

REPORT OF THE MEETING OF AUDIT COMMITTEE OF STARLITE GLOBAL ENTERPRISES (INDIA) LIMITED ("COMPANY") HELD ON 2ND DECEMBER, 2023 AT 10.00 AM AT REGISTERED OFFICE OF THE COMPANY CONSIDERING THE DRAFT SCHEME OF AMALGAMATION UNDER SECTION 230 to 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 BETWEEN STARLITE SPINTECH LIMITED (TRANSFEROR COMPANY) AND STARLITE GLOBAL ENTERPRISES (INDIA) LIMITED (TRANSFeree COMPANY) AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS.

Members Present:

Mr. Nikhil Chandulal Popat	•	Chairman
Mr. Ravi Shankar Sharma	•	Member
Mr. Navin Kumar	•	Member

In attendance

Mr. PavanKumar Rathi, Chief Financial Officer
Ms. Megha Bisht, Company Secretary and Compliance Officer

Special Invitee:

1. **Statutory Auditors:**

Mr. Harikanth Yadav Godha- Partner, M/s. KY & Co., Chartered Accountants

2. **Registered Valuer:**

Mr. Bhavesh M Rathod – Partner, Bhavesh Rathod & Co., Registered Valuer

3. **Merchant Bankers:**

Mr. Vikas Chhangani, Representative of M/s Navigant Corporate Advisors Limited, SEBI Registered Category -I Merchant Banker

1. **BACKGROUND**

1.1 A meeting of the Audit Committee ("Committee") of **STARLITE GLOBAL ENTERPRISES (INDIA) LIMITED** was held on 2nd December 2023, to *inter alia*, consider and if thought fit, recommend to the board of directors ("Board") of the Company, the proposed scheme of amalgamation ("Scheme") of Starlite Spintech Limited (**hereinafter referred to as Transferor Company**) with Starlite Global Enterprises (India) Limited (**hereinafter referred to as Transferee Company**) and their respective

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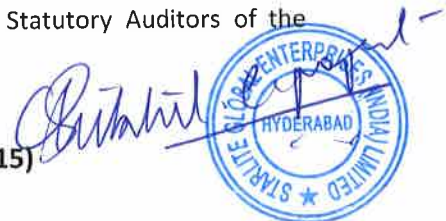
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shareholders and creditors, pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Act") and the rules and regulations made thereunder, read with Section 2(1B) and other applicable provisions of Income Tax Act, 1961.

- 1.2 The scheme is subject to the receipt of approval from the Board of Directors and (a) The Metropolitan Stock Exchange of India Limited (MSE); (b) Securities and Exchange Board of India ("SEBI"); (c) requisite majority of the shareholders and creditors of the respective Transferor Company and Transferee Company (collectively referred to as Companies); (d) National Company Law Tribunal (NCLT), Hyderabad; and (e) such other approvals, permissions and sanctions of regulatory and other statutory or governmental authorities / quasi-judicial authorities, as may be necessary as per the applicable laws.
- 1.3 This report of Audit Committee is made to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and any other applicable SEBI Regulations and other applicable laws including SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated 20th June, 2023, or any other circular on scheme of arrangements by listed entities ("SEBI Circular"), as amended from time to time (SEBI Circulars).
- 1.4 As per the SEBI Circulars, the Audit Committee is required to issue a report recommending the Scheme, taking into consideration, inter alia, the Valuation Report (as defined hereinafter), and commenting on the need for the scheme, rationale of the scheme, impact of the scheme on the shareholders, cost benefit analysis of the scheme and synergies of the entities involved in the scheme.
- 1.5 The following documents were placed before the Committee and while deliberating on the scheme, the Committee had, *inter alia*, considered and took the same on record:
- Draft of the proposed Scheme;
 - Valuation Report dated 30th November, 2023, issued by Bhavesh Rathod & Co., Mr. Bhavesh M Rathod, Registered Valuer under Class Securities or Financial Assets vide IBBI Registration No.: IBBI/RV/06/2019/10708 and ICAI RVO Membership No.: ICAIRVO/06/RV-P00113/2018-19, for the determination of share exchange ratio under the draft Scheme ("Valuation Report");
 - Fairness Opinion dated 30th November, 2023, issued by Navigant Corporate Advisors Limited - Class 1 Registered Merchant banker) (SEBI Registration No. INM000012494, confirming that the share exchange ratio in the Valuation Report are fair to the Companies and their respective shareholders and creditors ("Fairness Opinion"); and
 - Draft Auditors' Certificate dated 2nd December, 2023, from the Statutory Auditors of the

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Company, i.e., M/s KY & Co., Chartered Accountants, in terms of para (A)(5) of Part-I of the SEBI Circular (Master circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated 20th June, 2023) and proviso to sub clause (j) of section 232(3) of the Companies Act, 2013 to the effect that the scheme is in compliance with applicable Accounting Standards specified by the Central Government under section 133 of the Companies Act, 2013.

- e) Pricing Certificate dated 2nd December, 2023, issued by the Statutory Auditors of the Company, i.e., M/s KY & Co., Chartered Accountants as prescribed under Chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 for the purpose of the Scheme;

2. PROPOSED SCHEME OF AMALGAMATION

2.1 The Audit Committee noted the salient features of the scheme which *inter alia* are as under:

- a) Amalgamation of Starlite Spintech Limited (Transferor Company) with Starlite Global Enterprises (India) Limited ("Transferee Company") and their respective shareholders and creditor, in accordance with sections 230 to 232 of the Companies Act, 2013 and other applicable laws.
- b) Starlite Spintech Limited, the "Transferor Company", having Corporate Identity Number U18100TG1994PLC018016, is an unlisted public limited company within the meaning of the Companies Act, 2013, was incorporated on 29th July, 1994 under the Companies Act, 1956 having its registered office at #601, Shangrila Plaza, Plot No.14, Road No.2, Banjara Hills, Hyderabad-500034, Telangana State, India. The Transferor Company is not listed on any stock exchange in India or abroad.
- c) Starlite Global Enterprises (India) Limited, "Transferor Company", having Corporate Identity Number L17110TG1962PLC000915 is a Listed Public Limited Company incorporated on 3rd July, 1962 under the Companies Act, 1956, having its registered office at Suite No.603, Shangrila Plaza, Plot No.14, Road No.2, Banjara Hills, Hyderabad-500034, Telangana State, India. Equity shares of the Transferee Company is listed on the Metropolitan Stock Exchange of India Limited (MSE).
- d) Pursuant to the sanction of the scheme by Hon'ble National Company Law Tribunal ("NCLT"), Hyderabad, the scheme shall become effective from the appointed date. The Appointed Date for the scheme is **1st April 2024** or such other date as may be determined by the Board of the Transferor Company and Transferee Company or directed/allowed by the Hon'ble NCLT. **(Appointed Date)**
- e) with effect from the Appointed Date and upon the Scheme becoming effective, the entire undertaking (*as defined in the scheme*) of the Transferor Company shall stand transferred to and vested in the Transferee Company to become Undertaking of the Transferee Company, in the

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manner provided in the scheme, in accordance with section 230 to 232 of the Companies Act and other applicable laws.

- f) In consideration of the proposed scheme, the company will issue and allot equity shares, to each shareholder of the Transferor Company whose names appear in the register of members as on the Record Date (*as defined in the scheme*) in the following manner:

"For every 9 (Nine) fully paid-up equity share of Rs. 10/- each of Starlite Spintech Limited (Transferor Company), 1 (One) equity shares of Rs. 10/- each of Starlite Global Enterprises (India) Limited (Transferee Company) will be issued and allotted to the Shareholders of equity shares of the Transferor Company as on record date."

- g) To the extent the Transferee Company is a shareholder of the Transferor Company (including beneficial rights held in shares) no shares shall be issued or allotted by the Transferee Company in lieu of any such shareholding and all such shares shall stand cancelled and extinguished without any further application or deed.
- h) The equity shares proposed to be issued and allotted by the Company to the shareholder of the Transferor Company will be listed on the MSE
- i) The authorized share capital of Transferor Company shall automatically stand transferred to and be amalgamated with the authorized share capital of the Transferee Company without the payment of additional fees and stamp duty as the said fees have already been paid
- j) Transferor Company shall automatically stand dissolved without being wound up, as an integral part of the Scheme;

2.2 The effectiveness of this Scheme is conditional upon fulfilment of the actions specified in the scheme, which *inter alia* include:

- a) receipt of an 'Observation Letter' or a 'No-objection Letter' from MSE in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circulars in respect of the Scheme (prior to filing of the Scheme with the Hon'ble NCLT) which shall be in form and substance acceptable to the Companies each acting reasonably and in good faith;
- b) the Scheme being approved by the requisite majorities of shareholders and creditors of the Companies as may be required under the Companies Act, 2013;
- c) the Scheme being approved by the public shareholders of the Transferee Company through e-voting in terms of Part-I Para (A)(10)(a) and (A)(10)(b) of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated 20th June, 2023 and the scheme shall be acted upon

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only if the votes cast by public shareholders in favour of the Scheme are more than the number of votes cast by public shareholders against it;

- d) there have been no interim or final ruling, decree or direction by any Appropriate Authority (as defined in the scheme), which has been stayed by an appellate authority, which has the effect of prohibiting or making unlawful, the consummation of the proposed scheme by any of the companies;
- e) the sanction to the Scheme by Hon'ble NCLT, Hyderabad under the sections 230 to 232 of the Companies Act, on terms as originally approved or with such modifications as are acceptable to the companies;

Upon fulfilment of the aforementioned conditions, the scheme shall become effective on the date on which the certified copy of the order of the Hon'ble NCLT, Hyderabad sanctioning the scheme are filed by the Companies with their respective Registrar of Companies (whichever is later) (**Effective Date**)

3. NEED AND RATIONALE OF THE SCHEME

3.1 The Transferee Company proposes to enter into the Scheme with Transferor Company, such that the transferee Company becomes the exclusive vehicle for the textile and Real Estate business in India. The amalgamation is proposed to consolidate their respective production/manufacturing/service capabilities, thereby increasing efficiencies in operations and use of resources, to consolidate their diversified product and services portfolio for improving overall customer satisfaction, to pool their human resource talent for optimal utilization of their expertise, to integrate the marketing and distribution channels for better efficiency, to have a larger market footprint domestically and globally and to ensure optimization of working capital utilization.

3.2 The managements of the Companies are of-the view that the amalgamation proposed under the Scheme is, in particular, expected to have the following benefits:

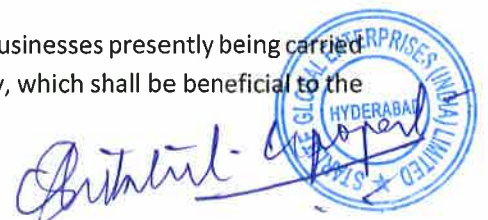
- 3.2.1 To achieve synergistic integration and consolidation of the businesses presently being carried on by the Transferor Company and the Transferee Company, which shall be beneficial to the shareholders, creditors and employees of both companies.
- 3.2.2 Amalgamation would create greater synergies between the businesses of the Transferor Company and the Transferee Company with respect to the textile and Real estate business in which the Transferor Company, and the Transferee Company are engaged and would enable them to have access to better financial resources as well as increase the managerial efficiencies, while effectively pooling the technical, distribution and marketing skills.
- 3.2.3 Simplification of group structure by eliminating multiple entities;

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- 3.2.4 Enhancement of net worth of the combined business to capitalize on future growth potential, optimum utilization of resources and better administration and cost reduction
- 3.2.5 Savings of operational costs which has become critical for long term sustainability and leading to optimum utilization of resources;
- 3.2.6 Elimination of the need for inter-company transactions between the Transferor Companies and Transferee Company;
- 3.2.7 Greater financial strength and flexibility for the Transferee Company, which would result in optimizing the leveraging capability which in turn will allow Transferee Company to undertake larger expansion strategies
- 3.2.8 Larger integrated entity will improve the competitive position of the Transferee Company
- 3.2.9 Cost savings are expected to flow from more focused operational efforts, standardization and simplification of business processes and the elimination of duplication, and rationalization of administrative expenses
- 3.2.10 Improved shareholder value for the Transferee Company by way of improved financial structure and cash flows, increased asset base and stronger consolidated revenue and profitability.
- 3.2.11 Reduction in management overlaps and elimination of legal and regulatory compliances & associated costs due to operation of multiple listed and unlisted entities:
- 3.2.12 Optimization of the allocated capital & availability of funds which can be deployed more efficiently to pursue the operational growth opportunities;
- 3.2.13 Synergetic integration, pooling of financial, managerial, technical and human resources, thereby creating stronger base for future growth and value accretion for the stakeholders;
- 3.2.14 Post scheme, the Transferee Company would be in a better position to support and finance organic and inorganic expansion of the businesses;
- 3.2.15 To achieve synergistic integration and consolidation of the businesses presently being carried on by the Transferor Company and the Transferee Company, which shall be beneficial to the shareholders, creditors and employees of such companies.



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- 3.2.16 Creating greater synergies between the businesses of the Transferor Company and the Transferee Company with respect to the textile and Real estate business in which the Companies are engaged and would enable them to have access to better financial resources as well as increase the managerial efficiencies, while effectively pooling the technical, distribution and marketing skills.

The Scheme in any manner is not prejudicial to the interest of the concerned Shareholders, creditors, employees, stakeholders or general public at large.

4. **SYNERGIES OF BUSINESS OF THE ENTITIES INVOLVED IN THE SCHEME**

As elaborated above in the rationale of the Scheme, consolidation of respective manufacturing/ service capabilities of the Companies would lead to increase in operational efficiencies and better utilization of resources and hence their amalgamation will bring greater synergy in the operation. Centralization of inventory, from raw material to finished goods and spares, may enable better efficiency, low procurement costs and overall reduction in working capital. Similarly, combined logistics is likely to lead to a reduction in the overall transportation costs for the Company. Further, a simplified group structure will also help in optimal utilization of the strengths of the respective Companies.

5. **IMPACT OF THE SCHEME ON THE SHAREHOLDERS**

5.1 Based on the presentations made by the Registered Valuer and the SEBI registered Category-I Merchant Banker, review of documents placed at the meeting, the discussions that ensued thereafter and the Audit Committee's deliberations and consideration of various factors including but not limited to the synergies mentioned above, need for the scheme, rationale of the scheme, salient features and expected benefits of the scheme, the Audit Committee is of the view that the proposed scheme is fair and in the best interests of shareholders.

5.2 The Audit Committee is of an opinion that the impact of the Scheme on the shareholders, including, the public shareholders would be the same in all respects and no shareholder is expected to have any disproportionate advantage or disadvantage in any manner and that the proposed amalgamation is expected to result in consolidation of opportunities, thereby enhancing the value of the merged entity and overall shareholder value.

5.3 There will be no change in the economic interest of the shareholders of the Company before and after the Scheme.



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5.4 Shareholding Pattern of the Company:

Category	Post-Scheme	
	No. of Equity Shares	% of Equity Shares
Promoter and Promoter Group	30,97,624	74.91%
Public Shareholders	10,37,478	25.09%
Total	41,35,102	100.00 %

6. **COST-BENEFIT ANALYSIS OF THE SCHEME**

The Audit Committee is aware that the implementation of the Scheme will involve incurring costs including administrative/statutory levy (ies), fees payable to financial/legal advisors, etc. However, the benefits of the Scheme are expected to outweigh costs towards the implementation of the scheme.

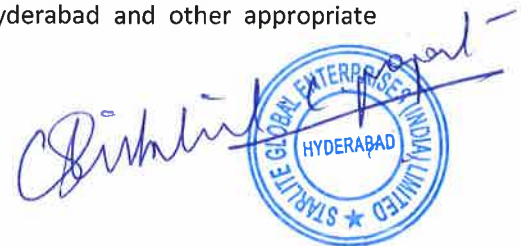
7. **VALUATION REPORT AND FAIRNESS OPINION**

7.1 The Audit Committee reviewed the Valuation Report, discussed the methods of Valuation and the share exchange ratio with the independent Registered Valuer and SEBI Registered Category-I Merchant Banker who were present at the meeting.

7.2 Based on the discussions with Registered Valuer and SEBI Registered Category-I Merchant Bankers, review of documents including the Fairness Opinion placed at the meeting, the Audit Committee is of the view that the share exchange ratio is fair to the shareholders of the Company.

8. **RECOMMENDATIONS OF THE AUDIT COMMITTEE**

The Audit Committee, after taking into consideration the Valuation Report, and the Fairness Opinion dated 30th November 2023; Auditors' Certificate and Pricing Certificate Dated 2nd December 2023, issued by Statutory Auditor, and based on its discussions with Registered Valuer and SEBI Registered Category-I Merchant Banker, and after reviewing the documents placed before at the meeting, the Audit Committee is in view that the Scheme is in the interest of the Company and all the stakeholders and has recommended the draft Scheme in its present form for favorable consideration and approval to the Board of the Company, stock exchange(s), SEBI, Hon'ble NCLT, Hyderabad and other appropriate authorities



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In order for the Transferee Company to comply with the requirements of extant regulations applicable to the listed companies undertaking any scheme of amalgamation under the Companies Act 2013, this report of the Audit Committee may please be taken on record by the Board while considering the Scheme for approval and further authorizations.

For and on behalf of Audit Committee of Starlite Global Enterprises (India) Limited




Nikhil Chandulal Popat

DIN: 06448649

(Chairman of the Audit Committee)

Place: Hyderabad

Date: 02-12-2023

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