



MAHALAXMI RUBTECH LIMITED

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REPORT OF THE AUDIT COMMITTEE OF MAHALAXMI RUBTECH LIMITED, RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN MAHALAXMI RUBTECH LIMITED (MRT); MAHALAXMI FABRIC MILLS PRIVATE LIMITED (FORMERLY KNOWN AS “SONNET COLOURS PVT LTD”) (MFMP); AND GLOBALE TESSILE PRIVATE LIMITED (GTPL) AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Present:-

Members:-

1. Shri Balveermal Kewalmal Singhvi : Chairman of the Audit Committee
2. Shri Anand Jeetmal Parekh : Member
3. Smt. Sangita Shingi : Member
4. Shri Nehal Mayurbhai Shah : Member

Invitees:-

1. Shri Rajendra Ratanchand Mehta : Chief Financial Officer

In Attendance:-

1. Smt. Shital Marsh Trivedi : Company Secretary

1. BACKGROUND:-

A Meeting of the Audit Committee of Mahalaxmi Rubtech Limited was held on Thursday, the 16th Day of February, 2023, to consider and if thought fit, to recommend Demerger embodied in the draft Scheme of Arrangement between Mahalaxmi Rubtech Limited (MRT) (CIN:- L25190GJ1991PLC016327) (Hereinafter referred to as “the Demerged Company”); Mahalaxmi Fabric Mills Private Limited (Formerly known as “Sonnet Colours Pvt Ltd”) (MFMP) (CIN:- U17100GJ1991PTC015345) (Hereinafter referred to as “the First Resulting Company”); and Globale Tessile Private Limited (GTPL) (CIN:- U17299GJ2017PTC098506) (Hereinafter referred to as “the Second Resulting Company”) and their respective Shareholders and Creditors (Hereinafter referred to as the “Scheme”), pursuant to provisions of the Sections 230, 232 and any other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Compromise, Arrangement and Amalgamations) Rules, 2016.



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WORKS:

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CIN NO.: L25190GJ1991PLC016327

The Scheme is subject to approval of the Board of Directors, Shareholders and Creditors of the Companies, if applicable; subject to sanction of the Hon'ble National Company Law Tribunal, Ahmedabad Bench (NCLT); and subject to such other approvals, permissions and sanctions of Regulatory and any other Authorities, as may be necessary.

This Report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; and the SEBI Master Circular No.:- SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated 23rd November, 2021 (Including any statutory, modification or re-enactment or amendment thereof for the time being in force).

The following documents were placed before the Audit Committee:-

1. Draft Scheme of Arrangement;
2. Valuation Report dated 12th February, 2023, issued by an Independent Registered Valuer namely Shri Dilipkumar Shah, Proprietor of M/s. D. Shah & Associates;
3. Fairness Opinion Report dated 15th February, 2023, issued by an Independent SEBI Registered Merchant Banker namely Beeline Capital Advisors Private Limited;
4. Certificate issued by Statutory Auditors of the Company namely M/s. Jain Chowdhary & Co., to the effect that accounting treatment contained in the draft Scheme is in compliance with all the Indian Accounting Standards specified by the Central Government under Section 133 of the Companies Act, 2013 read with the Rules framed thereunder; and
5. Audited Financial Statements of the Demerged Company and the Resulting Companies for the Financial Year ended on 31st March, 2020; 31st March, 2021; and 31st March, 2022; and Financial Statement for the Nine Months Period ended on 31st December, 2022.

2. SALIENT FEATURES OF THE SCHEME:-

- (a) The assets and liabilities of the Traditional Textiles Processing Division, located at Narol, Ahmedabad and Wind Power Division of the Demerged Company along with





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existing investment of the Demerged Company in its Wholly Owned Subsidiary Company namely Mahalaxmi Exports Private Limited (CIN:- U17299GJ2019PTC110673) (Hereinafter referred to as “the First Demerged Undertaking”) and its respective employees, on a going concern basis with Net Worth of Rs. 87.32/- Crores, as on 31st March, 2022, inclusive of the fair value of the immovable property of the Traditional Textiles Processing Division, as determined by a Registered Property Valuer, will be demerged by vesting the same into the First Resulting Company, on a mirror image basis;

- (b) The assets and liabilities of Trading Textiles Division of the Demerged Company (Hereinafter referred to as “the Second Demerged Undertaking”) along with its employees, on a going concern basis with Net Worth of Rs. 12.03/- Crores, as on 31st March, 2022, will be demerged by vesting the same into its Wholly Owned Subsidiary Company i.e. the Second Resulting Company, on a mirror image basis.
- (c) All the employees of the respective Divisions proposed to be demerged shall be transferred on the existing terms and conditions of the employment with accrued liability of provident fund, gratuity, etc.
- (d) Each of the two Resulting Companies shall credit Rs. 10,62,02,750/- to the Equity Share Capital account towards Equity Share Capital proposed to be allotted to the Shareholders of the Demerged Company and the remaining amount of excess of assets over liabilities towards Securities Premium Account.
- (e) The existing net assets of the First Resulting Company would be credited as unsecured loans of the existing Shareholders of the said Company whereas the existing Share Capital of Rs. 5/- Lakhs of the Second Resulting Company shall stand cancelled.
- (f) The Equity Share Capital of Rs. 300/- Lakhs of the Mahalaxmi Exports Private Limited, the Wholly Owned Subsidiary Company of the Demerged Company, shall stand transferred to the First Resulting Company.



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- (g) Both the Resulting Companies which are the Private Limited Companies, at the time of the proposed demerger, shall be converted to the Public Limited Companies as a part of the Scheme and subject to the compliances to be done, proposed to be listed on the Stock Exchanges i.e. the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE).
- (h) The Net Worth of the First Resulting Company as on the effective date of the Scheme, shall be credited to the unsecured loan of the Shareholders of the First Resulting Company as on the effective date of the Demerger.

3. NEED FOR THE DEMERGER:-

To focus on core competence of all the Divisions of businesses which is currently undertaken by only one Company i.e. MRT.

4. RATIONALE OF THE SCHEME:-

MRT is embarking upon the agenda of rapid growth and development over the coming years with clear focus on its core businesses in three major verticals i.e. Rubber/Technical Textiles Division, Traditional Textiles Processing Division and Trading Textiles Division. It is therefore decided to create a simpler group structure wherein emphasis will be on the growth of all three Divisions through different verticals. It is felt that such structure will help effectively focusing on core competence of each of these three different Divisions. A talented pool of human resources driving each of these three Divisions will strive to achieve the desired goals in a span of a few years.

5. SYNERGIES OF BUSINESS OF THE ENTITIES INVOLVED IN THE SCHEME:-

As stated the draft Scheme of Arrangement, two Divisions of the Company i.e. Traditional Textiles Processing Division & Wind Power Division and Trading Textiles Division, are proposed to be demerged with an objective of focusing on core competence of each



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Divisions. Accordingly, there is no question of synergy of business of the Entities involved in the Scheme.

6. IMPACT OF THE SCHEME ON THE SHAREHOLDERS:-

The Shareholders of the Company, apart from retaining their Shareholding, will also be allotted equal number of Shares by both the Resulting Companies.

7. COST BENEFIT ANALYSIS OF THE SCHEME:-

With clear focus on core competence of each Divisions, all three Companies will be able to grow faster and achieve higher profitability. Against the same, there will not be any additional cost to be incurred by each Company.

8. VALUATION REPORT FOR THE SHARE EXCHANGE RATIO:-

Valuation Report dated 12th February, 2023, issued by an Independent Registered Valuer namely Shri Dilipkumar Shah, Proprietor of M/s. D. Shah & Associates, inter alia recommended the Share Exchange Ratio for the Demerger as under:-

(a) In consideration of transfer of the First Demerged Undertaking of the Demerged Company, the First Resulting Company shall issue and allot:-

“1 (One) new Equity Share, fully paid, of Rs. 10/- (Rupees Ten Only) each of the First Resulting Company, for every 1 (One) Equity Share of Rs. 10/- (Rupees Ten Only) each held in the Demerged Company”.

(b) In consideration of transfer of the Second Demerged Undertaking of the Demerged Company, the Second Resulting Company shall issue and allot:-

“1 (One) new Equity Share, fully paid, of Rs. 10/- (Rupees Ten Only) each of the Second Resulting Company, for every 1 (One) Equity Share of Rs. 10/- (Rupees Ten Only) each held in the Demerged Company”.



9. RECOMMENDATION OF THE AUDIT COMMITTEE:-

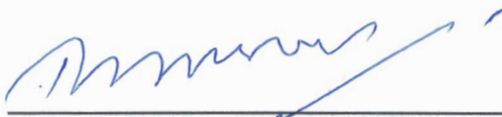
Taking into consideration all the foregoing including the Scheme, its need, rationale, synergies of business of the Entities involved in the Scheme, impact of the scheme on the Shareholders, cost benefit analysis of the Scheme, Share Exchange Ratio, Valuation Report, Fairness Opinion Report and other documents, the Audit Committee, after due deliberation unanimously recommends the draft Scheme with the Share Exchange Ratio to the Board of Directors of the Demerged Company, Stock Exchanges i.e. the BSE Limited and the National Stock Exchange of India Limited, SEBI and other Regulatory Authorities, for their favourable consideration and approval.

This Report is issued by the Chairman in terms of the Audit Committee's authorisation.

DATE:- 16TH FEBRUARY, 2023

PLACE:- AHMEDABAD

FOR, MAHALAXMI RUBTECH LIMITED



BALVEERMAL KEWALMAL SINGHVI
CHAIRMAN OF THE AUDIT COMMITTEE
(DIN: 05321014)