all the Companies and obtaining one or more orders sanctioning this scheme and carrying this scheme into effect.

## 16. MODIFICATIONS/AMENDMENTS TO THE SCHEME

16.1 The Board of Directors of the Companies may assent from time to time, on behalf of all persons concerned including the shareholders, to any modifications or amendments or additions to the Scheme or to any conditions or limitations which either the Board of Directors of the Companies may deem fit or which the NCLT and/or any competent Authority, if any, under the law may deem fit, to approve of or impose and which the Board of Directors of the Companies may in their discretion, deem fit, and to resolve all doubts or difficulties that may arise in carrying out and implementing this Scheme and to do all acts, instruments, deeds, matters and thing necessary or to review position relating to the satisfaction of the conditions of this Scheme and if necessary, to waive any of those (to the extent permissible under law) for bring the scheme into effect. In the event of any of the conditions that may be imposed by the NCLT or other authorities including the SEBI and the Stock Exchanges, which the Companies may find unacceptable for any reason, whatsoever, then the Companies are at liberty to withdraw the Scheme. The aforesaid powers of the Companies may be exercised by their respective Board of Directors, or a committee of the concerned Board of Directors, or any director authorized in that behalf by the concerned Board of Directors.

16.2 For the purpose of giving effect to the Scheme or to any modifications or amendments thereof, or additions thereto, the delegate(s) of the Companies may give and hereby authorized to determine and give all such directions as are necessary including directions for settling or removing any question of doubt or difficulty that may arise and such determination or directions, as the case may be, shall be binding on all parties in the same manner as if the same were specifically incorporated in this Scheme.

16.3 Notwithstanding clause 16.1 and 16.2 above, the Companies (acting through their respective Board of Directors) shall be at liberty to withdraw or modify the Scheme for the reason of any condition or alteration imposed by the NCLT or any other governmental/regulatory authority not being acceptable to them.

## 17. CONDITIONALITY OF THE SCHEME

The effectiveness of the Scheme is conditional upon and subject to:

17.1 The Scheme being approved by the respective requisite majorities of the various classes of Shareholders and creditors of the Companies as required under the Act.

17.2 The sanction of the National Company Law Tribunal under Section 230 to 232 of the said Act whether with or without any modifications and amendments as the Tribunal may deem fit, in favor of the Companies and to the necessary Orders under Section 232 of the said Act, being obtained.

17.3 The Scheme being submitted to Securities Exchange Board of India.

17.4 No Objection Certificate(s) to the Scheme being given by the stock exchanges on which the shares of STML are listed.



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17.5 Certified copies of the orders of the NCLT being filed by the Companies with the Registrar of Companies having jurisdiction over each of such Company.

17.6 The approval of the public shareholders of the STML in accordance with the provisions of the SEBI circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (as amended from time to time) issued in this behalf. Such approval of public shareholders will be obtained through postal ballot and e-voting, after disclosure of all material facts in the explanatory statement sent to the shareholders in relation to such resolution, and the Scheme shall be acted upon only if the votes casted by public shareholders in favour of the Scheme are more than the number of votes casted by public shareholders against it.

## 18. COST, CHARGES AND EXPENSES

All costs, charges, taxes including duties, levies and all other expenses, if any, arising out of/or incurred in securing approvals and sanctions for the Scheme and matters incidental thereto shall be borne and paid by VTCL. However the cost, charges, fees, duties and expenses payable to the Exchanges and to the Ministry of Corporate Affairs pertaining to the share capital of STML, shall be borne and payable by STML.

## 19. APPROVALS/SANCTIONS NOT FORTHCOMING

In the event any of the approvals and sanctions under the Scheme are not obtained, completed or forthcoming, the Scheme shall stand revoked, cancelled and be of no effect, save and except in respect of any act or deed done prior thereto as in contemplated hereunder, or as to any right, liability or obligation which has arisen and accrued pursuant thereto and which shall be preserved or worked out as specifically provided in the Scheme or as may otherwise arise in law.



SURAT

ANNEXURE B


# Snehal Shah & Associates

Chartered Accountants

8758074411 / 9484451600

casnehalshah@gmail.com

920, Somanivas ..., B/s. Royal Orchid Hotel, Munjmahudo Circle, Akota, Vadodara, Gujarat


December 16th 2019 00253

Ann - H1

To,
The Board of Directors
Surat Textile Mills Limited,
Tulsi Krupa Arcade, 6th Floor,
Near Aai Mata Chowk,
Puna-Kumbharia Road,
Dumbhal, Surat – 395010,
Gujarat

To,
The Board of Directors,
Vareli Trading Company Limited,
Dr Amichand Shah Wadi,
Rampura Tunki,
Surat – 395003,
Gujarat

**Subject: Report dated 20th August 2019 issued by us recommending Share Exchange Ratio for the proposed scheme of Amalgamation of Vareli Trading Company Limited with Surat Textile Mills Limited in terms of SEBI Circular CFD/DIL3/CIR/2017/21 required by regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 amended from time to time.**

Dear Sir,

In continuation to our earlier report dated 20th August, 2019 and subsequent to the discussions we had with Company representative, please find enclosed addendum to the earlier valuation report.

Yours faithfully,

For **Snehal Shah & Associates**
*Chartered Accountant & Registered Valuer*

SNEHAL SHAH & ASSOCIATES M. No.: 128640 Chartered Accountants

**CA. Snehal Shah**
**Proprietor**
M. No.: 128640
IBBI/RV/06/2019/11772

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SNEHAL SHAH & ASSOCIATES M.No. 129840 Chartered Accountants

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## A. PURPOSE OF ASSIGNMENT

Based on discussion with the Management, we understand that in order to simplify the shareholding structure and reduce shareholding tiers for the promoters of Surat Textile Mills Limited (hereinafter referred as "SMTL"), it is proposed that Vareli Trading Company Limited (hereinafter referred as "VTCL") will amalgamate into STML in accordance with the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act 2013 (hereinafter referred to as "Scheme of Arrangement").

In this context, the Management of the Companies have requested us to issue a report containing recommendation of fair Share Exchange Ratio for the proposed amalgamation of VTCL into STML in terms of requirements laid down by the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 under Circular No. CFD/DIL3/CIR/2017/21 dated 10th March 2017 and as per Para 8 of the said Circular read with Regulation 158(1)(b) and Regulation 165 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (SEBI ICDR Regulations).

## B. PREMISE OF VALUATION

The Report has been prepared in compliance with the Valuation Standards issued by the Institute of Chartered Accountants of India and adopted by ICAI Registered Valuers Organisation.

## C. SCOPE OF ASSIGNMENT & TERMS OF REFERENCE

Snehal Shah & Associates, Chartered Accountants, Vadodara has been appointed by the Company vide engagement letter dated 30th July 2019, to work out the proposed share exchange ratio between the two companies.

We have carried out the assignment based on the relevant information provided to us by the management of both the companies. We have also relied upon management's representation as well as other information and documentation provided to us by applicable and I would have no objection if it is so dispensed by the NCLT or such other competent authority, as may be applicable.

I hereby waive my right to receive notice of any meeting of equity shareholders and proceedings before the NCLT or such other competent authority, as may be applicable, for obtaining the sanction of the Scheme, since iam fully supportive of the Scheme and its implementation.

5. I say that I agree and consent unconditionally to the dispensation of the issue and publication of the notice and the advertisement of the said notice in the newspapers.
6. Kindly treat this as myconsent and agreement to the said Scheme including any modification that may be made therein by the Board of Directors of the Company or the NCLT or such other competent authority, as may be applicable whilst sanctioning the said Scheme for the purposes of Sections 232 of the Companies Act, 2013.

x Deepika Shah

Solemnly affirmed at Mumbai
This ____ day of ____ 2021

**DEPONENT**

NOTARY S.M.N. Naqvi Mumbai & Thane Dist. Reg. No. 3054 GOVERNMENT OF INDIA

BEFORE ME

12.5.21

**S. M. N. Naqvi**
NOTARY
Government of India,
Mumbai & Thane Dist.

Notary Serial No. 435 Page No. 38
Notary Book No. 489 D: 12/5/21

NOTARY S.M.N. Naqvi Mumbai & Thane Dist. Reg No. 3054 GOVERNMENT OF INDIA NOTARIAL

NOTARY S.M.N. Naqvi Mumbai & Thane Dist. Reg No. 3054 GOVERNMENT OF INDIA NOTARIAL

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them. No responsibility is taken to update this report for events and circumstances occurring after the report date, that is 20th August 2019.

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D. DATE OF VALUATION

The date of valuation is 1st April 2019 and the exchange ratio has been derived based on the financials of 31st March 2019, being the intended operative/appointed date for the proposed amalgamation of VTCL with STML.

E. PRINCIPLE SOURCE OF INFORMATION

We have received and collected the information and data from the companies, deemed necessary for the purpose, which have been examined, studied and relied upon for the purpose.

Following are the information and data obtained by us:

- Audited Financial Statements of STML for the Financial Year ended on March 31, 2019, March 31, 2018 and March 31, 2017.
- Audited Financial Statements of VTCL for the Financial Year ended on March 31, 2019 March 31, 2018 and March 31, 2017.
- List of shareholders of VTCL and STML as at 31st March, 2019.
- Management certified draft scheme of amalgamation between VTCL and STML.
- Memorandum and Articles of Association of VTCL and STML
- Discussion with the management of VTCL and STML.

F. CIRCULATION OF REPORT

The information contained in our report is absolutely confidential. It is intended only for the sole use and information of the Companies, and only in connection with the proposed Amalgamation as aforesaid, including for the purpose of obtaining requisite approvals. It is to be noted that any reproduction, copying or otherwise quoting of this



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SURAT TEXTILE MILLS LTD. SURAT

report or any part thereof, other than in connection with the proposed Amalgamation as aforesaid, can be done only with our prior permission in writing.

## G. OVERVIEW OF THE COMPANY

### VARELI TRADING COMPANY LIMITED

- VTCL is a limited Company incorporated under the Companies Act, 1956 having its registered office at Dr. Amichand Shah Wadi, Rampura Tunki, Surat – 395003, Gujarat, India.
- VTCL is controlled by the individual Promoters of STML.
- The Share Capital of the VTCL as per the Audited Financial Statement dated March 31, 2019 is as under:

| Authorized Share Capital | Amount (INR) |
|---|---|
| 10,00,000 Equity Shares of Rs. 10/- each | 1,00,00,000 |
| 80,00,000 1% Non-Cumulative Optionally Convertible Preference Shares of Rs. 10 each | 8,00,00,000 |
| **Total** | **9,00,00,000** |
| Issued, Subscribed and Paid up Share Capital | |
| 1,48,906 Equity Shares of Rs. 10/- each fully paid up | 14,89,060 |
| **Total** | **14,89,060/-** |

As on the date of this report, VTCL owns 7,75,80,026 equity shares of STML.

### SURAT TEXTILE MILLS LIMITED

- STML is a public limited listed company originally incorporated under the Indian Companies Act 1913, having its registered office at Tulsi Krupa Arcade, 6th Floor, Near Aai Mata Chowk Puna-Kumbharia Road, Dumbhal, Surat – 395010, Gujarat, India.



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- STML is engaged in the business of manufacturing, cleaning, spinning, bleaching, knitting, dyeing in all kinds of chips and yarn, fibres and intermediaries, textiles, fabrics, etc. The equity shares of STML are listed on the Bombay Stock Exchange (BSE).

- The Share Capital of the STML as per the Audited Financial Statement dated March 31, 2019 is as under:

| Authorized Share Capital | Amount (INR) |
|---|---|
| 75,00,00,000 Equity Shares of Re. 1/- each | 75,00,00,000/- |
| **Total** | **75,00,00,000/-** |
| Issued, Subscribed and Paid up Share Capital | |
| 22,20,64,440 Equity Shares of Re. 1/- each | 22,20,64,440/- |

Out of the above, 7,75,80,026 equity shares are owned by VTCL as on the date of this report.

## H. DISCLAIMER AND STATEMENT OF LIMITING CONDITIONS

- The report is based on the data and information provided in writing as well as verbally and during discussions, by the management of all the companies viz., VTCL and STML and other sources listed in the report. This information is assumed to be accurate and complete.

- We have not done any audit, investigation, due diligence or verification of any data as the same was beyond the scope of this exercise. No responsibility is accepted by us in this regard. However, during our evaluation nothing has come out to our attention that the data and information provided are materially or intentionally misstated or incorrect.



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- We have not physically verified the assets of the Companies as it is beyond the scope of assignment.

- We have accepted and assumed that all the material facts and information which have a bearing or impacts on the valuation/exchange ratio were provided by the managements of these companies.

- We have been informed by management that there are no environmental or toxic contamination problems, any significant lawsuits, or any other undisclosed contingent liabilities which may potentially affect the business, except as may be disclosed elsewhere in this report.

- The historical financial information about the company presented in this report is included solely for the purpose to arrive at value presented in this report and it should not be used by anyone to obtain credit or for any other unintended purpose. Because of the limited purpose as mentioned in the report, it may be incomplete and may contain departures from generally accepted accounting principles prevailing in the country. We have not audited, reviewed or compiled the Financial Statements and express no assurance on them.

- We acknowledge that we have no present or contemplated financial interest in the Company. Our fees for this valuation are based upon our normal billing rates, and not contingent upon the results or the value of the business or in any other manner. We have no responsibility to modify this report for events and circumstances occurring subsequent to the date of this report.

- The valuation analyst, by reason of performing this valuation and preparing this report, is not to be required to give expert testimony nor to be in attendance in court or at any government hearing with reference to the matters contained herein, unless prior arrangements have been made with the analyst regarding such additional engagement.



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## I. VALUATION METHODOLOGY

There are 3 fundamental approaches to Valuation viz. Income Approach, Market Approach and Cost / Asset Approach.

Each approach uses different parameters / methodology and are used in different situations. A brief detail of all approaches is given as under:

| Aspect | Income Approach | Market Approach | Cost / Asset Approach |
|---|---|---|---|
| Valuation principle applied | Discounts future cash flows to the present date. | Values of companies operating in the same industries are correlated. | Book Values or Realizable Values of Assets after Considering balance sheet. |
| Commonly Accepted Methods | Discounted Cash Flows (DCF). | • Comparable Companies Multiple.<br>• Market Price Method | Adjusted Net Asset Value |
| Appropriate situations to which the method may be applied | DCF is commonly used to value businesses or equity interests.<br>It is appropriate for use when the wealth generating capacity of the business is determinable, going concern assumption is valid and when forecasts are available. | Market Approach is used when forecasts are not available, a set of suitable comparable companies are available and going Concern assumption is valid.<br>It is also used as a cross-check/ benchmark to DCF method. | The Cost Approach is used when going concern assumption is doubtful and liquidation is predominant or if the Company is unprofitable for the foreseeable future. |

Valuation by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Given the same set of facts and using the same assumptions, expert opinions may differ due to the number of separate judgment decisions. There



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can therefore be no standard formulae to establish an indisputable value, although certain formulae are helpful in assessing reasonableness.

For the purpose of determining fair value, a valuer may therefore, use any of the approaches as per the generally / internationally accepted valuation methodologies which in its opinion are most appropriate based on the facts of each situation.

The objective and criterion for any judicious exchange ratio in amalgamation is that the shareholders of the Transferor Company should get at least same value of their holding and return on their investment in the Transferee Company too. Not only that, as far as possible, due care should also be given to the trend in future of their current growth rate in the value of their shareholding.

Similarly, the shareholders of the Transferee Company should also maintain their net worth and a reasonable return as they were having before the amalgamation. Moreover, they should also be getting a share in the future growth due to benefits of synergies of the amalgamation accruing post amalgamation.

The methods which we have used to arrive at the value of companies are discussed as under:

**Discounted Cash Flows (DCF) Method**

Under the DCF Method the projected free cash flows to the Company are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the Company. Using the DCF analysis involves determining of (i) Estimating the future free cash flows and (ii) appropriate discount rate to be applied to cash flows i.e. the cost of capital.



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As the VTCL is having negligible revenue and almost non-operative, there are no possibilities to determine projections for future periods. Hence, we have not considered DCF method of valuation.

**Market Price (MP) Method**

The market price of an equity shares as quoted on a Stock Exchange is normally considered as the value of the equity shares of that Company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of shares.

In the present case, equity shares of STML are listed on the BSE. However, the shares of STML are infrequently traded as per SEBI ICDR Regulations and shares of VTCL are not listed. Hence, value of companies under the Market Price Method cannot be determined.

**Comparable Companies Multiple (CCM) Method**

This Method involves valuation based on market multiples derived from prices of market comparable companies traded on active market or transaction multiples derived from prices paid for comparable transactions. This valuation is based on the principle that market valuations, taking place between informed buyers and sellers incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between circumstances.

We were unable to find similar transactions or multiples to arrive at the equity valuations of the Companies. Hence, we have not used this method for valuation.

**Net Asset Value (NAV) Method**

The asset-based valuation technique is based on the value of underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach is mainly used in case where the (i) asset base dominates



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earning capability (ii) there are no intangible assets in the form of brands, trademarks etc and (iii) there is no future growth potential of the business.

Considering the present level of operations and VTCL's dependence on STML for revenue generation, we opine that the Asset Approach is best suitable to work out the exchange ratio between the two companies.

Additionally, as the VTCL's assets mainly comprises of investments in SMTL and it does not have any fixed assets, either tangible or intangible in its books, we have worked out the exchange ratio based on the book values.

## J. RECOMMENDATION OF RATIO

Following is the current share capital structure of both the companies 31st March 2019.

| Particulars | Amount (INR) |
|---|---|
| **STML** | |
| Issued, Subscribed and Paid up Share Capital | |
| 22,20,64,440 Equity Shares of Re. 1/- each | 22,20,64,440/- |
| No. of Shares held by VTCL out of above | 7,75,80,026 |
| **VTCL** | |
| Issued, Subscribed and Paid up Share Capital | |
| 1,48,906 Equity Shares of Re. 10/- each | 14,89,060/- |

It is proposed that equivalent number of equity shares as held by the VTCL in STML should be allotted by the STML under the scheme of amalgamation to the equity shareholders of VTCL. Therefore, the exchange ratio under the proposed amalgamation is as under:

**521 Equity share of Re. 1/- (Rupees One Only) each fully paid up of the STML for every 1 equity share of Rs. 10/- (Rupees Ten Only) each fully paid up of the VTCL.**

The computation of Share Exchange Ratio as derived by us is given in Annexure -1, enclosed herewith.



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Based on this, following will be the capital structure of STML post amalgamation:

| Share holders | Existing | % | Additional Issue of shares | Post Amalgamation | % |
|---|---|---|---|---|---|
| Shri Praful A. Shah (Ind) | 2,78,30,471 | 12.53% | 4,26,68,337 | 70,498,808 | 31.75% |
| Shri Praful A. Shah (HUF) | 1,00,00,450 | 4.50% | 521 | 10,000,971 | 4.50% |
| Smt. Shilpa P. Shah | 1,00,15,450 | 4.51% | 1,16,37,056 | 21,652,506 | 9.75% |
| Shri Alok P. Shah | 1,00,15,000 | 4.51% | 1,16,36,014 | 21,651,014 | 9.75% |
| Shri Suhail P. Shah | 1,00,15,000 | 4.51% | 1,16,37,056 | 21,652,056 | 9.75% |
| Shri Alok P. Shah (HUF) | - | 0.00% | 521 | 521 | 0.00% |
| Smt. Deepika A. Shah | - | 0.00% | 521 | 521 | 0.00% |
| Palomar Textiles Ltd. | 65,45,820 | 2.95% | - | 65,45,820 | 2.95% |
| Introscope Properties | 1,700 | 0.00% | - | 1,700 | 0.00% |
| Varell Trading Co. Ltd. | 7,75,80,026 | 34.94% | -7,75,80,026 | - | 0.00% |
| Garden Silk Mills Ltd. | 1,45,00,000 | 6.53% | - | 1,45,00,000 | 6.53% |
| Others | 5,55,60,523 | 25.02% | - | 5,55,60,523 | 25.02% |
| | 22,20,64,440 | 100.00% | - | 22,20,64,440 | 100.00% |

We believe that the above ratio is fair and equitable considering that all the shareholders of VTCL are and will, upon amalgamation, remain ultimate beneficial owners in STML in the same ratio (inter-se) as they hold shares prior to the amalgamation and that the interest of other shareholders in STML remains unaffected.



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Annexure -1 00265

## Computation of Share Exchange Ratio

(Amount in Rs.)

| Valuation Approach | Surat Textile Mills Limited | | Vareli Trading Company Limited | |
|---|---|---|---|---|
| | Value per Share | Weight (%) | Value per Share | Weight (%) |
| Asset Approach (NAV Method) | 77,580,026 | 100 | 148,906 | 100 |
| Income Approach (DCF Method) | NA | NA | NA | NA |
| Market Approach (CCM Method) | NA | NA | NA | NA |
| Relative value per share | 77,580,026 | 100 | 148,906 | 100 |
| **Exchange ratio** | 521 | | 1 | |

In light of the above and on the consideration of all the relevant factors discussed in the para – I of the report, we recommend following share exchange ratio under the proposed amalgamation of STML and VTCL:

**521 Equity share of Re. 1/- (Rupees One Only) each fully paid up of the STML for every 1 equity share of Rs. 10/- (Rupees Ten Only) each fully paid up of the VTCL.**

*Note:*

1. *As the VTCL is having negligible revenue and almost non-operative, there are no possibilities to determine projections for future periods. Hence, we have not considered DCF method of valuation.*
2. *We were unable to find similar transactions or multiples to arrive at the equity valuations of the Companies. Hence, we have not used Comparable Companies Multiple (CCM) Method for valuation.*
3. *Considering the present level of operations and VTCL's dependence on STML for revenue generation, the Asset Approach is best suitable to work out the exchange ratio between the two companies and hence we have used this approach for valuation.*

***



SURAT TEXTILE MILLS LTD. SURAT

KUNVARJI

*Driven By Knowledge*

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**Date: August 20, 2019**

**To**

**The Board of Directors,**

**Surat Textile Mills Limited**

**6th Floor, Tulsi Krupa Arcade,**

**Near Aai Mata Chowk**

**Puna-Kumbharia Road,**

**Dumbhal, Surat - 395010**

Dear Sir,

**Sub: Fairness Opinion on the recommendation of the fair equity share exchange ratio for the proposed amalgamation of Vareli Trading Company Limited with Surat Textile Mills Limited in terms of SEBI Circular CFD/DIL3/CIR/2017/21 under regulations 11, 37 and 94 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 amended from time to time.**

This has reference to our Engagement Letter dated August 01, 2019 with you in the matter of providing Fairness Opinion on the recommendation of the fair equity share exchange ratio for the Scheme of Amalgamation ('the Scheme') of Vareli Trading Company Limited (hereinafter referred to as the "VTCL", "Transferor Company") with Surat Textile Mills Limited (hereinafter referred to 'Surat Textile Mills', 'the Transferee Company "The Company").

we have prepared Fairness Opinion report based on our Independent Analysis of the information received from the Management and had a detailed review of the Valuation Report of Snehal Shah & Associates, Chartered Accountants ("Valuer"), subject to the disclaimers and limitations detailed herein below. We believe that the Equity Share Exchange Ratio i.e. **"521 Equity share of Re. 1/- (Rupees One Only) each fully paid up of the STML for every 1 equity share of Rs. 10/- (Rupees Ten Only) each fully paid up of the VTCL"** for the proposed amalgamation is fair and reasonable.

Kunvarji Finstock Pvt. Ltd.



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**Kunvarji Finstock Pvt. Ltd.**
www.kunvarji.com
Kunvarji, B - Wing, Siddhivinayak Towers, Off. S.G. Road, Makarba, Ahmedabad
Phone:+91 79 6666 9000 | Fax : + 91 79 2970 2196 | Email: info@kunvarji.com
CIN - U65910GJ1986PTC008979
001376/2019

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Please find enclosed our narrative Fairness Opinion Report on the valuation carried out by Valuer.

Thanking You,
For, Kunvarji Finstock Private Limited

Kunvarji Finstock Pvt. Ltd.

Mr. Himanjal Brahmbhatt
Director (DIN: 00049679)

Date: August 20, 2019
Place: Ahmedabad



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# Contents



Kunvarji Finstock Pvt. Ltd.



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1. **BACKGROUND:**

1.1. Surat Textile Mills Limited **(hereinafter referred to 'STML', 'the Transferee Company', 'you', your')**, a Company incorporated in the state of Gujarat India vide its CIN L17119GJ1945PLC000214 having its Registered Office at Tulsi Krupa Arcade, 6th Floor, Near Aai Mata Chowk Puna-Kumbharia Road, Dumbhal, Surat, Gujrat, India has engaged 'Kunvarji Finstock Private Limited', Category I Merchant Banker registered with SEBI having its Registration No. INM000012564 **(hereinafter referred to 'Kunvarji, 'KFPL' 'we', 'us', 'our')**, vide an engagement letter dated August 1, 2019, to issue a Fairness Opinion Report on the valuation carried out by Snehal Shah & Associates, Chartered Accountants **("Registered Valuer")**, vide its Valuation Report dated August 20, 2019 in respect of the Proposed Scheme of Amalgamation **('the Scheme')** providing for amalgamation of Vareli Trading Company Limited **(hereinafter referred to as the "Transferor Company", "The Company", "VTCL")** with Surat Textile Mills Limited.

1.2. This Fairness Opinion Report is issued in terms of CFD/DIL3/CIR/2017/21 under regulations 11, 37 and 94 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and the same can be used as guidance for the Scheme.

2. **USE OF THIS REPORT**

2.1 As stated hereinabove, in order to comply with the requirements of the regulations 11, 37 and 94 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular CFD/DIL3/CIR/2017/21, STML has appointed Kunvarji to issue a fairness opinion on the report issued by Snehal Shah & Associates, Chartered Accountants, Registered Valuer.

2.2 Our scope of work only includes forming an opinion on the fairness of the recommendation given by the Valuer on the exchange ratio arrived at for the purpose of the proposed Scheme of Amalgamation and not on the fairness or economic rationale of the amalgamation per se.

2.3 Our report if prepared solely for the purpose outlined hereinabove. The distribution of this report shall hence be restricted to the Company, its Shareholders, SEBI, Stock Exchanges and such other regulatory bodies required to give the effect to amalgamation, including but not limited to ROC, NCLT. This report shall not be relied upon by any other person for any other purpose whatsoever and the Company agrees to this fact. 00270

2.4 This report is subject to the scope, assumptions, limitations and disclaimers detailed above. As such the report is to be ready in totality, not in parts and in conjunction with the relevant documents referred to herein.

3. **DISCLAIMERS AND LIMITATIONS**

3.1. This Fairness Opinion Report is prepared by 'Kunvarji Finstock Private Limited' under an engagement from Surat Textile Mills Limited on the basis of information, documents, papers, and explanations given by the management, officers and staff of STML to Kunvarji.

3.2. In preparing the Fairness Opinion Report, Kunvarji has relied upon and assumed without independent verification, the truthfulness, accuracy and completeness of the information and financial data provided by STML. Kunvarji has therefore relied upon all specific information as received and declines any responsibility should the results presented be affected by the lack of completeness or truthfulness of such information.

3.3. Our work does not constitute an audit or certification or due diligence of the past financials of STML or any of the transferee Companies used in the study and we have relied upon the information provided to us by STML as regards such working results.

3.4. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the companies. No investigation of the companies claim to the title of assets or property owned by the companies has been made for the purpose of the fairness opinion. With regard to the companies claim we have relied solely on representation whether verbal or otherwise made, by the management to us for the purpose of this report.

3.5 Publicly available information deemed relevant for the purpose of the analysis contained in this report has also been used. Accordingly, this report is based on our interpretation of the information provided by STML or any of its affiliates as well as its representatives and advisors, to date.



Kunvarji Finstock Pvt. Ltd.

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3.6 Kunvarji shall not be liable for any losses whether financial or otherwise or expenses arising directly or indirectly on account of the use of or reliance on the information set out herein in this report.

3.7 Kunvarji has not provided any accounting, tax or legal advice to STML or Transferee Companies or any other company involved in the transaction. This Fairness Opinion Report should not be construed as investment advice or any form of recommendation either for making or divesting investment in any of the companies involved in the transaction.

3.8 This Opinion is furnished on a strictly confidential basis. Neither this Opinion nor the information contained herein may be reproduced or passed to any person or used for any purpose other than stated above or as may be required under applicable laws and regulation.

3.9. This Report, its contents and the results herein (i) are specific to the purpose of report agreed as per the terms of our engagement and (ii) are specific to the date of this report. This report is necessarily based on the prevailing financial, economic and other conditions in general and industry trends in particular as in effect on, and the written and oral information made available to us till the date of this report. This report is issued on the understanding that the companies have drawn our attention to all the matters, which they are aware of considering the financial position of the Companies, their businesses, and any other matter, which may have an impact on our opinion for the proposed scheme including any significant changes that have taken place or are likely to take place in the financial position of the Companies or their businesses subsequent to the proposed Appointed Date of the proposed Scheme. Events occurring after this date may affect the report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

## 4. SOURCES OF INFORMATION

We have relied on the following information made available to us by STML for the purpose of this report:

4.1 Management certified Scheme of Amalgamation between Surat Textile Mills Limited and Vareli Trading Company Limited as may be submitted with Stock Exchange.

4.2 Valuation Report of Snehal Shah & Associates., Chartered Accountants & Registered Valuer, dated August 20, 2019.

4.3 Audited Financial Statements of STML for the Financial Year ended on March 31, 2019, March 31, 2018 and March 31, 2017.

4.4 Audited Financial Statements of VTCL for the Financial Year ended on March 31, 2019 March 31, 2018 and March 31, 2017.

4.5 Details of Market Price and trading volume of Equity Shares of STML on BSE.

4.6 Present Shareholding pattern of STML and VTCL.

4.7 Memorandum and Articles of Association of VTCL and STML.

4.8 Such other information and explanations as we required and which have been provided by the management of STML, which were considered relevant for the purpose the Fairness Opinion.

## 5. HISTORY AND BACKGROUND

### 5.1. Surat Textile Mills Limited

5.1.1. Surat Textile Mills Limited is a public limited company having CIN L17119GJ1945PLC000214, incorporated on November 29, 1945 under the provisions of the Indian Companies Act. 1913 having its registered office at Tulsi Krupa Arcade, 6th Floor Near Aai Mata Chowk Puna-Kumbharia Road, Dumohai, Surat, and Gujrat, India The equity shares of STML are listed on BSE Limited. STML is equipped with production facilities at Village Jolwa, Taluka Palsana, Surat (Gujarat). STML is engaged in the manufacturing and selling of polyester filament yarn, polyester chips.

5.1.2. The Board of Directors of STML as on July 31, 2019 is as follows:

| Name of the Directors | Designation |
|---|---|
| Yogesh C Papaiya | Whole time Director & CFO |
| Manikant R Momaya | Managing Director |
| Harishchandra B. Bharucha | Director |
| Ketan Jariwala | Director |
| Kruti G Kothari | Additional Director |

5.1.3 The Authorized Share Capital of STML is INR 75,00,00,000 divided into 75,00,00,000 equity shares of INR 1/- each and paid up equity share capital of the company 22,20,64,440 divided into 22, 20, 64,440 equity shares of INR 1/- each.



Kunvarji Finstock Pvt. Ltd.

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SURAT TEXTILE MILLS LTD. SURAT

5.1.4. The Current Shareholding pattern of Surat Textile Mills Limited as on June 30, 2019 is as under:

| Categories | Number of Equity Shares | Shareholding Percentage (%) |
|---|---|---|
| Promoters | 166504917 | 74.98% |
| Public | 55559523 | 25.02% |
| **Total** | **222064440** | **100.00%** |

5.1.5. Pre - Amalgamation and Post – Amalgamation share holding pattern of STML:

| Name of Shareholder | Pre-Amalgamation | | Post-Amalgamation | |
|---|---|---|---|---|
| | No. of Equity Shares held | Percentage Holding | No. of Equity Shares held | Percentage Holding |
| Shri Praful A. Shah | 27830471 | 12.53% | 70499329 | 31.75% |
| Shri Praful A. Shah (HUF) | 10000450 | 4.50% | 10000450 | 4.50% |
| Smt. Shilpa P. Shah | 10015450 | 4.51% | 21652506 | 9.75% |
| Shri Alok P. Shah | 10015000 | 4.51% | 21652506 | 9.75% |
| Shri Suhail P. Shah | 10015000 | 4.51% | 21652506 | 9.75% |
| Palomar Textiles Ltd. | 6545820 | 2.95% | 6545820 | 2.95% |
| Introscope Properties | 1700 | 0.00% | 1700 | 0.00% |
| Vareli Trading Co. Ltd. | 77580026 | 34.94% | - | - |
| Garden Silk Mills | 14500000 | 6.53% | 14500000 | [illegible] |
| Public | 55560523 | 25.02% | 55560523 | [illegible] |
| **Total** | **222,064,440** | **100.00%** | **222,064,440** | **100.00%** |

## 5.2. Vareli Trading Company Limited

5.2.1. Vareli Trading Company Limited is a public limited Company incorporated on February 10, 1987 located at Dr. Amichand Shah Wadi, Rampura Tunki, Surat, Gujarat 395003 bearing CIN U65910GJ1987PLC009405.

5.2.2. VTCL is engaged into the business of Financing and Investments.

5.2.3. The Board of Directors of VTCL as on July 31, 2019 is as follows:

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| Name of the Directors | Designation |
|---|---|
| Praful Shah | Director |
| Alok P Shah | Director |
| Suhail P Shah | Director |

5.2.4 The Authorized Share Capital of VTCL is INR 1,00,00,000 divided into 10,00,000 equity shares of INR 10/- each and and paid up equity share capital of the company 14,89,060 divided into 1,48,906 equity shares of INR 10/- each

5.2.5 As on the date of this report, VTCL owns 7,75,80,026 equity shares of STML.

## 6 VALUER'S RECOMMENDATION

6.1. The fair basis of amalgamation of the Companies has been determined after taking into consideration all the factors and methodologies as mentioned by the Valuer in its valuation report, dated August 20, 2019. Their scope of work was to take out the value of equity shares of the Companies to facilitate the determination of a fair equity share exchange ratio.

6.2 The equity share exchange ratio has been arrived on the basis of valuation of the equity shares of the Companies based on methodology as explained in the valuation report of Valuer, dated August 20, 2019, and various qualitative factors relevant to each Company and the business dynamics as well as growth potential of the businesses of the companies, and also having regard to information base, management representations and perceptions, key underlying assumptions and limitations

6.3 In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined in the valuation report, dated August 20, 2019 of Snehal Shah & Associates ,Chartered Accountants and Registered Valuer, it has been recommended by the Valuer that the fair exchange ratio for the amalgamation of Vareli Trading Company Limited with Surat Textile Mills Limited shall be as follows:

***"521 Equity share of Re. 1/- (Rupees One Only) each fully paid up of the STML for every 1 equity share of Rs. 10/- (Rupees Ten Only) each fully paid up of the VTCL"***

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Vareli Trading Company Ltd. Surat

Surat Textile Mills Ltd. Surat

## 7 CONCLUSION

7.1 With reference to the above and based on the information provided to us by the management of the entities forming part of the Scheme of Amalgamation as well as taking into consideration the Scheme we understand that the present Scheme proposes to merge VTCL with STML.

7.2 The fairness opinion has been prepared based on the Valuer's report and our analysis of the various factors relevant to the Companies, having regard to the information submitted, management representations, key underlying assumptions and limitations.

7.3 In the light of the foregoing, based on our independent analysis of the information received and a detailed review of the Valuation Report of Snehal Shah & Associates, Chartered Accountants, as well as subject to the disclaimers and limitations detailed hereinabove, we believe that the proposed Equity Share Exchange Ratio as recommended by Snehal Shah & Associates for the proposed Scheme of Amalgamation of VTCL with STML is fair and reasonable.

Thanking You,

For, Kunvarji Finstock Private Limited

Kunvarji Finstock Pvt. Ltd.

Mr. Himanjal Brahmbhatt
Director (DIN: 00049679)

Date: August 20, 2019
Place: Ahmedabad



VARELI TRADING COMPANY LTD. SURAT.

SURAT TEXTILE MILLS LTD. SURAT

Ann - I ANNEXURE D

BSE Limited Registered Office: Floor 25, P J Towers, Dalal Street, Mumbai – 400 001, India
T : +91 22 2272 8045 / 8055 F : +91 22 2272 3457 www.bseindia.com
Corporate Identity Number: L67120MH2005PLC155188

DCS/AMAL/BA/R37/1891/2020-21 "E-Letter" February 3, 2021

00278

The Company Secretary,
SURAT TEXTILE MILLS LTD
6th Floor, Tulsi Krupa Arcade, Near Aai Mata Chowk,
Puna Kumbharia Road, Dumbhal,
Surat, Gujarat, 395010

Sir/Madam,

Sub: Observation letter regarding the Draft Scheme of Amalgamation between Surat Textile Mills Limited (STML) and Vareli Trading Company Limited (VTCL) and their respective shareholders and creditors.

We are in receipt of the Draft Scheme of Amalgamation between Surat Textile Mills Limited (STML) and Vareli Trading Company Limited (VTCL) and their respective shareholders and creditors filed as required under SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017; SEBI vide its letter dated February 2, 2021 has inter alia given the following comment(s) on the draft scheme of merger

- "Company shall ensure that the financials of the companies involved in the Scheme is updated and are not more than 6 months old majority before filing the same with the Hon'ble National Company Law Tribunal".
- "Company shall ensure that additional information and undertakings, if any, submitted by the Company, after filing the Scheme with the Stock Exchange, and from the date of receipt of this letter is displayed on the websites of the listed company and the stock exchanges."
- "Company shall duly comply with various provisions of the Circular."
- "Company is advised that the observations of SEBI/Stock Exchanges shall be incorporated in the petition to be filed before National Company Law Tribunal (NCLT) and the company is obliged to bring the observations to the notice of NCLT."
- "It is to be noted that the petitions are filed by the company before NCLT after processing and communication of comments/observations on draft scheme by SEBI/stock exchange. Hence, the company is not required to send notice for representation as mandated under section 230(5) of Companies Act, 2013 to SEBI again for its comments / observations / representations."

Accordingly, based on aforesaid comment offered by SEBI, the company is hereby advised

- To provide additional information, if any, (as stated above) along with various documents to the Exchange for further dissemination on Exchange website.
- To ensure that additional information, if any, (as stated aforesaid) along with various documents are disseminated on their (company) website.
- To duly comply with various provisions of the circulars.

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SURAT TEXTILE MILLS LTD. SURAT

00277

In light of the above, we hereby advise that we have no adverse observations with limited reference to those matters having a bearing on listing/de-listing/continuous listing requirements within the provisions of Listing Agreement, so as to enable the company to file the scheme with Hon'ble NCLT.

Further, where applicable in the explanatory statement of the notice to be sent by the company to the shareholders, while seeking approval of the scheme, it shall disclose information about unlisted company involved in the format prescribed for abridged prospectus as specified in the circular dated March 10, 2017.

Kindly note that as required under Regulation 37(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the validity of this Observation Letter shall be six months from the date of this Letter, within which the scheme shall be submitted to the NCLT.

The Exchange reserves its right to withdraw its 'No adverse observation' at any stage if the information submitted to the Exchange is found to be incomplete / incorrect / misleading / false or for any contravention of Rules, Bye-laws and Regulations of the Exchange, Listing Agreement Guidelines/Regulations issued by statutory authorities.

Please note that the aforesaid observations does not preclude the Company from complying with any other requirements.

Further, it may be noted that with reference to Section 230 (5) of the Companies Act, 2013 (Act), read with Rule 8 of Companies (Compromises, Arrangements and Amalgamations) Rules 2016 (Company Rules) and Section 66 of the Act read with Rule 3 of the Company Rules wherein pursuant to an Order passed by the Hon'ble National Company Law Tribunal, a Notice of the proposed scheme of compromise or arrangement filed under sections 230-232 or Section 66 of the Companies Act 2013 as the case may be <u>is required to be served upon the Exchange seeking representations or objections if any.</u>

In this regard, with a view to have a better transparency in processing the aforesaid notices served upon the Exchange, the Exchange has <u>already introduced an online system of serving such Notice along with the relevant documents of the proposed schemes through the BSE Listing Centre.</u>

Any service of notice under Section 230 (5) or Section 66 of the Companies Act 2013 seeking Exchange's representations or objections if any, <u>would be accepted and processed through the Listing Centre only and no physical filings would be accepted.</u> You may please refer to circular dated February 26, 2019 issued to the company.

Yours faithfully,

sd/-

Nitinkumar Pujari
Senior Manager

SURAT

SURAT TEXTILE MILLS LTD. SURAT

SURAT TEXTILE MILLS LIMITED

Date: 8th January, 2021

**The Listing Compliance Department,**
**BSE Limited,**
**First Floor, New Trading Wing,**
**Rotunda Building, PhirozeJeejeebhoy Towers,**
**Dalal Street, Fort,**
**Mumbai 400001**
**Scrip Code: 530185**

**Surat Textile Mills Limited: Complaints Report with respect to application made under Regulation 37 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR') read with SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ('SEBI Circular')**

**Part A**

| Sr. No | Particulars | Number |
|---|---|---|
| 1 | Number of complaints received directly | Nil |
| 2 | Number of complaints forwarded by Stock Exchange | Nil |
| 3 | Total Number of complaints/comments received (1+2) | Nil |
| 4 | Number of complaints resolved | Not applicable |
| 5 | Number of complaints pending | Not applicable |

**Part B**

| Sr. No. | Name of complainant | Date of complaint | Status (Resolved/Pending) |
|---|---|---|---|
| 1 | Not applicable | Not applicable | Not applicable |

Thanking you,

Yours faithfully,
**For Surat Textile Mills Limited**

SURAT TEXTILE MILLS LTD. SURAT

**Yogesh C. Papaiya**
**Wholetime Director & CFO**
**(DIN: 00023985)**

Regd. Office : 6th Floor, Tulsi Krupa Arcade, Puna Kumbharia Road, Dumbhal, Surat 395 010.
Phone : (0261) 2311198 I Website : www.surattextilemillsltd.com
CIN : L17119GJ1945PLC000214

# SURAT TEXTILE MILLS LIMITED

**REPORT OF THE AUDIT COMMITTEE OF SURAT TEXTILE MILLS LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN VARELI TRADING PRIVATE LIMITED (AMALGAMATING COMPANY), SURAT TEXTILE MILLS LIMITED (AMALGMATED COMPANY) AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

**Present**

| | |
|---|---|
| Shri Harishchandra Bharucha | Chairman |
| Shri Yogesh C. Papaiya | Member |
| Shri Ketan A. Jariwala | Member |

**In attendance**

| | |
|---|---|
| Smt. Hanisha Arora | Company Secretary |

**1. Background:**

(a) A meeting of the Audit Committee of Surat Textile Mills Limited ('**Company**') was held on 5th November, 2019 inter alia, to review the updates on the proposed Scheme of Arrangement ('**Scheme**') between Vareli Trading Company Limited (**VTCL**) and the Company in accordance with the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act 2013 read with relevant rules framed thereunder involving;

i. The amalgamation of VTCL with the Company, and dissolution of VTCL without winding up and consequent issuance of equity shares of the Company to the shareholders of VTCL in accordance with the Scheme.

ii. Various other matters incidental, consequential or otherwise integrally connected therewith,

(b) As discussed earlier, the Securities and Exchange Board of India vide its Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ('**Circular**') has, amongst other requirements, sought a report from the Audit Committee of the listed company, recommending the draft Scheme, after taking into consideration, inter alia, Valuer's Report on Share Exchange/Entitlement Ratio and the Fairness Opinion. This report of the Audit Committee is made in order to comply with the requirement of the SEBI Scheme Circular.

(c) In this regard, the audit committee considered, inter alia, the following:

a. The Draft Scheme incorporating the necessary disclosures as required in compliance with SEBI Circular dated 10th March, 2017:

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Regd. Office : 6th Floor, Tulsi Krupa Arcade, Near Aai Mata Chowk,
Puna Kumbharia Road, Dumbhal, Surat 395 010.
Phone : (0261) 2311197-98, 2311513 Fax : (0261) 2311029/502
CIN : L17119GJ1945PLC000214 I Website : www.surattextilemillsltd.com

b. The Chairman stated that the Valuer's Report on Share Exchange/Entitlement Ratio dated 20th August, 2019 as obtained from Snehal Shah & Associates, Chartered Accountants ('Valuer's Report') for the purpose of determining the share exchange ratio (**'Valuation Report'**), has been modified in view of the suitable disclosure to be incorporated in accordance with the SEBI Circular 10th March, 2017 and therefore it was considered appropriate to review, discuss and recommend the addendum to the report for onwards filing with the stock exchange for its in principle approval. The same was placed before the Committee and the contents were approved and recommended for consideration of the Board of Directors. There was no change in the exchange ratio as approved earlier.

*521 equity shares of the Company of Rs.1 each fully paid up for every 1 equity share of VTCL of Rs.10 each fully paid up*

c. Fairness Opinion dated 20th August, 2019 issued by from Kunvarji Finstock Pvt. Ltd. Registered Merchant Banker, on the equity shares to be issued by the Company to the shareholders of VTCL pursuant to the Scheme (**'Fairness Opinion'**) was considered by the The fairness opinion was considered by the Audit Committee in its earlier meeting held on 10th September, 2019.

**2. Recommendation of the Audit Committee:**

The Audit Committee, having received the addendum / revised valuation report, considered, recommended and approved the suitable changes to the valuation report and the necessary information shared by the Chairman of the Committee, the revised text of valuation report is hereby recommended for favourable consideration by the Board of Directors of the Company, BSE Limited and the Securities and Exchange Board of India and other appropriate authorities.

By order of the Audit Committee.
**For and on behalf of Surat Textile Mills Limited**

Kruti Kothari

**Ms. Kruti Kothari**
**Chairman of the Audit Committee**

SURAT TEXTILE MILLS LTD.

Date: 5th November, 2019
Place: Surat

Regd. Office : 6th Floor, Tulsi Krupa Arcade, Near Aai Mata Chowk, Puna Kumbharia Road, Dumbhal, Surat 395 010.
Phone : (0261) 2311197-98, 2311513 Fax : (0261) 2311029/502
CIN : L17119GJ1945PLC000214 I Website : www.surattextilemillsltd.com

**REPORT ADOPTED BY THE BOARD OF DIRECTORS
OF SURAT TEXTILE MILLS LIMITED**
**[Pursuant to Section 232(2)(c) of the Companies Act, 2013]**

**REPORT ADOPTED BY THE BOARD OF DIRECTORS OF SURAT TEXTILE LIMITED AT ITS MEETING HELD ON FRIDAY, 14TH FEBRUARY, 2020 AT THE REGISTERED OFFICE OF THE COMPANY AT TULSI KRUPA ARCADE, DUMBHAL, SURAT 395010 EXPLAINING EFFECT OF THE SCHEME ON ARRANGEMENT ON SHAREHOLDERS, KEY MANAGERIAL PERSONNEL, PROMOTERS, NON-PROMOTER SHAREHOLDERS:**

**1. Background:**

1.1 The amalgamation of Vareli Trading Company Limited ('VTCL' or 'the Transferor Company') with Surat Textile Mills Limited ('STML' or 'the Transferee Company' or 'the Company'), through a Scheme of Arrangement ('the Scheme') under Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification or re-enactment or amendment thereof) and enabling clauses of the Memorandum of Association of the Company and subject to the requisite approvals and sanction of the National Company Law Tribunal, Ahmedabad Bench ('NCLT") or such other competent authority as may be applicable and subject to the approval of shareholders and / or creditors of the Company, Central Government, or such other competent authority as may be directed by the NCLT, has been approved by the Board of Directors in its meeting held on 14/02/2020.

1.2 The Transferor Company is a promoter group company holding 34.94% stake in the Company.

1.3 The Transferor Company is a Promoter Group Company of the Transferee Company. Pursuant to the Scheme, the Transferee Company shall, without any further application, act or deed, issue and allot equity shares, credited as fully paid up, to the extent indicated below, to the members of the Transferor Company holding fully paid-up equity shares of the Transferor Company and whose names appear in the register of members of the Transferor Company as on the Record Date, or to such of their respective heirs, executors, administrators or other legal representatives or other successors, equity shares of face value Rs.1/- each credited as fully paid up of Transferee Company in the ratio of 521 equity shares of the face value of Rs.1/- each of Transferee Company for every 1 equity share of Rs.10/- of Transferor Company credited as fully paid up held on the record date by such equity shareholders or their respective legal heirs, executors or administrators or, as the case may be, successors in Transferor Company (the “New Equity Shares”).

1.4 Further, the investment held by the Transferor Company in the equity share capital of the Transferee Company shall, without any further application, act, instrument or deed stand cancelled and the shares held by the Transferor Company in dematerialized form shall be extinguished, on and from such issue and allotment of New Equity Shares.

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SURAT TEXTILE MILLS LTD. SURAT

1.5 As per Section 232(2)(c) of the Companies Act, 2013, a report adopted by the Directors explaining the effect of compromise on each class of shareholders, key managerial personnel, promoters 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 members of the Company along with the notice for convening the meeting of the members and/or the creditors, as may be required, to be ordered by the Hon'ble National Company Law Tribunal, Ahmedabad Bench ("NCLT"). This report of the Board is accordingly being made in pursuant to the requirement of Section 232(2)(c) of the Act.

1.6 The following documents were also perused by the Board:

a) Draft Scheme as recommended by the Audit Committee of the Board of Directors of the Company and Report of the Audit Committee thereon;
b) Valuation Report dated 16th December, 2019 by M/s. M/s. Snehal Shah & Associates, Independent Chartered Accountants, Registered Valuers recommending Fair Share Exchange Ratio; and
c) Fairness Report dated 20th August, 2019 by M/s. Kunvarji Finstock Private Limited, a Category I Merchant Banker giving fairness opinion on Share Exchange Ratio.

**2. Proposed Scheme of Amalgamation:**

2.1 The Board noted the objective and the benefits of the Scheme which inter-alia, are as follows:

The principal advantages and benefits of the proposed Scheme are as follows:-

a) The amalgamation will help in elimination of the investment layer in the shareholding pattern of the Transferee Company.
b) It will helpful to achieve the benefits of the synergy of large scale operations.
c) This amalgamation will improve the financial strength of the combined entity.
d) The Scheme shall be beneficial to and in the best interest of the shareholders, creditors and employees of the Transferor Companies and Transferee Company, public at large and all concerned.

2.2 Pursuant to the Scheme, the entire business and the whole of the undertaking of the Transferor Companies shall be transferred to and shall vest in the Transferee Company with effect from the Appointed Date, viz. 1st April 2019 or such other date as the National Company Law Tribunal, Ahmedabad Bench may direct or approve under the relevant provisions of the Act.

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SURAT TEXTILE MILLS LTD. SURAT

**3. Effect of the Scheme of Arrangement on equity shareholders (promoter and non-promoter shareholders) of STML:**

3.1 Pursuant to the Scheme, the Transferee Company shall, without any further application, act or deed, issue and allot equity shares, credited as fully paid up, to the extent indicated below, to the members of the Transferor Company holding fully paid-up equity shares of the Transferor Company and whose names appear in the register of members of the Transferor Company as on the Record Date, or to such of their respective heirs, executors, administrators or other legal representatives or other successors, equity shares of face value Rs.1/- each credited as fully paid up of Transferee Company in the ratio of 521 equity shares of the face value of Rs.1/- each of Transferee Company for every 1 equity share of Rs.10/- of Transferor Company credited as fully paid up held on the record date by such equity shareholders or their respective legal heirs, executors or administrators or, as the case may be, successors in Transferor Company (the "New Equity Shares").

3.2 The investment held by the Transferor Company in the equity share capital of the Company shall, without any further application, act, instrument or deed stand cancelled and the shares held by the Transferor Company in dematerialized form shall be extinguished, on and from such issue and allotment of New Equity Shares.

3.3 Pursuant to the Scheme of Arrangement, on the amalgamation of Transferor Company with Transferee Company, all the investment (including 7,75,80,026 number of the equity shares of STML), being held by VTCL, shall be cancelled off and the same shall amount to Reduction of Share Capital of STML to that extent, as envisaged in Scheme. However, considering the issue of new shares to the Shareholders of Transferor Company, there will not be any Net Reduction in the share capital of Transferee Company.

3.4 The promoter group shareholding in the Company will continue to remain same i.e. 74.98%, post amalgamation. Further the public shareholding of the Company will continue to remain same i.e. 25.02%, post amalgamation. All cost, charges and expense relating to the Scheme would be borne by the Transferor Company.

3.5 Existing equity shares held by the Transferor Company (i.e. 77580026 equity shares of the face value of Rs.10/- each fully paid up) representing 34.94% of the total paid up capital of the Company shall stand cancelled, without any further application, act, instrument or deed, upon this Scheme effective.

3.6 The new equity shares of the Company to be issued to the Shareholders of the Transferor Company will be listed for trading on the stock exchange where the shares of the Company are listed.

Contd…

SURAT TEXTILE MILLS LTD. SURAT

**4. Effect of the Scheme of Amalgamation on Directors and Key Managerial personnel of STML:**

4.1 The Scheme is not expected to have any effect on the directors and key managerial personnel of the Company. Further, no change in the Board of Directors of the Company is envisaged on account of the Scheme.

4.2 The directors holding the shares of the Company do not have any other interest in the Scheme otherwise than that as shareholders in general.

4.3 There will be no adverse effect of the said Scheme on the equity shareholders (the only class of shareholders), key managerial personnel, promoters and non-promoter shareholders of the Company.

Based on the above, in the opinion of the Board, the Scheme will be of advantage to, beneficial and in the interest of the Company, its shareholders, creditors and other stakeholders and the terms thereof are fair and reasonable.

By Order of the Board
For Surat Textile Mills Limited

SURAT TEXTILE MILLS LTD. SURAT

Place: Surat
Date: 14th February, 2020

**Manikant R. Momaya**
Managing Director

**REPORT ADOPTED BY THE BOARD OF DIRECTORS OF VARELI TRADING COMPANY LIMITED**
[Pursuant to Section 232(2)(c) of the Companies Act, 2013]

**REPORT ADOPTED BY THE BOARD OF DIRECTORS OF VARELI TRADING COMPANY LIMITED AT ITS MEETING HELD ON FRIDAY, 14TH FEBRUARY, 2020 AT THE REGISTERED OFFICE OF THE COMPANY AT DR.AMICHAND SHAH WADI, RAMPURA TUNKI, SURAT 395003 EXPLAINING EFFECT OF THE SCHEME ON ARRANGEMENT ON SHAREHOLDERS, KEY MANAGERIAL PERSONNEL, PROMOTERS, NON-PROMOTER SHAREHOLDERS:**

1. **Background:**

1.1 The amalgamation of Vareli Trading Company Limited ('VTCL' or 'the Transferor Company') with Surat Textile Mills Limited ('STML' or 'the Transferee Company' or 'the Company'), through a Scheme of Arrangement ('the Scheme') under Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification or re-enactment or amendment thereof) and enabling clauses of the Memorandum of Association of the Company and subject to the requisite approvals and sanction of the National Company Law Tribunal, Ahmedabad Bench ('NCLT") or such other competent authority as may be applicable and subject to the approval of shareholders and / or creditors of the Company, Central Government, or such other competent authority as may be directed by the NCLT, has been approved by the Board of Directors in its meeting held on 14/02/2020.

1.2 The Transferor Company is a promoter group company holding 34.94% stake in the Company.

1.3 The Transferor Company is a Promoter Group Company of the Transferee Company. Pursuant to the Scheme, the Transferee Company shall, without any further application, act or deed, issue and allot equity shares, credited as fully paid up, to the extent indicated below, to the members of the Transferor Company holding fully paid-up equity shares of the Transferor Company and whose names appear in the register of members of the Transferor Company as on the Record Date, or to such of their respective heirs, executors, administrators or other legal representatives or other successors, equity shares of face value Rs.1/- each credited as fully paid up of Transferee Company in the ratio of 521 equity shares of the face value of Rs.1/- each of Transferee Company for every 1 equity share of Rs.10/- of Transferor Company credited as fully paid up held on the record date by such equity shareholders or their respective legal heirs, executors or administrators or, as the case may be, successors in Transferor Company (the "New Equity Shares").

1.4 Further, the investment held by the Transferor Company in the equity share capital of the Transferee Company shall, without any further application, act, instrument or deed stand cancelled and the shares held by the Transferor Company in dematerialized form shall be extinguished, on and from such issue and allotment of New Equity Shares.

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1.5 As per Section 232(2)(c) of the Companies Act, 2013, a report adopted by the Directors explaining the effect of compromise on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders laying out in particular the share exchange ratio, specifying y special valuation difficulties. The said report is required to be circulated to the members of the Company along with the notice for convening the meeting of the members and/or the creditors, as may be required, to be ordered by the Hon'ble National Company Law Tribunal, Ahmedabad Bench ("NCLT"). This report of the Board is accordingly being made in pursuant to the requirement of Section 232(2)(c) of the Act.

1.6 The following documents were also perused by the Board:

a) Draft Scheme as recommended by the Audit Committee of the Board of Directors of the Company and Report of the Audit Committee thereon;
b) Valuation Report dated 16th December, 2019 by M/s. M/s. Snehal Shah & Associates, Independent Chartered Accountants, Registered Valuers recommending Fair Share Exchange Ratio; and
c) Fairness Report dated 20th August, 2019 by M/s. Kunvarji Finstock Private Limited, a Category I Merchant Banker giving fairness opinion on Share Exchange Ratio.

**2. Proposed Scheme of Amalgamation:**

2.1 The Board noted the objective and the benefits of the Scheme which inter-alia, are as follows:

The principal advantages and benefits of the proposed Scheme are as follows:-

a) The amalgamation will help in elimination of the investment layer in the shareholding pattern of the Transferee Company.
b) It will helpful to achieve the benefits of the synergy of large scale operations.
c) This amalgamation will improve the financial strength of the combined entity.
d) The Scheme shall be beneficial to and in the best interest of the shareholders, creditors and employees of the Transferor Companies and Transferee Company, public at large and all concerned.

2.2 Pursuant to the Scheme, the entire business and the whole of the undertaking of the Transferor Companies shall be transferred to and shall vest in the Transferee Company with effect from the Appointed Date, viz. 1st April 2019 or such other date as the National Company Law Tribunal, Ahmedabad Bench may direct or approve under the relevant provisions of the Act.

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3. **Effect of the Scheme of Arrangement on equity shareholders (promoter and non-promoter shareholders) .:**

3.1 Pursuant to the Scheme, the Transferee Company shall, without any further application, act or deed, issue and allot ε ity shares, credited as fully paid up, to the extent indicated below, to the members of the Transferor Company holding fully paid-up equity shares of the Transferor Company and whose names appear in the register of members of the Transferor Company as on the Record Date, or to such of their respective heirs, executors, administrators or other legal representatives or other successors, equity shares of face value Rs.1/- each credited as fully paid up of Transferee Company in the ratio of 521 equity shares of the face value of Rs.1/- each of Transferee Company for every 1 equity share of Rs.10/- of Transferor Company credited as fully paid up held on the record date by such equity shareholders or their respective legal heirs, executors or administrators or, as the case may be, successors in Transferor Company (the "New Equity Shares").

3.2 The investment held by the Transferor Company in the equity share capital of the Company shall, without any further application, act, instrument or deed stand cancelled and the shares held by the Transferor Company in dematerialized form shall be extinguished, on and from such issue and allotment of New Equity Shares.

3.3 Pursuant to the Scheme of Arrangement, on the amalgamation of Transferor Company with Transferee Company, all the investment (including 7,75,80,026 number of the equity shares of STML), being held by VTCL, shall be cancelled off and the same shall amount to Reduction of Share Capital of STML to that extent, as envisaged in Scheme. However, considering the issue of new shares to the Shareholders of Transferor Company, there will not be any Net Reduction in the share capital of Transferee Company.

3.4 The promoter group shareholding in the Company will continue to remain same i.e. 74.98%, post amalgamation. Further the public shareholding of the Company will continue to remain same i.e. 25.02%, post amalgamation. All cost, charges and expense relating to the Scheme would be borne by the Transferor Company.

3.5 Existing equity shares held by the Transferor Company (i.e. 77580026 equity shares of the face value of Rs.10/- each fully paid up) representing 34.94% of the total paid up capital of the Company shall stand cancelled, without any further application, act, instrument or deed, upon this Scheme effective.

3.6 The new equity shares of the Company to be issued to the Shareholders of the Transferor Company will be listed for trading on the stock exchange where the shares of the Company are listed.

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VAKELI TRADING COMPANY LTD. SURAT.

**4. Effect of the Scheme of Amalgamation on Directors and Key Managerial personnel :**

4.1 The Scheme is not expected to have any effect on the directors and key managerial personnel of the Company. ther, no change in the Board of Directors of the Company is envisaged on account of the Scheme.

4.2 The directors holding the shares of the Company do not have any other interest in the Scheme otherwise than that as shareholders in general.

4.3 There will be no adverse effect of the said Scheme on the equity shareholders (the only class of shareholders), key managerial personnel, promoters and non-promoter shareholders of the Company.

Based on the above, in the opinion of the Board, the Scheme will be of advantage to, beneficial and in the interest of the Company, its shareholders, creditors and other stakeholders and the terms thereof are fair and reasonable.

By Order of the Board
For **Vareli Trading Company Limited**

**Alok P. Shah**
Director

Place: Surat
Date: 14th February, 2020

KUNVARJI
SINCE 1948
*Driven By Knowledge*

To
**The Board of Directors**
**Surat Textile Mills Limited,**
Tulsi Krupa Arcade, 6th Floor,
Nr. Aai Mata Chowk,
Puna-Kumbharia Road, Dumbhal,
Surat - 395010.

Dear Sir,

**Sub: Certificate on adequacy and accuracy of disclosure of information pertaining to the Vareli Trading Company Limited in the Abridged Prospectus in compliance with SEBI Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 for the purpose of Scheme of Arrangement between Vareli Trading Company Limited ("VTCL"), and Surat Textile Mills Limited ("STML") and their respective shareholders and creditors under section 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Scheme").**

We, M/s. Kunvarji Finstock Private Limited **("KFPL", "Kunvarji", "We" or "us")**, a Category I Merchant Banker registered with SEBI, having registration no. MB/INM000012564 have been appointed by Board of Directors **(the "Board")** of Surat Textile Mills Limited (STML) for the purpose of certifying the adequacy and accuracy of disclosure of information provided in its Abridged Prospectus in connection with the Scheme of Arrangement between Vareli Trading Company Limited ("VTCL"), and Surat Textile Mills Limited ("STML").

## 1. Scope and Purpose of the Certificate:

SEBI vide Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 **("SEBI Circular")** inter alia prescribed that the listed entity (in the present case "**Surat Textile Mills Limited (STML)** shall include the applicable information pertaining to the unlisted entity involved in the scheme (in the present certificate, **"VTCL"**) in the format specified for abridged prospectus as provided in Part E of Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 **("ICDR Regulations")**, in the explanatory statement or notice or proposal accompanying resolution to be passed, sent to the shareholders while seeking approval of the scheme. SEBI Circular further prescribes that the accuracy and adequacy of such disclosures shall be certified by a SEBI Registered Merchant Banker after following the due diligence process.

This certificate is being issued in compliance of above mentioned requirement under the SEBI Circular.

Kunvarji Finstock Pvt. Ltd.



Kunvarji Finstock Pvt. Ltd.
Kunvarji, B - Wing, Siddhivinayak Towers, Off. S.G. Road, Makarba, Ahmedabad - 380 051
www.kunvarji.com
Phone:+91 79 6666 9000 | Fax : + 91 79 2970 2196 | Email: info@kunvarji.com
CIN - U659[illegible]1986PTC008979
002926/2019

This certificate is restricted to meet the above mentioned purpose only and may not be used for any other purpose whatsoever or to meet the requirement of any other laws, rules, regulations and statutes.

## 2. Certification:

We state and confirm as follows:

1) We have examined various documents and other materials made available to us by the management of STML and VTCL in connection with finalization of Abridged Prospectus dated 26th August 2021 pertaining to VTCL, which will be circulated to the members of all the companies i.e. VTCL and STML at the time of seeking their consent to the Scheme of Arrangement between VTCL and STML as a part of explanatory statement to the notice.

2) On the basis of such examination and the discussion with the management of VTCL and STML, we confirm that:

A. The information contained in the Abridged Prospectus is in conformity with the relevant documents, materials and other papers related to VTCL.

B. The Abridged Prospectus contains applicable information pertaining to VTCL as required in terms of SEBI Circular, which, in our view is fair, adequate and accurate to enable the members to make an informed decision on the Scheme of Arrangement.

## 3. Disclaimer:

Our scope of work did not include the following:-

- An audit of the financial statements of VTCL.
- Carrying out a market survey / financial feasibility for the Business of VTCL.
- Financial and Legal due diligence of VTCL.

It may be noted that in carrying out our work we have relied on the integrity of the information provided to us for the purpose, and other than reviewing the consistency of such information, we have not sought to carry out an independent verification, thereof we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by the management of VTCL and STML.

We do not assume any obligation to update, revise or reaffirm this certificate because of events or transactions occurring subsequent to the date of this certificate.

Kunvarji Finstock Pvt. Ltd.



www.kunvarji.com
Kunvarji Finstock Pvt. Ltd.
Kunvarji, B - Wing, Siddhivinayak Towers, Off. S.G. Road, Makarba, Ahmedabad - 380 051
Phone:+91 79 6666 9000 | Fax : + 91 79 2970 2196 | Email: info@kunvarji.com
CIN - U65910GJ1986PTC008979
002927/2019

We understand that the management of VTCL and STML, during our discussions with them would have drawn our attention to all such information and matters, which may have impact on our Certificate.

The fee for our services is not contingent upon the result of the Scheme of Arrangement.

The management of VTCL, STML or their related parties are prohibited from using this opinion other than for its sole limited purpose and not to make a copy of this certificate available to any party other than those required by statute for carrying out the limited purpose of this certificate.

Our certificate is not, nor should it be constructed as our opinion or certification of the compliance of the Scheme of Arrangement with the provision of any law including Companies Act, taxation laws, capital market laws and related laws.

We express no opinion whatsoever and make no recommendations at all (and accordingly take no responsibility) as to whether shareholders/investors should buy, sell or hold any stake in the Company or any of its related parties (holding companies/subsidiaries/associates etc.)

In no event, KFPL, its Directors and employees will be liable to any party for any indirect, incidental, consequential, special or exemplary damages (even if such party has been advised of the possibility of such damages) arising from any provision of this opinion.

**Yours faithfully,**
**For, Kunvarji Finstock Private Limited**

Kunvarji Finstock Pvt. Ltd. ★

**Mr. Atul Chokshi**
**Director (DIN: 00929553)**

**Date: 26th August 2021**
**Place: Ahmedabad**



Kunvarji Finstock Pvt. Ltd.
www.kunvarji.com
Kunvarji, B - Wing, Siddhivinayak Towers, Off. S.G. Road, Makarba, Ahmedabad - 380 051
Phone:+91 79 6666 9000 | Fax : + 91 79 2970 2196 | Email: info@kunvarji.com
CIN - U659 B-67 1986PTC008979
002928/2019

## APPLICABLE INFORMATION IN THE FORMAT SPECIFIED FOR ABRIDGED PROSPECTUS

## (AS PROVIDED IN PART E OF SCHEDULE VI OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENT) REGULATIONS, 2018)

This Document contains information pertaining to unlisted entity involved in the proposed Scheme of Arrangement between Surat Textile Mills Limited ("**STML**" or "**Transferee Company**"), Vareli Trading Company Limited ('**VTCL or Transferor Company**') and their respective shareholders and creditors pursuant to Sections 230-232 of the Companies Act, 2013 and rules framed thereunder ("**Scheme**"). STML is hereinafter referred to as the "**Resulting Companies**". This Abridged Prospectus has been prepared in terms of the requirements specified in SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ("**SEBI Circular**"). Copies of the documents as mentioned under the title "Any Other Important Information of VTCL" on page 5 shall be available for inspection at STML's Registered Office situated at Tulsi Krupa Arcade, 6th Floor, Near Aai Mata Chowk, Puna-Kumbharia Road, Surat – 395010, Gujarat, India during working hours on all working days from the date of this Abridged Prospectus till the completion of arrangement.

**THIS ABRIDGED PROSPECTUS CONTAINS 5 PAGES**
**PLEASE MAKE SURE YOU HAVE RECEIVED ALL THE PAGES**

**Vareli Trading Company Limited**
**Registered Office:** Dr Amichand Shah Wadi ,Rampura Tunki, Surat – 395003, Gujarat, India
**Telephone:** +91 9099001250; Email: rampura31@gmail.com
CIN: U65910GJ1987PLC009405
**Contact Person: Alok Shah, Director**

### PROMOTERS OF VARELI TRADING COMPANY LIMITED

The promoters of Vareli Trading Company Limited are Praful Amichand Shah, Alok Praful Shah and Suhail Praful Shah

### SCHEME DETAILS, LISTING AND PROCEDURE

The Scheme of Arrangement provides for Amalgamation of Vareli Trading Company Limited (VTCL) With Surat Textile Mills Limited (STML) through a Scheme of the Arrangement (the Scheme) under provisions of Sections 230 to 232 of the Companies Act, 2013 and rules framed thereunder. As a consideration for the amalgamation, 521 Equity shares of STML of face value Rs.1/- each credited as fully paid share for every 1 share held in VTCL of the face value Rs 10/- each fully paid.

Such equity shares (issued by STML to the relevant equity shareholders of VTCL) will be listed and admitted for trading on the Stock Exchanges.

### PROCEDURE

The procedure with respect to public issue/offer would not be applicable as the Scheme does not involve issue of any equity shares to public at large. The issue of equity shares by STML is only to the shareholders of the transferor Company, in accordance with the Scheme. Hence, the procedure with respect to GID (General Information Document) is **Not Applicable**.

### STATUTORY AUDITORS OF VTCL

Sunil K. Kansara & Associates, Chartered Accountants, Firm Registration NO.124120W
34-A, Shree Laxminagar Co-op. Housing Society Ltd. Gandevi Road, Navsari 396 445, Gujarat.
Contact Person : Sunil K. Kansara
Tel : 97120 22322 email : skkansara@gmail.com

### ELIGIBILITY FOR THE ISSUE

Whether the company is compulsorily required to allot at least 75% of the net public offer to public, to qualified institutional buyers – **Not Applicable**

### INDICATIVE TIMELINE

The Abridged Prospectus is issued pursuant to the Scheme and is not an offer to public at large. The time frame cannot be established with absolute certainty, as the Scheme is subject to approvals from regulatory authorities, including the National Company Law Tribunal, Ahmedabad Bench at Ahmedabad ("**NCLT**").

| GENERAL RISKS |
|---|
| Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in the equity of the Issuing Company unless they can afford to take the risk of losing their entire investment. Shareholders are advised to read the risk factors carefully before taking an investment decision in relation to the Scheme. For taking an investment decision, shareholders must rely on their own examination of the Company and the Scheme including the risks involved. The equity shares being offered in the Scheme have not been recommended or approved by the Securities and Exchange Board of India ("SEBI") nor does SEBI guarantee the accuracy or adequacy of the Abridged Prospectus. The Scheme does not envisage any issue to the public at large. Shareholders are advised to refer the title "Internal Risk Factors" on Page No. 5 of the Abridged Prospectus before making an investment in this Scheme. |
| **PRICE INFORMATION OF VTCL** |
| **Not Applicable**, since this abridged prospectus is prepared in relation to the Scheme. |
| **PROMOTERS OF VTCL** |

The promoters of Vareli Trading Company Limited are Praful A. Shah, Alok P. Shah, Suhail P. Shah

| Sr. | Name | Qualification | Experience including current / past position held in other firms |
|---|---|---|---|
| 1. | Mr. Praful A. Shah | Mechanical Engineering from Stanford University, USA | He is a well-known industrialist having experience of over four decades in the field of man-made textiles.<br>Other directorships :<br>1. Rosekamal Textiles Ltd.<br>2. Bijlee Textiles Ltd.<br>3. Prabhat Silk Mills Ltd.<br>4. Palomar Textiles Ltd.<br>5. Armorax Business Centre Pvt. Ltd.<br>6. Introscope Properties Pvt. Ltd.<br>7. Sorrento Textiles Pvt. Ltd.<br>8. Andromeda Textiles & Trading P. Ltd.<br>9. Globale Textile Market Holdings P. Ltd. |
| 2. | Mr. Alok P. Shah | Electrical Engineer from Stanford University, USA | He is an Electrical Engineer from Stanford University, USA and also holds degree of MBA, Finance, General Management & Economics from University of Chicago, USA. He has wide exposure and knowledge in project appraisal, corporate finance and management.<br>Other directorships :<br>1. Rosekamal Textiles Ltd.<br>2. Bijlee Textiles Ltd.<br>3. Prabhat Silk Mills Ltd.<br>4. Palomar Textiles Ltd<br>5. Armorax Business Centre Pvt. Ltd.<br>6. Introscope Properties Pvt. Ltd.<br>7. Sorrento Textiles Pvt. Ltd.<br>8. Globale Textile Market Holdings P. Ltd. |
| 3. | Mr. Suhail P. Shah | Ph.D. (Theoretical Physical Chemistry) from University of Chicago | He holds Ph.D. (Theoretical Physical Chemistry) from University of Chicago, M.S. in Physical Chemistry A.B., Chemistry and Physics from Harvard University. To his credits are various research accomplishments, computational skills and research operations of more than 15 years.<br>Other directorships :<br>1. Rosekamal Textiles Ltd.<br>2. Bijlee Textiles Ltd.<br>3. Prabhat Silk Mills Ltd.<br>4. Palomar Textiles Ltd.<br>5. Armorax Business Centre Pvt. Ltd.<br>6. Introscope Properties Pvt. Ltd.<br>7. Sorrento Textiles Pvt. Ltd.<br>8. Globale Textile Market Holdings P. Ltd. |

VARELI TRADING COMPANY LTD. SURAT

## BUSINESS MODEL / BUSINESS OVERVIEW AND STRATEGY

VTCL was incorporated with Registrar of Companies in the state of Gujarat under the Companies Act, 1956 on 10th February 1987 in the name & style of "Vareli Finance Limited". The Company received Certificate of Commencement of Business on 10th February 1987.

The name was changed to Vareli Trading Company Limited and the fresh Certificate of Incorporation on change of Name was received on 6th September 1999 from Registrar of Companies, Gujarat.

The Company is registered with the main object to carry on the business of textiles and textiles related products and currently doing business of trading in fabrics.

The Company is having registered office at Dr. Amichand Shah's Wadi, Rampura Tunki, Surat – 395 003, Gujarat. The Company is operating its business activities from the said locations. The Company does not have any other locations and does not have any manufacturing facility.

## BOARD OF DIRECTORS OF VTCL

**Board of Directors of VTCL:**

| Sr. No. | Name | Designation | Experience including current / past position held in other firms |
|---|---|---|---|
| 1. | Mr. Praful A. Shah | Director | He is a well known industrialist having experience of over four decades in the field of man made textiles. He holds master of science degree in Mechanical Engineering from Stanford University, USA<br>Other directorships :<br>1. Rosekamal Textiles Ltd.<br>2. Bijlee Textiles Ltd.<br>3. Prabhat Silk Mills Ltd.<br>4. Palomar Textiles Ltd.<br>5. Armorax Business Centre Pvt. Ltd.<br>6. Introscope Properties Pvt. Ltd.<br>7. Sorrento Textiles Pvt. Ltd.<br>8. Andromeda Textiles & Trading P. Ltd.<br>9. Globale Textile Market Holdings P. Ltd. |
| 2. | Mr. Alok P. Shah | Director | He is an Electrical Engineer from Stanford University, USA and also holds degree of MBA, Finance, General Management & Economics from University of Chicago, USA. He has wide exposure and knowledge in project appraisal, corporate finance and management.<br>Other directorships :<br>1. Rosekamal Textiles Ltd.<br>2. Bijlee Textiles Ltd.<br>3. Prabhat Silk Mills Ltd.<br>4. Palomar Textiles Ltd.<br>5. Armorax Business Centre Pvt. Ltd.<br>6. Introscope Properties Pvt. Ltd.<br>7. Sorrento Textiles Pvt. Ltd.<br>8. Globale Textile Market Holdings P. Ltd. |

| | | | |
|---|---|---|---|
| 3. | Mr. Suhail P. Shah | Director | He holds Ph.D. (Theoretical Physical Chemistry) from University of Chicago, M.S. in Physical Chemistry A.B., Chemistry and Physics from Harvard University. To his credits are various research accomplishments, computational skills and research operations of more than 15 years.<br>Other directorships :<br>1. Rosekamal Textiles Ltd.<br>2. Bijlee Textiles Ltd.<br>3. Prabhat Silk Mills Ltd.<br>4. Palomar Textiles Ltd.<br>5. Armorax Business Centre Pvt. Ltd.<br>6. Introscope Properties Pvt. Ltd.<br>7. Sorrento Textiles Pvt. Ltd.<br>8. Globale Textile Market Holdings P. Ltd. |

## OBJECTS/RATIONALE OF THE SCHEME

The Scheme of amalgamation of Vareli Trading Company Limited ("Transferor Company"/ "VTCL") with Surat Textile Mills Limited ("Transferee Company"/"STML") will result in following benefits:

Under this scheme of arrangement, all the Assets & Liabilities of VTCL will be taken over by STML. The scheme is envisaged to provide following benefits:

1. The amalgamation will help in elimination of the investment layer in the shareholding pattern of the Transferee Company.
2. It will be helpful to achieve the benefits of the synergy of large-scale operations.
3. This amalgamation will improve the financial strength of the combined entity

The Scheme is in the interest of the shareholders, creditors and all other stakeholders of both companies and is not prejudicial to the interests of the concerned shareholders, creditors of the parties or the public at large.

## SHAREHOLDING PATTERN OF VTCL (PRE AND POST ARRANGEMENT)

Shareholding Pattern of VTCL:

| Sr. No. | Particular | Shareholding | |
|---|---|---|---|
| | | Number of Equity Shares Held | % of Holding |
| 1 | Praful A. Shah | 81,897 | 55.00% |
| 2 | Praful A. Shah (HUF) | 1 | 0.00% |
| 3 | Shilpa P. Shah | 22,336 | 15.00% |
| 4 | Alok P. Shah | 22,334 | 15.00% |
| 5 | Suhail P. Shah | 22,336 | 15.00% |
| 6 | Deepika A. Shah | 1 | 0.00% |
| 7 | Alok P. Shah (HUF) | 1 | 0.00% |
| | Total | 1,48,906 | 100.00% |

Note: Upon the scheme becoming effective, VTCL (the Transferor Company) would merge in to STML (the Transferee Company) and the issued capital of the Transferor Company would get cancelled

| FINANCIALS OF VSPL (RS. IN LACS) | | | | | | |
|---|---|---|---|---|---|---|
| Standalone (Figures in INR) | As of and for the period ended 31.07.2021 (Provisional unaudited) | FY 2020-21 (Audited) | FY 2019-20 (Audited) | FY 2018-19 (Audited) | FY 2017-18 (Audited) | FY 2016-17 (Audited) |
| Total Income | Nil | Nil | 8.67 | 0.53 | 1.09 | 4.24 |
| Profit/(Loss) before Tax and Extraordinary Items | (0.30) | (0.63) | 8.31 | (26.24) | (0.09) | 0.53 |
| Profit/(Loss) after Tax and Extraordinary Items | (0.30) | (0.63) | 6.96 | (26.24) | (0.09) | 0.53 |
| Equity Share Capital | 14.89 | 14.89 | 14.89 | 14.89 | 11.00 | 11.00 |
| Reserves and Surplus | 761.40 | 761.70 | 762.33 | 755.37 | 10.50 | 10.61 |
| Net Worth | 776.29 | 776.59 | 777.22 | 770.26 | 21.50 | 21.61 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Basic Earnings per share | (0.20) | (0.42) | 4.67 | (17.63) | (0.09) | 0.39 |
| Diluted Earnings per Share | (0.20) | (0.42) | 4.67 | (17.63) | (0.09) | 0.01 |
| Return on Net Worth | (0.04) | (0.08) | 0.90 | (3.41) | (0.42) | 2.45 |
| Net Asset Value per share | 521.35 | 521.55 | 521.97 | 517.30 | 19.55 | 19.65 |

Notes:
1 Reserves and Surplus values considered are Other Equity
2 Net Worth = Equity Paid-up capital + Other Equity + Unsecured Perpetual Securities
3 Return on Net Worth = Profit after tax / Net worth
4 Net Asset value per share = Net worth / Number of equity shares outstanding at the end of the year

## INTERNAL RISK FACTORS

Implementation of the Scheme completely depends upon the approval of the regulatory authorities. Any modification / revision by the competent authorities may delay the completion of the process.

## SUMMARY OF OUTSTANDING LITIGATIONS CLAIMS AND REGULATORY ACTION

Total number of outstanding litigations against and by VTCL and amount involved are as under –

| Type of Cases | Number of cases | Amount involved (Rs Lakhs) |
|---|---|---|
| Civil and Economic Matters | NIL | NIL |
| Criminal Matters | NIL | NIL |
| Labor Claims, Winding up petitions or closure | NIL | NIL |
| Overseas Litigation matters | NIL | NIL |
| SEBI or other regulatory matters | NIL | NIL |
| Security Matters | NIL | NIL |
| Statutory Obligations | NIL | NIL |
| **Total** | NIL | NIL |

## ANY OTHER IMPORTANT INFORMATION OF VTCL

- **Authority for the issue** – The Scheme was approved by the Board of Directors of VTCL on December 04, 2019. The Scheme is subject to approvals from the SEBI, Shareholders, Stock Exchanges, National Company Law Tribunal, Regional Director & Registrar of Companies.
- **Expert Opinion obtained, if any** – Valuation Report and Fairness Opinion
- **Material Contracts and Documents for Inspection**:
    1. Memorandum & Articles of Association
    2. Financial Statements & latest Shareholding Pattern
    3. Scheme of Arrangement
    4. Valuation Report and Fairness Opinion pursuant for the Scheme

## DECLARATION

We hereby declare that all relevant provisions of the Companies Act, 1956 & Companies Act, 2013 and the guidelines/regulations issued by the Government of India or the guidelines/regulations issued by SEBI, established under Section 3 of the Securities and Exchange Board of India Act, 1992 as the case may be, have been complied with and no statement made in this abridged prospectus is contrary to the provisions of the Companies Act, 2013, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines or regulations issued there under, as the case may be. We further certify that all statements in this Abridged Prospectus are true & correct.

**FOR VARELI TRADING COMPANY LIMITED**

**ALOK P. SHAH**
**DIRECTOR**

Place: Surat
Date: 8/26/2021

**IN THE NATIONAL COMPANY LAW TRIBUNAL, AHMEDABAD**
**COURT - 2**

ITEM No 136
**CA(CAA)/58(AHM)2021**

**Order under Section 230-232 Co.Act, 2013**

**IN THE MATTER OF:**
Vareli Trading Company Ltd
Surat Textile Mills Ltd
**........Applicant**

**Order delivered on ..16/08/2021**

**Coram:**
Madan B. Gosavi, Hon'ble Member(J)
Chockalingam Thirunavukkarasu, Hon'ble Member(T)

**PRESENT:**

For the Applicant :

**ORDER**

The matter is listed for pronouncement of order. The order is pronounced in the open court, vide separate sheet.

**(CHOCKALINGAM THIRUNAVUKKARASU)**
**MEMBER (TECHNICAL)**

**(MADAN B GOSAVI)**
**MEMBER (JUDICIAL)**

Sudha

**NATIONAL COMPANY LAW TRIBUNAL**
**AHMEDABAD BENCH**

CA (CAA) No.58/NCLT/AHM/230-232/2021

**In the matter of:**

| | |
|---|---|
| **Vareli Trading Company Limited**<br>(CIN: U65910GJ1987PLC009405)<br><br>A public limited Company incorporated under the Companies Act, 1956 having its registered office at Dr Amichand Shah Wadi, Rampura Tunki, Surat – 395003, Gujarat, India | ....Applicant<br>Transferor Company |

With

| | |
|---|---|
| **Surat Textile Mills Limited**<br>(CIN: L17119GJ1945PLC000214)<br><br>A public limited Company incorporated under the Companies Act, 1913, having its registered office at Tulsi Krupa Arcade, 6th Floor, Near Aai Mata Chowk Puna-Kumbharia Road, Dumbhal, Surat – 395010, Gujarat, India | .....Applicant<br>Transferee Company |

**Order Reserved on : 10.08.2021**
**Order Pronounced on : 16.08.2021**

**Coram: Madan Bhalchandra Gosavi, Member (Judicial)**
**Chockalingam Thirunavukkarasu, Member (Technical)**

**Appearance**: Ms. Dharmishta N. Raval, Advocate, along with Mr. Yuvraj Thakore, Advocate, for the Petitioner Companies.

## ORDER

[PER BENCH]

1. This present Company Application is filed jointly by Vareli Trading Company Limited and Surat Textile Mills Limited, the Applicant Companies have preferred this joint application under sections 230-232 read with Section 66 of the Companies Act, 2013 (hereinafter referred to as 'the Act') read with Companies (Compromise, Arrangement and Amalgamations) Rules, 2016 (hereinafter referred to as 'the rules'). By this application, the Applicant Companies are seeking appropriate directions for dispensation of meetings of the Equity Shareholders in respect of Applicant Transferor Company and Secured and Unsecured Creditors in respect of both the Applicant Companies and appropriate direction for convening and holding of the meeting of the Equity Shareholders of the Applicant Transferee Company, in respect of the Scheme of Amalgamation involving Composite Scheme of Arrangement between Vareli Trading Company Limited ('Applicant Transferor Company') and Surat Textile Mills Limited ('Applicant Transferee Company') and their respective Shareholders and Creditors ('the Scheme'), with effect from the Appointed Date on the agreed terms and conditions as set out in the Scheme annexed at Annexure – F, in accordance with Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions of the Act.

2. The rationale for the Scheme is as follows:

a) The amalgamation will help in elimination of the investment layer in the shareholding pattern of the Transferee Company.
b) It will be helpful to achieve the benefits of the synergy of large-scale operations.
c) This amalgamation will improve the financial strength of the combined entity.

3. The Board of Directors of the Applicant Transferor Company and the Applicant Transferee Company in their board meetings held on 4th December 2019 and 10th September 2019 respectively passed resolutions approving the proposed Scheme as placed before the Board. Copies of the Board Resolutions are annexed with the application as Annexure – E (Colly.). The Applicant Companies have filed their audited balance sheet as on 31st March 2020 and same are annexed with the application. The Applicant Companies have also filed their Unaudited Financial Statement as on 31st December 2020 and same are annexed with the application.

4. It is submitted that for the purpose of determining the share exchange ratio, the Applicant Companies have obtained valuation report from Snehal Shah and Associates, Chartered Accountants, dated 16th December 2019. The Applicant Transferee Company being a public listed entity has obtained a Fairness opinion dated 20th August 2019 from Kunvarji Finstock Private Limited on valuation of assets / shares carried out by the valuer for the listed entity and unlisted entity.

5. It is submitted that the Applicant Transferee Company being a Listed Public Limited Company, a prior intimation to the Stock Exchange and Securities and Exchange Board of India through the designated stock exchange is a prerequisite. The Applicant Transferee Company had submitted an application under Regulation 37 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 seeking BSE approval / observation letter for the proposed draft scheme of amalgamation. The Applicant Transferee Company has placed on record the letter dated 03.02.2021 received from the BSE, wherein there are no adverse observations.

6. The Applicant Companies have submitted that no investigation or proceedings against the Applicant Companies under Section 210 to 226 of the Companies Act, 2013 as well as Section 235 to 251 of the Companies Act, 1956 or the like are pending.

7. The Applicant Companies have further submitted that the provisions of the Competition Act, 2002 are not applicable in the present case. Hence, no notice is required to be served to the Competition Commission of India.

8. It is further submitted by the Applicant Companies that notice is not required to be served on Reserve Bank of India as provisions of FEMA Act are not attracted in the present Scheme of Arrangement as there are no foreign shareholders in the Petitioner Transferor Company. Further, no new shares are being allotted to any non-resident.

9. The Applicant Transferor Company has stated that as on 31st May 2021 there are 7 Equity Shareholders in the Applicant Transferor Company. The list of Equity Shareholders as certified by the Chartered Accountant is produced at Annexure J with the Application. The Applicant Transferor Company has placed on record the Original Consent Affidavits of all the 7 Equity Shareholders vide Annexure – K (Colly.). The Applicant Transferor Company is seeking appropriate directions for dispensing with the holding and convening meeting of the Equity Shareholders of the Applicant Transferor Company.

10. The Applicant Transferor Company has stated that as on 31st May 2021 there are no Secured Creditors in the Applicant Transferor Company. A certificate to that effect by the Chartered Accountant is produced at Annexure L with the Application. It is submitted that as there are no Secured Creditors in the Applicant Transferor Company the meeting of the Secured Creditors of the Applicant Transferor Company is not required to be convened.

11. The Applicant Transferor Company has stated that as on 31st May 2021 there is 1 Unsecured Creditor amounting to Rs. 1,58,775/- in the Applicant Transferor Company. A certificate to that effect by the Chartered Accountant is produced at Annexure L with the Application. The Applicant Transferor Company has placed on record the Original Consent Affidavit of the sole Unsecured Creditor vide Annexure – M. The Applicant Transferor Company is seeking appropriate directions for dispensing with the holding and convening meeting of the sole Unsecured Creditor of the Applicant Transferor Company.

12. The Applicant Transferee Company has stated that there are 51,773 Equity Shareholders in the Applicant Transferee Company as on 31st May 2021. The list of Equity Shareholders as certified by the Chartered Accountant is produced at Annexure N with the Application. The Applicant Transferee Company is seeking appropriate directions for holding and convening meeting of the Equity Shareholders of the Applicant Transferee Company.

13. The Applicant Transferee Company has stated that there are no Secured and Unsecured Creditors in the Applicant Transferee Company. The Chartered Accountant's Certificate certifying the number of Secured and Unsecured Creditors is produced at Annexure-O with the Application. It is submitted that as there are no Secured and Unsecured Creditors in the Applicant Transferee Company the meeting of the Secured Creditors and Unsecured Creditors of the Applicant Transferee Company is not required to be convened.

14. Having heard the Learned Advocate for the Applicant Companies and having perused the application, documents annexed with the Application. This Tribunal passes the following orders:

   i. The meeting of the Equity Shareholders of the Applicant Transferor Company is hereby dispensed with.
   ii. The meeting of the Secured Creditors of Applicant Transferor Company is not required to be convened and is hereby dispensed with.

iii. The meeting of the Unsecured Creditors of the Applicant Transferor Company is hereby dispensed with.

iv. The meetings of the Secured and Unsecured Creditors of Applicant Transferee Company are not required to be convened and are hereby dispensed with.

v. The meeting of the Equity Shareholders of the Applicant Transferee Company shall be convened and held on the Thursday, 7th October, 2021 at 3.00 P.M. in case of a physical meeting at 6th Floor, Tulsi Krupa Arcade, Above Navjeevan Hyundai Showroom, Near Aai Mata Chowk, Puna Kumbharia Road, Dumbhal, Surat – 395 010 for the purpose of considering and, if thought fit, approving with or without modifications the proposed Scheme.

vi. The Applicant Transferee Company being a listed public limited company, is governed by the SEBI circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 and is required to provide the facility of e-voting to its shareholders.

vii. In view of the recent circulars of Ministry of Corporate Affairs; viz. Circular No. 14 of 2020 dated 8th April 2020, Circular No. 17 of 2020 dated 13th April 2020 and Circular No. 20 of 2020 dated 5th May 2020, the meetings of Equity Shareholders of the Applicant Transferee Company shall be convened and conducted through video conferencing or other Audio Visual Means or other means as may be permitted under law. The Applicant Transferee Company shall appoint agencies as mandated by law.

viii. At least one month before the date of the aforesaid meeting, an advertisement about convening of the said meeting, indicating the day, date, place and time, as aforesaid, shall be published in English daily, Freepress Gujarat, Surat Edition and a Gujarati translation thereof in "Lokmitra", Surat Edition. The publication shall indicate the time within which copies of scheme shall be made available to the concerned persons free of charge from the registered office of the Applicant Transferee Company. The publication shall also indicate that the statement required to be furnished pursuant to Section 102 of the Act read with Sections 230 to 232 of the Act and the prescribed form of proxy can be obtained free of charge at the registered office of the Applicant Transferee Company in accordance with second proviso to sub-section (3) of Section 230 and Rule 7 of the Companies (CAA) Rules, 2016.

ix. In addition, at least one month before the date of the meeting of the Equity Shareholders to be held as aforesaid, a notice convening the said meeting, indicating the day, date, place and time, as aforesaid, together with a copy of the scheme, a copy of statement required to be furnished pursuant to Section 102 of the Act read with Sections 230 to 232 and Rule 6 of the Companies (CAA) Rules, shall be sent to each of the Equity Shareholders of the Applicant Transferee Company at their respective registered or last known addresses either by Registered post or Speed Post/Airmail or E-Mail or by Courier or by Hand Delivery. The Notices shall be sent to the Equity Shareholders of the Applicant Transferee Company with reference to the list of the persons appearing on the record of the Applicant Transferee Company as on 27th August, 2021. However, the shareholders who are members on the record date fixed by the company will only be entitled to vote at the equity shareholders meeting.

x. Mr. Ullas G Shah, (Chartered Accountant), shall be the Chairman/Chairperson of the aforesaid meeting of the equity shareholders to be held on 7th October, 2021 and in respect of any adjournment thereof.

xi. Mr. Jigar Vyas (Practicing Company Secretary), is appointed as the Scrutinizer for the aforesaid meetings of the equity shareholders of the Applicant Transferee Company.

xii. The Chairman or Chairperson appointed for the aforesaid meetings shall issue the advertisements and send out the notices of the meeting referred to above. The Chairman/Chairperson is free to avail the services of the Applicant Transferee Company or any agency for carrying out the aforesaid directions.

xiii. The Chairman or Chairperson shall have all powers under the Articles of Association of the Applicant Transferee Company and also under the Rules in relation to the conduct of meetings, including for deciding any procedural questions that may arise at the meetings or adjournment(s) to the aforesaid scheme or resolution, if any, proposed at the aforesaid meeting by any person(s) and to ascertain the decision of the sense of the meeting of the Equity Shareholders by polling paper/ballot.

xiv. It is however clarified that in view of para A (x) of the MCA Circular No. 14/2020 dated 8th April 2020, that in case of meeting through video conference or other audio visual means, the voting through Proxy shall not be permitted. However, voting through Authorized Representative is permitted.

xv. The quorum for the meeting of Equity Shareholders of the Applicant Transferee Company shall be as per provisions of the Companies Act, 2013.

xvi. The Chairman/Chairperson to file an affidavit not less than 7(seven) days before the date fixed for the holding of the meetings and to report to this Tribunal that the directions regarding issuance of notices and advertisement of the meeting has been duly complied with as per Rule 12 of the Companies (CAA) Rules, 2016.

xvii. It is further ordered that the Chairman or the Chairperson shall report to this Tribunal on the result of the meeting in From No.CAA.4, verified by his affidavit, as per Rule 14 of the Companies (CAA) Rules, 2016 in from No. CAA.4 within seven days.

15. In compliance of sub-section (5) of Section 230 and Rule 8 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, the Applicant Companies shall send a notice in Form No.CAA.3 along with disclosures mentioned under Rule 6, to (i) the Central Government through the Regional Director, North Western Region, (ii) the Registrar of Companies, Gujarat, (iii) the Income Tax authorities concerned and (iv) Bombay Stock Exchange and (v) Official Liquidator (for Transferor Company), stating that representations, if any, to be made by them shall be made within a period of 30 days from the date of receipt of such notice, failing which it shall be presumed that they have no objection to make on the proposed Scheme. The said notices shall be sent forthwith by registered post or by speed post or by courier or by hand delivery or by an email at the office of the authority as required by sub-rule (2) of Rule 8 of the Companies (CAA) Rules, 2016. The aforesaid authorities, who desire to make any representation under sub-section (5) of Section 230, shall send the same to the Tribunal within a period of 30 days from the date of receipt of such notice, failing which it will be deemed that they have no representation to make on the proposed arrangement.

16. This Company Application is disposed of accordingly.

**(CHOCKALINGAM THIRUNAVUKKARASU)**
**MEMBER (TECHNICAL)**

**(MADAN B.GOSAVI)**
**MEMBER (JUDICIAL)**

Sudha

# SURAT TEXTILE MILLS LIMITED

**Regd. Office**: Tulsi Krupa Arcade, 6th Floor, Near Aai Mata Chowk, Puna-Kumbharia Road, Dumbhal, Surat 395010
**CIN**: L17119GJ1945PLC000214; **Website**: www.surattextilemillsltd.com, **e-mail**: sharedepartment@stml.in
**Tel.No.**(0261) 2311198 Fax : (0261) 2311029

## STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30TH JUNE, 2021

(Rs. in Lakhs except per share data)

| Sr. No. | Particulars | Quarter ended | | | Year ended |
|---|---|---|---|---|---|
| | | 30/06/2021 (Unaudited) | 31/03/2021 (Audited) (Refer Note 7) | 30/06/2020 (Unaudited) | 31/03/2021 (Audited) |
| 1 | **Income** | | | | |
| | (a) Sales / Revenue from Operations | 1433.12 | 5751.27 | 750.91 | 13114.42 |
| | (b) Other Income | 147.88 | 52.67 | 158.24 | 473.19 |
| | **Total Income** | **1581.00** | **5803.94** | **909.15** | **13587.61** |
| 2 | **Expenses** | | | | |
| | (a) Cost of Materials Consumed | 1124.96 | 3941.01 | 515.27 | 9148.71 |
| | (b) Purchases of Stock-in-Trade | 0.00 | 0.00 | 0.00 | 0.00 |
| | (c) Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade | 114.23 | 166.09 | (4.18) | 22.63 |
| | (d) Employee Benefits Expense | 65.48 | 72.57 | 48.17 | 244.63 |
| | (e) Finance Costs | 1.63 | 1.81 | 2.50 | 16.02 |
| | (f) Depreciation and Amortisation Expense | 10.29 | 9.65 | 9.68 | 38.76 |
| | (g) Other Expenses | 293.66 | 786.72 | 254.57 | 2375.81 |
| | **Total Expenses** | **1610.25** | **4977.85** | **827.01** | **11846.56** |
| 3 | **Profit / (Loss) Before Exceptional Item and Tax (1-2)** | **(29.25)** | **826.09** | **82.14** | **1741.05** |
| 4 | Exceptional Items | 0.00 | 0.00 | 0.00 | 0.00 |
| 5 | **Profit / (Loss) Before Tax (3-4)** | **(29.25)** | **826.09** | **82.14** | **1741.05** |
| 6 | **Tax Expenses** | | | | |
| | (a) Current Tax | 0.00 | 41.56 | 13.98 | 194.55 |
| | (b) Deferred Tax | 0.00 | 21.42 | 20.17 | 98.03 |
| | (c) Taxes in respect of earlier year | 0.00 | 0.00 | 0.00 | 0.00 |
| 7 | **Profit / (Loss) for the Period / year (5-6)** | **(29.25)** | **763.11** | **47.99** | **1448.47** |
| 8 | **Other Comprehensive Income/(Loss) (Net of Tax)** | | | | |
| | (a) Items that will not be reclassified to Profit or Loss | 0.00 | 16.67 | 209.09 | (120.23) |
| | (b) Income tax relating to items that will not be reclassified to Profit or Loss | 0.00 | (11.61) | (4.76) | (8.80) |
| | **Total Other Comprehensive Income/(Loss) (Net of Tax)** | 0.00 | 5.06 | 204.33 | (129.03) |
| 9 | **Total Comprehensive Income / (Loss) for the Period (7+8)** | **(29.25)** | **768.17** | **252.32** | **1319.44** |
| 10 | **Paid up Equity Share Capital (Face Value of Rs.1/- each)** | 2220.64 | 2220.64 | 2220.64 | 2220.64 |
| 11 | **Other Equity (excluding Revaluation Reserve)** as shown in the audited balance sheet of the previous year | -- | -- | -- | 11580.84 |
| 12 | **Earnings per equity share (Face Value Rs.1/-)** | | | | |
| | Basic and Diluted (Not Annualised for the quarter) | (0.01) | 0.34 | 0.02 | 0.65 |

Sharp & Tannan Associates ICAI Regn. No. 109983W S&TA Chartered Accountants

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**Notes to the Financial Results:**

1 The above financial results of the Company have been prepared in accordance with Indian Accounting Standards ('Ind AS') as notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended), specified under section 133 of the Companies Act, 2013 and other recognised accounting practices and policies to the extent applicable.

2 The above financial results have been reviewed by the Audit Committee and approved by the Board of Directors of the Company at their respective meetings held on 13th August, 2021 and have undergone 'Limited Review' by the statutory auditors of the Company. The Statutory Auditors have expressed an Un-modified Audit Opinion on the above results.

3 The COVID 19 pandemic has had a significant Impact on the business operations and the financial results of the Company for the quarter ended June 30, 2021 and for the year ended March 31, 2021. The Company has assessed the Impact of this pandemic on Its business operations and has considered all relevant internal and external Information available up to the date of approval of these financial results, In determination of the recoverability and carrying value of financial assets and non-financial assets. The Company will continue to closely monitor any material changes to future economic conditions.

4 The manufacturing activity of the Company at Jolwa plant temporarily suspended since May, 2021 owing to the prevalent situation in the country of the spread of COVID pandemic followed by the subdued market conditions. The management is evaluating the options for future business activities.

5 The Company's business segment consists of a single segment of "Textiles" in accordance with Ind AS 108 - 'Operating Segments' notified pursuant to the Companies (Indian Accounting Standard) Rules, 2015.

6 The Company does not have any Exceptional item to report in above periods.

7 The figures for the preceding quarter ended 31st March, 2021 with respect to financial results are the balancing figures between audited figures in respect of the full previous financial year 2020-21 and the published year-to-date figures up to nine months ended 31st December, 2020.

8 The figures for the corresponding previous period have been regrouped / reclassified, wherever necessary, to make them comparable.

**By order of the Board of Directors**

SURAT TEXTILE MILLS LTD. SURAT

**Manikant R. Momaya**
**Managing Director**
**DIN: 00023993**

Place: Surat
Date: 13th August, 2021

Sharp & Tannan Associates • Chartered Accountants • ICAI Regn. No. 109983W

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Sharp & Tannan Associates
Chartered Accountants
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**Independent Auditor's Limited Review Report on standalone unaudited financial results of Surat Textile Mills Limited for the quarter ended June 30, 2021, Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

To,
**The Board of Directors**
**Surat Textile Mills Limited**
(CIN: L17119GJ1945PLC000214)
**Surat 395 010.**

**Introduction**

1. We have reviewed the accompanying statement of unaudited standalone financial results of **Surat Textile Mills Limited** ("the Company") for the quarter ended June 30, 2021, together with notes thereon ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("Listing Regulations").

2. The Statement, which is the responsibility of the Company's Management and approved by the Company's Board of Directors on August 13, 2021, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 *"Interim Financial Reporting"* ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013, as amended ("the Act"), read with relevant rules issued thereunder and other recognised accounting practices and policies generally accepted in India and Regulation 33 of the Listing Regulations in this regard. Our responsibility is to express a conclusion on the Statement based on our review.

**Scope of Review**

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* issued by the Institute of Chartered Accountants of India ("ICAI"). This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing specified under section 143(10) of the Companies Act, 2013 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Sharp & Tannan Associates ICAI Regn. No. 109983W Chartered Accountants



Also at Ahmedabad, Baroda and Pune. Associate Offices at Bengaluru, Chennai, Hyderabad, New Delhi and Panjim (Goa).

**Conclusion**

4. Based on our review conducted as stated above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in Ind AS 34 as prescribed under section 133 of the Act and other recognised accounting practices and policies generally accepted in India has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations in this regard, including the manner in which it is to be disclosed, or that it contains any material misstatement.

**Emphasis of matter**

5. We draw attention to Note 3 to the results, which describes the management's assessment of economic and social consequences the entity is facing as a result of outbreak of Covid-19 pandemic which is impacting operations of the Company, supply chains, personnel available for work etc.

6. We draw attention to Note 4 regarding the temporarily suspension of the manufacturing activities of Jolwa plant since May, 2021, owing to the prevalent situation in the country of the spread of COVID pandemic followed by the subdued market condition.

Our conclusion is not modified in respect of these matter of emphasis.

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**Sharp & Tannan Associates**
Chartered Accountants
ICAI Firm's Reg. No.: 109983W
Digitally Signed by

Sharp & Tannan Associates * Chartered Accountants * ICAI Regn. No. 109983W S&TA

**Tirtharaj Khot**
Partner
Membership No.: 037457
UDIN: 21037457AAAABT4930

Pune, August 13, 2021