

SURAT TEXTILE MILLS LIMITED

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.

Contd...



SURAT TEXTILE MILLS LIMITED

- (2) -

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.

Contd...



SURAT TEXTILE MILLS LIMITED

-(3)-

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...



Regd. Office : 6th Floor, Tulsi Krupa Arcade, Puna Kumbharia Road, Dumbhal, Surat 395 010.

Phone : (0261) 2311198 | Website : www.surattextilemillsLtd.com

CIN : L17119GJ1945PLC000214

SURAT TEXTILE MILLS LIMITED

- (4) -

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



Manikant R. Momaya
Managing Director

Place: Surat
Date: 14th February, 2020

