



RSWM Limited

an LNJ Bhilwara Group Company
CIN:L17115RJ1960PLC008216



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**REPORT OF AUDIT COMMITTEE OF RSWM LIMITED RECOMMENDING
DRAFT**

**SCHEME OF AMALGAMATION OF CHESLIND TEXTILES LIMITED WITH
RSWM LIMITED**

Members of the Committee present

Dr. Kamal Gupta Chairman

Mr. D.N. Davar Member

1. Background

The Board of Directors of RSWM Limited ('the Company' or 'RSWM') had at its meeting held on 9th April, 2014 approved a business restructuring plan consisting of a Scheme of Arrangement ('Scheme') under the provisions of Section 391 and 394 of the Companies Act, 1956. The Scheme *inter-alia* envisages, amalgamation of Cheslind Textile Limited ("CTL") with the Company, with appointed date of 1st April, 2013.

Recently, SEBI vide its Circular No. CIR/CFD/DIL/5/2013 ('Circular') dated February 4, 2013, has amongst other requirements sought a report from the Audit Committee of the listed entity recommending the scheme.

In view of the above Circular, members of the Audit Committee ('Committee') of the Company discussed and recommended the Scheme of arrangement vide a resolution passed on 9th April, 2014, and have made this report, perusing the following documents:

1. Scheme of Amalgamation;

(Formerly Rajasthan Spinning & Weaving Mills Limited)

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2. Certificate of M/s. S. Bhargava Associates, Chartered Accountants dated 9th April, 2014, regarding the accounting treatment as specified in Clause 24(i) of the listing agreement;
3. Valuation Report of M/s S.S. Kothari Mehta & Co dated 9th April, 2014.
4. Fairness Opinion obtained from M/s D & A Financial Services Private Limited a SEBI Registered Merchant Banker, dated 9th April, 2014.

The report of the Committee is made in order to comply with the requirements of the Circular.

2. Proposed Scheme of Arrangement

- 2.1 The Committee notes that the Transferee Company is engaged in the business of spinners, doublers, weavers, bleachers, dyers, printers, mercers and hosiers in cotton, wool, jute, silk, teryline, terrycotton, linen and all other synthetic and other fibrous materials and to purchase, comb, prepare, spin, weave, bleach, dye, print, mercerise or otherwise manufacture and deal in wool, cotton, silk and all other goods, yarn, cotton and other goods, fabrics whether textiles, trebled, knotted or looped, kapas, hemp, jute, rags, yarns, necessary or useful in processes for treatment of any or all of the above purposes.

This Scheme of Amalgamation is presented for the amalgamation of Cheslind Textile Limited with the Company pursuant to Sections 391 & 394 of the Companies Act, 1956.

- 2.2 The salient features of the Scheme are as under:

- 2.2.1 Both Transferor Company and Transferee Company are engaged in the similar business of spinners, doublers, weavers, bleachers, dyers,

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printers, mercers and hosiers in cotton, wool, jute, silk, teryline, terrycotton, linen and all other synthetic and other fibrous materials and to purchase, comb, prepare, spin, weave, bleach, dye, print, mercerise or otherwise manufacture and deal in wool, cotton, silk and all other goods, yarn, cotton and other goods, fabrics whether textiles, trebled, knotted or looped, kapas, hemp, jute, rags, yarns, necessary or useful in processes for treatment of any or all of the above purposes.

- 2.2.2 The amalgamation will enable pooling of resources of the companies involved in amalgamation to their common advantage, resulting in more productive utilization of the said resources, cost & operational efficiencies, which would be beneficial for all stakeholders.
- 2.2.3 The amalgamation would result in the creation of a company with larger asset base and net worth enabling further growth and development of the businesses of the said companies and also enable the resultant Transferee Company to withstand risks associated with global business and the growing competition in the international scenario.
- 2.2.4 Upon the coming into effect of the Scheme and with effect from the Appointed Date (as defined in clause 2.2.6 below) and subject to the provisions of the Scheme and pursuant to the provisions of Section 391 to 394 and other applicable provisions of the Act and pursuant to the orders of the High Court, all the estate, right, title and interest of the Cheslind Textile Limited in its respective assets and liabilities to become the property of the Company.

Kamal Singh

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2.2.5 Upon coming into effect of the Scheme and in consideration for the transfer and vesting of the Transferor Company in the Transferee Company, the Transferee Company shall without any further act or deed, issue and allot 1 (One) Optionally Convertible Redeemable Preference Share of nominal value of Rs. 7.50/- (Rupee Seven and Fifty Paise) at par of the Transferee Company and credited as fully paid up for every 1 (One) Equity Share of nominal value of Rs. 10/- (Rupees Ten) each fully paid up held in the Transferor Company, to the members of the Transferor Company whose name appears in the Register of Members of the Transferor Company as on the Record Date or to their respective heirs, executors, administrators or other legal representatives or the successors-in-title, as the case may be. The said Optionally Convertible Redeemable Preference Shares will be issued and allotted on the terms and conditions mentioned below.

(a) Dividend Rate

8% or such other higher rate as may be decided by the Board

(b) Accumulation of dividend

Cumulative

(c) Exchange Ratio

1 (One) Optionally Convertible Redeemable Preference Share of nominal value of Rs. 7.50/- (Rupee Seven and Fifty Paise) at par of the Transferee Company and credited as fully paid up for every 1 (One) Equity Share of nominal value of Rs. 10/- (Rupees Ten) each fully paid up held in the Transferor Company.

Kamal Gupta

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(d) Payment of dividend

The Preference Shares will qualify for preferential payment of dividend at the rate set out above from the Allotment Date upto the date of redemption or conversion.

(e) Tenure

5 years from the Allotment Date.

(f) Listing

The Preference Shares will, subject to the applicable laws and regulations, be listed and/or admitted to trading on the relevant stock exchange(s), where the existing shares of the Transferee Company are listed and/or admitted to trading.

(g) Convertibility and Conversion Price Ratio

The said Preference Shares will carry the right and option to apply for conversion of the said Preference Shares into the equity shares of the Transferee Company in the ratio 1 (one) Equity Share of Rs. 10/- (Rupees Ten) each at par of the Transferee Company credited as fully paid up for every 22 (Twenty two) Optionally Convertible Cumulative Redeemable Preference Shares of Rs. 7.50/- (Rupees Seven and Fifty paise) each to be issued and allotted by the Transferee Company. The said right must be exercised by the eligible Preference Shareholder before the expiry of 6 months from the date of allotment of such Preference Shares failing which the right shall lapse. No coupons shall be issued by the Transferee Company towards any fractional entitlement and all fractional entitlements, If any shall be ignored.

Kunal Gupta

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(h) Redemption Terms

Transferee Company shall have an option to redeem by giving not less than 3 months notice to all the outstanding Preference Shares (i.e., such Preference Shares for which the option to convert into equity shares has not been exercised, as mentioned above) at par any time after the expiry of the conversion option period and before the expiry of 5 years from the Allotment Date.

2.2.6 The Appointed Date for the Scheme is fixed at 1st April, 2013.

- 2.3 The Committee noted that Valuation Report has been obtained from M/s S.S. Kothari Mehta & Co and a Fairness Opinion has been obtained from M/s D & A Financial Services Private Limited a SEBI Registered Merchant Banker.
- 2.4 The Committee noted that the Company has obtained a certificate from M/s. S. Bhargava Associates dated 9th April, 2014 regarding the Accounting Treatment prescribed in the Scheme.

3. Recommendations of the Audit Committee

The Audit Committee recommends the Scheme of Amalgamation, for favourable consideration by the Stock Exchanges and the Securities and Exchange Board of India.

**For and behalf of Audit Committee
of RSWM Limited**

Kamal Gupta
Dr. KAMAL GUPTA
Chairman –Audit Committee
Date: 09.04.2014
Place: NOIDA

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