



SRI KANNAPIRAN MILLS LIMITED

CIN : U17111TZ1946PLC000188

Registered Office : Post Bag No. 1, Sowripalayam, Coimbatore - 641 028.

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**NOTICE OF THE MEETING OF THE UNSECURED CREDITORS OF
SRI KANNAPIRAN MILLS LIMITED CONVENED AS PER ORDER DATED
AUGUST 9, 2019 OF THE NATIONAL COMPANY LAW TRIBUNAL,
CHENNAI BENCH, CHENNAI.**

MEETING

Day	Friday
Date	October 4, 2019
Time	12.30 p.m.
Venue	Registered Office and Mills, Post Bag No.1, Sowripalayam Post, Coimbatore-641028.

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**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL, CHENNAI BENCH,
CHENNAI**

C.A.NO. 583 OF 2019

IN THE MATTER OF THE COMPANIES ACT, 2013

AND

**IN THE MATTER OF APPLICATION UNDER SECTIONS 230 TO 240 AND OTHER
APPLICABLE NOTIFIED PROVISIONS OF THE COMPANIES ACT, 2013**

AND

**IN THE MATTER OF SCHEME OF AMALGAMATION (MERGER) OF
KG FABRIKS LIMITED (TRANSFEROR COMPANY)**

WITH

**SRI KANNAPIRAN MILLS LIMITED (TRANSFeree COMPANY)
AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

M/s SRI KANNAPIRAN MILLS LIMITED

A Public Limited Company incorporated
under The Indian Companies Act, 1913, bearing
Corporate Identification No: U17111Z1946PLCO00188
having its Registered Office at Post Bag No.1,
Sowripalayam,
Coimbatore - 641028, Tamil Nadu
Rep. By its Managing Director Mr.B.Srihari

.. Applicant/Transferee Company

NOTICE OF THE MEETING OF UNSECURED CREDITORS

Notice is hereby given that by order dated 09-08-2019 the Chennai Bench of the National Company Law Tribunal has directed a meeting to be held of Unsecured Creditors of the company for the purpose of considering, and if thought fit, approving with or without modification, the Scheme of Amalgamation (Merger) proposed to be made between the company and its creditors and members.

In pursuance of the said order and as directed therein further notice is hereby given that a meeting of Unsecured Creditors of the company will be held at Corporate Office of the Transferee Company situate at Sri Kannapiran Mills Premises, Sowripalayam Post, Coimbatore - 641 028, Tamilnadu on the 4th day of October 2019 at 12.30.p.m. at which time and place said equity shareholders are requested to attend.

Copies of the Scheme Of Amalgamation, and the statement under Section 230 can be obtained free of charge at the Corporate Office of the company or at the office of its authorised representative M/s Ramani & Shankar, Advocates, having office at No.152, Kalidas Road, Ramnagar, Coimbatore-641009. Persons entitled to attend and vote at the meeting may vote in person or by proxy, provided that all proxies in the prescribed form are deposited at the Registered Office of the Company not later than 48 hours before the meeting. Quorum for the meeting shall be 25 (Twenty Five) creditors either in person or by proxy or unsecured creditors constituting 25% in value.

The voting rights of Unsecured Creditors shall be in proportion to their outstanding in the Company as on January 31, 2019 as per the list submitted before the Tribunal.

At the meeting, the following resolution will be considered and if thought fit, be passed, with or without modification(s):

“RESOLVED THAT pursuant to the provisions of Section 230 to 232 and other applicable provisions, if any of the Companies Act, 2013, rules, circulars, notifications, if any, made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) and the provisions of the Memorandum and Articles of Association of the Company and subject to the approval by the National Company Law Tribunal (Tribunal) Chennai Bench and subject to such other approvals, permissions and sanctions of other regulatory and authorities as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by the Honble National Company Law Tribunal, Chennai Bench or by any regulatory or other authorities, while granting such consents, approvals and permissions which may be agreed to by the Board of Directors of the 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 person(s) authorised by the Board to exercise its powers including the powers conferred by this resolution, the consent of Unsecured Creditors of the company be and are hereby accorded for approval of the Scheme of Amalgamation of KG Fabriks Limited (Transferor Company) with Sri Kannapiran Mills Limited (Transferee Company) and their respective shareholders and creditors (scheme).”

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be considered requisite, desirable, appropriate or necessary to give effect to this resolution and effectively implement the arrangements embodied in the Scheme and to accept such modifications, amendments, limitations and / or conditions, if any, which may be required and/or imposed by the National Company Law Tribunal, Chennai Bench and /or any other authorities while sanctioning the Arrangement embodied in the Scheme or by any authorities under law, or as may be required for the purpose of resolving embodied in the Scheme or by any authorities under law, or as may be required for the purpose of resolving any doubts or difficulties that may arise in giving effect to the Scheme, as

the Board may deem fit and proper".

The Honourable Tribunal has appointed Shri.K.G.Baalakrishnan, Chairman of the Applicant Company failing him Shri.B.Sriramalu, Managing Director, failing him Shri.B.Srihari, Managing Director of the Applicant Company as the Chairman of the said meeting including any adjournment or adjournments thereof .

The above mentioned Scheme Of Amalgamation, if approved by the meeting, will be subject to the subsequent approval of the Honourable Tribunal.

Forms of Proxy can be had at the corporate office of the company.

Dated this 26th day of August, 2019.

Mr.K.G.BAALAKRISHNAN
Chairman Appointed for the meeting.

Notes:

1. Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 along with applicable rules there under and provisions of Section 230, 232 of the Companies Act, 2013 setting out material facts forms part of this Notice.
2. Unsecured Creditor entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on poll on his /her behalf and the proxy need not be a Unsecured Creditor of the Company.
3. Pursuant to Section 105 of the Companies Act, 2013 the instrument appointing the proxy, in order to be effective, must be deposited at the Company's Registered office, duly complete and signed, not less than Forty Eight (48) hours before the commencement of the Meeting, Proxies submitted on behalf of limited companies, societies etc must be supported by appropriate resolutions/authority letter, as applicable.
4. Unsecured Creditors whose names appear in the list of Unsecured Creditors as on January 31, 2019 as per list submitted to the Tribunal (cut off date) will be considered for the purpose of voting at the meeting venue and the voting rights shall be reckoned based on the amount outstanding as on January 31, 2019. The voting rights shall be in proportion to their outstanding in the books of the Company as on cut-off date. Any unsecured creditor who becomes the creditor of the company after the cut-off date i.e., January 31, 2019 shall not be eligible to vote at the Meeting venue. Any recipient of this notice who has no voting rights as on the cut-off date should treat the same as intimation only.
5. The quorum of the meeting of the Unsecured Creditors of the Applicant Company shall be Twenty Five (25) Unsecured Creditors present in person or through authorised representative or proxy or unsecured creditors constituting 25% in value.

6. Corporate Unsecured Creditor intending to send their authorised representatives to attend the meeting are requested to send to the Company a certified copy of the Board resolution authorizing their representative to attend and vote on their behalf at the meeting.
7. Pursuant to Rule 7 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 , the advertisement of the notice convening the aforesaid meeting will be published in Newspaper in English language and in Tamil language.
8. All alterations made in the proxy form should be initialed.
9. It is further clarified that the Proxies can vote only at the Meeting and not through any other mode.
10. A Unsecured Creditor of his Proxy is requested to bring the attendance slip duly filled in and signed.
11. A Unsecured Creditor (in case such Unsecured Creditor is an individual) or the authorised representative of the Unsecured Creditor (in case such Unsecured Creditor is a body corporate) or the proxy should carry their valid and legible identity proof (i.e. a PAN card/Aadhar card/Passport / Driving License / Voter ID Card) to the Meeting.
12. All documents referred in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company at 10 A.M. to 2 P.M. on all working days (except Saturday, Sundays and Public Holidays) upto the date of the meeting.
13. The Company has appointed Shri.M.R.L.Narasimha, Practising Company Secretary as the Scrutinizer to scrutinize the voting process in a fair and transparent manner.
14. The Scrutinizer shall, immediately after the conclusion of voting at the meeting, count the votes cast at the meeting, in the presence of at least two witnesses not in the employment of the Company.
15. The Scrutinizer will submit his report to the Chairman after the completion of scrutiny and the result of the voting will be announced by the Chairman, on or before October 5, 2019 at the registered office and will also be displayed on the website of the Company www.kannapiran.co.in

Dated this 26th day of August, 2019.

Mr.K.G.BAALAKRISHNAN
Chairman Appointed for the meeting.

**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL, CHENNAI BENCH,
CHENNAI**

C.A.NO. 583 OF 2019

IN THE MATTER OF THE COMPANIES ACT, 2013

AND

**IN THE MATTER OF APPLICATION UNDER SECTIONS 230 TO 240 AND OTHER
APPLICABLE NOTIFIED PROVISIONS OF THE COMPANIES ACT, 2013**

AND

**IN THE MATTER OF SCHEME OF AMALGAMATION (MERGER) OF
KG FABRIKS LIMITED (TRANSFEROR COMPANY)**

WITH

**SRI KANNAPIRAN MILLS LIMITED (TRANSFEEE COMPANY)
AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

M/s SRI KANNAPIRAN MILLS LIMITED

A Public Limited Company incorporated
under The Indian Companies Act, 1913, bearing
Corporate Identification No: U17111Z1946PLCO00188
having its Registered Office at Post Bag No.1,
Sowripalayam,
Coimbatore - 641028, Tamil Nadu
Rep. By its Managing Director Mr.B.Srihari

.. Applicant/Transferee Company

**EXPLANATORY STATEMENT PURSUANT TO SECTION-230 OF THE
COMPANIES ACT, 2013**

1. Pursuant to the Order of the Honourable National Company Law Tribunal, Chennai Bench, Chennai in CA/583/CAA/2019 dated 09-08-2019, a meeting of the Unsecured Creditors of M/s Sri Kannapiran Mills Limited, Applicant/Transferee Company to consider and approve the proposed Scheme of Amalgamation (Merger) of **M/s KG FABRIKS LIMITED (TRANSFEROR COMPANY) WITH M/s SRI KANNAPIRAN MILLS LIMITED (TRANSFEEE COMPANY) AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS.**

2. A copy of the Scheme of Amalgamation (Merger) setting out in detail the terms and conditions of the amalgamation, inter alia, providing for the Amalgamation (Merger) of **M/s KG FABRIKS LIMITED (TRANSFEROR COMPANY) WITH M/s SRI KANNAPIRAN MILLS LIMITED (TRANSFEEE COMPANY)** which has been approved by the Board of Directors of the Applicant Company at its meeting held on 20-10-2018 is attached to this Explanatory Statement.
3. Rationale for the Scheme of Merger:
 - a. In today's fast changing domestic and global business, economic and political environment, size of business and business integration matters very much to have advantages of scale and face competitive challenges. Many companies in the textile industry have integrated facilities for yarn spinning, weaving, processing and garmenting having advantages of common operation, lower stock holding and better level of profitability compared to stand alone units.
 - b. The Transferor Company and the Transferee Company are mutually dependent on each other with Transferor Company depending on Transferee Company for conversion of cotton in to yarn and Transferee Company depending on Transferor Company for using its specialized manufacturing facilities for making denim yarn.
 - c. During the last decade or so, textile industry has witnessed entry of new players with integrated capacity (spinning, weaving, processing, garmenting and retailing) besides expansion and integration by both existing and new players with tie up with foreign labels/brands. Business now requires size, more operational flexibility, cost and operational efficiency and integration.
 - d. The Management has been gauging the business developments year over year in the back drop of changing business and economic laws, technological developments and happenings in the industrial sector and recent happening in the banking and financial sector. It is earnestly felt that keeping spinning and weaving facilities on standalone basis will not be advantageous and that integration of the two businesses into one for better management as a single entity will be in the larger interest of all stake holders.
 - e. The fact that the Transferor Company and Transferee Company are managed by the same Management with common promoters, with workers trained and developed on a common platform, makes it attractive to merge the business to ensure sustained operation.
 - f. The merger is also welcome in the backdrop of the new GST frame work and beneficial from the income tax stand point. Suppliers of main raw material viz., cotton and yarn are common to both the companies with whom both the companies have long track record of operations. The resultant Amalgamation will be in the best interest of the Banks as well to ensure debt servicing.

g. The experience over the last 3 years to tie up equity through private equity for funding future growth plans reveal that private equity players/venture capitalists/strategic investors show preference for vertically integrated players than stand alone companies even in the same Group. The Amalgamation (Merger) will therefore facilitate fund raising for future expansion also.

h. Following significant benefits are expected to flow from the proposed amalgamation:

- ★ Higher value addition
- ★ Savings in administrative and operational costs
- ★ Overall reduction in inventory holding
- ★ Greater flexibility and benefits of ease of operation and economics of scale
- ★ Better utilization of all human resource with combined managerial & operating strength
- ★ Consolidation and stabilization the business of the companies
- ★ Increase in overall efficiency, profitability and cash flow
- ★ Will be a good step towards Risk Mitigation
- ★ Will lead to increase in profitability, EPS and shareholder's value over the long term
- ★ Carried forward depreciation and Business losses aggregating to Rs.35 crores of KGFL will reduce income tax liability of the merged entity
- ★ Accumulated Non-refundable GST Input Tax Credit of Rs.280 lakhs in weaving operations can be used to adjust GST liability of the spinning business
- ★ Easier & earlier completion of pending Export Obligation of SKML with higher fabric exports of merged entity
- ★ Number of Shares for the merged entity will be comparatively less due to swapping of shares
- ★ Provisions related to Related Party Transactions under Companies Act, 2013 will no longer be applicable
- ★ Improved External Credit Rating over the medium and long term
- ★ Time and cost savings in statutory compliance costs
- ★ Will facilitate future business growth and fund raising through private equity, venture capital

4. The salient features of the Scheme are as follows:

a. The Scheme of Amalgamation (Merger) is proposed pursuant to the provisions of Sections 230 to 232 and applicable notified provisions of Companies Act, 2013. The Merger complies with the provisions of Section

2(1B) of the Income Tax Act, 1961.

- b. "The Appointed Date" means 1st day of April 2018.
- c. "The Effective Date" means the last of the dates on which certified copies of the order(s) of the National Company Law Tribunal, Chennai Bench sanctioning the Scheme is filed with the Registrar of Companies, Coimbatore, Tamilnadu.
- d. The Transferor Company and Transferee Company are managed by the same Management with common promoters, with workers trained and developed on a common platform, making it advantageous and convenient to merge the business to ensure sustained operation. Upon the Scheme becoming fully effective, in consideration of the transfer and vesting of the entire undertaking of the Transferor Company in the Transferee Company in terms of this Scheme, the Transferee Company shall without any further act or deed, issue and allot to the Equity Shareholders in the Transferor Company, whose names are recorded in the Register of Members, on the Record Date to be fixed by the Board of Directors of the Transferee Company, Equity Shares ranking pari passu in all respects with the existing Equity Shares of the Transferee Company.
- e. All costs, charges and expenses of the Transferor Company and the Transferee Company respectively in relation to or in connection with this Scheme and of carrying out and completing the terms and provisions of this Scheme of Amalgamation and/or incidental to the completion of Merger of the Transferor Company in pursuance of this Scheme shall be borne and paid solely by the Transferee Company.
- f. The Scheme is conditional upon and subject to:
 - i. The approval of the Shareholders of the Transferor Company and Transferee Company by requisite majority and
 - ii. The sanction of the Honourable National Company Law Tribunal, Chennai Bench under Sections 230 to 232 and other Applicable Notified Provisions of the Companies Act, 2013.

The features set out above being only the salient features of the Scheme of Merger and Amalgamation, the Members are requested to read the entire text of the Scheme of Amalgamation (Merger) to get fully acquainted with the provisions thereof.

- 5. No investigation proceedings have been instituted and/or pending in relation to the Transferor Company and Transferee Company under Sections 210 and 226 of the Companies Act, 2013.
- 6. None of the Directors of the Transferor Company and Transferee Company have any interest in the Scheme except to the extent of their Shareholding in the Transferor Company and Transferee Company.

7. Pursuant to the Scheme, there will be a change in the promoter shareholding of the Transferee Company as given below.

Category	Pre-amalgamation		Post-amalgamation	
	Number of shares of Rs.10/- each	%	Number of shares of Rs.10/- each	%
Promoters	3263425	89.75	4598900	84.85
Public Shareholders	369358	10.15	815942	15.06
Bodies Corporate	3696	0.10	5086	0.09
Total		100.00	5419928	100.00

This statement may be treated as an Explanatory Statement under Section 230 of the Companies Act, 2013. A copy of the Scheme, Explanatory Statement and Form of Proxy may be obtained from the Registered Office of the Transferee Company at Post Bag No.1, Mills Premises, Sowripalayam, Coimbatore - 641028 .

Dated this 26th day of August, 2019.

Mr.K.G.BAALAKRISHNAN
Chairman Appointed for the meeting.

SCHEME OF AMALGAMATION

**(UNDER SECTIONS 230 TO 240 AND OTHER APPLICABLE PROVISIONS OF
THE COMPANIES ACT, 2013)**

OF

**KG FABRIKS LIMITED
(TRANSFEROR COMPANY)**

WITH

**SRI KANNAPIRAN MILLS LIMITED
(TRANSFeree COMPANY)**

**AND THEIR RESPECTIVE SHAREHOLDERS
AND CREDITORS**

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PART-I

1. PREAMBLE

1.1. THE SCHEME:

This Scheme of Amalgamation provides for the amalgamation of KG Fabriks Limited (Transferor Company) with Sri Kannapiran Mills Limited (Transferee Company) pursuant to the applicable provisions of the Companies Act.

1.2. THE SCHEME IS DIVIDED INTO FOLLOWING PARTS:

Part - 1 deals with Preamble

Part - 2 deals with Definitions

Part - 3 deals with Amalgamation of Transferor company with the Transferee Company

Part - 4 deals with general terms and conditions that would be applicable to the entire scheme

1.3 TRANSFEROR COMPANY:

1.3.1 KG Fabriks Limited was incorporated under the name and style of "KG Denim Finance Limited" vide Certificate of Incorporation dated 23-12-1994 granted by the Registrar of Companies, Tamil Nadu, Coimbatore. The name of the Company was changed to "Southern Technologies Limited" vide fresh Certificate of Incorporation consequent on change of name granted on 23-04-1999. The name of the Company was changed subsequently to "KG Fabriks Limited" (the present name) vide fresh Certificate of Incorporation consequent upon change of name granted on 03-03-2004 The CIN Number of the Company is U65999TZ1994PLC005630 and has its Registered Office presently at Plot No. FF-1, SIPCCOT IGC, Perundurai- 638 052 and Corporate Office at Sri Kannapiran Mills Premises, Sowripalayam Post, Coimbatore 641 028.

1.3.2 The Main Objects for which the Transferor Company was formed as set forth in the Memorandum of Association are as under:

- a. To carry on the business of manufacturing of and trading in all kinds of fibres, yarn, fabrics (including canvas, denims, hosiery and terry trowels) and apparels.

- b. To carry on or to be engaged in all kinds of bleaching, printing and processing involved in the manufacture of fibre, yarns, fabrics and apparels.
- c. To carry on business as Merchants, Exporters, importers, Agents, Distributors, Retailers and Dealers in all kinds of Yarn, Fibres, fabrics and Apparels.
- d. To design, develop, manufacture, fabricate, assemble, maintain, service, repair, alter, convert, improve, buy, sell, trade, distribute, import, export, deal in all kinds of computer hardware and software data processing, software packages, solutions and applications for all sectors including industry, banking, finance, power, media, telecom networking and other communications and all kinds of computer hardware including systems, peripherals , adds on, networking products, computer accessories and consumables, hardware spares, work systems, devices, data processors, printers, floppy discs and all other hardwares and also impart training and provide consultancy and advisory services either directly or as franchisees in all fields of computer and information technology and to carry out research, invention and design developments.
- e. To plan and execute and integrated programme for harnessing and developing conventional and non-conventional sources of electric energy including but not limited to thermal power (coal lignite, gas, oil) hydro, solar, wind, geo-thermal and/or any other source of energy for generating power on commercial basis. To own, operate and manage, or to operate and manage as agent power station and ancillary facilities of every kind and description, and promote research and development, select suitable sites for power stations and ancillary facilities, construct, commission, operate and maintain them, co-ordinate their installation and operations with other organizations, ensure safe efficiency and proper evacuation of power stations by providing for associated transmission facilities required for the purpose or otherwise and undertake all measures required there for and to plan promote, and develop an integrated and efficient power systems network in all its aspects, including planning, investigation research, design and engineering, preparation of preliminary feasibility and definite project reports, construction, operation and maintenance of power stations, transmission lines, sub stations, load despatch stations and communications facilities and appurtenant works directly or in co-ordination with the Electricity Board and/or Generating Companies.
- f. To carry on the trade or business of real estate developers, architects, planners, civil engineers builders, contractors for construction work of any kind on land already owned by the Company or otherwise, including residential, commercial, industrial buildings, integrated town ship, gated community living, shopping malls, multistoried housing and commercial

premises, technology parks, software parks, electronic and hardware technology parks, cyber cities, smart cities, hotels, resorts, city and regional level urban infrastructural facilities such as road, bridges, airports, harbors and other specialized structures and for the demolition of any structure either singly or jointly or in partnership (including private public partnership).

- g. To buy, sell, deal in all kinds of building materials required for infrastructural development including mining, prospecting, quarrying sand, stone, marble or any other building materials, deposits and mines required to construct, repair, improve, maintain and develop.
- h. To undertake, carry out, promote and sponsor rural development including any programme for promoting the social and economic welfare of or the uplift of the people in any rural area and to incur any expenditure on any programme of rural development and to assist execution and promotion thereof either directly or through an independent agency or in any other manner and to incur any expenditure by way of payment of any sum to any association or institution which has as its object the undertaking or carrying out any programme of rural development . Without prejudice to the generality of the foregoing, “programme of rural development“ shall also include any programme for promoting the social and economic welfare of or the uplift of the people in any rural areas under the Income tax Act, 1961, or any other law relating to rural development for the time being in force and the Directors may at their discretion in order to implement any of the above mentioned objects or purposes, transfer without consideration or at such fair or concessional value as the Directors may think fit and divest the ownership of any property of the Company to or in favour of any public or local body or Authority or Central or State Government or any public institution or Trust recognized or approved by the Central or State Government or any Authority specified in that behalf by such Government or established under any Law for the time being in force .
- i. To undertake, carry out, promote and sponsor or assist any activity for the promotion and growth of the national economy and for discharging what Directors may consider to be social and moral responsibilities of the Company to the public or any section of the public as also any activity which the Directors consider likely to promote national welfare or social, economic or moral uplift of the public or any section of the public and in such manner and by such means as the Directors may think fit and the Directors may without prejudice to the generality of the foregoing undertake, carry out, promote and sponsor any activity for publication of any books, literature, newspaper etc or for organizing lectures or seminars likely to advance these objects or for giving merit awards,

scholarships, loans or any other assistance to deserving students or other scholars or persons to enable them to proceed their studies or academic pursuits or researches and for establishing, conducting or assisting any institution, fund trust etc having any one of the aforesaid objects as one of its objects ,by giving donations or otherwise in any manner and the Directors may at their discretion in order to implement any of the above mentioned objects or purposes transfer without consideration or at such fair or concessional value as the Directors may think fit and divest the ownership of any property of the Company to or in favour of any Public or Local Body or Authority or Central or State Government or any Public Institutions or Trusts recognized or approved by the Central or State Government or any Authority specified in that behalf by such Government or established under any Law or the time being in force.

- j. To provide vocational educational training in various skills including special education and employment enhancing vocational skills, especially among the rural sector, children, women, elderly and differently abled, promote and aid in livelihood enhancement projects, identify and operate training centers in or in the vicinity of manufacturing units in the textile manufacturing belts, create requisite infrastructure and fixtures, provide for interaction with Industry partners with respect to work integrated aspect of the training and internship, on-the job training for unemployed youth, provide support staff for implementation and structure relationship and enter in to Agreements with social entrepreneurship outreach entities in the public and private sector, universities and similar authorized and designated entities for the said purpose.
- k. To perform and undertake activities pertaining to lease or assist in leasing of all forms of movable and immovable properties and assets including buildings, godowns, warehouses and real estate of any kind or nature, whatsoever and all types of industrial office and other plant, machinery and equipment, including heavy or medium industrial machinery, computers, including soft-wares and all types and description of vehicles, ships or aircrafts and any other property or asset of any kind or nature and for the purpose purchase or otherwise acquire dominion over the same, whether new or used and to alter, repair, and maintain such assets.
- l. To carry on the business in all kinds, types, nature and description of immovable and movable properties and without prejudice to the generality of the foregoing to invest in and acquire, hold, sell and deal in real estate of buildings, lands, farms and to deal with and turn to account the same or invest in the capital of business undertakings of all kinds, nature, types and description, including firms, companies, body corporate, association of persons, etc.

1.3.3 The Authorised, issued, subscribed and paid up share capital of the

Transferor Company is as follows:

Equity	No. of Shares	FV Rs.	Amount Rs. lakhs
Authorised Share Capital			
Equity Shares	21000000	10	2100.00
6% Cum. Redeemable Preference Shares	300000	100	300.00
Issued, Subscribed & Paid up			
Equity Shares	20760063	10	2076.01
6% Cum. Redeemable Preference Shares	135000	100	135.00

1.3.4 The Transferor Company and the Transferee Company are controlled by common promoters.

1.3.5 The Transferor Company is primarily engaged in weaving and processing of denim and industrial fabrics.

1.4 **TRANSFEEE COMPANY**

1.4.1 Sri Kannapiran Mills Limited, is a Company incorporated under the Companies Act, 1913 on 02-07-1946 bearing Corporate Identity Number: U17111Z1946PLCO00188 and has its Registered Office Mill Premises, Sowripalayam, Coimbatore- 641 028 (hereinafter referred to as “Transferee Company”)

1.4.2 The Main Objects for which the Transferee Company is incorporated is as follows:

- a. To carry on all or any of the following business namely cotton spinners and doublers, flax, hemp and jute spinners, linen manufacturers, weaving and processing of fabrics (including canvas, denims, hosiery and terry towels) flax, hemp, jute and woolen merchants, wool combers, worsted spinners, cotton ginners, yarn merchants, apparel and worsted stuff manufacturers, bleachers and dyers and makers of vitriol, bleaching and dyeing materials and to purchase, comb, prepare, spin, dye and deal in flax, hemp. Jute, wool, cotton, silk and other fibrous substance and to weave or otherwise manufacture, buy and sell and deal in linen, cloth and other goods and fabrics, whether textile, felted, netted or looped.
- b. To wash, clean purify scour, wring, dry, iron, color , dye, disinfect, renovate and prepare for use all articles of weaving apparel, household, domestic and other linen and cotton and woolen goods and clothing and fabrics and all kinds
- c. To carry on all or any of the business of silk mercers, silk weavers, cloth manufacturers, hosiers, carpet makers, importers and wholesale and retail dealers of and in textile fabrics of all kinds.

- d. To carry on in all or any of their branches, the business of manufacturers, producers, importers, exporters, merchants, brokers and wholesale and retail dealers of and in all kinds of dyes, dyestuffs, chemical drugs, paints, varnishes, colours, industrial pharmaceutical and other preparations, articles, compounds, ingredients and products or other goods of any description whether analogous to any of those above enumerated or not.
- e. To carry on the trade or business of real estate developers, architects , planners , civil engineers builders, contractors for construction work of any kind whether on land already held or proposed to be acquired, including residential, commercial, industrial buildings, integrated town ship, gated community living, shopping malls, multistoried housing and commercial premises, technology parks, software parks, electronic and hardware technology parks, cyber cities, smart cities , hotels, resorts, city and regional level urban infrastructural facilities such as road, bridges, airports, harbors and other specialized structures and for the demolition of any structure either singly or jointly or in partnership (including private public partnership)
- f. To carry on all or any business on India or elsewhere in the world of to act as Carry & Forward Agent for all kind of products.
- g. To carry on business of agency and representatives and to undertake to sell or purchases or keep in deposition under any other terms, goods, articles, merchandise or properties of any kind and to dispose the same according to the usage of the trade and to secure agencies and represent India and Foreign business undertakings dealing in all trades and description of goods and to buy, sell, import, export all kinds of commodities and materials of every description on the basis of commission, brokerage, and other modes of remuneration and to do all matters and things incidental thereto and usual with all such business.
- h. To carry on, establish and promote in India or else where in any part of the world all or any of the following business viz., business of general merchants, export and import agents, forwarding and commission agents, merchants, executors and administrators, managing agents, insurance agents, mercantile agents, property agents and contractors.
- i. To buy, sell, deal in all kinds of building materials required for infrastructural development including mining, prospecting, quarrying sand, stone, marble or any other building materials, deposits and mines.
- j. To act as Specialized Recruitment and Placement Agents, Technical and Management Consultants and provide advice, services, consultancy in various fields including general administrative, industrial, public relations, scientific, technical, direct and indirect taxation and other levies, statistical, accountancy, quality control and data processing.

- k. To buy, sell, lease, rent, install, hire computer systems and otherwise deal with computer hardware and software in all respect and conduct all types of training programmes in computer software, hardware, computer installation, servicing, software development and allied areas of activities.
- l. To carry on business as manufactures, traders, wholesalers, retailers, distributors, dealers, stockists, agents, importers, exporters, of all types, varieties, description and kinds of office automation and communication instruments, equipments and machines, their spares and accessories.
- m. To carry out financing operations and perform financing services, including factoring, bill marketing, making of loans, both short term and long term and without prejudice to the generality of the above engage in the business of advancing or lending money with or without security and make advances upon security of any property, movable or immovable or any interest thereon and to manage, supervise, or control the business or operations of any company or undertaking financed by the company and for that purpose appoint all necessary employees, experts or agents.
- n. To carry on and undertake the business of hire purchase, hiring or letting on hire, of all kinds of movable and immovable assets or properties and to assist in financing of all kinds of hire purchase, deferred payment or similar transactions and to subsidize, finance or assist in subsidizing or financing the sale and maintenance of any goods, articles or commodities whether new / used and located in India or in any part of the world.
- o. To perform and undertake activities pertaining to lease or assist in leasing of all forms of movable and immovable properties and assets including buildings, godowns, warehouses and real estate of any kind or nature, whatsoever and all types of industrial, office and other plant, machinery and equipment, including heavy or medium industrial machinery, computers, including soft-wares and all types and description of vehicles, ships or air crafts and any other property or asset of any kind or nature and for the purpose, purchase or otherwise acquire dominion over the same, whether new or used and to alter, repair, and maintain such assets.
- p. To carry on the business in all kinds, types, nature and description of immovable and movable properties and without prejudice to the generality of the foregoing to invest in and acquire, hold, sell and deal in real estate of buildings, lands, farms and to deal with and turn to account the same or invest in the capital of business undertakings of all kinds, nature, types and description, including firms, companies, body corporate, association of persons, etc.
- q. To undertake, carry out, promote and sponsor rural development including any programme for promoting the social and economic welfare of or the uplift of the people in any rural area and to incur any

expenditure on any programme of rural development and to assist execution and promotion thereof either directly or through an independent agency or in any other manner and to incur any expenditure by way of payment of any sum to any association or institution which has as its object the undertaking or carrying out any programme of rural development. Without prejudice to the generality of the foregoing, "programme of rural development " shall also include any programme for promoting the social and economic welfare of or the uplift of the people in any rural areas which the Directors consider is likely to promote and assist rural development and that the words "rural area" shall include such areas as may be regarded as rural areas under the Income tax Act, 1961, or any other law relating to rural development for the time being in force and the Directors may at their discretion in order to implement any of the above mentioned objects or purposes, transfer without consideration or at such fair or concessional value as the Directors may think fit and divest the ownership of any property of the company to or in favour of any public or local body or Authority or Central or State Government or any public institution or Trust recognized or approved by the Central or State Government or any Authority specified in that behalf by such Government or established under any Law for the time being in force .

- r. To undertake, carry out, promote and sponsor or assist any activity for the promotion and growth of the national economy and for discharging what Directors may consider to be social and moral responsibilities of the company to the public or any section of the public as also any activity which the Directors consider likely to promote national welfare or social, economic or moral uplift of the public or any section of the public and in such manner and by such means as the Directors may think fit and the Directors may without prejudice to the generality of the foregoing undertake, carry out, promote and sponsor any activity for publication of any books, literature, newspaper etc or for organizing lectures or seminars likely to advance these objects or for giving meri awards, scholarships, loans or any other assistance to deserving students or other scholars or persons to enable them to proceed their studies or academic pursuits or researches and for establishing ,conducting or assisting any institution, fund, trust etc having any one of the aforesaid objects as one of its objects, by giving donations or otherwise in any manner and the Directors may at their discretion in order to implement any of the above mentioned objects or purposes transfer without consideration or at such fair or concessional value as the Directors may think fit and divest the ownership of any property of the company to or in favour of any Public or Local Body or Authority or Central or State Government or any Public

Institutions or Trusts recognized or approved by the Central or State Government or any Authority specified in that behalf by such Government or established under any Law or the time being in force.

- s. To provide vocational educational training in various skills including special education and employment enhancing vocational skills, especially among the rural sector, children, women, elderly and differently-abled, promote and aid in livelihood enhancement projects, identify and operate training centers in or in the vicinity of manufacturing units in the textile manufacturing belts, create requisite infrastructure and fixtures, provide for interaction with Industry partners with respect to work integrated aspect of the training and internship, on the job training for unemployed youth, provide support staff for implementation and structure relationship and enter into Agreements with social entrepreneurship outreach entities in the public and private sector, universities and similar authorized and designated entities for the said purpose.

1.4.3 The Authorised, issued and subscribed share capital of the Company comprising of equity shares and preference shares is as follows:

Equity	No. of Shares	FV Rs.	Amount Rs. lakhs
Authorised Share Capital			
Equity Shares	6000000	10	600.00
6% Cumulative Preference Shares	300000	100	300.00
Issued, Subscribed & Paid up			
Equity Shares	3636479	10	363.65
Forfeited Shares	100	10	0.01

1.4.4 The Transferee Company owns and operates spinning mills at multiple locations.

1.4.5 The present Scheme proposed is the amalgamation of the Transferor Company with the Transferee Company for the purpose of synergy in operations, better management and control.

1.5 **RATIONALE OF THE PROPOSED SCHEME OF AMALGAMATION**

- a. In today's fast changing domestic and global business, economic and political environment, size of business and business integration matters very much to have advantages of scale and face competitive challenges. Many companies in the textile industry have integrated facilities for yarn spinning, weaving, processing and garmenting having advantages of common operation, lower stock holding and better level of profitability compared to stand alone units.
- b. The Transferor Company and the Transferee Company are mutually

dependent on each other with Transferor Company depending on Transferee Company for conversion of cotton in to yarn and Transferee Company depending on Transferor Company for using its specialized manufacturing facilities for making denim yarn.

- c. During the last decade or so, textile industry has witnessed entry of new players with integrated capacity (spinning, weaving, processing, garmenting and retailing) besides expansion and integration by both existing and new players with tie up with foreign labels/brands. Business now requires size, more operational flexibility, cost and operational efficiency and integration.
- d. The Management has been gauging the business developments year over year in the back drop of changing business and economic laws, technological developments and happenings in the industrial sector and recent happening in the banking and financial sector. It is earnestly felt that keeping spinning and weaving facilities on stand alone basis will not be advantageous and that integration of the two businesses in to one for better management as a single entity will be in the larger interest of all stake holders.
- e. The fact that the Transferor Company and Transferee Company are managed by the same Management with common promoters, with workers trained and developed on a common platform, makes it attractive to merge the business to ensure sustained operation.
- f. The merger is also welcome in the backdrop of the new GST frame work and beneficial from the income tax stand point. Suppliers of main raw material viz., cotton and yarn are common to both the companies with whom both the companies have long track record of operations. The resultant amalgamation will be in the best interest of the Banks as well to ensure debt servicing.
- g. The experience over the last 3 years to tie up equity through private equity for funding future growth plans reveal that private equity players/venture capitalists/strategic investors show preference for vertically integrated players than stand alone companies even in the same Group. Merger will therefore facilitate fund raising for future expansion also.
- h. Following significant benefits are expected to flow from the proposed amalgamation:
 - ★ Higher value addition
 - ★ Savings in administrative and operational costs
 - ★ Overall reduction in inventory holding
 - ★ Greater flexibility and benefits of ease of operation and economics of scale

- ★ Better utilization of all human resource with combined managerial & operating strength
- ★ Consolidation and stabilization the business of the companies
- ★ Increase in overall efficiency, profitability and cash flow
- ★ Will be a good step towards Risk Mitigation
- ★ Will lead to increase in profitability, EPS and shareholder's value over the long term
- ★ Carried forward depreciation and Business losses aggregating to Rs.35 crores of KGFL will reduce income tax liability of the merged entity
- ★ Accumulated Non-refundable GST Input Tax Credit of Rs 280 lakhs in weaving operations can be used to adjust GST liability of the spinning business
- ★ Easier & earlier completion of pending Export Obligation of SKML with higher fabric exports of merged entity
- ★ Number of Shares for the merged entity will be comparatively less due to swapping of shares
- ★ Provisions related to Related Party Transactions under Companies Act, 2013 will no longer be applicable
- ★ Improved External Credit Rating over the medium and long term
- ★ Time and cost savings in statutory compliance costs
- ★ Will facilitate future business growth and fund raising through private equity, venture capital

1.6 Both Transferor Company and Transferee Company intend that the amalgamation in accordance with this Scheme shall take effect from the Appointed Date as defined hereinafter, but will be operative from the Effective Date as defined hereinafter.

PART-II

2. DEFINITIONS

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

- 2.1 “Act” or “Companies Act” means the Companies Act, 2013
- 2.2 “Appointed Date” means the 1st day of April 2018 or such other date as the Tribunal may direct for the purposes of this Scheme and for the Income Tax Act, 1961
- 2.3 “Audit Committee” means the audit committee of the Transferor Company and Transferee Company, as constituted from time to time;
- 2.4 “Board of Directors” or “Board” in relation to each of the Transferor Company

and the Transferee Company, as the case may be, means the board of directors of such company;

2.5 “Effective Date” means the date when the certified copy of the order sanctioning the Scheme of Amalgamation by the National Company Law Tribunal, Chennai Bench is filed with the Registrar of Companies, Coimbatore in pursuance of Section 230 (8) of the Companies Act, 2013.

2.6 “Tribunal” means the Hon'ble National Company Law Tribunal at Chennai exercising jurisdiction over the Transferor Company and the Transferee Company.

2.7 “Record Date” means the date to be fixed by the Board of Directors of the Transferee Company for the purpose of reckoning names of the shareholders of the Transferor Company, who shall be entitled to receive the shares of the Transferee Company upon coming into effect of this Scheme, as specified in this Scheme.

2.8 “The Scheme” means this Scheme of Amalgamation in its present form or with any modifications approved or imposed or directed by the Hon'ble National Company Law Tribunal or by the shareholders of Transferor Company and Transferee Company in General Meeting or through Postal Ballot/E-Voting.

2.9 “Schedules” shall mean the Schedules to the Scheme

2.10 “Undertaking” shall mean:

“Undertaking” means and include all the business, properties, investments and liabilities of whatsoever nature and kind and wheresoever situated, of the Transferor Company, on a going concern basis, together with all its assets, liabilities and employees and shall include (without limitation):

- a) all immovable properties, both freehold and leasehold together with all buildings, structures thereon and all plant and machinery attached to the earth or permanently fastened to any thing attached to the earth (including those described specifically in Schedule I hereto)
- b) all moveable properties including plant and machinery, equipments, furniture, fixtures, vehicles, stocks and inventory, packing, packaging material, leasehold assets and other properties, real, corporeal and incorporeal, in possession or otherwise, present and contingent assets (whether tangible or intangible) of whatsoever nature, assets including cash in hand, amounts lying in the banks to the credit of the Transferor Company, investments of all kinds (i.e. shares, scrip's, stocks, bonds, debenture stocks, units or pass through certificates),
- c) All privileges, liberties, easements, advantages, benefits, exemptions, licenses, privileges and approvals of whatsoever nature including those enumerated in Schedule-II hereto;
- d) All claims, powers, authorities, licenses, grants allotments, approvals,

consents, letters of intent, registrations,

- e) All contracts, engagements, arrangements, rights, credits, titles, interests, benefits, club memberships, advantages, leasehold rights, memorandum of understandings, brands, sub-letting tenancy rights, with or without the consent of the landlord as may be required by law, goodwill, other intangible items (whether or not recorded in the books of Transferor Company), industrial and other licenses, permits, authorizations, trademarks, trade names, patents, patent rights, copyrights, designs, logo, pre-qualification rights, and other industrial and intellectual properties and rights of any nature whatsoever including know-how, domain names, or any applications for the above, assignments and grants in respect thereof, import quotas and other quota rights, right to use and avail of telephones, telex, facsimile and other communication facilities, connections, installations and equipment, utilities, electricity and electronic and all other services of every kind, nature and description whatsoever, provisions, funds, and benefits of all agreements, arrangements, deposits, advances, recoverable and receivables, whether from Government, semi-Government, local authorities or any other person including customers, contractors or other counter parties, etc., all earnest monies and/or deposits;
- f) All privileges, liberties, easements, advantages, benefits, exemptions, licenses, privileges and approvals of whatsoever nature (including but not limited to benefits of tax exemptions/incentives/benefits and/or exemption or rebate entitlements, all tax holiday, tax relief including those available under the Income Tax Act or other fiscal and tax legislations, such as credit for advance tax, self-assessment tax, regular assessment tax, carry forward of losses and depreciation, taxes deducted at source, minimum alternate tax credit, credit for tax under Section 115 JB, credit for dividend distribution tax, credit for foreign taxes paid/withheld etc, credit for VAT/GST paid including input tax credit where applicable, credit for Service Tax, CENVAT credit, input tax credit,etc.) and wheresoever situated, belonging to or in the ownership, power or possession or control of or vested in or granted in favour of or enjoyed by Transferor Company, as on the Appointed Date;
- g) All debts (secured and unsecured), liabilities including contingent liabilities by way of arrears of dividend on Preference Shares till 31.3.2018, duties, leases of the transferor company and all other obligations of whatsoever kind, nature and description whatsoever and howsoever arising, raised or incurred or utilized. Provided that if there exists any reference in the security documents or arrangements entered into by the Transferor Company under which the assets of the Transferor Company stand offered as a security for any financial assistance or

obligation, the said reference shall be construed as a reference to the assets pertaining to the business of the Transferor Company vested in the Transferee Company by the virtue of the Scheme. The Scheme shall not operate to enlarge the security for any loan, deposit or facility created by the Transferor Company which shall vest in Transferee Company by virtue of the Amalgamation. The Transferee Company shall not be obliged to create any further or additional security thereof after the merger has become effective.

h) All books, records, files, papers, engineering and process information, records of standard operating procedures, computer programs along with their licenses, drawings, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information and other records whether in physical or electronic form, in connection with or relating to the Transferor Company.

2.13. All terms and words used in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the 2013 Act, as applicable, the Income Tax Act, 1961 the Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992 (including the regulations made there under), the Depositories Act, 1996 and other applicable laws, rules, regulations, bye-laws, as the case may be or any statutory modification or re-enactment thereof for the time being in force.

2.14. References to clauses and recitals, unless otherwise provided, are to clauses and recitals of and to this Scheme.

2.15. The headings herein shall not affect the construction of this Scheme.

2.16. The singular shall include the plural and vice versa; and references to one gender include all genders.

2.17. Any phrase introduced by the terms "including", "include", "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

2.18. References to a person include any individual, firm, body corporate (whether incorporated or not), government, state or agency of a state or any joint venture, association, partnership, works council or employee representatives body (whether or not having separate legal personality).

2.19. References to any of the terms taxes, duty, levy, cess in the Scheme shall be construed as reference to all of them whether jointly or severally.

2.20. Any reference to any statute or statutory provision shall include:

(a) All subordinate legislations made from time to time under that provision (whether or not amended, modified, re-enacted or consolidated from time

to time) and any retrospective amendment; and

- (b) Such provision as from time to time amended, modified, re-enacted or consolidated (whether before or after the filing of this Scheme) to the extent such amendment, modification, re-enactment or consolidation applies or is capable of applying to the matters contemplated under this Scheme and (to the extent liability there under may exist or can arise) shall include any past statutory provision(as amended, modified, re-enacted or consolidated from time to time) which the provision referred to has directly or indirectly replaced.

PART – III

3. THE SCHEME

3.1. Transfer and vesting of assets of Transferor Company

- 3.1.1. Upon the coming into effect of the Scheme and with effect from the Appointed Date, the Undertaking of the Transferor Company shall, pursuant to the sanction of the Scheme by the Honorable Tribunal and pursuant to the provisions of Sections 230 to 240 and other provisions of the 2013 Act, as applicable, will be and shall stand transferred to and vested in and/or be deemed to have been transferred to and vested in the Transferee Company, as a going concern, in accordance with Section 2(1B) of the Income Tax Act without any further act, instrument, deed, matter or thing so as to become, as and from the Appointed Date, the undertaking of the Transferee Company by virtue of and in the manner provided in this Scheme.
- 3.1.2. Without prejudice to the generality of Clause Upon the coming into effect of the Scheme and with effect from the Appointed Date, the Undertaking of the Transferor Company shall, pursuant to the sanction of the Scheme by the Honorable Tribunal and pursuant to the provisions of Sections 230 to 240 and other provisions of the 2013 Act, as applicable, will be and shall stand transferred to and vested in and/or be deemed to have been transferred to and vested in the Transferee Company, as a going concern, in accordance with Section 2(1B) of the Income Tax Act without any further act, instrument, deed, matter or thing so as to become, as and from the Appointed Date, the undertaking of the Transferee Company by virtue of and in the manner provided in this Scheme..1 above, upon the coming into effect of the Scheme and with effect from the Appointed Date:
- A. all the estate, assets (including intangible assets), properties, investments of all kinds (that is, shares, scripts, stocks, bonds, debenture stocks, units or pass through certificates), rights, claims, title, interest and authorities including accretions and appurtenances, whether or not provided and/or recorded in the books of accounts, comprised in the Undertaking of whatsoever nature and where-so-ever situate shall, under the provisions of Sections 230 to 240 and other provisions of the 2013 Act,

as applicable, and all other provisions of applicable law, if any, without any further act, instrument or deed, cost or charge and without any notice or other intimation to any third party for the transfer of the same, will be and shall stand transferred to and vested in the Transferee Company and/or be deemed to be transferred to and vested in the Transferee Company as a part of the transfer of the Undertaking as a going concern so as to become, as and from the Appointed Date, the estate, assets (including intangible assets), properties, investments of all kinds (that is, shares, scrips, stocks, bonds, debenture stocks, units or pass through certificates), rights, claims, title, interest and authorities including accretions and appurtenances of the Transferee Company.

- B. Such of the assets and properties of the Transferor Company as are movable in nature or incorporeal property or are otherwise capable of transfer by delivery or possession, or by endorsement and/or delivery shall, under the provisions of Sections 230 to 240 and other provisions of the 2013 Act, as applicable, and all other provisions of applicable law, if any, without any cost or charge and without any notice or other intimation to any third party for the transfer of the same, be and stand transferred to and vested in the Transferee Company and/or be deemed to stand transferred to the Transferee Company as a part of the transfer of the Undertaking as a going concern so as to become from the Appointed Date, the assets and properties of the Transferee Company. The vesting pursuant to this sub-clause shall be deemed to have occurred by physical or constructive delivery or by endorsement and delivery or by vesting and recorded pursuant to this Scheme, as appropriate to the property being vested and title to the property shall be deemed to have been transferred accordingly.
- C. All other movable properties of the Transferor Company, including investments of all kinds (that is, shares, scrips, stocks, bonds, debenture stocks, units or pass through certificates), sundry debtors, receivables, bills, credits, loans and advances, if any, whether recoverable in cash or in kind or for value to be received, bank balances, deposits with any Government, quasi government, local or other authority or body or with any company or other person, the same shall, under the provisions of Sections 230 to 240 and other provisions of the 2013 Act, as applicable, and all other provisions of applicable law, if any, without any further act, instrument or deed, cost or charge and without any notice or other intimation to any third party for the transfer of the same, will be and shall stand transferred to and vested in the Transferee Company and/or deemed to have been transferred to and vested in the Transferee Company, by way of delivery of possession of the respective documents, as applicable, as a part of the transfer of the Undertaking as a going concern,

so as to become from the Appointed Date, the assets and properties of the Transferee Company.

- D. The Transferee Company may, if it so deems appropriate, give notice in such form as it deems fit and proper, to each such debtor or obligor, that pursuant to the sanction of this Scheme by the Tribunal, such debt, loan, advance, claim, bank balance, deposit or other asset be paid or made good or held on account of the Transferee Company as the person entitled thereto, to the end and intent that the right of the Transferor Company to recover or realize all such debts (including the debts payable by such debtor or obligor to the Transferor Company) stands transferred and assigned to the Transferee Company and that appropriate entries should be passed in the books of accounts of the relevant debtors or obligors to record such change. It is hereby clarified that investments, if any, made by the Transferor Company and all the rights, title and interest of the Transferor Company in any licensed properties or leasehold properties shall, pursuant to Section 232(4) of the 2013 Act and the provisions of this Scheme, without any further act or deed, be transferred to and vested in or be deemed to have been transferred to and vested in the Transferee Company.
- E. All immovable properties of the Transferor Company, including land together with the buildings and structures standing thereon and rights and interests in immovable properties of the Transferor Company, whether freehold or leasehold or licensed or otherwise and all documents of title, rights and easements in relation thereto shall stand transferred to and be vested in and transferred to and/or be deemed to have been and stand transferred to and vested in the Transferee Company, without any further act or deed done or being required to be done by the Transferor Company and/or the Transferee Company. The Transferee Company shall be entitled to exercise all rights and privileges attached to the aforesaid immovable properties and shall be liable to pay/receive the ground rent and taxes and fulfill all obligations in relation to or applicable to such immovable properties. The mutation of the ownership or title, or interest in the immovable properties shall, upon this Scheme becoming effective, be made and duly recorded in the name of the Transferee Company by the appropriate authorities pursuant to the sanction of this Scheme by the Court in accordance with the terms hereof, without requirement of any further instrument or Deed.
- F. All lease/license or rent agreements entered into by the Transferor Company with various landlords, owners and lessors in connection with the use of the assets of the Transferor Company, together with security deposits and advance/prepaid lease/license fee, etc., shall stand

automatically transferred and vested in favour of the Transferee Company on the same terms and conditions without any further act, instrument, deed, matter or thing being made, done or executed. The Transferee Company shall continue to pay rent, or lease or license fee as provided for in such agreements, and the Transferee Company and the relevant landlords, owners and lessors shall continue to comply with the terms, conditions and covenants there-under. Without limiting the generality of the foregoing, the Transferee Company shall also be entitled to refund of security deposits paid under such agreements by the Transferor Company. Without prejudice to the generality of the foregoing, the lease granted by SIPCOT vide Lease Deed No. 5039 of 2008 in respect of the Schedule A Property in favour of the Transferor Company shall stand assigned to the Transferee Company, without requirement for payment of any transfer fee to SIPCOT.

- G. All permissions, approvals, consents, permissions, subsidies, incentives, allocations, privileges, income tax benefits and exemptions, indirect tax benefits and exemptions, all other rights, benefits and Liabilities related thereto, licenses, powers and facilities of every kind, nature and description whatsoever, provisions and benefits of all agreements, contracts and arrangements and all other interests in connection with or relating to the Transferor Company enjoyed or conferred upon or held or availed of by the Transferor Company and all rights and benefits that have accrued or which may accrue to the Transferor Company, whether on, before or after the Appointed Date, if any, shall, under the provisions of Sections 230 to 240 and other provisions of the 2013 Act, as applicable, and all other provisions of applicable law, if any, without any further act, instrument or deed, cost or charge and without any notice or other intimation to any third party for the transfer of the same be and stand transferred to and vested in and/or be deemed to be transferred to and vested in the Transferee Company as a part of the transfer of the Undertaking as a going concern, so as to become, as and from the Appointed Date, the permissions, approvals, consents, subsidies, privileges, income tax benefits and exemptions, indirect tax benefits and exemptions, all other rights, benefits and Liabilities related thereto, licenses, powers and facilities of every kind, nature and description whatsoever, provisions and benefits of all agreements, contracts and arrangements, of the Transferee Company and shall remain valid, effective and enforceable on the same terms and conditions. It is further clarified that they shall be deemed to have originally been given by, issued to or executed in favour of the Transferee Company, and the Transferee Company shall be bound by the terms thereof and the obligations and duties there under, and the rights and benefits under the same shall be

available to the Transferee Company.

- H. All contracts, deeds, bonds, agreements, schemes, arrangements and other instruments, permits, rights, entitlements, licenses (including the licenses granted by any Governmental, statutory or regulatory bodies) for the purpose of carrying on the business of the Transferor Company, and in relation thereto, and those relating to tenancies, privileges, powers, facilities of every kind and description of whatsoever nature in relation to the Transferor Company, or to the benefit of which, the Transferor Company may be eligible and which are subsisting or having effect immediately before the Effective Date, shall be in full force and effect on, against or in favour of the Transferee Company and may be enforced as fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary or obligor thereto. In relation to the same, any procedural requirements required to be fulfilled solely by the Transferor Company (and not by any of its successors), shall be fulfilled by the Transferee Company as if it is the duly constituted attorney of that Transferor Company.
- I. Without prejudice to the generality of the foregoing, all leave and licence agreements/deeds, lease agreements/ deeds, bank guarantees, performance guarantees and letters of credit, hire purchase agreements, lending agreements and such other agreements, deeds, documents and arrangements pertaining to the business of the Transferor Company or to the benefit of which the Transferor Company may be eligible and which are subsisting or having effect immediately before the Effective Date, including all rights and benefits (including benefits of any deposit, advances, receivables or claims) arising or accruing there from, shall, with effect from Appointed Date and upon this Scheme becoming effective, by operation of law pursuant to the vesting orders of the Court, be deemed to be contracts, deeds, bonds, agreements, schemes, arrangements and other instruments, permits, rights, entitlements, licenses of the Transferee Company. Such property and rights shall stand vested in the Transferee Company and shall be deemed to have become the property of the Transferee Company by operation of law, whether the same is implemented by endorsement or delivery and possession or recordal in any other manner.
- J. All the intellectual property rights of any nature whatsoever, including but not limited to intangible assets appertaining to the Transferor Company, whether or not provided in books of accounts of the Transferor Company, shall under the provisions of Sections 230 to 240 and other provisions of the 2013 Act, as applicable, and all other provisions of applicable law, if any, without any further act, instrument or deed, cost or charge and without any notice or other intimation to any third party for the transfer of

the same, be and stand transferred and vested in the Transferee Company as a part of the transfer of the Undertaking as a going concern, so as to become, as and from the Appointed Date, the intellectual property of the Transferee Company.

- K. All taxes (including but not limited to advance tax, tax deducted at source, minimum alternate tax credits, securities transaction tax, taxes withheld/paid in a foreign country, value added tax, sales tax, service tax, or goods and service tax, as applicable, excise duty, wealth tax, fringe benefit tax and tax collected at source, etc.) payable by or refundable to or being the entitlement of the Transferor Company, including all or any refunds or claims shall be treated as the tax liability or refunds/credits/claims, as the case may be, of the Transferee Company, and any tax incentives, advantages, privileges, exemptions, credits, tax holidays, remissions, reductions, as would have been available to the Transferor Company, shall pursuant to this Scheme becoming effective, be available to the Transferee Company. Benefit of tax losses including brought forward business loss, unabsorbed depreciation, etc. of the Transferor Company (including unabsorbed business loss and unabsorbed depreciation available to the Transferor Company in view of any arrangement undertaken, pursuant to Sections 230 to 240 and other applicable provisions of the Companies Act, 2013, prior to the Appointed Date), up to the Appointed Date, shall be available to Transferee Company with effect from Appointed Date in terms of Section 72A of Income Tax Act, 1961.
- L. The Transferee Company shall be entitled to claim refunds or credits, including Input Tax Credits, with respect to taxes paid by, for, or on behalf of, the Transferor Company under applicable laws, including but not limited to sales tax, value added tax, service tax, excise duty 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. For the avoidance of doubt, Input Tax Credits already availed of or utilised by the Transferor Company and the Transferee Company in respect of inter se transactions shall not be adversely impacted by the cancellation of inter se transactions pursuant to this Scheme.
- M. All statutory rights and obligations of Transferor Company would vest on/accrue to Transferee Company. Hence, obligation of the Transferor Company, prior to the Effective Date, to issue or receive any statutory declaration or any other Forms by whatever name called, under the Goods and Service Tax Act or State VAT Acts or any other applicable law for the time being in force, would be deemed to have been fulfilled if they are issued or received by Transferee Company and if any Form relating to the period prior to the said Effective Date is received in the name of the

Transferor Company, it would be deemed to have been received by the Transferee Company in fulfillment of its obligations.

- N. Benefits of any and all corporate approvals as may have already been taken by the Transferor Company, whether being in the nature of compliances or otherwise, shall under the provisions of Sections 230 to 240 and other provisions of the 2013 Act, as applicable, and all other provisions of applicable law, if any, without any further act, instrument or deed, cost or charge and without any notice or other intimation to any third party for the transfer of the same, be and stand transferred and vested in the Transferee Company as a part of the transfer of the Undertaking as a going concern, and the said corporate approvals and compliances shall be deemed to have originally been taken / complied with by the Transferee Company.
- O. The resolutions, if any, of the Transferor Company, which are valid and subsisting on the Effective Date, shall under the provisions of Sections 230 to 240 and other provisions of the 2013 Act, as applicable, and all other provisions of applicable law, if any, without any further act, instrument or deed, cost or charge and without any notice or other intimation to any third party for the transfer of the same, be and stand continue to be valid and subsisting and be considered as resolutions of the Transferee Company and if any such resolutions have any monetary limits approved under the provisions of the 1956 Act or the 2013 Act as applicable, or any other applicable statutory provisions, then the said limits shall be added to the limits, if any, under like resolutions passed by the Transferee Company and shall constitute the aggregate of the said limits in the Transferee Company.
- P. Such of the assets comprised in the Undertaking and which are acquired by the Transferor Company on or after the Appointed Date but prior to the Effective Date, shall under the provisions of Sections 230 to 240 and other provisions of the 2013 Act, as applicable, and all other provisions of applicable law, if any, without any further act, instrument or deed, cost or charge and without any notice or other intimation to any third party for the transfer of the same, be and stand transferred to and vested in and be deemed to have been transferred to and vested in the Transferee Company as a part of the transfer of the Undertaking as a going concern, so as to become, as and from the Appointed Date, the assets of the Transferee Company.

3.1.3. Without prejudice to the generality of Clause Upon the coming into effect of the Scheme and with effect from the Appointed Date, the Undertaking of the Transferor Company shall, pursuant to the sanction of the Scheme by the Honorable Tribunal and pursuant to the provisions of Sections 230 to 240 and other provisions of the 2013 Act, as applicable, will be and shall stand

transferred to and vested in and/or be deemed to have been transferred to and vested in the Transferee Company, as a going concern, in accordance with Section 2(1B) of the Income Tax Act without any further act, instrument, deed, matter or thing so as to become, as and from the Appointed Date, the undertaking of the Transferee Company by virtue of and in the manner provided in this Scheme. above, upon the coming into effect of this Scheme and with effect from the Appointed Date:

- A. All the Liabilities, whether or not provided in the books of the Transferor Company, shall, under the provisions of Sections 230 to 240 and other provisions of the 2013 Act, as applicable, and all other provisions of applicable law, if any, without any further act, instrument, deed, cost or charge and without any notice or other intimation to any third party for the transfer of the same, be and stand transferred to and vested in and be deemed to have been transferred to and vested in the Transferee Company as a part of the transfer of the Undertaking as a going concern and the same shall be assumed by the Transferee Company, to the extent they are outstanding on the Effective Date and shall become as and from the Appointed Date the Liabilities of the Transferee Company on the same terms and conditions as were applicable to the Transferor Company, and the Transferee Company shall meet, discharge and satisfy the same.
- B. All Liabilities comprised in the Undertaking, and which are incurred or which arise or accrue to the Transferor Company on or after the Appointed Date but prior to the Effective Date, shall under the provisions of Sections 230 to 240 and other provisions of the 2013 Act, as applicable, and all other provisions of applicable law, if any, without any further act, instrument or deed, cost or charge and without any notice or other intimation to any third party for the transfer of the same, be and stand transferred to and vested in and be deemed to have been transferred to and vested in the Transferee Company as a part of the transfer of the Undertaking as a going concern and the same shall be assumed by the Transferee Company and to the extent they are outstanding on the Effective Date on the same terms and conditions as were applicable to the Transferor Company, and the Transferee Company shall meet, discharge and satisfy the same.
- C. Any Liabilities of the Transferor Company as on the Appointed Date that are discharged by the Transferor Company on or after the Appointed Date but prior to the Effective Date, shall be deemed to have been discharged for and on account of the Transferee Company.
- D. All loans raised and utilized, liabilities, duties and taxes and obligations incurred or undertaken by the Transferor Company on or after the Appointed Date but prior to the Effective Date shall be deemed to have

been raised, used, incurred or undertaken for and on behalf of the Transferee Company and shall, under the provisions of Sections 230 to 240 and other provisions of the 2013 Act, as applicable, and all other provisions of applicable law, if any, without any further act, instrument, deed, cost or charge and without any notice or other intimation to any third party for the transfer of the same be and stand transferred to and vested in and be deemed to have been transferred to and vested in the Transferee Company as a part of the transfer of the Undertaking as a going concern and the same shall be assumed by the Transferee Company and to the extent they are outstanding on the Effective Date, the Transferee Company shall meet, discharge and satisfy the same.

E. Loans, advances and other obligations (including any arrangement which may give rise to a contingent liability in whatever form), if any, due or which may at any time in future become due between the Transferor Company and the Transferee Company shall, under the provisions of Sections 230 to 240 and other provisions of the 2013 Act, as applicable, and all other provisions of applicable law, if any, without any further act, instrument, deed, cost or charge, stand discharged and come to an end and there shall be no liability in that behalf on any party and the appropriate effect shall be given in the books of accounts and records of the Transferee Company.

3.1.4. Upon the coming into effect of this Scheme and with effect from the Appointed Date, all Encumbrances, if any, existing prior to the Effective Date over the assets of the Transferor Company which secure or relate to the Liabilities shall, without any further act, instrument, deed, cost or charge and without any notice or other intimation to any third party for the transfer of the same, continue to relate and attach to such assets or any part thereof to which they were related or attached prior to the Effective Date and are transferred to the Transferee Company. It being clarified that the aforesaid Encumbrances shall not be extended to any assets of the Transferor Company which were earlier not Encumbered or the existing assets of the Transferee Company. The absence of any formal amendment which may be required by a lender or trustee or thirdparty shall not affect the operation of the above.

3.1.5. Any reference in any security documents or arrangements (to which the Transferor Company is a party) to the Transferor Company and its assets and properties, shall be construed as a reference to the Transferee Company and the assets and properties of the Transferor Company transferred to the Transferee Company pursuant to this Scheme.

3.1.6. Without prejudice to the foregoing provisions, the Transferee Company may execute any instruments or documents or do all the acts and deeds as may be considered appropriate, including the filing of necessary particulars and/or modification(s) of charge, with the Registrar of Companies to give formal effect

to the above provisions, if required.

- 3.1.7. The provisions of this Clause shall operate notwithstanding anything to the contrary contained in any instrument, deed or writing or the terms of sanction or issue or any security document; all of which instruments, deeds or writings shall stand modified and/or superseded by the foregoing provisions.

4. **Conduct of Business till Effective Date**

- 4.1. With effect from the Appointed Date and up to the date on which this Scheme finally takes effect, the Transferor Company shall be deemed to carry on all the business and activities and stand possessed of the properties so to be transferred for and on account of, in trust for and be answerable to the Transferee Company and that the profits accruing to the Transferor Company or losses arising or incurred by it shall for all purposes be treated as the profits or losses of the Transferee Company as the case may be and that the Transferor Company shall not alienate, charge or otherwise deal with the said undertaking or any part thereof except in the ordinary course of its business, without the consent of the Transferee Company and that the Transferor Company shall not vary the terms and conditions of the employment of its employees except in the ordinary course of business.

5. **Contracts, Deeds, Bonds and Other Instruments**

- 5.1. Subject to the other provisions of this Scheme all contracts, deeds, bonds, agreements and other instruments of whatsoever nature to which the Transferor Company is a party, subsisting or having effect immediately before this Scheme becomes finally effective, shall be in full force and effect against or in favour of the Transferee Company, as the case may be, and may be enforced as fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a party thereto.
- 5.2. With effect from the Appointed Date and upon the Scheme becoming effective, all permits, quotas, rights, entitlements, licenses, registrations, trademarks, patents, copy rights, privileges, powers, facilities, subsidies, rehabilitation schemes, special status and other benefits or privileges (granted by any Government Body, local authority or by any other person of every kind and description of whatsoever nature in relation to the Transferor Company or to the benefit of which the said Transferor Company may be eligible, or having effect immediately before the Effective Date, shall be and remain in full force and effect in favour of or against the Transferee Company, as the case may be, and may be enforced fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a beneficiary or obligee thereto.
- 5.3. With effect from the Appointed Date and upon the Scheme becoming effective, any statutory licenses, permissions or approvals or consents required to carry on the operations of the Transferor Company shall stand vested in or transferred to the Transferee Company without any further act or deed, and

shall be appropriately mutated by the statutory authorities concerned therewith in favour of the Transferee Company. The benefit of all such statutory and regulatory permissions, licenses, approvals and consents including statutory licenses, approvals, permissions or approvals or consents required to carry on the operations of the said Transferor Company shall vest in and become available to the Transferee Company pursuant to the Scheme.

- 5.4. The Transferee Company shall enter into and / or issue and / or execute deeds, writings or confirmations or enter into any tripartite agreement, confirmations or novations to which the said Transferor Company will, if necessary, also be party in order to give formal effect to the provisions of this Scheme, if so required or becomes necessary.
- 5.5. For the removal of doubts, it is expressly made clear that the dissolution of the Transferor Company, without the process of winding up as contemplated hereinafter, shall not affect the previous operations of any contract, agreement, deed or any instrument or beneficial interest to which the Transferor Company is a party and shall not affect any right, privilege, obligation or liability, acquired, deemed to be vested or incurred under any such contracts, agreements, deeds, or any instrument and all such references in such agreements, contracts and instruments to the Transferor Company shall be construed as reference to the Transferee Company with effect from the Effective Date.

6. **Continuation of Legal Proceedings**

- 6.1. With effect from the Appointed Date and upon the Scheme becoming effective, the Transferee Company undertakes to have all legal or other proceedings initiated by or against the Transferor Company and pending on the Effective Date, transferred in its name and to have the same continued, prosecuted and enforced by or against the Transferee Company to the exclusion of the Transferor Company. The Transferee Company also undertakes to deal with all legal or other proceedings which may be initiated by or against the Transferor Company or the Transferee Company after the Effective Date in respect of the period up to the Effective Date, in its own name and account and to the exclusion of the Transferor Company, and further undertakes to pay all amounts including interest, penalties, damages, etc., which the Transferor Company may be called upon to pay or secure in respect of any liability or obligation relating to the Transferor Company for the period up to the Effective Date, and any reasonable costs incurred by the Transferor Company in respect of such proceedings started by or against it relating to the period up to the Effective Date upon submission of necessary evidence by the Transferor Company to the Transferee Company for making such payment.
- 6.2. The Appeal before the Commissioner of Income tax in proceeding No:

373426291240118 in relation to disallowance under Section 14A of Rs 1739281/- as against Company's disallowance of Rs 14530 preferred by the Transferor Company, shall continue to be prosecuted by the Transferee Company and the outcome of the said litigation shall bind on the Transferee Company and in the event of the said proceeding ultimately culminating in favour of the assessee the same shall be to the benefit of the Transferee Company;

- 6.3. The Transferee Company shall be entitled to prosecute the litigation pending before Supreme Court in respect of levy of self generation tax of Rs 21,97,910/- for the period from Feb 2016 by TANGEDCO on the Transferor, and the Transferee Company shall be bound by the outcome of the litigation in respect of the demand made by TANGEDCO against the Transferor Company for self-generation tax
- 6.4. The Transferee Company shall be entitled to prosecute the litigation by the Transferor Company against TANGEDCO in respect of E tax of Rs 7,43,448/- on Maximum Demand charges from February 2016 and Deemed Demand charges of Rs 26,89,763/- on power purchases from December 2015 and the Transferee Company shall be bound by the outcome of the litigation in respect of the demand made by TANGEDCO against the Transferor Company for the same.

7. **Increase of Authorised Capital on Scheme coming into effect**

- 7.1. Upon the Scheme becoming effective, the authorised share capital of the transferor Company would become the authorised capital of the transferee Company, without any further action, deed or separate resolution or application or action or payment of further filing fee or registration and the authorised share capital of the transferee would stand increased as set out hereunder and Clause V of the Memorandum of Association shall stand replaced as under:

“The Authorised Share Capital of the Company is Rs 33,00,00,000/- (Rupees thirty three crores only) divided into 2,70,00,000 Equity Shares of Rs.10/- each and 6,00,000 Preference Shares of Rs 100 each with power to increase or reduce or alter the capital in accordance with the provisions of the Companies Act, 2013”.

8. **Transition and Dissolution of Transferor Company**

- 8.1. The Board of Directors (or any committee thereof) of the Transferor Company shall without any further act, instrument or deed be and stand dissolved on the Scheme coming into effect.
- 8.2. Subject to an order being made by the Hon'ble National Company Law Tribunal under the applicable provisions of the Companies Act, the Transferor Company shall be dissolved without the process of winding-up,

upon the Scheme becoming effective, in accordance with the provisions of the Act and rules made there under.

- 8.3. The resolutions and / or agreements, if any, of the Transferor Company and / or Transferee Company which is valid and subsisting on the effective date shall continue to be valid and subsisting till the end of the period covered under the resolutions and / or agreements irrespective of the increase in paid-up capital of the Transferee Company arising out of issue of new equity shares under the Scheme.

9. Issue of Shares of Transferee Company

- 9.1. Upon the Scheme becoming fully effective, in consideration of the transfer and vesting of the entire undertaking of the Transferor company in the Transferee Company in terms of this Scheme, the Transferee Company shall without any further act or deed, issue and allot to the Equity Shareholders in the Transferor Company, whose names are recorded in the Register of Members, on the Record Date to be fixed by the Board of Directors of the Transferee Company, Equity Shares ranking pari passu in all respects with the existing Equity Shares of the Transferee Company in the following manner:-

1 (One) fully paid up equity shares of Rs 10 each of the Transferee Company will be issued to the shareholders of the Transferor Company for every ten (10) shares of Rs 10 each held by such shareholders in the Transferor Company.

- 9.2. No fractional shares shall be issued by the Transferee Company in respect of fractional entitlement to which the shareholders of Transferor Company may be entitled to on issue and allotment of shares as aforesaid by the Transferee Company. All such fractions shall be consolidated into full equity shares which shall be allotted by the Board of Directors of Transferee Company at its discretion to any nominees of Transferee Company upon trust to sell the shares so allotted and to distribute the sale proceeds to those shareholders of the Transferor Company who are entitled to such fractions in the proportion to which they are so entitled.
- 9.3. Pursuant to the Scheme of Amalgamation 17,93,449 Equity Shares of Rs 10 each of Transferee Company shall be issued and allotted to the shareholders of Transferor Company. The shareholding pattern of the Transferee Company Pre and Post the Scheme of Amalgamation coming into effect is as under, based on the shareholdings pre-amalgamation shareholding reckoned as on 20.10.2018 (viz. date of the Board Resolution sanctioning the Scheme of Amalgamation)

Category	Pre-amalgamation		Post-amalgamation	
	Number of shares of Rs.10/- each	%	Number of shares of Rs.10/- each	%
Promoters	32,63,425	89.75	45,98,900	84.85
Public Shareholders	3,69,358	10.15	8,15,942	15.06
Bodies Corporate	3,696	0.10	5,086	0.09
Total	36,36,479	100.00	54,19,928	100.00

10. Tax Treatment

10.1. Upon the Scheme coming into effect, all taxes payable by the Transferor Company under the Income Tax Act, Goods and Service Tax Act, or other applicable laws/regulations dealing with taxes/duties/levies (hereinafter referred to as "Tax Laws") shall be to the account of the Transferee Company; all tax credit of the Transferor Company shall stand transferred to the Transferee Company and such credit would be available for set-off against the tax liabilities of the Transferee Company.; Similarly all credit for tax deduction at source on the income of the Transferor Company, or obligation for deduction of tax at source on any payment made by or to be made by the Transferor Company shall be made or deemed to have been made and duly complied with by the Transferee Company if so made by the Transferor Company. Similarly any advance tax payment required to be made for by the specified due dates in the Tax Laws shall also be deemed to have been made by the Transferee Company if so made by the Transferor Company. Further Minimum Alternate Tax (MAT) paid by the Transferor Company under Section 115JB and/or other provisions (as applicable) of the Income Tax Act, 1961 shall be deemed to have been paid on behalf of the Transferee Company, and the MAT credit (if any) of the Transferor Company as on or accruing after the Appointed Date shall stand transferred to the Transferee Company and such credit would be available for set-off against the tax liabilities of the Transferee Company. Further, all tax returns, filings, assessments, payments, deductions, withholding, rebates, benefits, incentives, set-offs, carry-forward tax losses, unabsorbed depreciation and other rights, liabilities and obligations whatsoever of the Transferor Company, shall also be and stand transferred or deemed to be transferred, without further act, instrument, deed, matter or thing, to the Transferee Company, pursuant to the provisions of Companies Act/Income Tax Act/Tax Laws, so as to become as and from the Appointed Date, the rights, liabilities and obligations of the Transferee Company. The carry forward of the tax losses, unabsorbed depreciation and 80 IA benefit of the Transferor Company shall be available to the Transferee Company. The Transferee Company shall have the right to rectify tax returns and file revised tax returns and seek re-assessment or revisions in assessment or rectification of mistakes in filings, returns or assessment in

respect of any period(s) prior to the Effective Date in the manner and to the same extent as would or might have been done by or against the Transferor Company. Similarly, the export incentives, draw backs and other similar entitlements, benefits available or accrued to the Transferor Company without any further instrument, deed, matter or thing, shall be available to the Transferee Company. For the purpose of giving effect to the provisions of this Clause, it shall not be necessary to obtain the consent of any third party or authority.

11. Accounting Treatment

- 11.1. Upon the coming into effect of this Scheme and with effect from the appointed date, Transferee Company shall consider the amalgamation of Transferor Company as formation of a joint venture and shall account for the same in its books as per the applicable principle prescribed under relevant applicable Accounting Standards. It would include the following:
- 11.2. The amalgamation of Transferor Company with the Transferee Company in terms of this Scheme shall take place with effect from the Appointed Date and shall be in accordance with the provisions of Section 2(1B) of the Income Tax Act, 1961.
- 11.3. Subject to provisions of this scheme, the Transferee Company shall abide by Accounting Standard AS-14 issued by the Institute of Chartered Accountants of India.
- 11.4. The Assets, liabilities and Reserves & Surplus of the Transferor Company transferred to and vested in the Transferee Company shall be recorded at their book values and in accordance with requirements of applicable accounting standards.
- 11.5. The Transferee Company shall credit its share capital account with the face value of New Equity shares pursuant to Clause 9.1 of this Scheme to the shareholders of the Transferor Company.
- 11.6. Subsequent to the transfer, the shares of the Transferee Company held by the Transferor Company shall be cancelled and appropriately adjusted with Share capital or Capital Reserves if any, of the Transferee Company (pursuant to provisions of Section 230 to 232 read with Section 52 and Section 66 and other applicable provisions, if any of the Companies Act, 2013). Subsequent to transfer, the shares of the Transferor Company held by the Transferee Company shall be cancelled and appropriately adjusted with the Share capital of the Transferee Company. Such cancellation shall be effected as an integral part of the Scheme. The order of NCLT sanctioning the Scheme shall be deemed to be an Order under Section 66 of the Act confirming the reduction of share capital and no further act, deed or thing as required under the provisions of the Act would be required.

- 11.7. The Inter Company balances between Transferor Company and Transferee Company shall stand cancelled in their respective book of accounts.
- 11.8. The book value of the assets and liabilities of the Transferor Company will be adjusted for alignment with accounting policies of the Transferee Company and the impact of this will be adjusted with Capital Reserves of the Transferee Company.
- 11.9. The difference, if any, between the amount of assets, liabilities and reserves transferred and the value of the New Equity Shares issued by the Transferee Company shall be adjusted in the Capital Reserves of Transferee Company
- 11.10. The financial statement of the Transferee Company, as on the Appointed Day, on giving effect to the Scheme, in terms hereof, shall be as set out in SCHEDULE-III hereto.

12. Employees

- 12.1. Upon the Scheme becoming effective, all the employees in service of the Transferor Company, on the date immediately preceding the date on which this Scheme finally takes effect i.e. "The Effective date" shall become the employees of the Transferee Company on the basis that:
 - a) Their services shall have been continuous and shall not have been interrupted by reason of amalgamation.
 - b) The terms and conditions of service applicable to the said employees after such transfer shall not in any way be less favorable than those applicable to them immediately before the transfer.
 - c) It is expressly provided that as far as Provident Fund, Gratuity Fund, Super Annuation Fund or any other Special Fund created or existing for the benefit of the staff, workmen and the employees of the said Transferor Company is concerned, upon the Scheme becoming effective, the Transferee Company shall stand substituted for the Transferor Company for all purposes whatsoever related to the administration or operation of such Funds or in relation to the obligation to make contribution to the said Funds in accordance with the 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 the Transferor Company in relation to such funds shall become those of the Transferee Company and all the rights, duties and benefits of the employees employed in the said Transferor Company under such Funds and Trusts shall be protected. It is clarified that the services of the employees of the said Transferor Company will also be treated as having been continuous for the purpose of the aforesaid Funds.

PART – IV

13. General Terms

13.1. The Transferor Company and the Transferee Company shall, with all reasonable despatch, make Applications/Petitions under the applicable provisions of the Companies Act to the Hon'ble National Company Law Tribunal or any other Competent Authority under the Act for sanctioning this Scheme of Amalgamation and for dissolution of the Transferor Company without winding up under the provisions of law, and obtain all approvals as may be required under law.

14. Modifications/Amendments to the Scheme

14.1. The Transferor Company and the Transferee Company through their respective Board of Directors or other persons duly authorized by the respective Boards in this regard, may make or assent to any alteration or modification to this Scheme or to any conditions or limitations, which the Hon'ble National Company Law Tribunal or any other Competent Authority under law may deem fit to direct, approve or impose and may give such directions, as they may consider necessary, to settle any doubt, questions or difficulty, arising under the scheme or in regard to its implementation or in any manner connected therewith and to do all such acts, deeds, matters and things necessary for putting this scheme into effect.

The Transferor Company and the Transferee Company shall ensure that any such modification/alteration to the Scheme shall not affect the interests of the lenders.

14.2. After dissolution of the Transferor Company, the Transferee Company by its Board of Directors or other persons, duly authorized by its Board in this regard, shall be authorized, to take such steps, as may be necessary, desirable or proper to resolve any doubts, difficulties or questions, whether by reasons of any order of the Hon'ble National Company Law Tribunal or of any directive or order of any other authorities or otherwise, however, arising out of, under or by virtue of this Scheme and /or matters concerning or connected therewith.

15. Operative date of the Scheme

15.1. The Scheme shall be operative with effect from the Appointed Date ie. 1st April, 2018 but shall be effective from the Effective Date.

16. Scheme conditional on approval/sanctions:

16.1. This Scheme is conditional upon and subject to:-

- a) The Scheme being agreed to (in the manner prescribed) by the respective requisite majorities of the shareholders and/or creditors of the Transferor Companies and the Transferee Company, as the case may be, as required

under the Act.

- b) and the requisite order of the National Company Law Tribunal being obtained;
- c) Such other sanctions and approvals including any statutory or regulatory authority, as may be required by law and
- d) Filing of the certified copies of the orders of the National Company Law Tribunal sanctioning the Scheme with the Registrar of Companies, Tamilnadu, Coimbatore within such time as may be specified by the High Court or such extended time as approved by the High Court.

17. Effect of non-receipt of approvals/sanctions

17.1. In the event of the Scheme not being sanctioned by the Hon'ble National Company Law Tribunal and/or the order or orders not being passed as aforesaid, the Scheme shall become null and void and in that event no rights and liabilities shall, inter se accrue between the parties in terms of the Scheme.

18. Expenses connected with the Scheme

18.1. All costs, charges and expenses of the Transferor Company and Transferee Company respectively in relation to or in connection with this Scheme and incidental to the completion of amalgamation of the Transferor Company with the Transferee Company in pursuance of this Scheme shall be borne and paid by the Transferee Company. In the event of this Scheme not being implemented each party shall bear its respective costs, charges and expenses.

SCHEDULE I

DETAILS OF IMMOVABLE ASSETS OF THE TRANSFEROR COMPANY COMPRISED IN THE UNDERTAKING BEING TRANSFERRED AND VESTED IN THE TRANSFEEE AS A CONSEQUENCE OF MERGER

The details of immovable properties are given below.

I) SIPCOT LEASEHOLD LAND AT PERUNDURAI [32.83 ACRES]

Survey Number	Plot No	Area in acres	
239 pt, 241 pt, 243 pt, 245 pt, 246 pt, 247 pt, 248 pt & 249 pt	FF-1 [Phase II]	32.83	Leasehold rights of immovable property leased out by SIPCOT for 99 years from 24.5.2004 vide Lease Deed registered as Doc. No 5039/2008 dated 30.9.2008

Leasehold rights over all that piece and parcel of land within the village limits of Perundurai, Taluk of Perundurai, Sub-Registration District of Perundurai in Revenue District of Erode with boundaries herein mentioned below, together with all buildings, structures thereon and all plant and machinery attached to the earth or

permanently fastened to anything attached to the earth.

Boundaries

On the North by	SIPCOT Proposed Road
On the South by	Road
On the East by	Plot No. FF2 & FF3
On the West by	SIPCOT Main Road

Linear measurements

East to West on the North	364.00 M
East to West on the South	341.00 M
North to South on the East	454.90 M
North to South on the West	329.10 M

II) ONE ACRE OF VACANT LAND IN TRICHY ROAD, COIMBATORE

1 acre of vacant land in Coimbatore Registration District, Sub- Registration District, Peelamedu, Coimbatore Taluk, and Sowripalayam Village within Coimbatore Corporation Limits vide Document No 1890/2003 dated 8.10.2003 having the following boundaries.

North of	Coimbatore Stock Exchange Ltd Lands
East of	Coimbatore Stock Exchange Ltd Lands in SF No.191/1 Part
South of	Trichy Road
West of	Kondasamy Naicker's lands SF No. 192/2 & 192/3

Within this, in

Survey No.	Acre
SF No. 191/1	0.34
SF No. 191 /2	0.54
SF No. 192 /1	0.12
Total	1.00

III. FLAT AT DURAIRAJ TOWERS

Commercial Flat vide Sale Deed registered as Document No 1033/2003 dated 24.3.2003 having area of 1515 square feet in First Floor, Durairaj Towers, No.96 B, Race Course, Coimbatore -641 018 under TS Ward No 1 TS No 949/2A2D having Door No 1 together with TNEB Service Connection No 030040011531 and electrical fittings and having Property Assessment No 73216547 and sanitary fittings

SCHEDULE II

DETAILS OF LICENSES, APPROVALS, CONSENTS ETC OF TRANSFEROR COMPANY COMPRISED IN THE UNDERTAKING

The following Registration certificates/consents/statutory approvals will be transferred to SKML.

No	DATE	Particulars of Statutory approvals obtained	Validity
Industrial License			
1.	06.01.2006	SIA Acknowledgement No.106/SIA/IMO/2006/6.1.2006	NA
2.	30.05.2005	SIA No 2509/SIA/IMO/2005/30.5.2005	NA
Factory License			
3.	25.11.2010	Factory License No.28265 & Regn No ER 2266	31.12.2018
Consent Order from TNPCB			
4.	07.08.2018	Consent No.1805212296045 dt.7.8.2018 for Air	31.03.2019
5.	07.08.2018	Consent No.1805112296045 dt.7.8.2018 for Water	31.03.2019
6.	17.10.2014	Authorization No 3404 dated 17.20.2014 for Hazardous Waste	16.10.2019
Fire Service License			
7.	28.03.2018	TN Fire Rescue services License no.291/2018	27.03.2019
8.	03.10.2017	Director of Boilers, TN –Certificate for use of Boiler	03.10.2018
License to import & export Petroleum			
9.	03.11.2016	License to Import & Store Petroleum in an installation	31.12.2019
Certificates			
10.	19.02.2018	Authorized Economic Operator TI Certificate No.INAAACK9185D1F185	12.02.2021
11.	22.11.2017	Competency Certificate for TFH 1 & 2	21.11.2018
12.	11.10.2017	Competency/Test Certificate of Machineries under TN Factories Rules 1950	11.10.2018
13.	19.06.2018	Certificate of Re-verification - Legal Metrology No.1765990	18.06.2019
14.	18.06.2018	Certificate of Re-verification - Legal Metrology No.1309420	17.06.2019
15.	26.03.2018	Certificate of Verification - Legal Metrology No.1320972	25.03.2019
16.	17.12.1999	Importer Exporter Code No.3299011006	NA
17.		Permanent Account Number AAACK9185D	NA

No	DATE	Particulars of Statutory approvals obtained	Validity
18.	26.06.2017	GST Registration No.33AAACK9185D1ZL	NA
19.	04.01.2007	Commercial Taxes Form D Registration Certificate TIN No.33361881257	NA
20.	08.05.2004	NSDL - TAN No.CMBK03686E as per ITA 1961	NA
		Quality Certification	
21.	19.12.2017	ISO 9001:2015 Certification from TUV	18.12.2020
22.	05.09.2018	OEKO-TEX Standard 100 Certificate No 10.HIN.77250	31.07.2019
23.	21.06.2018	Control Union Certificate of Compliance No CU808771RCS-01-2018 (Recycled Claim Standard)	20.06.2019
24.	29.06.2018	Control Union Certificate of Compliance No CU808771/GOTS-01-2018 (Global Organic Textile Standard)	28.06.2019
25.	10.09.2018	Green Product Certificate No GPC 8116137207/1 from TUV India – TUV Nord Group for Denim fabrics – Product Zero	09.09.2019
26.	10.09.2018	Green Product Certificate No GPC 8116137207/2 from TUV India – TUV Nord Group for Denim fabrics – Green Dnm	09.09.2019
		Trade Mark Application	
27.	29.08.2018	Application No 3929671 to 3929673 under Classes 24, 25 and 40 for Product Zero ™	
28.	29.08.2018	Application No 3929674 to 3929676 under Classes 24, 25 and 40 for Green Dnm ™	
29.	08.09.2018	Application No 3929805 to 3929807 under Classes 24, 25 and 40 for Dnm Zero ™	
		Interest/Capital Subsidy under TUFS	
30.	19.11.2014	Letter from SBI, TUFS Cell, Mumbai that term loan of Rs 534.79 lakhs is covered under RR-TUFS	
31.	18.09.2018	Letter from Ministry of Textiles approving Capital Subsidy of Rs 50.90 lakhs under ATUFS	

SCHEDULE-III**BALANCE SHEET ABSTRACT OF TRANSFEREE COMPANY ON THE APPOINTED DAY ON GIVING EFFECT TO THE SCHEME**

PARTICULARS	Rs. in Lakhs
1. EQUITY AND LIABILITIES	
(1) Shareholders Funds	
a) Equity Share Capital	542
Preference Share Capital	135
b) Reserves and Surplus	
General Reserve	3806
Capital Redemption Reserve	5
Capital Reserve	1614
Revaluation Reserve	1392
Profit & Loss Account	601
2. NON CURRENT LIABILITIES	
a) Long term borrowings	3826
b) Long term liabilities	344
c) Deferred tax liabilities (Net)	841
d) Long term provisions	313
3. CURRENT LIABILITIES	
a) Short term borrowings	6898
b) Trade payables	6516
c) Other current liabilities	2434
d) Short term provisions	46
TOTAL	29313
II. ASSETS	
1. NON CURRENT ASSETS	
a) Fixed Assets	
i) Tangible assets	14450
ii) Capital work in progress	0
b) Non current investments	590
c) Long term loans and advances	1008
d) Other Non Current Asset	102
2. CURRENT ASSETS	
a) Inventories	5403
b) Trade Receivables	5637
c) Cash and cash equivalents	466
d) Short term loans and advances	984
e) Other current assets	673
TOTAL	29313



Saffron Capital Advisors Private Limited
605, Sixth Floor, Centre Point, Andheri Kurta Road,
J. B. Nagar, Andheri (East), Mumbai - 400 059.
Tel.: +91 4082 0910 / Fax: +91 4082 0999
Email : info@saffronadvisor.com
Website: www.saffronadvisor.com
CIN No. U67120MH2007PTC166711

Date: 9th October 2018

To,
The Board of Directors
KG Fabriks Limited
Post Bag No 1, Sowripalayam
Coimbatore - 641 028
Tamil Nadu
India

Valuation of the equity shares of KG Fabriks Limited as on 31st March 2018 on going concern basis for the purpose of reorganization.

On your request, we have undertaken the valuation assignment of the equity shares of KG Fabriks Limited (hereinafter referred to as "the Company") as on 31st March 2018 on going concern basis for the purpose specified in paragraph 1 below.

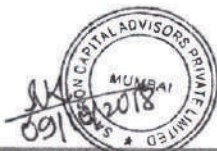
1. Valuation assignment

- 1.1 We were requested by the management of the Company to determine the fair market value of the equity shares of the Company as on 31st March 2018 on going concern basis for the purpose of reorganization.
- 1.2 We have carried out the valuation of the equity shares of the Company for the above purpose.
- 1.3 The information contained herein is intended only for the sole use and information of the Company and only in connection with the above purpose. Any person/ party intending to provide finance/ invest in the business/ shares of the Company or otherwise deal with the Company shall do so after carrying out its own due diligence procedures and after seeking its own professional advice to ensure that it is making an informed decision. It is hereby notified that any reproduction, copying or otherwise quoting of this report or any part thereof can be done only with our prior permission in writing.

2. Sources of information

We have relied upon the following information/ details/ representations/ explanations relating to the Company, provided to us by the management of the Company for carrying out this valuation assignment:

- The Company is engaged in the business of manufacturing of textiles.
- Audited financial statements of the Company for FY17 and FY18.
- Management approved forecasted financial statements (comprising periodic income statements, periodic balance sheets and periodic cash flow statements) of the Company for the period of 5 years from 1st April 2018 to 31st March 2023.
- Discussions with the management of the Company on various issues relating to the operations and finances (current and planned) of the Company, including but not limited to the industry, business plan, taxes, CAPEX plan, working capital management, capital structure, weighted average cost of capital, expected long-term sustainable growth rate, expected long-term sustainable return on capital, long-term reinvestment rate and other relevant issues.
- The details of contingent liabilities, pending cases and other related developments, abnormal/ non-recurring/ extraordinary/ non-operating items of income, expenditure, assets and liabilities and such other information and explanations relating to the Company, as provided by the management of the Company.



Registered Office : H-130, Bhoomi Green, Raheja Estate, Kulupwadi, Borivali (East), Mumbai 400 066 / SEBI Registration No. INM000011211

3. Limitations

- 3.1 Our report is subject to the limitations in our scope detailed hereinafter. As such it should be read in totality, and not in parts, and in conjunction with the relevant documents referred to herein.
- 3.2 Our report is specific to the purpose and date of valuation mentioned in this report. It may not be valid for any other purpose and/ or on any other date.
- 3.3 Our work does not constitute any audit or certification of the financial statements, including any provisional, interim and forecasted financial statements of the Company. Accordingly, we do not express any opinion on the fairness, reasonableness, accuracy or achievability of any financial information referred to in this report.
- 3.4 Our work is neither, nor it should be construed as, our opinion on/ or certification of compliance by the Company with the provisions of any law including companies, foreign exchange, taxation and capital market related laws or as regards any legal implications or issues arising thereon.
- 3.5 Our work does not constitute any confirmation of the Company's claim to the title of any asset (tangible and/ or intangible) and any liens & encumbrances thereon.
- 3.6 This report is issued on the clear and specific understanding that the management of the Company has drawn our attention to all material information concerning the operations and financial position of the Company and any other matter, which may, in our opinion, have any impact on our opinion on the fair value of the equity shares of the Company, including any significant changes that have taken place or are likely to take place in the operations and/ or the financial position of the Company. We do not take any responsibility for any financial statements and/ or the methods used for forecasting the financial statements of the Company and have entirely relied on the representations of the management of the Company in this regard.
- 3.7 We assume no responsibility to update this report for events and circumstances occurring after the date of this report.
- 3.8 In the course of this valuation assignment, the management of the Company provided us written and verbal information/ explanations/ representations on several relevant matters, including market, financial and operating data relating to the Company. We have evaluated such information/ explanations/ representations through broad inquiry, analysis and review but have not carried out any audit, due diligence, investigation or verification.
- 3.9 A valuation of this nature involves application of globally accepted valuation method, exercise of professional judgment and consideration of various factors including those related to, and arising from, the prevailing capital market trends in general and industry trends in particular and is based on subjective individual interpretation.

4. Valuation methodology

- 4.1 We have considered Discounted Cash Flow (DCF) valuation method – Free Cash Flow to Firm (FCFF) valuation approach for the valuation of the equity shares of the Company.
- 4.2 The DCF valuation method involves determination of the fair value of an asset/ liability/ business/ enterprise based on its expected cash flows and appropriate discounting rate. The FCFF valuation approach involves discounting the expected free cash flows to firm at appropriate weighted average cost of capital. The free cash flows to firm are derived by adjusting the net operating profit after taxes for depreciation & amortisation, CAPEX and working capital investments. The value so arrived is adjusted for the value of net debt/ net cash &



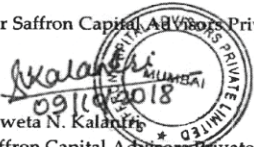
cash equivalents, investments (excluded in forecasting free cash flows to firm) and all other non-operating assets and liabilities.

- 4.3 The DCF valuation method – FCFF valuation approach takes into consideration and encompasses:
- 4.3.1 the probable future business environment affecting the economy, industry and the entity.
 - 4.3.2 detailed forecasts of revenues, costs, taxes on income, CAPEX, working capital investments and capital structure for the forecasted period.
 - 4.3.3 weighted average cost of capital.
 - 4.3.4 long-term sustainable growth rate.
 - 4.3.5 long-term sustainable return on capital.
 - 4.3.6 long-term reinvestment rate.
 - 4.3.7 the value of all operating & non-operating assets (tangible and/ or intangible) and liabilities.

5. Fair market value

- 5.1 The fair value of the equity shares of the Company is derived as per DCF valuation method – FCFF valuation approach.
- 5.2 The Company being unlisted, we have applied an ill-liquidity discount of 10.00%, which, in our opinion, is adequate and reasonable, for arriving at the fair market value of its equity shares.
- 5.3 On the basis of the above, and on the basis of information and explanations provided to us and assumptions made (refer Annexure II: Inputs and assumptions used in the valuation assignment), in our opinion, the fair market value of the equity shares of the Company, as per DCF valuation method – FCFF valuation approach, as on 31st March 2018 on going concern basis is INR 19.84 per equity share (face value: INR 10.00 per equity share; fully paid up; refer Annexure I: Valuation of equity shares on going concern basis).

For Saffron Capital Advisors Private Limited


Shweta N. Kalantri
Saffron Capital Advisors Private Limited
Category I Merchant bankers
Registration no.: INM000011211

Annexure I: Valuation of equity shares on going concern basis

KG Fabriks Limited

Valuation of equity shares as on 31st March 2018 on going concern basis

DCF valuation method - FCFF valuation approach:


Particulars	(INR crore except equity share data)					Perpetuity period (F)
	FY19 (F)	FY20 (F)	FY21 (F)	FY22 (F)	FY23 (F)	
Net operating profit after tax	10.29	13.59	17.12	16.26	15.92	
Add: Depreciation & amortisation	4.47	4.53	4.63	4.74	4.84	
Less: CAPEX	1.00	1.00	2.00	2.00	2.00	
Less: Working capital investments	(0.19)	2.42	3.61	0.38	0.31	
FCFF	13.96	14.70	16.13	18.62	18.46	116.99
Discounted FCFF	12.12	11.33	10.99	11.18	9.73	61.70
Enterprise value						117.05
Less: Net debt (book value)						71.47
Add: Investments (non-strategic; fair value; management representation)						0.40
Less: Non-operating liabilities (others; book value)						0.04
Less: MAI payments and subsequent utilisation (present value)						0.18
Fair value of equity						45.76
No. of equity shares						2,07,60,063
Fair value per equity share						22.04
Il-liquidity discount						10.00%
Fair market value per equity share						19.84



Annexure II: Inputs and assumptions used in the valuation assignment

1. Audited financial statements (comprising income statement, balance sheet and cash flow statement) of the Company for FY18, management approved forecasted financial statements (comprising periodic income statements, periodic balance sheets and periodic cash flow statements) of the Company for the period of 5 years from 1st April 2018 to 31st March 2023 and representations (written and verbal) relating to the Company, provided to us by the management of the Company during the course of the valuation assignment have been relied upon as the basis for our workings.
2. The Company's periodic free cash flows to firm for the forecasted periods and the perpetuity period have been arrived at after considering the expected periodic tax liability (derived by using the effective periodic tax rate for the forecasted periods and the maximum marginal tax rate for the perpetuity period).
3. The Company's periodic free cash flows to firm are discounted at its periodic weighted average cost of capital. The cost of equity is derived by applying the Capital Asset Pricing Model, considering appropriate beta factor (derived by adjusting the cash adjusted unlevered beta of publicly traded Indian apparels sector companies – 0.86x for the forecasted periodic capital structure for the forecasted periods and the perpetuity period), India risk free rate of 7.40% and India equity risk premium of 8.00%. The cost of debt is derived on the basis of expected periodic borrowing cost (adjusted for the periodic tax shield [derived by using the effective periodic tax rate for the forecasted periods and the maximum marginal tax rate for the perpetuity period]) for the forecasted periods and the perpetuity period. The weights assigned to equity and debt varies based on forecasted periodic capital structure for the forecasted periods and the perpetuity period (based on book values of adjusted equity and net debt) respectively.
4. We have considered the Company's long-term sustainable growth rate at 3.00% for the perpetuity period.
5. We have considered the Company's long-term reinvestment rate 21.40%, derived by dividing its long-term sustainable growth rate for the perpetuity period by its long-term sustainable return on capital for the perpetuity period (considered at 14.02%, equal to its forecasted weighted average cost of capital for the perpetuity period).
6. The Company has net debt outstanding on the valuation date, which is deducted at book value from its enterprise value to arrive at the fair value of its equity.
7. The Company has investments (non-strategic) outstanding on the valuation date, which are added at fair value (management representation) to its enterprise value to arrive at the fair value of its equity.
8. The Company has non-operating liabilities (others) outstanding on the valuation date, which are deducted at book value to arrive at the fair value of its equity.
9. The Company's liability for payment of minimum alternate taxes and subsequent utilisation thereof is deducted at present value (based on the expected years of payment and utilisation) to arrive at the fair value of its equity.

AK
09/10/2018





Dt : 01st October 2018, Monday

The Board of Directors,
KG FABRIKS LIMITED,
Plot No.FF-1, SIPCOT Industrial Growth Centre,
Perundurai, Erode Dist,
Tamilnadu - 638052.

Dear Sirs,

We understand that the management of M/s. KG FABRIKS LIMITED [CIN : U65999TZ1994PLC005630] ("the Company") is considering merging with M/s. SRI KANNAPIRAN MILLS LIMITED (CIN : U17111TZ1946PLC000188) through Merger under the provision of the Companies Act 2013.

Our Valuation Report is for the limited purpose of ascertaining the fair value of the Equity shares of M/s. KG Fabriks Limited, for exchange of shares of the Company with shares of M/s. Sri Kannapiran Mills Limited ("SKML") under the proposed scheme of merger.

Our report is structured under the following broad heads:

1. Background
2. Information sources
3. Caveats
4. Valuation Methodology
5. Share Value
6. Scope Limitation

1. BACKGROUND

M/s. KG Fabriks Limited("KGFL") was incorporated on 23rd December 1994, under the provisions of the Companies Act, 1956. The Registered office of KG Fabriks Limited is situated at Plot No.FF-1, SIPCOT Industrial Growth Centre, Perundurai, Erode Dist, Tamilnadu - 638052.

The authorised, issued, subscribed and paid-up share capital of KG Fabriks Limited 31st March 2018, was as follows:

27/9, Nivedh Vikas, Pankaja Mill Road, Puliyakulam, Coimbatore, Tamilnadu - 641 045

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Authorised Capital	Amount Rs.
21,000,000 Equity Shares of Rs.10/- each	210,000,000
3,00,000 - 6% Cumulative Redeemable Preference shares of Rs. 100/- each	30,000,000
Total	240,000,000
Subscribed, Issued and Paid-up Capital	Amount Rs.
20,760,063 Equity Shares of Rs.10/- each	207,600,630
1,35,000 - 6% Cumulative Redeemable Preference shares of Rs. 100/- each	13,500,000
Total	221,100,630

The main business of KGFL is to engage themselves in production of denim fabrics catering to all segment of peoples. The promoters of this company have decided to merge with their associate company M/s. Sri Kannapiran Mills Limited to synergise and optimize the production and marketing channels.

The key managerial persons of the company KGFL are already directors in SKML. The Company is proposing to merge M/s. KG Fabriks Limited (Transferror Company) with M/s. Sri Kannapiran Mills Limited (Transferree Company) and allot shares of the Transferree Company to the shareholders of the Transferror company on such exchange ratio as arrived based on the fair value of shares.

The management of M/s. KG Fabriks Limited has engaged us to carry out the valuation of KGFL's equity as on this date (01st April 2018) for the purpose of the proposed merger. On the basis of the audited financials and the future projections made available to us and on the basis of the representation letter of the management, a study was conducted on the financial structure with a view to arrive at the fair market value of the shares so as to fix the share price of each equity share for the shares to be allotted to the shareholders of the Transferror company.

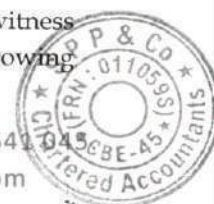
Therefore our study is restricted to ascertaining the Present Value of Equity shares based on the Audited Financials and the projections furnished by KGFL.

Industry Scenario in Brief :

The global denim market was valued at \$56,178.1 million in 2017 and is forecasted to witness a CAGR of 5.8% during 2018-2023. Changing Asian retail clothing industry and growing global e-commerce industry buoyed the overall denim market.

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On the basis of product, the denim market has been categorized into jeans, jackets and shirts, dresses, and others, wherein others include tops and shorts. Of these, the market for jeans is expected to continue holding the largest revenue share, during the forecast period. This is attributed to high demand for distressed and casual-wear globally, especially among the young populace.

The denim market in APAC is expected to witness fastest CAGR of over 10%, during 2018–2023. The rising disposable income of people, expanding base of working-class population, availability of ample amount of raw materials and cost-friendly labor resources, as well as increasing government initiatives in countries like India, China, and Vietnam are the key factors contributing to the growth of market in the region.

The market size of Indian Denim Wear was estimated to be Rs 20,205 crore in 2016. The market is now projected to grow at a CAGR of 14.5 per cent and reach Rs 39,651 crore by 2021, and Rs 77,999 crore market by 2026. The men's denim segment comprises 84 per cent of the market while the women's denim segment and kids' denim segment comprise 10 per cent and 6 per cent respectively.

2. INFORMATION SOURCES

For the purposes of this assignment, the following documents/ information for were made available to us:

- Memorandum and Articles of Association of the Company;
- Audited Balance Sheet for the year ended 31st March 2018
- Projections for the future three years; and
- Management Representation.
- Assumptions and Justification for the Business Projections

3. CAVEATS

3.1 The report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

3.2 The exercise for determination of the fair value of the shares of M/s. KG Fabriks Limited is based on arm's length basis and is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single fair value. We have

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provided our opinion on the fair value based on the information available to us and within the scope and constraints of our engagement; others may have a different opinion as to the fair value of the equity shares.

4. VALUATION METHODS AND COMPUTATION

Standard (Definition) of Value : The Standard of Value is “ Fair Market Value”. As defined by Statement on Standards for Valuation Services Issued by the AICPA, “the Fair Market Value is-

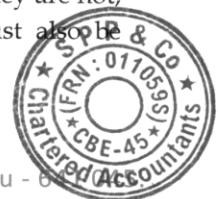
- the price, expressed in terms of cash equivalents
- at which property would change hands
- between a hypothetical willing and able buyer and a hypothetical willing and able seller
- Acting at arms length in an open and unrestricted market,
- when neither is under compulsion to buy or sell and
- when both have reasonable knowledge of the relevant facts”

Premise of Value : is “as a going concern”

According to Internal Revenue Service’s Revenue Ruling 59-60, the following are the 8 main tenets of value to be considered in valuing shares of the capital stock of closely held corporations:

1. The nature of the business and history of the enterprise from its inception.
2. The economic outlook in general and condition and outlook of the specific industry in particular.
3. The book value of the stock and the financial condition of the business.
4. The earning capacity of the company.
5. The dividend-paying capacity of the company.
6. Whether the enterprise has goodwill or other intangible value.
7. Sales of the stock and size of the block to be valued.
8. The market prices of stock of corporations engaged in the same or a similar line of business having their stocks actively traded in a free and open market, either on an exchange or over the counter.

These eight factors are fundamental to any appraisal of closely held securities. They are not, however, all-inclusive. All other factors relevant to the subject valuation must also be considered.



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In this KG Fabriks Limited, We have evaluated the following methodologies for arriving the fair value of the share as on 01st April 2018 :

- a) Net Asset Value Method ("NAV")
- b) Discounted Cash Flow- APV Approach

A. Net Asset Value Method ("NAV")

It is a method within the Asset Approach whereby all assets and liabilities (including off-balance sheet, intangible and contingent) are adjusted to their fair market values. The net of adjusted asset minus liability values is the indicated value of equity.

This method generally produce a control value since minority interest holders have no direct claim on the asset and cannot force their disposition or utilization. Furthermore, the asset approach typically provides a value indication stated on marketable basis.

If this method is used in valuing a minority interest of a closely held company, the value indication derived will have to be adjusted from control to minority and depending on the facts and circumstances, from a marketable to non-marketable. It follows that asset value usually must be discounted for both lack of control and lack of marketability.

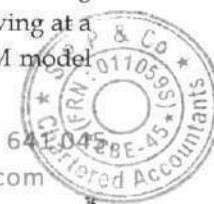
The Value per Equity Share of Face Value Rs. 10/- each under the Net Asset Value Method is Rs. 12.71/- (The NAV computation is given in Appendix A of the report).

B. Discounted Cash Flow- APV Approach

DCF Method is an accepted, systematic valuation method under which the free cash flows attributable to equity shareholders for a predetermined number of future years are considered and discounted to their present value. The free cash flows attributable to the equity shareholders are the cash flows from operating activities as reduced by the estimated/ planned capital expenditure in each of the future years. The cash flow projections and the estimations of capital expenditure are based on the management's view of the future business prospects of the company and the anticipated economic conditions in relation to the industry in which the company operates.

The discount rate is another variable based on which the value of shares are dependent upon. The rate can be the market rate or the rate determined as per the Capital Asset Pricing Model ("CAPM"). CAPM model is considered as a more scientific approach for arriving at a discount rate compared to the market rate of return. Discount rate under the CAPM model is based on the following formula:

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Return on equity = $R_f + \beta(R_m - R_f)$ where
 R_f - Risk free rate of return
 R_m - Market rate of return
 β - Beta of the stock

Apart from the above two, any other rate which is suitable for the purpose can also be adopted.

There are further variations to this method. The cash flow may not result as expected and it is only estimation based on certain assumptions. The cash flow projections are further moderated for the Probability of achieving the same, given the dynamic economic and business conditions.

The Value per Equity Share of Face Value Rs. 10/- each under the Discounted Free Cash flow Method is Rs. 22.45/- (The DCF computation is given in Appendix B of the report).

5. SHARE VALUE

Considering the above facts and the future business projections in the healthcare industry, more specific in the Coimbatore market, we conclude that the face value (Rs. 10/-) of Equity shares of M/s. KG Fabriks Limited shall be the fair value for the limited purpose of proposed merger as detailed in this valuation report.

Considering the value of shares arrived under different methodologies, the final fair value of the share is computed on the basis of weightage assigned as under.

Adjusted Net Asset Value	-	1
Earning (Free Cashflow) Based Value	-	2

Based on the laid down principles, the fair value of the Equity shares of Face Value Rs.10/- each of KG Fabriks Limited would be determined as **Rs. 19.20/- (Rupees Nineteen and Twenty Paise Only) as on 01st April 2018.**

(The Fair Value Weightage computation are given in Appendix C of the report).



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6. SCOPE LIMITATION

This report is based on the information provided to us by the management of KG Fabriks Limited. Our work was not designed to verify the accuracy or reliability of the information provided to us and nothing in this report should be taken to imply that we have for the purpose of this assignment conducted procedures, audits or investigations in an attempt to verify or confirm any of the information supplied to us.

This report has been prepared solely for the purpose of assisting the management in determining the fair value, at which the shareholders of M/s. KG Fabriks Limited shall get shares allotted from M/s. Sri Kannapiran Mills Limited under the proposed scheme of merger.

Yours Faithfully,

For S P P & Co

CHARTERED ACCOUNTANTS

(FRN : 0110595)

(CA. M. SURESH KUMAR)

M.No. 213948



APPENDIX A

Share Valuation on Adjusted Net Asset Value Method		
(Amount in Cr INR)		
S.No	Particulars	31.03.2018 (Audited)
1	Fixed Assets (Net)	69.21
2	Investments	0.18
3	Deferred Tax Asset	3.24
4	Long Term Loans & Advances	3.94
5	Inventories	40.35
6	Trade Receivables	35.84
7	Cash & Cash Equivalents	1.93
8	Short Term Loans and Advances	1.52
9	Other Current Assets	4.35
A	Total Assets	160.56
1	Borrowings (Long & Short Term)	66.83
2	Current & Non-Current Provisions	0.67
3	Trade Payables	31.63
4	Other Current Liabilities	33.13
B	Total Liabilities	132.26
C	Net Assets (A-B)	28.30
	Represented by	
	Share Capital	22.11
	Add: Revaluation Reserve	13.93
	Less : Accumulated Losses	-7.74
D	Net Worth	28.30
	Less: Preference Shares (incl.Div.Arrears 0.57 Crs)	- 1.92
	Networth to Equity Share Holders	26.38
E	No.of Equity Shares (Rs. 10/- each)	20,760,063
F	Value per Share (Rs/Share)	12.71

Underlying assumptions:

Market Value of Vacant Land has been taken as per books as they are revalued in 2008-09. The revaluation reserve has been added to the Networth.

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APPENDIX B

Discounted Cash Flow Value	
Valuation of Shares	
Particulars	(In Cr Rs.) Amount
NPV of Explicit Period*	34.4
Present Value of Perpetuity*	93.7
Enterprise Value*	128.2
Less : Capital Borrowings (Debt & Preference including Div.arrears)	76.4
Discounted Present Value of Equity Shares	51.8
Present Number of Equity Shares	20,760,063
Total No. of Equity Shares	20,760,063
Value per Equity Share at present capital (INR/ Share)	24.94
Less : Discounting by 10% to account for restricted mobility (being unlisted share)	(2.49)
Fair Value of Share under DCF Method	22.45

Yearly Cash Flows (Statement of Shareholders Returns)			
Particulars	Y-1	Y-2	Y-3
Free Cash Flows	13.96	14.70	16.13
Discount rate	14.00%	14.00%	14.00%
Discounting factor	0.877	0.769	0.675
Discounted Cash Flows	12.2	11.3	10.9

Perpetuity Value*	
Particulars	(In Cr Rs.) Amount
FCF for Y4	18.62
Growth Rate	2.0%
PBDIT for perpetuity	18.99
Cash Flow for Perpetuity (yearly)	18.99
Capitalised Value for Perpetuity	158.27
Discounting Factor	0.592
Present Value of Perpetuity	93.71



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APPENDIX C

S.No.	Method	Share Value	Weightage	Product
1	Net Asset Value Method	12.71	1	12.71
2	Cashflow Based Value Method Discounted Cash Flow Method	22.45	2	44.90
			3	57.61
Weighted Average Share Price				19.20



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Email : info@saffronadvisor.com
Website: www.saffronadvisor.com
CIN No. U67120MH2007PTC166711

Date: 9th October 2018

To,
The Board of Directors
Sri Kannapiran Mills Limited
Post Bag No 1, Sowripalayam
Coimbatore – 641 028
Tamil Nadu
India

Valuation of the equity shares of Sri Kannapiran Mills Limited as on 31st March 2018 on going concern basis for the purpose of reorganization.

On your request, we have undertaken the valuation assignment of the equity shares of Sri Kannapiran Mills Limited (hereinafter referred to as "the Company") as on 31st March 2018 on going concern basis for the purpose specified in paragraph 1 below.

1. Valuation assignment

- 1.1 We were requested by the management of the Company to determine the fair market value of the equity shares of the Company as on 31st March 2018 on going concern basis for the purpose of reorganization.
- 1.2 We have carried out the valuation of the equity shares of the Company for the above purpose.
- 1.3 The information contained herein is intended only for the sole use and information of the Company and only in connection with the above purpose. Any person/ party intending to provide finance/ invest in the business/ shares of the Company or otherwise deal with the Company shall do so after carrying out its own due diligence procedures and after seeking its own professional advice to ensure that it is making an informed decision. It is hereby notified that any reproduction, copying or otherwise quoting of this report or any part thereof can be done only with our prior permission in writing.

2. Sources of information

We have relied upon the following information/ details/ representations/ explanations relating to the Company, provided to us by the management of the Company for carrying out this valuation assignment:

- The Company is engaged in the business of manufacturing of textiles.
- Audited financial statements of the Company for FY17 and FY18.
- Management approved forecasted financial statements (comprising periodic income statements, periodic balance sheets and periodic cash flow statements) of the Company for the period of 5 years from 1st April 2018 to 31st March 2023.
- Discussions with the management of the Company on various issues relating to the operations and finances (current and planned) of the Company, including but not limited to the industry, business plan, taxes, CAPEX plan, working capital management, capital structure, weighted average cost of capital, expected long-term sustainable growth rate, expected long-term sustainable return on capital, long-term reinvestment rate and other relevant issues.
- The details of contingent liabilities, pending cases and other related developments, abnormal/ non-recurring/ extraordinary/ non-operating items of income, expenditure, assets and liabilities and such other information and explanations relating to the Company, as provided by the management of the Company.



Registered Office : H-130, Bhoomi Green, Raheja Estate, Kulupwadi, Borivali (East), Mumbai 400 066 / SEBI Registration No. INM000011211

3. Limitations

- 3.1 Our report is subject to the limitations in our scope detailed hereinafter. As such it should be read in totality, and not in parts, and in conjunction with the relevant documents referred to herein.
- 3.2 Our report is specific to the purpose and date of valuation mentioned in this report. It may not be valid for any other purpose and/ or on any other date.
- 3.3 Our work does not constitute any audit or certification of the financial statements, including any provisional, interim and forecasted financial statements of the Company. Accordingly, we do not express any opinion on the fairness, reasonableness, accuracy or achievability of any financial information referred to in this report.
- 3.4 Our work is neither, nor it should be construed as, our opinion on/ or certification of compliance by the Company with the provisions of any law including companies, foreign exchange, taxation and capital market related laws or as regards any legal implications or issues arising thereon.
- 3.5 Our work does not constitute any confirmation of the Company's claim to the title of any asset (tangible and/ or intangible) and any liens & encumbrances thereon.
- 3.6 This report is issued on the clear and specific understanding that the management of the Company has drawn our attention to all material information concerning the operations and financial position of the Company and any other matter, which may, in our opinion, have any impact on our opinion on the fair value of the equity shares of the Company, including any significant changes that have taken place or are likely to take place in the operations and/ or the financial position of the Company. We do not take any responsibility for any financial statements and/ or the methods used for forecasting the financial statements of the Company and have entirely relied on the representations of the management of the Company in this regard.
- 3.7 We assume no responsibility to update this report for events and circumstances occurring after the date of this report.
- 3.8 In the course of this valuation assignment, the management of the Company provided us written and verbal information/ explanations/ representations on several relevant matters, including market, financial and operating data relating to the Company. We have evaluated such information/ explanations/ representations through broad inquiry, analysis and review but have not carried out any audit, due diligence, investigation or verification.
- 3.9 A valuation of this nature involves application of globally accepted valuation method, exercise of professional judgment and consideration of various factors including those related to, and arising from, the prevailing capital market trends in general and industry trends in particular and is based on subjective individual interpretation.

4. Valuation methodology

- 4.1 We have considered Discounted Cash Flow (DCF) valuation method – Free Cash Flow to Firm (FCFF) valuation approach for the valuation of the equity shares of the Company.
- 4.2 The DCF valuation method involves determination of the fair value of an asset/ liability/ business/ enterprise based on its expected cash flows and appropriate discounting rate. The FCFF valuation approach involves discounting the expected free cash flows to firm at appropriate weighted average cost of capital. The free cash flows to firm are derived by adjusting the net operating profit after taxes for depreciation & amortisation, CAPX and financing capital investments. The value so arrived is adjusted for the value of net debt/ net cash &



cash equivalents, investments (excluded in forecasting free cash flows to firm) and all other non-operating assets and liabilities.

- 4.3 The DCF valuation method – FCFF valuation approach takes into consideration and encompasses:
- 4.3.1 the probable future business environment affecting the economy, industry and the entity.
 - 4.3.2 detailed forecasts of revenues, costs, taxes on income, CAPEX, working capital investments and capital structure for the forecasted period.
 - 4.3.3 weighted average cost of capital.
 - 4.3.4 long-term sustainable growth rate.
 - 4.3.5 long-term sustainable return on capital.
 - 4.3.6 long-term reinvestment rate.
 - 4.3.7 the value of all operating & non-operating assets (tangible and/ or intangible) and liabilities.

5. Fair market value

- 5.1 The fair value of the equity shares of the Company is derived as per DCF valuation method – FCFF valuation approach.
- 5.2 The Company being unlisted, we have applied an ill-liquidity discount of 10.00%, which, in our opinion, is adequate and reasonable, for arriving at the fair market value of its equity shares.
- 5.3 On the basis of the above, and on the basis of information and explanations provided to us and assumptions made (refer Annexure II: Inputs and assumptions used in the valuation assignment), in our opinion, the fair market value of the equity shares of the Company, as per DCF valuation method – FCFF valuation approach, as on 31st March 2018 on going concern basis is INR 205.91 per equity share (face value: INR 10.00 per equity share; fully paid up; refer Annexure I: Valuation of equity shares on going concern basis).

For Saffron Capital Advisors Private Limited

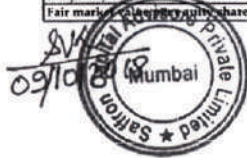

Shweta N. Khandri
Saffron Capital Advisors Private Limited
Category I Merchant Bankers
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Annexure E: Valuation of equity shares on going concern basis

Sri Kannappiran Mills Limited
Valuation of equity shares as on 31st March 2018 on going concern basis
DCF valuation method - FCFF valuation approach

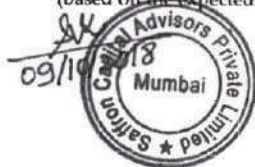
(INR crore except equity share data)

Particulars	FY19 (F)	FY20 (F)	FY21 (F)	FY22 (F)	FY23 (F)	Perpetuity period (F)
Net operating profit after tax	15.30	15.17	15.28	15.82	16.36	
Add: Depreciation & amortisation	4.95	5.18	5.23	5.29	5.34	
Less: CAPEX	14.00	2.00	2.00	2.00	2.00	
Less: Working capital investments	2.24	2.34	2.24	2.39	2.43	
FCFF	4.01	16.00	16.27	16.71	17.27	118.02
Discounted FCFF	3.54	12.45	11.13	10.04	9.09	62.12
Enterprise value						106.39
Less: Net debt (book value)						47.14
Add: Investments (non-strategic; fair value; management representation)						22.21
Less: Current tax liabilities (present value)						0.26
Fair value of equity						83.20
No. of equity shares						36,36,479
Fair value per equity share						228.79
Illiquidity discount						10.00%
Fair market value per equity share						205.91



Annexure II: Inputs and assumptions used in the valuation assignment

1. Audited financial statements (comprising income statement, balance sheet and cash flow statement) of the Company for FY18, management approved forecasted financial statements (comprising periodic income statements, periodic balance sheets and periodic cash flow statements) of the Company for the period of 5 years from 1st April 2018 to 31st March 2023 and representations (written and verbal) relating to the Company, provided to us by the management of the Company during the course of the valuation assignment have been relied upon as the basis for our workings.
2. The Company's periodic free cash flows to firm for the forecasted periods and the perpetuity period have been arrived at after considering the expected periodic tax liability (derived by using the effective periodic tax rate for the forecasted periods and the maximum marginal tax rate for the perpetuity period).
3. The Company's periodic free cash flows to firm are discounted at its periodic weighted average cost of capital. The cost of equity is derived by applying the Capital Asset Pricing Model, considering appropriate beta factor (derived by adjusting the cash adjusted unlevered beta of publicly traded Indian apparels sector companies - 0.86x for the forecasted periodic capital structure for the forecasted periods and the perpetuity period), India risk free rate of 7.40% and India equity risk premium of 8.00%. The cost of debt is derived on the basis of expected periodic borrowing cost (adjusted for the periodic tax shield [derived by using the effective periodic tax rate for the forecasted periods and the maximum marginal tax rate for the perpetuity period]) for the forecasted periods and the perpetuity period. The weights assigned to equity and debt varies based on forecasted periodic capital structure for the forecasted periods and the perpetuity period (based on book values of adjusted equity and net debt) respectively.
4. We have considered the Company's long-term sustainable growth rate at 3.00% for the perpetuity period.
5. We have considered the Company's long-term reinvestment rate 21.01%, derived by dividing its long-term sustainable growth rate for the perpetuity period by its long-term sustainable return on capital for the perpetuity period (considered at 14.28%, equal to its forecasted weighted average cost of capital for the perpetuity period).
6. The Company has net debt outstanding on the valuation date, which is deducted at book value from its enterprise value to arrive at the fair value of its equity.
7. The Company has investments (non-strategic) outstanding on the valuation date, which are added at fair value (management representation) to its enterprise value to arrive at the fair value of its equity.
8. The Company has current tax liabilities outstanding on the valuation date, which are deducted at present value (based on the expected years of payment) to arrive at the fair value of its equity.



Dt : 01st October 2018, Monday

The Board of Directors,
SRI KANNAPIRAN MILLS LIMITED,
Post Bag No 1, Sowripalayam,
Coimbatore
Tamilnadu - 641028.

Dear Sirs,

We understand that the management of M/s. SRI KANNAPIRAN MILLS LIMITED (CIN: U17111TZ1946PLC000188) ("the Company") is considering merging with M/s. KG FABRIKS LIMITED [CIN: U65999TZ1994PLC005630] through Merger under the provision of the Companies Act 2013.

Our Valuation Report is for the limited purpose of ascertaining the fair value of the Equity shares of M/s. Sri Kannapiran Mills Limited ("SKML") for exchange of shares of the Company with shares of M/s. KG Fabriks Limited ("KGFL") under the proposed scheme of merger.

Our report is structured under the following broad heads:

1. Background
2. Information sources
3. Caveats
4. Valuation Methodology
5. Share Value
6. Scope Limitation

1. BACKGROUND

M/s. Sri Kannapiran Mills Limited ("SKML") was incorporated on 02nd July 1946, under the provisions of the Companies Act, 1913. The Registered office of Sri Kannapiran Mills Limited is situated at Sowripalayam, Coimbatore, Tamilnadu - 641028.



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The authorised, issued, subscribed and paid-up share capital of Sri Kannapiran Mills Limited as on 31st March 2018, was as follows:

Authorised Capital	Amount Rs.
6,000,000 Equity Shares of Rs.10/- each	60,000,000
3,00,000 - Preference shares of Rs. 100/- each	30,000,000
Total	90,000,000
Subscribed, Issued and Paid-up Capital	Amount Rs.
3,636,579 Equity Shares of Rs.10/- each	36,365,790
Total	36,365,790

Sri Kannapiran Mills Limited, the flagship company of US\$ 250 million KG Group, is a leading producer of 100% cotton yarn matching the world's most stringent quality standards. Incorporated in 1946, the company presently has two open end and two ring spun yarn units that are equipped with modern, state-of-the-art machinery supplied by world giants and produces 50 tons of cotton yarn every day which feed both domestic and international markets. With a spindlage capacity of 55632, the two ring spun units produce 20 tons of yarn everyday in the count range of 6s to 100s in combed and carded quality. With 6960 rotors, the two open end units produce 30 tons of yarn everyday in the count range of 2s to 24s. Specialised yarns viz. Gassed Mercerised, Slub (Ring Spun & Open End), Uneven, Multicount, Soft twist, Cotton Lycra Core Spun, Compact, Indigo dyed and Dyed yarns manufactured in various counts are exported to most of the countries across the globe.

The promoters of this company have decided to merge with their associate company M/s. KG Fabriks Limited to synergise and optimize the production and marketing channels.

The key managerial persons of the company SKML are already directors in KGFL. The Company is proposing to merge M/s. KG Fabriks Limited (Transferror Company) with M/s. Sri Kannapiran Mills Limited (Transferree Company) and allot shares of the Transferree Company to the shareholders of the Transferror company on such exchange ratio as arrived based on the fair value of shares as on the effective date of the scheme to be approved by the National Company Law Tribunal.



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The management of M/s. Sri Kannapiran Mills Limited has engaged us to carry out the valuation of SKML's equity as on this date (01st April 2018) for the purpose of the proposed merger. On the basis of the audited financials and the future projections made available to us and on the basis of the representation letter of the management, a study was conducted on the financial structure with a view to arrive at the fair market value of the shares so as to fix the share price of each equity share for the shares to be allotted to the shareholders of the Transferor company.

Therefore our study is restricted to ascertaining the Present Value of Equity shares based on the Audited Financials and the projections furnished by SKML.

Industry Scenario in Brief :

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. India's overall textile exports during FY 2017-18 stood at US\$ 39.2 billion.

The Indian textiles industry is extremely varied, with the hand-spun and hand-woven textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum. The decentralised power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles make the Indian textiles sector unique in comparison to the industries of other countries. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world.

The Indian textiles industry, currently estimated at around US\$ 150 billion, is expected to reach US\$ 250 billion by 2019. India's textiles industry contributed seven per cent of the industry output (in value terms) of India in 2017-18. It contributed two per cent to the GDP of India and employs more than 45 million people in 2017-18. The sector contributed 15 per cent to the export earnings of India in 2017-18. The production of raw cotton in India is estimated to have reached 34.9 million bales in FY18.

The textile and apparel industry can be broadly divided into two segments - yarn and fibre, and processed fabrics and apparel. The domestic textile industry in India is estimated to reach US\$ 250 billion by 2019 from US\$ 150 billion in November 2017, while cotton production in India is estimated to have reached 34.9 million bales in FY18. In FY19, growth in private consumption is expected to create strong domestic demand for textiles. Indian technical Textile industry is forecasted to grow at a CAGR of 20 per cent to reach Rs 200,823 crore (US\$ 29.96 billion) by 2020-21.

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Increased penetration of organised retail, favourable demographics, and rising income levels are likely to drive demand for textiles. India is the world's second largest exporter of textiles and clothing.

2. INFORMATION SOURCES

For the purposes of this assignment, the following documents/ information for were made available to us:

- Memorandum and Articles of Association of the Company;
- Audited Balance Sheet for the year ended 31st March 2018
- Projections for the future three years; and
- Management Representation.
- Assumptions and Justification for the Business Projections

3. CAVEATS

3.1 The report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

3.2 The exercise for determination of the fair value of the shares of M/s. Sri Kannapiran Mills Limited is based on arm's length basis and is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single fair value. We have provided our opinion on the fair value based on the information available to us and within the scope and constraints of our engagement; others may have a different opinion as to the fair value of the equity shares.

4. VALUATION METHODS AND COMPUTATION

Standard (Definition) of Value : The Standard of Value is " Fair Market Value". As defined by Statement on Standards for Valuation Services Issued by the AICPA, "the Fair Market Value is-

- the price, expressed in terms of cash equivalents
- at which property would change hands
- between a hypothetical willing and able buyer and a hypothetical willing and able seller
- Acting at arms length in an open and unrestricted market,
- when neither is under compulsion to buy or sell and
- when both have reasonable knowledge of the relevant facts"

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Premise of Value : is "as a going concern"

According to Internal Revenue Service's Revenue Ruling 59-60, the following are the 8 main tenets of value to be considered in valuing shares of the capital stock of closely held corporations:

1. The nature of the business and history of the enterprise from its inception.
2. The economic outlook in general and condition and outlook of the specific industry in particular.
3. The book value of the stock and the financial condition of the business.
4. The earning capacity of the company.
5. The dividend-paying capacity of the company.
6. Whether the enterprise has goodwill or other intangible value.
7. Sales of the stock and size of the block to be valued.
8. The market prices of stock of corporations engaged in the same or a similar line of business having their stocks actively traded in a free and open market, either on an exchange or over the counter.

These eight factors are fundamental to any appraisal of closely held securities. They are not, however, all-inclusive. All other factors relevant to the subject valuation must also be considered.

In this M/s. Sri Kannapiran Mills Limited, We have evaluated the following methodologies for arriving the fair value of the share as on 01st April 2018 :

- a) Net Asset Value Method ("NAV")
- b) Discounted Cash Flow- APV Approach

A. Net Asset Value Method ("NAV")

It is a method within the Asset Approach whereby all assets and liabilities (including off-balance sheet, intangible and contingent) are adjusted to their fair market values. The net of adjusted asset minus liability values is the indicated value of equity.

This method generally produce a control value since minority interest holders have no direct claim on the asset and cannot force their disposition or utilization. Furthermore, the asset approach typically provides a value indication stated on marketable basis.



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If this method is used in valuing a minority interest of a closely held company, the value indication derived will have to be adjusted from control to minority and depending on the facts and circumstances, from a marketable to non-marketable. It follows that asset value usually must be discounted for both lack of control and lack of marketability.

The Value per Equity Share of Face Value Rs. 10/- each under the Net Asset Value Method is Rs. 180.09/- (The NAV computation is given in Appendix A of the report).

B. Discounted Cash Flow- APV Approach

DCF Method is an accepted, systematic valuation method under which the free cash flows attributable to equity shareholders for a predetermined number of future years are considered and discounted to their present value. The free cash flows attributable to the equity shareholders are the cash flows from operating activities as reduced by the estimated/ planned capital expenditure in each of the future years. The cash flow projections and the estimations of capital expenditure are based on the management's view of the future business prospects of the company and the anticipated economic conditions in relation to the industry in which the company operates.

The discount rate is another variable based on which the value of shares are dependent upon. The rate can be the market rate or the rate determined as per the Capital Asset Pricing Model ("CAPM"). CAPM model is considered as a more scientific approach for arriving at a discount rate compared to the market rate of return. Discount rate under the CAPM model is based on the following formula:

Return on equity = $R_f + \beta(R_m - R_f)$ where

R_f - Risk free rate of return

R_m - Market rate of return

β - Beta of the stock

Apart from the above two, any other rate which is suitable for the purpose can also be adopted.



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6 | ఫోన్: 91 422 2319882, 4366882. info@sppgroups.com | www.sppgroups.com



There are further variations to this method. The cash flow may not result as expected and it is only estimation based on certain assumptions. The cash flow projections are further moderated for the Probability of achieving the same, given the dynamic economic and business conditions.

The Value per Equity Share of Face Value Rs. 10/- each under the Discounted Free Cash flow Method is Rs. 213.44/- (The DCF computation is given in Appendix B of the report).

5. SHARE VALUE

Considering the above facts and the future business projections in the healthcare industry, more specific in the Coimbatore market, we conclude that the face value (Rs. 10/-) of Equity shares of M/s. KG Fabriks Limited shall be the fair value for the limited purpose of proposed merger as detailed in this valuation report.

Considering the value of shares arrived under different methodologies, the final fair value of the share is computed on the basis of weightage assigned as under.

Adjusted Net Asset Value	-	1
Earning (Free Cashflow) Based Value	-	2

Based on the laid down principles, the fair value of the Equity shares of Face Value Rs.10/- each of Sri Kannapiran Mills Limited would be determined as **Rs. 202.32 /- (Rupees Two Hundred and Two and Thirty Two Paise Only) as on 01st April 2018.**

(The Fair Value Weightage computation are given in Appendix C of the report).

6. SCOPE LIMITATION

This report is based on the information provided to us by the management of Sri Kannapiran Mills Limited. Our work was not designed to verify the accuracy or reliability of the information provided to us and nothing in this report should be taken to imply that we have for the purpose of this assignment conducted procedures, audits or investigations in an attempt to verify or confirm any of the information supplied to us.



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SPP & Co.
Chartered Accountants



This report has been prepared solely for the purpose of assisting the management in determining the fair value, at which the Company M/s. Sri Kannapiran Mills Limited shall allot shares to the shareholders of M/s. KG Fabriks Limited under the proposed scheme of merger.

Yours Faithfully,

For S P P & Co

CHARTERED ACCOUNTANTS

(FRN : 011059S)

(CA. M. SURESH KUMAR)

M.No. 213948



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APPENDIX A

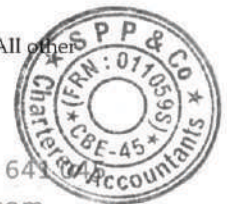
Share Valuation on Adjusted Net Asset Value Method		
(Amount in Cr INR)		
S.No	Particulars	31.03.2018 (Audited)
1	Fixed Assets (Net)	75.30
2	Investments	8.55
3	Other Non-current Assets	1.02
4	Long Term Loans & Advances	6.14
5	Inventories	13.67
6	Trade Receivables	40.65
7	Cash & Cash Equivalents	2.74
8	Short Term Loans and Advances	8.32
9	Other Current Assets	2.38
A	Total Assets	158.77
1	Borrowings (Long & Short Term)	43.83
2	Current & Non-Current Provisions	2.92
3	Trade Payables	33.53
4	Other Current Liabilities	23.00
B	Total Liabilities	103.28
C	Net Assets (A-B)	55.49
	Represented by	
	Share Capital & Reserves	55.49
	Add: Revaluation Adjustment (only Land)	10.00
	Less : Accumulated Losses	-
D	Net Worth	65.49
	Less: Preference Shares	-
	Networth to Equity Share Holders	65.49
E	No.of Equity Shares (Rs. 10/- each)	3,636,579
F	Value per Share (Rs/Share)	180.09

Underlying assumptions:

Factory land is historical and an adjustment of Rs. 10 Crs has been taken up for adjusted market value. All other costs are assets are maintained at cost prices as it is regularly replaced..

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APPENDIX B

Discounted Cash Flow Value	
Valuation of Shares	
Particulars	Amount
	(In Cr Rs.)
NPV of Explicit Period*	27.4
Present Value of Perpetuity*	105.6
Enterprise Value*	132.9
Less : Capital Borrowings (Debt & Preference)	46.7
Discounted Present Value of Equity Shares	86.2
Present Number of Equity Shares	3,636,579
Total No. of Equity Shares	3,636,579
Value per Equity Share at present capital (INR/ Share)	237.16
Less : Discounting by 10% to account for restricted mobility (being unlisted share)	(23.72)
Fair Value of Share under DCF Method	213.44

Yearly Cash Flows (Statement of Shareholders Returns)			
(In Cr Rs.)			
Particulars	Y-1	Y-2	Y-3
Free Cash Flows	4.01	16.00	16.27
Discount rate	13.00%	13.00%	13.00%
Discounting factor	0.885	0.783	0.693
Discounted Cash Flows	3.5	12.5	11.3

Perpetuity Value*	
(In Cr Rs.)	
Particulars	Amount
FCF for Y4	16.71
Growth Rate	3.0%
PBDIT for perpetuity	17.21
Cash Flow for Perpetuity (yearly)	17.21
Capitalised Value for Perpetuity	172.11
Discounting Factor	0.613
Present Value of Perpetuity	105.56



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APPENDIX C

S.No.	Method	Share Value	Weightage	Product
1	Net Asset Value Method	180.09	1	180.09
2	Cashflow Based Value Method Discounted Cash Flow Method	213.44	2	426.88
			3	606.97
Weighted Average Share Price				202.32





CA.C.A. Venkatesan B.Com., B.L., M.B.A., A.C.S., F.C.A
Chartered Accountant

15, Chinna Subbannan Street,
K.K.Pudur, Coimbatore - 641 038
Phone : +91 422 2451329

15.10.2018

To

The Board of Directors
Sri Kannapiran Mills Limited
Registered Office
Post Bag No.1
Sowripalayam Post
Coimbatore 641 028.

Dear Sirs

Sub: Share Swap Ratio for merger of KGFL with SKML

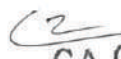
We have been engaged to arrive at the share swap ratio for the purpose of amalgamation of KG Fabriks Limited [hereinafter referred to as KGFL] with Sri Kannapiran Mills Limited (hereinafter referred to as SKML).

We have accordingly arrived at the share swap ratio, based on the independent valuation of the shares of the two companies by Messrs. SPP & Co., Chartered Accountants, Coimbatore vide their Valuation Reports dated 1.10.2018 and M/s SAFFRON Capital Advisors Private Limited, SEBI Registered Merchant Bankers, Mumbai vide their Valuation Reports dated 9.10.2018 as given below.

Valuation Report	KGFL Rs.	SKML Rs.
M/s SPP & Co., Chartered Accountants	19.20	202.32
M/s SAFFRON Capital Advisors Private Ltd	19.84	205.91
Share Swap Ratio	10 : 1	

Taking into consideration the relevant facts and circumstances enumerated in the above referred valuation reports, we are of the opinion, that the share exchange/swap ratio of 10:1 would be fair and reasonable and hence 1 (One) fully paid up Equity Share of Rs.10 each of SKML shall be issued and allotted to the equity shareholders of KGFL for every 10 (ten) Equity shares held in KGFL".

Yours faithfully


CA C.A. VENKATESAN,
B.Com., B.L., M.B.A., A.C.S., F.C.A.
CHARTERED ACCOUNTANT
15, CHINNA SUBBANNAN STREET
K.K. PUDUR, COIMBATORE 641 038

M.No: 19753

REPORT OF THE BOARD OF DIRECTORS OF KG FABRIKS LIMITED ON AUGUST 26, 2019 EXPLAINING THE EFFECT OF THE SCHEME OF AMALGAMATION ON SHAREHOLDERS, PROMOTER / NON-PROMOTER SHAREHOLDERS AND KEY MANAGERIAL PERSONNEL

1. BACKGROUND

- A. The proposed Scheme of Amalgamation of KG Fabriks Limited (“Transferor Company”), with Sri Kannapiran Mills Limited (“Transferee Company”) and their respective shareholders and creditors (the “Scheme”) was approved by the Board of Directors of the Company (the “Board”) vide resolution dated October 20, 2018.
- B. The provisions of Section 232(2)(c) of the Companies Act, 2013 (“Act”) requires the Directors to adopt a Report explaining the effect of the Amalgamation under the Scheme on each class of shareholders, key managerial personnel, promoter and non-promoter shareholders laying out in particular the share exchange ratio, specifying any special valuation difficulties and the same is required to be circulated to the equity shareholders at the time of seeking their approval to the Scheme as may be directed by the Hon'ble National Company Law Tribunal (“NCLT”)
- C. This Report of the Board is accordingly prepared in pursuance to the requirements of Section 232(2)(c) of the Act.
- D. The following documents were considered by the Board:
 - 1. Draft Scheme duly initialed by the Chairman of the meeting for the purpose of Identification.
 - 2. Copy of the Valuation Report dated October 9, 2018 issued by M/s Saffron Capital Advisors Private Limited, Category I Merchant Bankers, Mumbai and the Valuation Report dated October 1, 2018 issued by M/s SPP & Co, Chartered Accountants, Coimbatore in respect of the Valuation of Equity Shares of KG Fabriks Limited.
 - 3. Copy of the Valuation Report dated October 9, 2018 issued by M/s Saffron Capital Advisors Private Limited, Category I Merchant Bankers, Mumbai and the Valuation Report dated October 1, 2018 issued by M/s SPP & Co, Chartered Accountants, Coimbatore in respect of the Valuation of Equity Shares of Sri Kannapiran Mills Limited.
 - 4. Fairness Opinion dated October 15, 2018 in respect of share swap ratio issued by Mr. C.A.Venkatesan, Chartered Accountant, Coimbatore.
 - 5. Certificate from the Statutory Auditors of the Company confirming that the Scheme is in compliance with applicable accounting treatment notified under the Companies Act, 2013 and other generally accepted principles.

2. RATIONALE

- a. The Transferor Company and the Transferee Company are mutually dependent on each other with Transferor Company depending on Transferee Company for conversion of cotton in to yarn and Transferee Company depending on

Transferor Company for using its specialized manufacturing facilities for making denim yarn.

- b. Business now requires size, more operational flexibility, cost optimization and operational efficiency and integration.
- c. It is earnestly felt that keeping spinning and weaving facilities on stand alone basis will not be advantageous and that integration of the two businesses in to one for better management as a single entity will be in the larger interest of all stake holders.
- d. The fact that the Transferor Company and Transferee Company are managed by the same Management with common promoters, with workers trained and developed on a common platform, makes it attractive to merge the business to ensure sustained operation.
- e. Following significant benefits are expected to flow from the proposed amalgamation:
 - Higher value addition
 - Savings in administrative and operational costs
 - Overall reduction in inventory holding
 - Greater flexibility and benefits of ease of operation and economics of scale
 - Better utilization of all human resource with combined managerial & operating strength
 - Consolidation and stabilization the business of the companies
 - Increase in overall efficiency, profitability and cash flow
 - Will be a good step towards Risk Mitigation
 - Will lead to increase in profitability, EPS and shareholder's value over the long term
 - Carried forward depreciation and Business losses of transferor company will reduce income tax liability of the merged entity
 - Accumulated Non-refundable GST Input Tax Credit in Transferor Company can be used to adjust GST liability of the Transferee Company.
 - Will facilitate future business growth and fund raising through private equity, venture capital .

3. EFFECT OF THE SCHEME ON

Directors and Promoters:

Mr. K.G. Baalakrishnan, Chairman (Promoter) and Mr. A Velusamy, Whole Time Director (Non Promoter) of the Company are shareholders of the Company. They shall be entitled for equity shares of Sri Kannapiran Mills Limited to the extent of their shareholding in the company as per share exchange ratio.

Mr. K.G Baalakrishnan, Chairman of the Company belongs to the promoters group of Sri Kannapiran Mills Limited (Transferee Company).

Mr. A. Velusamy, Whole Time Director of the Company is also Director of Sri Kannapiran Mills Limited (Transferee Company) and continue as Director of the Amalgamated Company.

Independent Directors of the Company does not hold any shares, nor have any interest in the proposed Amalgamation

All the other four Independent Directors of the Company shall cease to be Directors and shall not be appointed as Director of the Amalgamated Company as per clause 8.1 of the Scheme.

Key Managerial Personnel:

None of Key Managerial Personnel (“KMP”), other than Directors as mentioned above have any interest in the Scheme of Amalgamation subject to their shareholding in Transferee Company.

Equity Shareholders

Upon the Scheme becoming fully effective, in consideration of the transfer and vesting of the entire undertaking of the Transferor company in the Transferee Company in terms of this Scheme, the Transferee Company shall without any further act or deed, issue and allot to the Equity Shareholders in the Transferor Company, whose names are recorded in the Register of Members, on the Record Date to be fixed by the Board of Directors of the Transferee Company, Equity Shares ranking pari passu in all respects with the existing Equity Shares of the Transferee Company in the following manner:-

1 (One) fully paid up equity share of Rs 10 each of the Transferee Company will be issued to the shareholders of the Transferor Company for every ten (10) equity shares of Rs 10 each held by such shareholders in the Transferor Company (as per Clause 9 of the Scheme).

Staff, workmen and employees:

All staff, workmen and employees of the Transferor Company in service on the Effective Date shall be deemed to have become staff, workmen and employees of the Transferee Company with effect from the Effective Date as per terms and conditions set out in Clause 12 of the Scheme.

Creditors:

This Scheme of Amalgamation shall not have any adverse impact on the Creditors (whether secured or unsecured) of Transferor Company or Transferee Company.

Any Special Valuation difficulty:

No Special valuation difficulties were reported.

In the opinion of the Board, the Scheme will be of advantage and beneficial to the Company, its shareholders and other stakeholders and the terms thereof are fair and reasonable.

By Order of the Board

FOR KG FABRIKS LIMITED

K.G. Baalakrishnan.

Chairman

DIN: 00002174

August 26, 2019.

REPORT OF THE BOARD OF DIRECTORS OF SRI KANNAPIRAN MILLS LIMITED ON AUGUST 26, 2019 EXPLAINING THE EFFECT OF THE SCHEME OF AMALGAMATION ON SHAREHOLDERS, PROMOTER / NON-PROMOTER SHAREHOLDERS AND KEY MANAGERIAL PERSONNEL

1. BACKGROUND

- A. The proposed Scheme of Amalgamation of KG Fabriks Limited (“Transferor Company”), with Sri Kannapiran Mills Limited (“Transferee Company”) and their respective shareholders and creditors (the “Scheme”) was approved by the Board of Directors of the Company (the “Board”) vide resolution dated October 20, 2018.
- B. The provisions of Section 232(2)(c) of the Companies Act, 2013 (“Act”) requires the Directors to adopt a Report explaining the effect of the Amalgamation under the Scheme on each class of shareholders, key managerial personnel, promoter and non-promoter shareholders laying out in particular the share exchange ratio, specifying any special valuation difficulties and the same is required to be circulated to the equity shareholders at the time of seeking their approval to the Scheme as may be directed by the Hon'ble National Company Law Tribunal (“NCLT”)
- C. This Report of the Board is accordingly prepared in pursuance to the requirements of Section 232(2)(c) of the Act.
- D. The following documents were considered by the Board:
1. Draft Scheme duly initialed by the Chairman of the meeting for the purpose of Identification.
 2. Copy of the Valuation Report dated October 9, 2018 issued by M/s Saffron Capital Advisors Private Limited, Category I Merchant Bankers, Mumbai and the Valuation Report dated October 1, 2018 issued by M/s SPP & Co, Chartered Accountants, Coimbatore in respect of the Valuation of Equity Shares of KG Fabriks Limited.
 3. Copy of the Valuation Report dated October 9, 2018 issued by M/s Saffron Capital Advisors Private Limited, Category I Merchant Bankers, Mumbai and the Valuation Report dated October 1, 2018 issued by M/s SPP & Co, Chartered Accountants, Coimbatore in respect of the Valuation of Equity Shares of Sri Kannapiran Mills Limited.
 4. Fairness Opinion dated October 15, 2018 in respect of share swap ratio issued by M/s C.A.Venkatesan, Chartered Accountant, Coimbatore.
 5. Certificate from the Statutory Auditors of the Company confirming that the Scheme is in compliance with applicable accounting treatment notified under the Companies Act, 2013 and other generally accepted principles.

2. RATIONALE

- a. The Transferor Company and the Transferee Company are mutually dependent on each other with Transferor Company depending on Transferee Company for conversion of cotton in to yarn and Transferee Company depending on Transferor Company for using its specialized manufacturing facilities for making denim yarn.
- b. Business now requires size, more operational flexibility, cost optimization and operational efficiency and integration.
- c. It is earnestly felt that keeping spinning and weaving facilities on stand alone basis will not be advantageous and that integration of the two businesses in to one for better management as a single entity will be in the larger interest of all stake holders.
- d. The fact that the Transferor Company and Transferee Company are managed by the same Management with common promoters, with workers trained and developed on a common platform, makes it attractive to merge the business to ensure sustained operation.
- e. Following significant benefits are expected to flow from the proposed amalgamation:
 - Higher value addition
 - Savings in administrative and operational costs
 - Overall reduction in inventory holding
 - Greater flexibility and benefits of ease of operation and economics of scale
 - Better utilization of all human resource with combined managerial & operating strength
 - Consolidation and stabilization the business of the companies
 - Increase in overall efficiency, profitability and cash flow
 - Will be a good step towards Risk Mitigation
 - Will lead to increase in profitability, EPS and shareholder's value over the long term
 - Carried forward depreciation and Business losses of transferor company will reduce income tax liability of the merged entity
 - Accumulated Non-refundable GST Input Tax Credit in Transferor Company can be used to adjust GST liability of the Transferee Company.
 - Will facilitate future business growth and fund raising through private equity, venture capital .

3. EFFECT OF THE SCHEME ON

Directors and Promoters:

Mr. K.G. Baalakrishnan, Chairman (Promoter), Dr.G.Bakthavathsalam, Managing Director (Promoter), Mr.B.Sriramalu, Managing Director (Promoter), Mr. B.Srihari, Managing Director (Promoter) and Mr. A Velusamy, Director (Non Promoter) of the Company are shareholders of KG Fabriks Limited (Transferor Company). They shall be entitled for equity

shares of Sri Kannapiran Mills Limited to the extent of their shareholding in KG Fabriks Limited (Transferor Company).as per share exchange ratio.

Mr. K.G Baalakrishnan, Chairman, Dr.G.Bakthavathsalam, Mr.B.Sriramalu and Mr.B.Srihari, Managing Directors of the Company belongs to the promoters group of KG Fabriks Limited (Transferor Company).

Mr. A. Velusamy, Director of the Company is also Whole Time Director of KG Fabriks Limited (Transferor Company) and continue as Director of the Amalgamated Company.

Other Independent Directors of the Company does not have any interest in the proposed Amalgamation and shall continue as Directors of the Amalgamated Company.

Key Managerial Personnel:

None of Key Managerial Personnel (“KMP”), other than Directors as mentioned above have any interest in the Scheme of Amalgamation subject to their shareholding in Transferee Company.

Equity Shareholders

Upon the Scheme becoming fully effective, in consideration of the transfer and vesting of the entire undertaking of the Transferor company in the Transferee Company in terms of this Scheme, the Transferee Company shall without any further act or deed, issue and allot to the Equity Shareholders in the Transferor Company, whose names are recorded in the Register of Members, on the Record Date to be fixed by the Board of Directors of the Transferee Company, Equity Shares ranking pari passu in all respects with the existing Equity Shares of the Transferee Company in the following manner:-

1 (One) fully paid up equity share of Rs 10 each of the Transferee Company will be issued to the shareholders of the Transferor Company for every ten (10) equity shares of Rs 10 each held by such shareholders in the Transferor Company (as per Clause 9 of the Scheme).

Staff, workmen and employees:

All staff, workmen and employees of the Transferor Company in service on the Effective Date shall be deemed to have become staff, workmen and employees of the Transferee Company with effect from the Effective Date as per terms and conditions set out in Clause 12 of the Scheme.

Creditors:

This Scheme of Amalgamation shall not have any adverse impact on the Creditors (whether secured or unsecured) of Transferor Company or Transferee Company.

Any Special Valuation difficulty:

No Special valuation difficulties were reported.

In the opinion of the Board, the Scheme will be of advantage and beneficial to the Company, its shareholders and other stakeholders and the terms thereof are fair and reasonable.

By Order of the Board

FOR SRI KANNAPIRAN MILLS LIMITED

K.G. Baalakrishnan.

Chairman

DIN: 00002174

August 26, 2019.



AUDITORS' CERTIFICATE

The Board of Directors,
Sri Kannapiran Mills Limited,
Sowripalayam,
Coimbatore 641 028

1. We, the Statutory Auditors of Sri Kannapiran Mills Limited, (hereinafter referred to as "the Company"), have examined the proposed accounting treatment specified in Clause 11 of the Draft Scheme of Amalgamation and Arrangement ("Scheme") between the Company and K G Fabriks Limited (Transferor Company) and their respective Shareholders and Creditors under Section 230 to 240 and other applicable provisions of the Companies Act, 2013 with reference to its compliance with the applicable Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 and Other Generally Accepted Accounting Principles.

Management's Responsibility

2. The responsibility for the preparation of the Scheme and its compliance with the relevant laws and regulations, including the applicable Accounting Standards as aforesaid is that of the Board of Directors of the Company.

Auditor's Responsibility

3. Our responsibility is to provide reasonable assurance on the reporting criteria as to whether the proposed accounting treatment contained in the Draft Scheme complies with the applicable Accounting Standards notified under Section 133 of the Companies Act, 2013 as aforesaid.

Our Scope of work did not involve us performing any audit tests in the context of our examination. We have not performed an audit, the objective of which would be to express an opinion on the specified elements, accounts or items thereof, for the purpose of this Certificate. Accordingly, we do not express such opinion. Further our examination did not extend to any aspects of a legal or propriety nature of the Draft Scheme and other compliances thereof. Nothing contained in this Certificate, nor any thing said or done in the course of, or in connection with the services that are subject to this Certificate, will extend any duty of care that we may have in our capacity as the Statutory Auditors of any financial statements of the Company. The appointed date for the purpose of this Certificate is considered as 1.4.2018.

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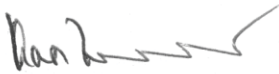
Opinion:

We have read the Clause 11 of the aforesaid Draft Scheme containing the provisions relating to the proposed accounting treatment. Based on such examination and according to information and explanations given to us, we confirm that the accounting treatment contained in the Draft Scheme is in compliance with the applicable Accounting Standards as notified under Section 133 of the Companies Act, 2013 and other Generally Accepted Accounting Principles, as applicable.

Restriction on use:

This Certificate is addressed to and provided to the Board of Directors of the Company for the purpose of complying with the requirements of the provisions of Section 233 of the Companies Act, 2013 for onward submission to the regulatory authority as required under applicable law. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this Certificate is shown or into whose hands it may come without our prior written consent.

**For GOPALAIYER AND SUBRAMANIAN
CHARTERED ACCOUNTANTS
(Firm Regn No: 000960S)**

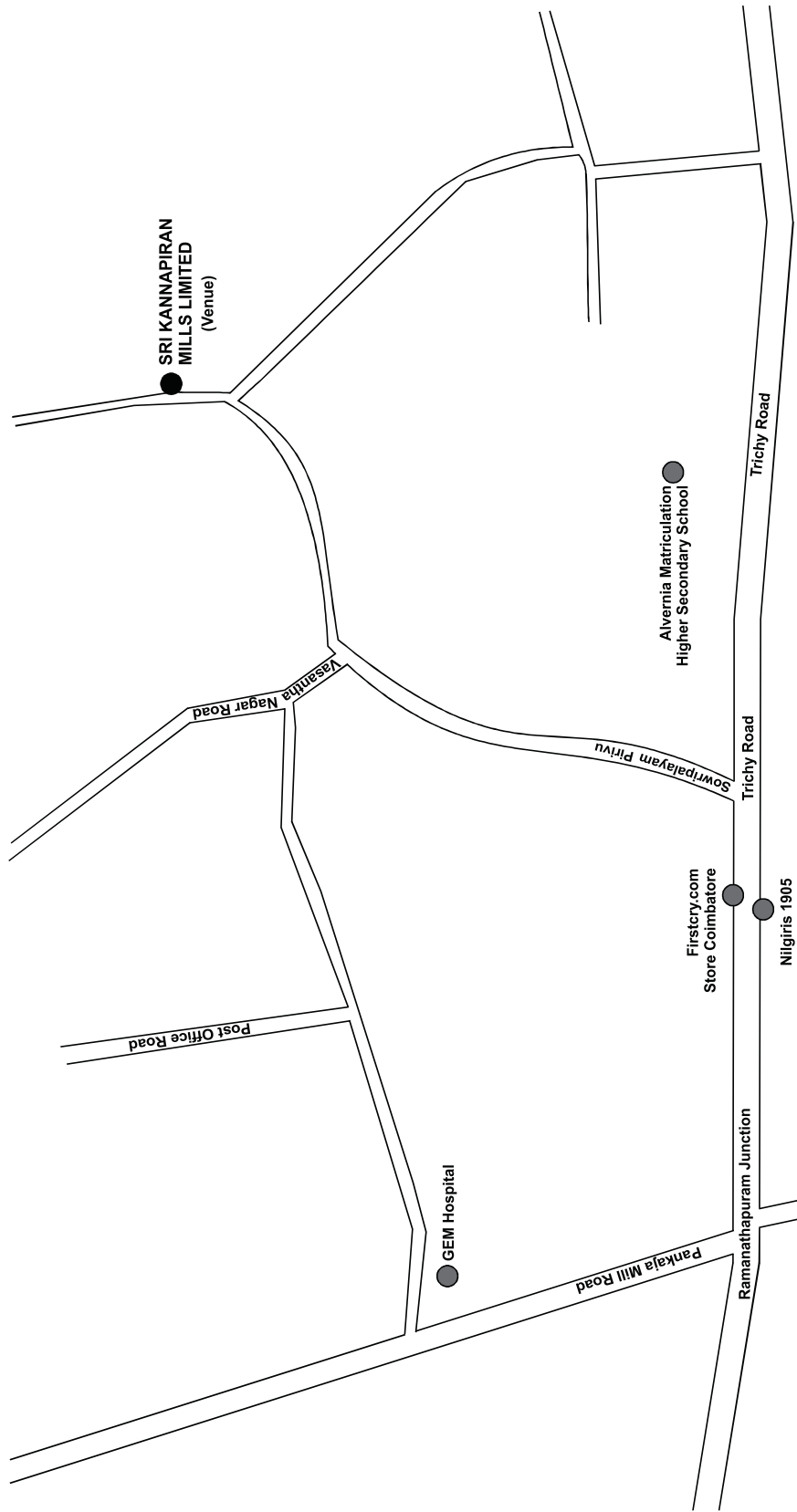


**S Kasi Viswanathan
Partner
(Membership No 026975)**



Place : Coimbatore
Date : 01.10.2018

Route Map of Meeting Venue



**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL, CHENNAI BENCH, CHENNAI
C.A.NO. 583 OF 2019**

**IN THE MATTER OF THE COMPANIES ACT, 2013
AND
IN THE MATTER OF APPLICATION UNDER SECTIONS 230 TO 240 AND OTHER
APPLICABLE NOTIFIED PROVISIONS OF THE COMPANIES ACT, 2013
AND
IN THE MATTER OF SCHEME OF AMALGAMATION (MERGER) OF
KG FABRIKS LIMITED (TRANSFEROR COMPANY)
WITH
SRI KANNAPIRAN MILLS LIMITED (TRANSFEEE COMPANY)
AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

M/s SRI KANNAPIRAN MILLS LIMITED

A Public Limited Company incorporated
under The Indian Companies Act, 1913, bearing
Corporate Identification No: U17111Z1946PLCO00188
having its Registered Office at Post Bag No.1,
Sowripalayam,
Coimbatore - 641028, Tamil Nadu
Rep. By its Managing Director Mr.B.Srihari

.. Applicant/Transferee Company

FORM OF PROXY

I/We, the undersigned Unsecured Creditor(s) of M/s Sri Kannapiran Mills Limited hereby appoint _____ of _____ and failing him/her _____ of _____ as my/our proxy to act for me/us on my/our behalf at the Court Convened Meeting of the Unsecured Creditors of M/s Sri Kannapiran Mills Limited to be held on 04-10-2019 for the purpose of considering and if thought fit, approving with or without modification(s), the arrangement embodied in the Scheme of Amalgamation between the Company its Shareholders and Creditors at such meeting and at any adjournment or adjournments thereof to vote for me/us and in my/our name, the said Scheme of Amalgamation and the resolution, either with or without modification, as my/our proxy may approve.

Dated this day of 2019

Name : _____

Address : _____

Amount : Rs.

Affix Rs.1 Revenue Stamp

Note:

1. All alterations made in the Form of Proxy should be initialed
2. Proxy, in order to be effective, to be deposited at the Registered office of the Company at Post Bag No.1, Sowripalayam, Coimbatore - 641028, Tamilnadu

SRI KANNAPIRAN MILLS LIMITED

CIN: U17111Z1946PLCO00188

Registered Office:

Post Bag No.1, Sowripalayam, Coimbatore - 641028.

Email: csd@kannapiran.co.in, Website: www.kannapiran.co.in

Phone : +91-(0422)-2351111, Telefax: +91-(0422)-2351110

ATTENDANCE SLIP

**MEETING OF UNSECURED CREDITORS ON Friday 4th Day of October 2019
AT 12.30 P.M**

Name	
Address of the Unsecured Creditor(s)	
Amount	Rs.

I/We hereby record my / our presence at the Meeting of the Unsecured Creditors of Sri Kannapiran Mills Limited, convened pursuant to order dated 9th August 2019 of the National Company Law Tribunal, Chennai Bench, at the Registered Office, Post Bag No.1, Sowripalayam, Coimbatore - 641028 on Friday 4th October 2019 at 12.30 p.m.

Unsecured Creditors / Proxy's name in Block Letter

Unsecured Creditors / Proxy's Signature