

Price Waterhouse Chartered Accountants LLP

To,
The Board of Directors,
Mafatlal Industries Limited
4th Floor, Mafatlal House, H.T. Parekh Marg,
Backbay Reclamation, Churchgate,
Mumbai - 400 020

Auditor's Certificate on compliance of the proposed accounting treatment in the Draft Scheme of Arrangement with SEBI Listing Regulations and the applicable accounting standards

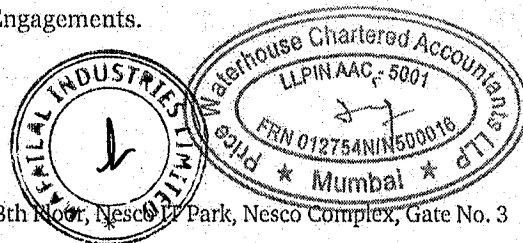
- 1) This certificate is issued in accordance with the terms of our agreement dated November 8, 2022.
- 2) We, the statutory auditors of Mafatlal Industries Limited (hereinafter referred to as "the Company"), have examined the proposed accounting treatment specified in clause 6 to Part III of the Draft Scheme of Arrangement between the Company and its shareholders (the "Draft Scheme") as approved by the Board of Directors of the Company in their meeting held on November 14, 2022, in terms of the provisions of Section 230 of the Companies Act, 2013 (the "Act") with reference to its compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "SEBI Listing Regulations") and the Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 issued by SEBI (the "Master Circular"), and the applicable accounting standards specified under Section 133 of the Act (the 'applicable accounting standards') and other generally accepted accounting principles. We have initialed the Draft Scheme for identification purpose only.

Management's Responsibility

- 3) The responsibility for the preparation of the Draft Scheme and its compliance with the Act and SEBI Listing Regulations and the Master Circular, including the applicable accounting standards and other generally accepted accounting principles as aforesaid, is that of the Board of Directors of the Company.

Auditor's Responsibility

- 4) Pursuant to the requirements of proviso to sub-section (7) of section 230 of the Act read with the Master Circular, our responsibility is to examine the Draft Scheme and certify whether the accounting treatment contained in clause 6 to Part III of the Draft Scheme is in compliance with Regulation 11, 37 and 94 of the SEBI Listing Regulations and the Master Circular and the applicable accounting standards specified under Section 133 of the Act and other generally accepted accounting principles.
- 5) We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
- 6) We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.



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Price Waterhouse Chartered Accountants LLP

Mafatlal Industries Limited

Auditor's Certificate on compliance of the proposed accounting treatment in the Draft Scheme of Arrangement with SEBI Listing Regulations and the applicable accounting standards

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Conclusion

- 7) Based on our examination and according to the information and explanations given to us, pursuant to the requirements of proviso to sub-section (7) of section 230 of the Act read with the Master Circular, we report that there is no specific accounting standard notified under section 133 of the Act which deals with transactions involving capital reduction, however, the accounting treatment proposed in the clause 6 to Part III of the Draft Scheme is in conformity with the generally accepted accounting principles and the provisions of the Act.

Restriction on Use

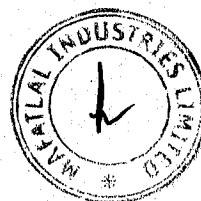
- 8) Our work was performed solely to assist you in meeting the requirements of the Act and the Master Circular to enable the Company to file the Draft Scheme with the Stock Exchange and the National Company Law Tribunal (NCLT). Our obligations in respect of this certificate are entirely separate from, and our responsibility and liability is in no way changed by any other role we may have as auditors of the Company or otherwise. Nothing contained in this Certificate, nor anything 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 of the statutory auditors of any financial statements of the Company.
- 9) This Certificate is issued at the request of the Board of Directors of the Company to whom it is addressed, for onward submission to the Stock Exchange and the NCLT and should not be used for any other purpose. We do not accept or assume any liability or 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 save where expressly agreed by our prior consent in writing.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016

Pankaj Khandelia
Partner

Membership Number: 102022
UDIN: 22102022BDAAU5536

Place: Mumbai
Date: November 14, 2022



SCHEME OF ARRANGEMENT
BETWEEN
MAFATLAL INDUSTRIES LIMITED
AND
ITS SHAREHOLDERS

UNDER SECTION 230 AND OTHER APPLICABLE PROVISIONS OF THE
COMPANIES ACT, 2013

(A) PREAMBLE

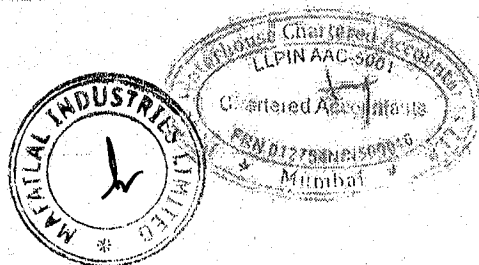
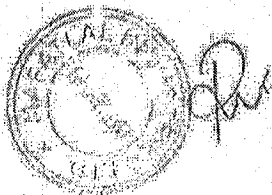
This Scheme of Arrangement ("Scheme") provides for reduction and reorganization of the capital of Mafatlal Industries Limited pursuant to the provisions of Sections 230 and other applicable provisions of the Companies Act, 2013 ("the Act"). This Scheme also provides for various other matters consequential thereto or otherwise integrally connected therewith.

(B) DESCRIPTION OF THE COMPANY

Mafatlal Industries Limited ("the Company") is a company incorporated under the provisions of the Indian Companies Act, 1882. The Company is principally engaged in the business of manufacturing, trading, dealing, and marketing textile and other business for more than 100 years. The equity shares of the Company are listed on the Stock Exchange (as defined hereinafter).

(C) PARTS OF THE SCHEME

The Scheme is divided into the following parts:



1. **PART I** deals with the definitions of capitalized terms used in the Scheme, the details of the share capital of the Company and date of taking effect and implementation of this Scheme;
2. **PART II** deal with rational for the Scheme;
3. **PART III** deals with reduction and reorganization of capital and reserves of the Company; and
4. **PART IV** deals with the general terms and conditions applicable to the Scheme.

PART I

DEFINITIONS AND SHARE CAPITAL

1. DEFINITIONS

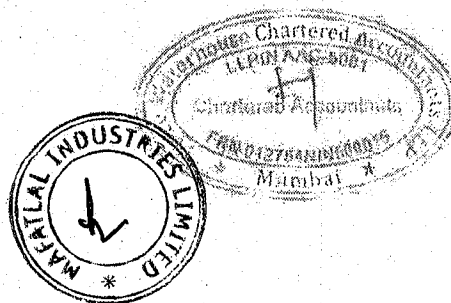
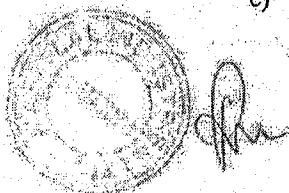
- 1.1. In this Scheme, (i) capitalised terms defined by inclusion in quotations and/ or parenthesis shall have the meanings so ascribed; and (ii) the following expressions shall have the meanings ascribed hereunder:

“Act” means the Companies Act, 2013;

“Appointed Date” means 1 April 2022 or such other date as may be approved by the Tribunal;

“Appropriate Authority” means:

- a) the government of any jurisdiction (including any national, state, municipal or local government or any political or administrative subdivision thereof) and any department, ministry, agency, instrumentality, court, tribunal, central bank, commission or other authority thereof;
- b) any governmental, quasi-governmental or private body or agency lawfully exercising or entitled to exercise, any administrative, executive, judicial, legislative, regulatory, licensing, competition, tax, importing, exporting or other governmental or quasi- governmental authority including without limitation, SEBI (*as defined hereinafter*), and the Tribunal (*as defined hereinafter*); and
- c) any Stock Exchange.



12

"Board" in relation to the Company means the board of directors of the Company and shall include a committee of directors or any person authorized by such board of directors or such committee of directors duly constituted and authorized for the matters pertaining to this Scheme or any other matter relating hereto;

"Company" means Mafatlal Industries Limited, a company incorporated under the provisions of the Indian Companies Act, 1882, having Corporate Identity Number L17110GJ1913PLC000035 and its registered office at 301-302, Heritage Horizon, Third Floor, Off. C. G. Road, Navrangpura, Ahmedabad, Gujarat, India - 380009;

"Effective Date" means the day on which last of the conditions specified in Clause 13 (Conditions Precedent) of this Scheme are complied with or otherwise duly waived;

Reference in this Scheme to the date of "coming into effect of this Scheme" or "effectiveness of this Scheme" or "effect of this Scheme" or "upon the Scheme becoming effective" shall mean the Effective Date;

"Person" means an individual, a partnership, a corporation, a limited liability partnership, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or an Appropriate Authority;

"Retained Earnings" means the amount appearing in the annual financial statements of the Company as "retained earnings" under "Reserves and Surplus" and representing the cumulative profit / (loss) of the Company;

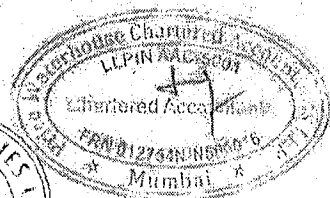
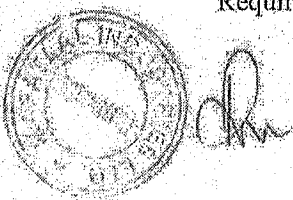
"RoC" means the relevant jurisdictional Registrar of Companies having jurisdiction over the Company;

"Rs" or "Rupee(s)" or "INR" means Indian Rupee, the lawful currency of the Republic of India;

"Scheme" or "this Scheme" means this scheme of arrangement as modified from time to time;

"SEBI" means the Securities and Exchange Board of India;

"SEBI LODR Regulations" means SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 as amended from time to time;



"Stock Exchanges" means BSE Limited;

"Tax Laws" means all applicable laws dealing with Taxes including but not limited to income-tax, wealth tax, sales tax / value added tax, service tax, goods and service tax, excise duty, customs duty or any other levy of similar nature;

"Taxation" or "Tax" or "Taxes" means all forms of taxes and statutory, governmental, state, provincial, local governmental or municipal impositions, duties, contributions and levies, whether levied by reference to income, profits, book profits, gains, net wealth, asset values, turnover, added value, goods and services or otherwise and shall further include payments in respect of or on account of Tax, whether by way of deduction at source, collection at source, dividend distribution tax, advance tax, minimum alternate tax, goods and services tax or otherwise or attributable directly or primarily to the Company or any other Person and all penalties, charges, costs and interest relating thereto; and

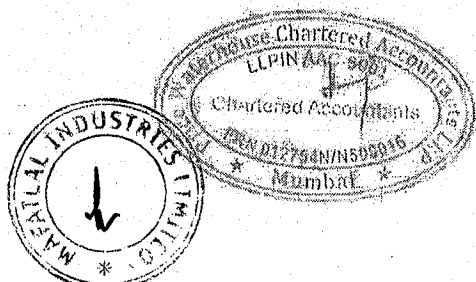
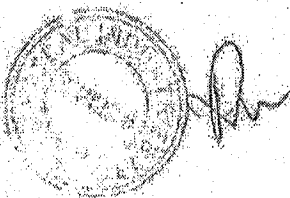
"Tribunal" means the Ahmedabad Bench of the National Company Law Tribunal ("NCLT") having jurisdiction over the Company.

1.2. In this Scheme, unless the context otherwise requires:

- 1.2.1. words denoting the singular shall include the plural and *vice versa*;
- 1.2.2. any Person includes that Person's legal heirs, administrators, executors, liquidators, successors, successors-in-interest and permitted assigns, as the case may be;
- 1.2.3. headings, sub-headings, titles, sub-titles to clauses, sub-clauses and paragraphs are for information and convenience only and shall be ignored in construing the same; and
- 1.2.4. the words "include" and "including" are to be construed without limitation.

2. SHARE CAPITAL AND OTHER EQUITY

- 2.1. The share capital of the Company as on 31 March 2022 is as follows;

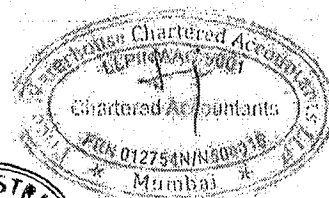


<i>Particulars</i>	<i>Amount (Rs.)</i>
Authorised Share Capital:	
1,42,45,081 Equity Shares of Rs. 10/- each	14,24,50,810
8,57,54,919 Unclassified Shares of Rs. 10/- each	85,75,49,190
Total Authorised Capital	1,00,00,00,000

<i>Particulars</i>	<i>Amount (Rs.)</i>
Issued Capital:	
1,40,71,386 Equity Shares of Rs. 10/- each *	14,07,13,860
Subscribed & Paid-Up Capital:	
1,40,71,386 fully paid-up Equity Shares of Rs. 10/- each	14,07,13,860

*The Issued and Paid-Up Capital is as on 31st March 2022. The Issued and Paid-Up Capital has increased subsequently due to issuance of 25,100 number of Shares of face value of Rs. 10/- each under The Mafatlal Employee Stock Option Scheme, 2017.

The members of the Company, vide ordinary resolution through postal ballot dated 7th November, 2022 have approved reclassification of authorised share capital and sub-division of equity shares of the Company. 25th November, 2022 is record date for the purpose of new sub-division of equity Shares of the Company. After reclassification of authorised share capital and sub-division of equity shares of the Company as aforesaid, the capital structure of the Company will be:



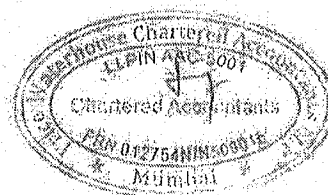
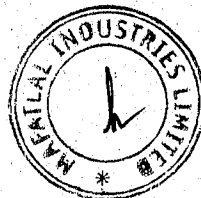
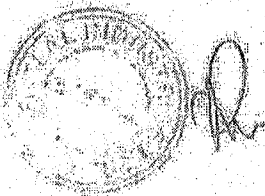
Particulars	Amount (Rs.)
Authorised Share Capital:	
35,00,00,000 Equity Shares of Rs. 2/- each	70,00,00,000
3,00,00,000 Preference Shares of Rs. 10/- each	30,00,00,000
Total Authorised Capital	1,00,00,00,000

Issued Capital:	
7,04,82,430 Equity Shares of Rs. 2/- each	14,09,64,860
Subscribed & Paid-Up Capital:	
7,04,82,430 fully paid-up Equity Shares of Rs. 2/- each	14,09,64,860

Equity Shares of MIL are listed on Bombay Stock Exchange Limited (BSE)

- 2.2 The details of Reserves and Surplus of the Company as on 31 March 2022, as per the last audited balance sheet are as under:

Sr. No.	Particulars	Amount in Rs.
1	Capital Reserve No.1	61,16,314.00
2	Capital Reserve No. 2	35,00,000.00
3	Capital Reserve on Amalgamation	36,34,48,000.00
4	Capital Redemption Reserve	83,83,13,559.00
5	Securities premium	176,26,44,605.12
6	Capital Investment Reserve	75,96,408.91
7	Investment Reserve	1,77,663.00
8	ESOP Reserve	75,78,714.66
9	Export Profit Reserve	20,00,000.00
10	Retained earnings	(226,44,81,517.00)
11	General Reserve	6,20,00,000.00
12	FVOCI Equity Investments Reserve	592,98,59,455.53



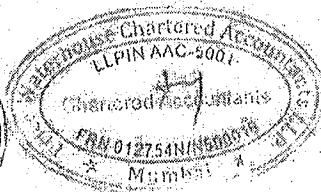
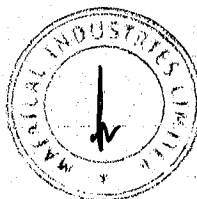
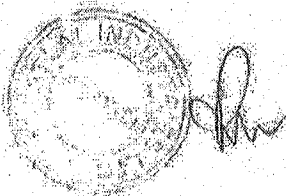
3. DATE OF TAKING EFFECT AND IMPLEMENTATION OF THIS SCHEME

This Scheme in its present form or with any modification(s) made as per Clause 12 of this Scheme, shall become effective and operative from the Effective Date.

PART - II

4. RATIONAL FOR THE SCHEME

- 4.1 The Company had suffered substantial losses during the past few years, due to which the Company's retained earnings had turned negative.
- 4.2 During the financial years 2020-21 and 2021-22, the Company implemented several strategic cost control measures, and evolved towards an asset-light model marked by lower overheads and liabilities.
- 4.3 During the financial year 2021-22, the Company further strengthened the effectiveness of its manufacturing operations, improved the inventory turnaround time and widened its marketing cum distribution network.
- 4.4 Despite generating substantial profits during the financial year 2021-22, the Company continues to carry a debit balance of Retained Earnings (*as defined hereinbefore under sub-clause 1.1 of clause I "Definitions"*) on its balance sheet as on 31 March 2022. At the same time, the Company has unutilized balances lying under various reserves, which are neither earmarked for any specific purpose, nor have any lien marked thereon and/or obligation attached thereto.
- 4.5 In the circumstances, the Company is of the view that the financial statements of the Company are not reflective of its true current financial health and therefore, it is necessary to reduce and reorganize the capital of the Company.
- 4.6 The Scheme proposes to set-off the debit balance of Retained Earnings of the Company as on the Appointed Date against the credit balance lying under various reserves as specified herein.
- 4.7 The proposed reduction and reorganization of the capital is in the interest of the Company, its shareholders, creditors and all concerned stakeholders. If the Scheme is approved, the books of the Company would present a fair representation of the



financial position of the Company, and would enable the Company to explore opportunities for the benefit of its shareholders.

PART III

REDUCTION AND REORGANIZATION OF CAPITAL OF THE COMPANY

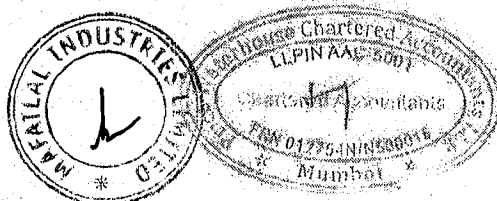
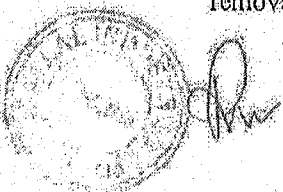
5. REDUCTION AND REORGANIZATION OF CAPITAL OF THE COMPANY

5.1 Upon the Scheme becoming effective, the credit balance of following reserves as appearing in books of accounts of the Company as on the Appointed Date, shall be adjusted against the entire debit balance of the Retained Earnings of the Company as on the Appointed Date, to the extent permissible under Law, in the following chronological order:

- 5.1.1 Entire credit balance of "Capital Reserve No. 1";
- 5.1.2 Entire credit balance of "Capital Reserve No. 2";
- 5.1.3 Entire credit balance of "Capital Reserve on Amalgamation";
- 5.1.4 Entire credit balance of "Capital Redemption Reserve";
- 5.1.5 Credit Balance of "Securities Premium", to the extent required (i.e. Rs. 105,31,03,644.00) for adjustment of remaining debit balance of the Retained Earnings of the Company.

5.2 The reduction and reorganization of the capital of the Company, as stated in Clause 5.1 above, shall be effected as an integral part of this Scheme itself, and the order of the Tribunal sanctioning this Scheme shall confirm the reduction and reorganization of capital of the Company.

5.3 Pursuant to the Scheme, there is no outflow of/ payout of funds from the Company and hence, the interest of the shareholders/ creditors is not adversely affected. For the removal of doubt, it is expressly recorded and clarified that the Scheme shall not in any



manner involve distribution of capital reserves or revenue reserves and shall be in accordance with the accounting standards prescribed under provisions of Section 133 of the Act.

5.4 The reduction and reorganization of capital of the Company would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital.

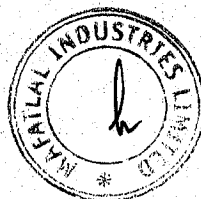
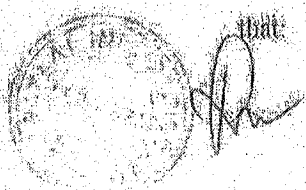
5.5 Notwithstanding the reduction of capital, as stated in Clause 5.1 above, the Company shall not be required to add "And Reduced" as suffix to its name.

5.6 This Scheme is an "arrangement" between the Company and its shareholders under Section 230 of the Act and does not envisage the transfer of vesting of any properties and/or liabilities as contemplated in Sections 230 to 232 and other applicable provisions of the Act. This Scheme does not involve any "conveyance" or "transfer" of any property/liabilities and does not relate to amalgamation or merger or demerger of companies in terms of Sections 230 to 232 of the Act. Accordingly, this Scheme and the order sanctioning this Scheme shall not be deemed to be a conveyance within the meaning of the Gujarat Stamp Act, 1958, and therefore no stamp duty shall be payable on the Scheme and / or the order sanctioning this Scheme.

5.7 The utilization of the Capital Reserve No. 1, Capital Reserve No. 2, Capital Reserve on Amalgamation, Capital Redemption Reserve and Securities Premium as aforesaid shall be effected as an integral part of the Scheme and the order of the NCLT sanctioning this Scheme shall be deemed to be an order under section 66 read with section 52 and other applicable provisions of the Act and no separate sanction under section 66 read with section 52 and other applicable provisions of the Act will be necessary.

6. ACCOUNTING TREATMENT IN THE BOOKS OF THE COMPANY

6.1 Notwithstanding anything else contained in the Scheme, the Company shall account for reduction and reorganization of capital in its books of account in accordance with Indian Accounting Standards ("IND AS") notified under Section 133 of the Act, under the Companies (Indian Accounting Standard) Rules, 2015, as may be amended from time to time and other accounting principles generally accepted in India, such



6.1.1 The credit balances of the below mentioned reserves in books of accounts of the Company as on the Appointed Date shall be reclassified and credited to the Retained Earnings of the Company as on the Appointed Date, so as to set off the debit balance of Retained Earnings to the extent of Rs. 226,44,81,517.00 (Rupees Two hundred and Twenty-Six Crores Forty-Four lakhs Eighty-One Thousand Five Hundred and Seventeen only) and shall be adjusted as under:

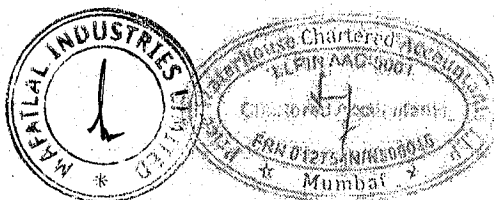
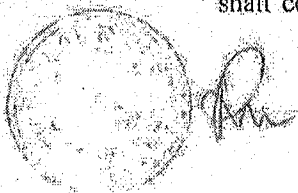
- (a) Entire credit balance of Rs. 61,16,314.00 appearing as "Capital Reserve 1"
 - (b) Entire credit balance of Rs. 35,00,000.00 appearing as "Capital Reserve 2";
 - (c) Entire credit balance of Rs. 36,34,48,000.00 appearing as "Capital Reserve on Amalgamation";
 - (d) Entire credit balance of Rs. 83,83,13,559.00 appearing as "Capital Redemption Reserve"
 - (e) Remaining unadjusted debit balance of Retained Earnings of Rs. 105,31,03,644.00 shall be adjusted against the credit balance of Securities Premium, and to that extent the Securities Premium shall stand reduced. .
- 6.2 The Company will pass appropriate adjustment entries in prudent and commercially acceptable manner; and
- 6.3 For accounting purpose, the reduction and reorganization of capital of the Company will be given effect on the date when all substantial conditions for the reduction and reorganization of capital are completed.

PART IV

GENERAL TERMS & CONDITIONS

7. EMPLOYEES

The employees of the Company shall, in no way, be affected by the proposed reduction and reorganization of capital, as there is no transfer of employees under the Scheme. On the Scheme becoming effective, all the employees of the Company shall continue with their employment, without any break or interruption in their



services, on the same terms and conditions on which they are engaged as on the Effective Date.

8. CREDITORS

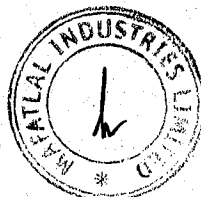
The reduction and reorganization of capital (as set out in Clause 5.1 above) will not cause any prejudice to the creditors of the Company. The creditors of the Company are, in no way, affected by the proposed reduction and reorganization of capital, as there is no reduction in the amount payable to any of the creditors as a result of this Scheme, and no compromise or arrangement is contemplated with the creditors under this Scheme. Further, there is no outflow of cash from the Company. Thus, the proposed adjustment would not, in any way, adversely affect the operations of the Company or the ability of the Company to honour its commitments or to pay its debts in the ordinary course of business.

9. COMPLIANCE WITH TAX LAWS

The Scheme is in compliance with the applicable Tax Laws. Upon the Scheme becoming effective, the Company shall continue to pay Taxes in accordance with and subject to applicable law.

10. LEGAL PROCEEDINGS

Upon the Scheme becoming effective, all suits, actions, administrative proceedings, tribunals proceedings, show cause notices, demands and legal proceedings of whatsoever nature by or against the Company pending and/or arising on or before the Effective Date or which may be instituted any time thereafter shall not abate or be discontinued or be in any way prejudicially affected by reason of this Scheme or by anything contained in this Scheme but shall be continued and be enforced by or against the Company.



11. APPLICATIONS/PETITIONS TO THE TRIBUNAL

The Company shall make and file all applications and petitions under Sections 230 and other applicable provisions of the Act before the Tribunal, for sanction of this Scheme under the provisions of the Act.

12. MODIFICATION OR AMENDMENTS TO THIS SCHEME

12.1 The Board may make any modifications or amendments to this Scheme at any time and for any reason whatsoever, or which may otherwise be considered necessary, desirable or appropriate. The Board may consent to any conditions or limitations or may make any modifications to the Scheme that the Tribunal or any other Appropriate Authority may impose.

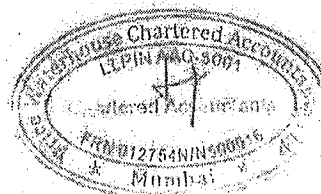
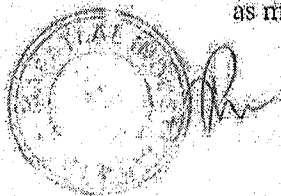
12.2 For the purposes of giving effect to this Scheme, the Board may give such directions including directions for settling any question or difficulty that may arise and such directions shall be binding as if the same were specifically incorporated in this Scheme. With regard to the Scheme including passing of accounting entries and/or making such other adjustments in the books of account as are considered necessary to give effect to the Scheme.

13. CONDITIONS PRECEDENT

13.1 Unless otherwise decided (or waived) by the Board, the Scheme is conditional upon and subject to the following conditions precedent:

13.1.1 obtaining no-objection letter from the Stock Exchange in relation to the Scheme under Regulation 37 of the SEBI LODR Regulations;

13.1.2 approval of the Scheme by the requisite majority of the shareholders and/ or creditors of the Company, as applicable or as may be required under the Act and as may be directed by the Tribunal;



13.1.3 the sanctions and orders of the Tribunal as may be applicable, under Sections 230 to 232 of the Act being obtained by the Company; and

13.1.4 the certified copy of the orders of the Tribunal being filed with the RoC by the Company.

13.1.5 The requisite consent approval or permission of any Appropriate Authority which by applicable law may be necessary for the implementation of this Scheme.

13.2 It is hereby clarified that submission of this Scheme to the Tribunal and to the Appropriate Authorities for their respective approvals is without prejudice to all rights, interests, titles or defences that Company may have under or pursuant to all applicable laws.

14. WITHDRAWAL OF THIS SCHEME AND NON-RECEIPT OF APPROVALS

14.1 The Company shall be at liberty to withdraw the Scheme, any time before the Scheme is effective.

14.2 In the event of withdrawal of the Scheme under Clause 14.1 above, no rights and liabilities whatsoever shall accrue or be incurred by the Company or its shareholders or creditors or employees or any other Person.

14.3 In the event of any of the requisite sanctions and approvals not being obtained on or before such date as may be decided by the Company (including any extension thereof), this Scheme shall become null and void and in that event no rights and liabilities whatsoever shall accrue to or be incurred upon the Company or their shareholders or creditors or employees or any other Person in terms of this Scheme.

15. COSTS AND EXPENSES

All costs, charges, taxes, duties, levies, fees and expenses, if any, to the extent applicable and payable in connection with this Scheme, shall be borne and paid by the Company.

