

REPORT OF THE MEETING OF INDEPENDENT DIRECTORS OF MAFATLAL INDUSTRIES LIMITED ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN THE COMPANY AND ITS SHAREHOLDERS UNDER SECTION 230 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AT ITS MEETING HELD ON MONDAY, 14TH NOVEMBER 2022.

The following Independent Directors were present during discussion on the Scheme:

Mr. Vilas R. Gupte	-	Chairman
Mr. Pradip N. Kapadia	-	Member
Mrs. Latika P. Pradhan	-	Member
Mr. Gautam G. Chakravarti	-	Member
Mr. Sujal A. Shah	-	Member
Mr. Atul Kumar Srivastava	-	Member (Attended thru VC)

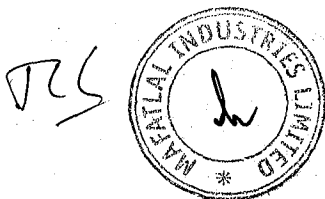
In attendance:

Mr. Amish Shah, Company Secretary
Mr. Milan Shah, Chief Financial Officer

Mr. Vilas R. Gupte, Chairman of the Committee occupied the Chair.

1. Background

- 1.1. A meeting of the Independent Directors of the Company was held on 14th November 2022, to consider and recommend the proposed Scheme of Arrangement between the Company and its Shareholders for reduction & reorganisation of Share Capital of the Company under Section 230 and other applicable provisions of the Companies Act, 2013 ("**Act**") ("**Scheme**").
- 1.2. The Company is 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 businesses for more than 100 years. The equity shares of the Company are listed on BSE Limited.
- 1.2. This report of the Independent Directors is made to comply with the requirements of the Securities and Exchange Board of India ("**SEBI**") (Listing Obligations and Disclosure Requirements) Regulations 2015 ("**Listing Regulations**") and SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 ("**SEBI Master Circular**") and as amended from time to time.





MAFATLAL INDUSTRIES LIMITED

Regd. Office : 301-302, Heritage Horizon, 3rd Floor, Off. C. G. Road, Navrangpura, Ahmedabad 380 009. Email : ahmedabad@mafatlals.com Tel. : 079 26444404-06 Fax : 079 26444403 Corp. Off. : Mafatlal House, 5th Floor, H.T. Parekh Marg, Backbay Reclamation, Churchgate, Mumbai - 400 020. Tel. : 91 022 6617 3636, Fax : 91 022 6635 7633 CIN : L17110GJ1913PLC000035 Website : www.mafatlals.com

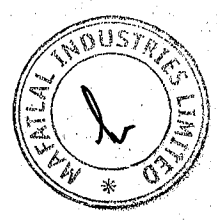
1.4. The following documents were placed before the Independent Directors:

- (a) Draft Scheme, duly initialled by the Company Secretary of the Company for the purpose of identification; and
- (b) Draft undertaking on non-applicability of conditions specified in Paragraph 10(b) read with Paragraph 10(a) of Part I of the SEBI Master Circular and certificate issued by M/s. Price Waterhouse Chartered Accountants LLP, Chartered Accountants, Statutory Auditors of the Company certifying the said undertaking.

2. Proposed Scheme of Arrangement

- 2.1. The proposed Scheme *inter alia* provides for reduction and reorganization of capital and reserves of the Company.
- 2.2. The Committee of Independent Directors the Company noted the rationale and the benefits of the proposed Scheme.
- 2.3. The Company has suffered substantial losses during the past few years, due to which the Company's retained earnings had turned negative.
- 2.4. 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.
- 2.5. 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.
- 2.6. Despite generating substantial profits during the Financial Year 2021-22, the Company continues to carry a debit balance of Retained Earnings on its balance sheet as on 31st 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.
- 2.7. 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.
- 2.8. The proposed Scheme proposes to set-off the debit balance of Retained Earnings of the Company against the credit balance lying in its Reserves (*inter alia* the Securities Premium).

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- 2.9 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.

3. Impact of the Scheme on the shareholders of the Company

- 3.1. There is no outflow of/ pay out 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 proposed 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.
- 3.2. 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.
- 3.3. This proposed 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 proposed 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 proposed 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.
- 3.4. The proposed Scheme is expected to be beneficial to the Company and its shareholders and all other stakeholders.

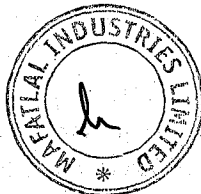
4. Recommendation of the Independent Directors

The Independent Directors *inter alia* having noted the rationale, benefits and the impact of the proposed Scheme on shareholders and in particular the fact that the proposed Scheme is not detrimental to the interests of public shareholders of the Company and in consideration of the documents placed before it, approves and recommends the Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Independent Directors
of **MAFATLAL INDUSTRIES LIMITED**



Vilas R. Gupte
Chairman



Date: 14th November 2022

Place: Mumbai



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