

**SHAHLON SILK INDUSTRIES LIMITED**

CIN- U17120GJ2008PLC053464

Regd. Office: 91, G.I.D.C., Khatodara, B/H.: Sub-Jail, Ring Road, Surat, Gujarat 395002

**Web Site:** www.shahlon.com **Email Id:** info@shahlon.com**Contact No.:** +91 261 4190200, **Fax:** +91 261 2635550**NOTICE OF THE TRIBUNAL CONVENED MEETING OF THE SECURED CREDITORS MEETING  
OF  
SHAHLON SILK INDUSTRIES LIMITED**

*(convened pursuant to an order dated 24<sup>th</sup> day of January, 2019 passed by the National Company Law Tribunal,  
Bench at Ahmedabad)*

Tribunal Convened Meeting Brief Details:

Day: Tuesday

Date: March 12, 2019

Time: 12:00 p.m.

Venue: The registered office of the Transferor Company 3<sup>rd</sup> Floor, Dawer Chambers, Nr. Sub Jail, Ring Road, Surat - 395002 in the State of Gujarat .

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**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL  
BENCH, AT AHMEDABAD  
COMPANY SCHEME APPLICATION NO. 9 OF 2019**

In the matter of the Companies Act, 2013;

And

In the matter of Sections 230 to 232 of the Companies Act,  
2013;

And

In the matter of Scheme of Merger by absorption of  
Fairdeal Filaments Limited ("*FFL*" or "*Transferor  
Company*") by Shahlon Silk Industries Limited ("*SSIL*" or  
"*Transferee Company*");

And

their respective shareholders and creditors.

SHAHLON SILK INDUSTRIES LIMITED (CIN: )  
U17120GJ2008PLC053464), incorporated under the )  
provisions of the Companies Act, 1956 and having )  
its registered office at 91, G.I.D.C., Khatodara, )  
B/H.: Sub-Jail, Ring Road, Surat, Gujarat 395002, )... Applicant Company/Transferee Company/ SSIL  
India

**NOTICE OF THE TRIBUNAL CONVENED MEETING OF THE SECURED CREDITORS OF SHAHLON  
SILK INDUSTRIES LIMITED**

FORM NO. CAA 2

[Pursuant to Section 230 (3) and rule 6 and 7]

Notice is hereby given that by an Order dated the January 24, 2019 the Ahmedabad Bench of National Company Law Tribunal has directed a meeting of the Secured Creditors of Shahlon Silk Industries Limited to be held for the purpose of considering, and if thought fit, approving with or without modification(s), the Scheme of Merger by absorption of Fairdeal Filaments Limited ("*FFL*" or "*Transferor Company*") by Shahlon Silk Industries Limited ("*SSIL*" or "*Transferee Company*" or the "*Applicant Company*").

In pursuance of the said Order and as directed therein, further notice is hereby given that, a meeting of the Secured creditors of the Applicant Company will be held at 3<sup>rd</sup> Floor, Dawer Chambers, Nr. Sub Jail, Ring Road, Surat -395002 in the State of Gujarat on the Tuesday, 12<sup>th</sup> day of March, 2019 at 12 p.m., at which time and place the said secured creditors are requested to attend.

Copies of the said Scheme and of the statement under section 230 can be obtained free of charge at the registered office of the company or at the office of its Advocates, Nanavati Associates, Satyam Corporate Square, B-Block, Nr. Friends Avenue, Opp. Astral House, Bodakdev, Ahmedabad, Gujarat 380054. 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 at 91, G.I.D.C., Khatodara, B/H.: Sub-Jail, Ring Road, Surat, Gujarat 395002, India not later than 48 hours before the meeting.

Form of proxy is also annexed to this Notice and can be obtained from the registered office of the Applicant Company or from the office of its Advocates as mentioned above.

The Tribunal has appointed Mr. Dhirajlal Raichand Shah, Director of the Transferee Company, and failing him, Mr. Arvind Raichand Shah, the Authorised Signatory of the Transferee Company as Chairman of the said meeting. The above

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mentioned merger, if approved at the meeting, will be subject to the subsequent approval of the Tribunal.

Dated this 1<sup>st</sup> day of February 2019

Place: Surat

Sd/-

Mr. Dhirajlal Raichand Shah

Chairperson appointed for the meeting.

**Registered Office:**

91, G.I.D.C., Khatodara, B/H.: Sub-Jail, Ring Road, Surat, Gujarat 395002, India

**NOTES:**

1. A secured creditor, entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote instead of himself/ itself and such a proxy / proxies so appointed need not be a member/creditor of the company. The form of proxy duly/ Authorization Letter/Board Resolution completed should, however, be deposited at the registered office of the Applicant Company not less than 48 hours before the scheduled time for commencement of the meeting. All alterations in the form of proxy/ Authorization Letter/Board Resolution should be initialed.
2. The form of proxy can be obtained free of charge from the Registered Office of the Applicant Company.
3. A Secured Creditor or his Proxy is requested to bring the copy of this notice at the meeting, and produce it at the entrance of the meeting venue, the enclosed attendance slip duly completed and signed.
4. A registered Secured Creditor or his proxy, attending the meeting, is requested to bring the Attendance Slip duly completed and signed.
5. Corporate Creditors intending to send their authorised representatives to attend the meeting are requested to lodge a certified true copy of the resolution of the board of directors or other governing body of the body corporate not later than 48 (forty eight) hours before commencement of the meeting, authorizing such person to attend and vote on its behalf at the meeting.
6. All documents referred to in the Notice and the Explanatory Statement annexed hereto, are open for inspection up to one day prior to the said meeting, at the Registered Office of the Applicant Company between 11.00 a.m. and 1:00 p.m. on all working days of the Applicant Company (except Saturdays, Sundays and Government Holidays).

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**EXPLANATORY STATEMENT TO THE NOTICE OF THE MEETING OF SECURED CREDITORS OF SHAHLON SILK INDUSTRIES LIMITED UNDER SECTION 102 AND 230 OF THE COMPANIES ACT, 2013 READ WITH THE COMPANIES (COMPROMISES, ARRANGEMENTS AND AMALGAMATIONS) RULES, 2016**

**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL  
BENCH, AT AHMEDABAD  
COMPANY SCHEME APPLICATION NO. 9 OF 2019**

In the matter of the Companies Act, 2013;

And

In the matter of Sections 230 to 232 of the Companies Act, 2013;

And

In the matter of Scheme of Merger by absorption of Fairdeal Filaments Limited ("**FFL**" or "**Transferor Company**") by Shahlon Silk Industries Limited ("**SSIL**" or "**Transferee Company**");

And

their respective shareholders and creditors.

SHAHLON SILK INDUSTRIES LIMITED

....the Applicant Company/Transferee Company/ SSIL

In this Statement, Fairdeal Filaments Limited is hereinafter referred to as "*Transferor Company*" or "*FFL*", and Shahlon Silk Industries Limited is hereinafter referred to as the "*Applicant Company*" or "*Transferee Company*" or "*SSIL*". The other definitions contained in the enclosed Scheme of Merger by absorption of Fairdeal Filaments Limited by Shahlon Silk Industries Limited and their respective shareholders and creditors (the "*Scheme*") will also apply to this statement under Section 230 of the Companies Act, 2013 (the "*Explanatory Statement*")

The Explanatory Statement sets forth the details of the proposed Scheme, its effects, and in particular any material interests of the Directors in their capacity as secured creditor(s) or creditors or otherwise.

**1. ORDER OF THE HON'BLE NATIONAL COMPANY LAW TRIBUNAL, AHMEDABAD BENCH**

- 1.1. Pursuant to an Order passed on the January 24, 2019 by the Hon'ble National Company Law Tribunal, Ahmedabad Bench (*the Tribunal*) in the Company Scheme Application referred to hereinabove, a meeting of the Secured Creditors of the Transferee Company is being convened and held on the Tuesday, 12<sup>th</sup> March, 2019 at 12 p.m. at 3<sup>rd</sup> Floor, Dawer Chambers, Nr. Sub Jail, Ring Road, Surat -395002 in the State of Gujarat, for the purpose of considering and, if thought fit, approving with or without modification(s), the proposed the Scheme.
- 1.2. A copy of the Scheme, setting out the terms and conditions of the Scheme is enclosed hereto as **Annexure A**.
- 1.3. A copy of the Company Scheme Application No. 9 of 2019 comprising the Scheme and along with all the annexures has been served upon the Regional Director.

**2. SCHEME AND ITS APPROVAL OF THE BOARD OF DIRECTORS**

- 2.1. The proposed Scheme *inter-alia* envisages:
  - 2.1.1. Merger, transfer and vesting of the Transferor Company on a going concern basis with/ into the Applicant Company/ Transferee Company; and
  - 2.1.2. Various other matters consequential or otherwise integrally connected herewith.
  - 2.1.3. The Scheme has been approved by the Board of Directors of the Applicant/ Transferee Company on August 22,

2018 by passing necessary Resolution.

**3. BRIEF DETAILS OF THE APPLICANT COMPANY**

3.1. The Applicant Company was originally established as a partnership firm on September 13, 1984 and was subsequently converted into a private limited company under the Companies Act, 1956 *vide* Certificate of Incorporation dated April 2, 2008 under the name of 'Shahlon Silk Mills Private Limited' issued by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli. The name of the Applicant Company was changed from 'Shahlon Silk Mills Private Limited' to 'Shahlon Silk Industries Private Limited' *vide* fresh Certificate of Incorporation dated December 3, 2013 issued by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli. The Applicant Company was subsequently converted into a public limited company and consequent upon the said change of status, the name of the company was changed from 'Shahlon Silk Industries Private Limited' to its present name i.e. 'Shahlon Silk Industries Limited' *vide* fresh Certificate of Incorporation dated August 10, 2018 issued by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli.

3.2. The Corporate Identification Number of the Applicant Company is U17120GJ2008PLC053464.

3.3. The registered office of the Applicant Company is situated at 91, G.I.D.C, Khatodara, behind Sub-Jail, Ring Road, Surat, Gujarat, India, 395002.

3.4. The main objects of the Applicant Company as set out in its Memorandum of Association are reproduced below for ease of reference:

"

1. To carry on the business of spinning, weaving, twisting, texturising, crimping, sizing, printing, processing, dyeing, knitting and to carry on all activities connected with converting any kind of yarn into final products.

2. To carry on business comprising all activities connected with manufacture of all kinds of cloth from any type of yarns.

3. To carry on business as manufacturers of and dealers in all kinds of man-made and synthetic fibres.

4. To carry on business of bleaching, connected with any kind of fibre, fabrics such as art silk, silk, cotton, wood, jute, synthetic yarns and other kinds of yarns.

5. To take over the running business of partnership firm M/s. Shah Silk Corporation under Part IX."

3.5. The Share Capital of the Applicant Company as on September 30, 2018 is as under:

Particulars	(Amount in Rs)
<b>Authorised Share Capital</b>	
1,20,00,000 Equity Shares of Rs.10 each	12,00,00,000
<b>Total</b>	<b>12,00,00,000</b>
<b>Issued, Subscribed and Paid-up Capital:</b>	
1,11,52,250 Equity Shares of Rs.10 each	11,15,22,500
<b>Total</b>	<b>11,15,22,500</b>

3.6. Summary of the financial statements of the Applicant Company for the year ended March 31, 2017 and March 31, 2018 are available for inspection up to one day prior to the said meeting, at the Registered Office of the Transferee Company between 11.00 a.m. and 1:00 p.m. on all working days of the Transferor Company (*except Saturdays, Sundays and Government Holidays*).

3.7. The Applicant Company is *inter-alia* engaged in the business of manufacturing of fabric on water jet looms, air jet looms & rapier looms and various yarn preparatory activities like sizing, texturising, yarn dyeing, twisting, crape, ply yarn etc. The Applicant Company is also engaged in an agency with Reliance Industries Limited for sale of yarn which the Company is authorized to carry on.

3.8. The shares of the Applicant Company are not listed on any stock exchange(s).

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#### 4. BRIEF DETAILS OF THE TRANSFEROR COMPANY

- 4.1. The Transferor Company was originally incorporated under the name of 'Fairdeal Filaments Private Limited' under the provisions of the Companies Act, 1956 *vide* Certificate of Incorporation dated May 15, 1990 issued by the Registrar of Companies, Gujarat, Dadra & Nagar Haveli.
- 4.2. The legal status of the Transferor Company was subsequently changed to a public limited company and consequent upon the said change of status, the name of the Transferor Company was changed from 'Fairdeal Filaments Private Limited' to its present name i.e. 'Fairdeal Filaments Limited' *vide* fresh Certificate of Incorporation dated March 1, 1994 issued by the Registrar of Companies, Gujarat, Dadra & Nagar Haveli.
- 4.3. The registered office of the Transferor Company is located 3<sup>rd</sup> Floor, Dawer Chambers, Near Sub Jail, Ring Road, Surat -395002 in the State of Gujarat.
- 4.4. The main objects of the Transferor Company as set out in its Memorandum of Association are reproduced below for ease of reference:
- "1. To carry on the business of weaving, twisting, texturising, crimping, sizing, printing, processing, dyeing, knitting and to carry on all activities connected with converting any kind of yarn into final products.*
- 2. To carry on business comprising all activities connected with manufacture of art-silk, cloth and or other fabrics from yarn.*
- 3. To carry on business as manufacturers of dealers in all kinds of man-made and synthetic fibres.*
- 4. To carry on business of manufacturing, bleaching, connected with any kind of fibre, such as art-silk, silk, cotton, wool, jute and synthetic (yarns) and dealing in all kinds of fabrics.*
- 4.6. The Share Capital of the Transferor Company as on September 30, 2018 is as under:

<i>Particulars</i>	<i>(Amount in Rs)</i>
<b>Authorised Share Capital</b>	
2,00,00,000 equity shares of Rs.10 each	20,00,00,000
<b>Total</b>	<b>20,00,00,000</b>
<b>Issued, Subscribed and Paid-up Capital:</b>	
60,50,000 equity shares of Rs.10 each	6,05,00,000
<b>Total</b>	<b>6,05,00,000</b>

- 4.7. Summary of the financial statements of the Transferor Company for the year ended March 31, 2017 and March 31, 2018 are available for inspection up to one day prior to the said meeting, at the Registered Office of the Applicant Company between 11.00 a.m. and 1:00 p.m. on all working days of the Applicant Company (*except Saturdays, Sundays and Government Holidays*).
- 4.8. The Transferor Company is *inter-alia* engaged in the business of manufacturing of grey fabric along with all types of yarn preparatory facilities like sizing, texturising, twisting, crape etc. The Applicant is also engaged in an agency with Reliance Industries Limited for sale of yarn.
- 4.9. The equity shares of the Transferor Company are listed on the Bombay Stock Exchange ("**BSE Limited**"). As per the requirements of regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Transferor Company had made an application dated August 31, 2018 to the BSE Limited for obtaining their "No-objection" to the Scheme and received the observation letter dated November 19, 2018 from BSE Limited.

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## 5. SCHEME RESOLUTION FOR APPROVAL

- 5.1. The Resolution to be submitted for approval of the Secured Creditors of the Applicant Company at their meeting, will read as follows:

*"RESOLVED THAT pursuant to the provisions of Sections 230 to 232 and other applicable provisions if any of the Companies Act, 2013, to the extent still applicable provisions of the Companies Act, 1956, along with the rules and regulations issued thereunder, including any statutory modification(s), re-enactment(s) or amendment(s) made thereto from time to time, subject to the Memorandum of Association and Articles of Association of the Company, approval from the members of the Company, approval from its creditors and subject to the sanction of the National Company Law Tribunal ('NCLT') constituted under the Companies Act, 2013, and subject to the approval of any other statutory or governmental authorities, the Draft Scheme of Merger by absorption of the Fairdeal Filaments Limited, having its 3<sup>rd</sup> Floor, Dawer Chambers, Near Sub-Jail, Ring Road, Surat 395 002 in the State of Gujarat (the "Company") by Shahlon Silk Industries Limited, (the "Company") and their respective shareholders and creditors ("Scheme") which is placed before the meeting and initialed by the Chairman for the purpose of identification, be and is hereby approved.*

*RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution and for removal of any difficulties the Board of Directors of the Applicant Company (herein referred to as the "Board", which term shall deem to include any committee or any person(s) which the Board may nominate or authorise to exercise its powers, including the powers conferred under this resolution) and/ or Mr. Dhirajlal Raichand Shah, Mr. Arvind Raichand Shah, be and are hereby jointly and severally authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient usual or proper, and to settle any questions or difficulties that may arise, including passing of such accounting entries and/or making such adjustments in the books of accounts as considered necessary to give effect to the above resolution, or to carry out such alterations and changes in the Scheme, as may be required and/ or conditions imposed and/ or permitted by the Hon'ble National Company Law Tribunal while sanctioning the Scheme, or by any other statutory authorities under applicable law and as is acceptable to the Board."*

## 6. RATIONALE AND BENEFITS OF THE SCHEME OF AMALGAMATION

- 6.1. The merger of the Transferor Company with the Applicant/Transferee Company is based on the following rationale:
- 6.1.1. The Transferor Company and the Applicant Company, belonging to the same group of management, are largely engaged in the similar kind of business activities i.e. manufacturing of fabric on water jet looms. In addition to above, the Applicant Company is also involved in manufacturing of fabric on air jet looms and rapier looms, which will be beneficial to the merged entity in diversifying its product portfolio pursuant to the Scheme coming into effect.
- 6.1.2. The Transferor Company and the Applicant Company both carry out yarn preparatory facilities like sizing, texturising, twisting, crape, etc.
- 6.1.3. The Transferor Company and the Applicant Company both are the agents for Reliance Industries Limited in relation to sale of yarn product and thus, business of the Transferor Company and the Applicant Company are complementary in nature and consolidation of business will be beneficial for both the companies and their shareholders.
- 6.1.4. Economies of scale will play a bigger role as the consolidated entity's operational efficiency will increase, which will in turn allow the merged entity to compete on a larger scale in the industry, thus benefiting the merged entity and the shareholders.



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- 6.1.5. The amalgamation will enable the merged entity to build up a diversified product portfolio.
- 6.1.6. As on March 31, 2018, the Applicant Company has a net worth of Rs.61,71,32,000 (*Rupees sixty one crores seventy one lakhs thirty two thousand*) and the Transferor Company has a net worth of Rs.19,16,98,000 (*Rupees nineteen crores sixteen lakhs ninety eight thousand*). The combined entity will have net worth of around Rs.80,65,90,000 (*Rupees eighty crores sixty five lakhs ninety thousand*) which will enable the merged entity with more negotiation power for debt finance considering its size and financial strength further the merged entity will have option of equity financing.
- 6.1.7. This merger will provide an opportunity to leverage assets and build a stronger sustainable business. It will provide an opportunity to fully leverage stronger asset capabilities, experience, expertise and infrastructure of both the companies and thus increased ability for promotion of business activities as well as for fund raising as may be required for business development.
- 6.1.8. Manufacturing of grey fabric and texturizing / various yarn value addition activities of the Transferor Company and the Applicant Company are located at Block number 297 /298 of Limodara Patiya, Village: Karanj, Taluka Mandvi, District: Surat and both the companies share the common entrance gate. At Fairdeal Textile Park, Village: Mahuvej, Taluka Mangrol, District: Surat, the Applicant Company has manufacturing facilities for manufacturing of various yarns, grey fabric at Block no. 692/A and the Transferor Company has its proposed factory site also located just adjacent to the Applicant Company on Block number 692/A. Both the companies have their administrative office located at 3<sup>rd</sup> Floor Dower Chambers, Nr. Sub-Jail, Ring Road, Surat which is partly owned by the Transferor Company and partly by the Applicant Company. As major of the manufacturing sites of the Transferor Company are adjacent to/together with the Applicant Company, this merger would lead to synergic benefits, efficiency of operations and management, rapid growth of the entity, optimum utilization of its resources and minimization of the administrative and operative costs.
- 6.1.9. The merger will result in a value creation for the shareholders and stakeholders of the Transferor Company and the Applicant Company as the combined amalgamated company will have improved efficiency, market share, financial structure, larger cash flows and stronger consolidated revenue and profitability.
- 6.1.10. The merger of the Transferor Company and the Applicant Company would result in consolidation of business activities of both the companies and will facilitate effective management of investments and synergies in operation.
- 6.1.11. There is no likelihood that any shareholder or creditor or employee of the Transferor Company and the Applicant Company would be prejudiced as a result of the Scheme. Thus, the merger is in the interest of the shareholders, creditors and all other stakeholders of the companies and is not prejudicial to the interests of the concerned shareholders, creditors or the public at large.
- 6.2. In view of the aforesaid, the Board of Directors of the Transferor Company and the Applicant Company have considered and approved the Scheme comprising of distinct but integrally connected arrangement under the provisions of Sections 230 to 232 of the Companies Act, 2013.

## **7. SALIENT FEATURES OF THE SCHEME**

- 7.1. Merger of the Transferor Company with the Applicant Company:
- 7.2. "Appointed Date" means April 01, 2018 or such other date as the relevant Adjudicating Body may direct or fix, for the purpose of amalgamation of the Applicant Company with the Transferee Company under this Scheme.
- 7.3. The entire assets, liabilities, business and undertaking (*including, the Transferor Undertaking*) of the Transferor



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Company shall, with effect from the Appointed Date and without any further act or deed, be and the same shall stand transferred to and vested in or deemed to have been transferred to or vested in the Applicant Company, as a going concern, pursuant to the provisions of Sections 230 to 232 of the Companies Act, 2013, and other applicable provisions of the relevant Act and in accordance with the provisions of Sections 2(1B) and 47 of the Income Tax Act, 1961 and the provisions of this Scheme in relation to the mode of transfer and vesting of assets. This Scheme is a 'Merger by Absorption' in terms of the Explanation provided in Section 232 of the Act and shall be deemed to be regarded as an 'Amalgamation' in terms of Section 2(1B) of the Income Tax Act, 1961.

- 7.4. With effect from the Appointed Date, and subject to the provisions of this Scheme, the liabilities of the Transferor Company including, but not limited to all secured and unsecured debts, sundry creditors, liabilities (including contingent liabilities), and all duties and obligations (including any guarantees, indemnities, letter of credit or any other instrument or arrangement which may give rise to a contingent liability in whatever form) of every kind, nature and description whatsoever and howsoever arising, raised or incurred or utilized for its business activities and operations, shall, pursuant to the sanction of this Scheme by the Adjudicating Body and under the provisions of Sections 230 to 232 and other applicable provisions, if any, of the Act, without any further act, instrument or deed or matter or thing be transferred to and vested in or be deemed to have been transferred to and vested in the Applicant Company, along with any charge, encumbrance, lien or security thereon, and the same shall be assumed by the Applicant Company to the extent they are outstanding on the Effective Date so as to become as and from the Appointed Date, the liabilities of the Applicant Company on the same terms and conditions as were applicable to the Transferor Company, without any consent of any third party or other person who is a party to the contract or arrangements by virtue of which such liabilities have arisen, in order to give effect to the provisions of this Clause. Further, any existing credit facilities which have been sanctioned to the Transferor Company by the bankers, financial institutions and any third party and which is standing as on the Appointed Date but before the Effective Date shall upon the Scheme coming into effect shall ipso facto extend to the Applicant Company.
- 7.5. Subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, arrangements and other instruments of whatsoever nature of the Transferor Company which are subsisting or having effect immediately before the Effective Date shall be in full force against or in favour of the Applicant Company, and may be enforced as fully and effectively as if, instead of the Transferor Company, the Applicant Company has been a party or beneficiary thereto. The Applicant Company shall, if necessary, to give formal effect to this Clause, enter into and/or issue and/or execute deeds, writings or confirmations or enter into a tripartite arrangement, confirmation or novation to which the Transferor Company is a party.
- 7.6. Upon the Scheme coming into effect and without any further act or deed on the part of the Applicant Company, the Applicant Company will, in consideration of transfer and vesting of the Transferor Company into the Applicant Company in terms of this Scheme, issue 67,22,222 (Sixty seven lakhs twenty two thousand two hundred twenty two only) equity shares of Rs.10 each (the "**New Shares**") to the registered fully paid-up equity shareholders of the Transferor Company in the ratio of 1:0.90, i.e. 1 (one) equity share of Rs.10 each credited as fully paid up in the Applicant Company for every 0.90 (zero point ninety) equity share of Rs.10 each fully paid up held by them in the Transferor Company (the "**New Shares Entitlement Ratio**"). The New Shares will be issued in the New Shares Entitlement Ratio to registered fully paid-up equity shareholders of the Transferor Company whose names are recorded in the register of equity shareholders of the Transferor Company on the Record Date.
- 7.7. In the event the New Shares are required to be issued and allotted to such shareholders of the Transferor Company, being non-resident, the issue of such shares shall be in accordance with the provisions of the Foreign Exchange Management Act, 1999 and the applicable rules and regulations made thereunder (*for the time being in force, including, any statutory modifications, re-enactments or amendments made thereto from time to time*).
- 7.8. The issue and allotment of the New Shares in the Applicant Company to the relevant shareholders of the Transferor Company as provided in the Scheme shall be carried out and the same would not require following of the procedure laid down under Section 42 and 62 of the Companies Act, 2013 and any other applicable provisions of the relevant Act.

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- 7.9. The Applicant Company, shall, increase its authorised share capital, to the extent required, in order to issue the New Shares under this Scheme in accordance with the procedure prescribed under Section 61 of the Companies Act, 2013, without prejudice to the right of the Applicant Company to avail set off for the fees paid by the Transferor Company as per Clause 16 in terms of Section 232(3)(i) of the Act.
- 7.10. The New Shares, to be issued and allotted by the Applicant Company, in terms of this Scheme, shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Applicant Company. The New Shares, to be issued and allotted, shall rank *pari-passu* in all respects with the existing shares of the Applicant Company, including in respect of dividends, if any, that may be declared by the Applicant Company, on or after the Effective Date.
- 7.11. Upon the Scheme coming into effect, in accordance with the provisions of Section 232 of the Companies Act, 2013 the authorised share capital of the Transferor Company of Rs.20,00,00,000 (*Rupees twenty crores only*) shall stand combined/ consolidated with the authorised share capital of the Applicant Company and on the Scheme coming into effect, the authorised share capital of the Applicant Company shall, without any further act, deed or action, stand increased (*post combination and consolidation*) and reconstituted to Rs.32,00,00,000 (*Rupees thirty two crores*) divided into 3,20,00,000 equity shares of Rs.10 each.
- 7.12. Clause V of the Memorandum of Association of the Applicant Company shall be amended by deleting the clause and replacing it by the following:
- "The Authorised Share Capital of the Company is Rs. 32,00,00,000 (Rupees Thirty Two Crores only) divided into 3,20,00,000 equity shares of Rs.10 each, with the rights, privileges and conditions attached thereto as per the relevant provisions contained in that behalf in the Articles of Association of the Company and with the power to increase or reduce the capital of the Company and divide the shares in the share capital for the time being into several classes and to attach thereto respectively such preferential, qualified for special rights, privileges, or conditions in such manner as may be determined by or in accordance with the Articles of Association of the Company for the time being in force, and to vary, modify, enlarge or abrogate any such rights, privilege or conditions in such manner as may be permitted by the said Act or provided by the Articles of Association of the Company for the time being force."*
- 7.13. Upon the Scheme coming into effect, the Transferor Company shall, without any further act or deed, stand dissolved without winding up. The name of the Transferor Company shall be struck off from the records of the Registrar of Companies, Gujarat and the Applicant/Transferee Company shall make necessary filings in this regard.

**NOTE: SECURED CREDITORS OF THE APPLICANT COMPANY ARE REQUESTED TO READ THE ENTIRE TEXT OF THE SCHEME OF AMALGAMATION, ENCLOSED HEREWITH, TO GET BETTER ACQUAINTED WITH THE PROVISIONS THEREOF AS STATED ABOVE. THE AFORESAID ARE ONLY THE SALIENT FEATURES OF THE SCHEME.**

8. None of the Directors of the Transferor Company or the Applicant/Transferee Company have any material interest in the Scheme, save and except to the extent the said Directors are the partners, directors, members of the firms, companies, association of persons, bodies corporate and/or beneficiary of trust, that hold shares in any of the Companies.
9. The Board of Directors of the Company in their meeting held on October 20, 2018 have approved a minor modification to the Scheme so as to include change of name of the Applicant Company i.e. "Shahlon Silk Industries Limited" to "Shahlon Limited" as part of the Scheme. Apart from the aforesaid change of name of the Transferee Company, there are no major developments / actions have taken place since announcement of the scheme.
10. Subsequent to the sanction of the Scheme, the Transferee Company will make an application for listing of its equity shares, including, the New Shares on the stock exchange in which the shares of the Transferor Company

are listed, in pursuance to the relevant regulations including, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI Circulars.

11. The shares allotted pursuant to the Scheme shall remain frozen in the depositories system until listing/ trading permission is given by the designated stock exchange i.e. BSE Limited.
12. The New Shares, to be issued by the Transferee Company under the Scheme to shareholders of the Transferor Company, in lieu of the locked in shares of the Transferor Company, if any, shall be subject to lock-in requirement for the remaining period in terms of the LODR read with the SEBI Circulars.
13. The Transferor Company or the Transferee Company would obtain such necessary approvals/sanctions/no objection(s) from the regulatory or other governmental authorities in respect of the scheme in accordance with law, if so required.
14. The applications along with the annexure thereto (which includes the scheme) were filed by the Applicant Company on December 20, 2018 with the Hon'ble NCLT.
15. **THE DETAILS OF ALL THE PRESENT DIRECTORS (SINGLY OR JOINTLY) DIRECTORS AND THEIR RELATIVES AND KMPS OF THE CONCERNED COMPANIES AND THEIR RESPECTIVE SHAREHOLDINGS IN THE TRANSFEROR COMPANY AND TRANSFEE COMPANY AS ON DECEMBER 31, 2018 ARE AS FOLLOWS:**

- 15.1. Extent of shareholding of the Directors and their relatives and KMPS of the Transferor Company and their respective holding in the Transferor Company and the Applicant/ Transferee Company are as follows: *(Considering first holder)*

Sr. No	Name of the Director	Designation	Address	Equity Shares in Transferor Company	Equity Shares in Applicant/ Transferee Company
1.	Dhirajlal Raichand Shah	Managing Director	S-135, Someshwara Enclave Udhana Magdalla Road, Vesu Surat 395007	1,30,000	9,78,535
2.	Arvind Raichand Shah	Whole-time Director	202, Soneri Apprtment, Near Chinmay Hospital Near Forum Apprtment, Ghod Dod Road, Surat – 395007	40,000	6,62,735
3.	Jayantilal Raichand Shah	Director	A-401, Swaar Sangini, Opposite DGVCL VIP Road, Bharthana-Vesu, Surat – 395007	1,30,000	11,99,750
4.	Rajendra Kundanlal Desai	Professional Independent Director	4-B, Shantikunj Society, Nr. L. B. Cinema, Bhatar Road, Surat – 395002	1,320	-
5.	Nandish S. Vin	Professional Independent Director	C/53, Shanti Niketan Raw House, Opp Sagar Complex, Anand Mahal Road, Surat - 395009	-	-
6.	Sonia Piyush Khanna	Professional Independent Director	80, Subhash Nagar,, Ghod Dhod Road,, Surat - 395001	100	-

Sr. No.	Name of the KMPs	Designation	Equity Shares in Transferor Company	Equity Shares in Applicant/ Transferee Company
1.	Satish Hargovinddas Shah	CFO(KMP)	400	-
2.	Jitesh Ramchandra Varkal	Company Secretary	-	-

Sr. No.	Name of the relatives of Directors	Equity Shares in Transferor Company	Equity Shares in Applicant/Transferee Company
1.	Nitin Raichand Shah J/W Minaxi Nitin Shah	1,40,000	15,61,700
2.	Dipan Jayantilal Shah J/W Sonal Dipan Shah	1,03,000	9,06,810
3.	Mahendra Raichand Shah J/W Meena Mahendra Shah	1,40,000	11,24,475
4.	Pravin Chandra Raychand Chheda	1,01,000	2,95,000
5.	Avani Arvind Shah J/W Arvind Raichand Shah	1,49,050	3,21,250
6.	Kanchan Dhirajlal Shah J/W Dhirajlal Raichand Shah	1,25,180	1,40,750
7.	Dhruv Arvind Shah J/W Arvind Raichand Shah	20,000	2,40,495
8.	Damyanti Jayantilal Shah	74,800	1,05,750
9.	Sonal Dipan Shah	19,910	1,31,625
10.	Jiviben Raichand Shah	8,800	-
11.	Dhaval Jinesh Shah	5,390	-
12.	Bhavini Dhaval Shah	3,245	-
13.	Jayantilal Raichand Shah Karta of Raichand K. Shah HUF	-	3,24,000
14.	Jayantilal Raichand Shah Karta of Jayantilal R. Shah HUF	-	2,75,250
15.	Dhirajlal Raichand Shah Karta of Dhirajlal R. Shah HUF	-	1,72,750
16.	Arvind Raichand Shah Karta of Arvind R. Shah HUF	-	2,10,250
17.	Biren Jayantilal Chheda J/W. Smita Biren Chheda	-	2,55,000
18.	Smita Biren Chheda J/W. Biren Jayantilal Chheda	-	1,84,500

- 15.2. Extent of shareholding of the Directors and their relatives and KMPs of the Applicant Company/ Transferee Company and their respective holding in the Transferor Company, and the Transferee Company are as follows: (Considering first holder)

Sr. No	Name of the Director	Designation	Address	Equity Shares in Transferor Company	Equity Shares in Applicant/ Transferee Company
1.	Dhirajlal Raichand Shah	Director	S-135, Someshwara Enclave Udhana Magdalla Road, Vesu Surat 395007	1,30,000	9,78,535

2.	Arvind Raichand Shah	Director	202, Soneri Apprtment, Near Chinmay Hospital Near Forum Apprtment, Ghod Dod Road, Surat – 395007	40,000	6,62,735
3.	Nitin Raichand Shah	Managing Director	9, Deep Mangal Society, Near Narmad Library, Athwalines, Surat- 395007	1,40,000	15,61,700
4.	Rajendra Kundanlal Desai	Professional Independent Director	4-B, Shantikunj Society, Nr. L. B. Cinema, Bhatar Road, Surat – 395002	1,320	-
5.	Richa Manoj Goyal	Professional Independent Director	501, Prakruti Apartment, Opposite Uma Bhavan, Bhatar Road, Althan, Surat- 395017	-	-

Sr. No.	Name of the KMPs	Designation	Equity Shares in Transferor Company	Equity Shares in Applicant/ Transferee Company
1.	Jayantilal Raichand Shah	CFO(KMP)	1,30,000	11,99,750
2.	Hitesh Kantilal Garmora	Company Secretary	-	-

Sr. No.	Name of the relatives of Directors	Equity Shares in Transferor Company	Equity Shares in Applicant/ Transferee Company
1.	Pravinchandra Raychand Chheda	1,01,000	2,95,000
2.	Jayantilal Raichand Shah Karta of Raichand K. Shah HUF	-	3,24,000
3.	Dhirajlal Raichand Shah Karta of Dhirajlal R. Shah HUF	-	1,72,750
4.	Arvind Raichand Shah Karta of Arvind R. Shah HUF	-	2,10,250
5.	Nitin Raichand Shah Karta of Nitin R. Shah HUF	-	1,95,250
6.	Mahendra Raichand Shah J/W. Meena Mahendra Shah	1,40,000	11,24,475
7.	Kanchan Dhirajlal Shah J/W Dhirajlal Raichand Shah	1,25,180	1,40,750
8.	Avani Arvind Shah J/W Arvind Raichand Shah	1,49,050	3,21,250
9.	Dhruv Arvind Shah J/W Arvind Raichand Shah	20,000	2,40,495
10.	Minaxi Nitin Shah J/W Nitin Raichand Shah	1,03,730	1,58,000
11.	Dhaval Jinesh Shah	5,390	-
12.	Bhavini Dhaval Shah	3,245	-
13.	Jiviben Raichand Shah	8,800	-

16. **EXTENT OF HOLDING OF PROMOTERS OF THE TRANSFEROR COMPANY, AND THE TRANSFEREE COMPANY IS AS FOLLOWS:-**

- 16.1. Extent of shareholding of the Promoters of the Transferor Company in the Transferor Company and the Applicant Company/ Transferee Company

Sr. No.	Name of the Promoter	Address	Equity Shares in Transferor Company	Equity Shares in Applicant/ Transferee Company
1.	Dhirajlal Raichand Shah J/W. Kanchan Dhirajlal	S-135, Someshwara Enclave Udhana Magdalla Road, Vesu Surat 395007	1,30,000	9,78,535
2	Arvind Raichand Shah J/W. Avani Arvind Shah	202, Soneri Apprtment, Near Chinmay Hospital, Near Forum Apprtment, Ghod Dod Road, Surat – 395007	40,000	6,62,735
3	Jayantilal Raichand Shah J/W. Damyanti Jayantilal Sha	A-401, Swaar Sangini, Opposite DGVCL VIP Road, Bharthana-Vesu, Surat – 395007	1,30,000	11,99,750

- 16.2. Extent of shareholding of the Promoters of the Transferee Company in the Transferor Company and the Transferee Company

Sr. No.	Name of the Promoter	Address	Equity Shares in Transferor Company	Equity Shares in Applicant/ Transferee Company
1.	Dhirajlal Raichand Shah J/W. Kanchan Dhirajlal Shah	S-135, Someshwara Enclave Udhana Magdalla Road, Vesu Surat 395007	1,30,000	9,78,535
2.	Arvind Raichand Shah J/W. Avani Arvind Shah	202, Soneri Apprtment, Near Chinmay Hospital, Near Forum Apprtment, Ghod Dod Road, Surat – 395007	40,000	6,62,735
3.	Nitin Raichand Shah J/W. Minaxi Nitin Shah	9, Deep Mangal Society, Near Narmad Library, Athwalines, Surat-395007	1,40,000	15,61,700
4.	Jayantilal Raichand Shah J/W. Damyanti Jayantilal Shah	A-401, Swaar Sangini, Opposite DGVCL VIP Road, Bharthana-Vesu, Surat – 395007	1,30,000	11,99,750

**17. PRE AND POST SCHEME SHAREHOLDING PATTERN OF THE TRANSFEROR COMPANY AND THE TRANSFEREE COMPANY**

- 17.1. The pre Scheme shareholding pattern of the Transferor Company as on December 31, 2018 is as follows:

Code	Category	Pre-Amalgamation Shareholding	
		No. of equity shares	As a % of total equity capital
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>		
1	Indian		
(a)	Individuals / Hindu Undivided Family	16,43,086	27.16
(b)	Bodies Corporate	Nil	N.A.
(c)	Trusts	Nil	N.A.
	Sub Total	16,43,086	27.16

Code	Category	Pre-Amalgamation Shareholding	
		No. of equity shares	As a % of total equity capital
2	Foreign		
(a)	Individuals (Non-Residents Individuals/Foreign Individuals)	77,000	1.27
	Sub Total	77,000	1.27
	Total shareholding of Promoter and Promoter Group (A)	17,20,086	28.43
<b>(B)</b>	<b>Public Shareholding</b>		
<b>1</b>	Institutions	Nil	N.A.
(a)	Mutual Funds / UTI	Nil	N.A.
(b)	Financial Institutions / Banks	Nil	N.A.
(c)	Insurance Companies	Nil	N.A.
(d)	Foreign Institutional Investors	Nil	N.A.
(e)	Foreign Mutual Fund	Nil	N.A.
	Sub Total	Nil	N.A.
<b>2</b>	Non-Institutions		
(a)(i)	Bodies Corporate	1,78,736	2.95
(b)	Individuals		
(b)(i)	Individual shareholders holding nominal share capital up to Rs. 2 Lakhs	10,39,334	17.18
(b)(ii)	Individual shareholders holding nominal share capital in excess of Rs. 2 Lakhs	23,80,653	39.35
(c)	Clearing Members	Nil	N.A.
(d)	Foreign Corporate Bodies	Nil	N.A.
(e)	Market Marker	Nil	N.A.
(f)	Non Resident Indians	4,96,781	8.21
(g)	Trusts	Nil	N.A.
(h)	Foreign Portfolio Investors	Nil	N.A.
(i)	Hindu Undivided Family	1,47,269	2.43
(j)	Fractional Shares	Nil	N.A.
(k)	IEPF	87,141	1.44
	Sub Total	43,29,914	71.57
	Total Public shareholding (B)	43,29,914	71.57
	<b>Total (A)+(B)</b>	60,50,000	100.00

17.2. The pre and post Scheme shareholding pattern of the Transferee Company as on 31/12/2018 is as follows:

Code	Category	Pre-Amalgamation Shareholding		Post-Amalgamation Shareholding	
		No. of equity shares	As a % of total equity capital	No. of equity shares	As a % of total equity capital
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>				
1	Indian				
(a)	Individuals / Hindu Undivided Family	10486750	94.03	12312401	68.94
(b)	Bodies Corporate	16000	0.14	NIL	N.A.
(c)	Trusts	NIL	N.A.	NIL	N.A.



Code	Category	Pre-Amalgamation Shareholding		Post- Amalgamation Shareholding	
		No. of equity shares	As a % of total equity capital	No. of equity shares	As a % of total equity capital
	Sub Total	10502750	94.18	12312401	68.94
2	Foreign				
(a)	Individuals (Non-Residents Individuals/Foreign Individuals)	439500	3.94	525056	2.94
(b)	HUF	210000	1.88	210000	1.18
	Sub Total	649500	5.82	735056	4.12
	Total shareholding of Promoter and Promoter Group (A)	11152250	100	13047457	73.06
<b>(B)</b>	<b>Public Shareholding</b>				
<b>1</b>	Institutions				
(a)	Mutual Funds / UTI	NIL	N.A.	NIL	N.A.
(b)	Financial Institutions / Banks	NIL	N.A.	NIL	N.A.
(c)	Insurance Companies	NIL	N.A.	NIL	N.A.
(d)	Foreign Institutional Investors	NIL	N.A.	NIL	N.A.
(e)	Foreign Mutual Fund	NIL	N.A.	NIL	N.A.
	Sub Total	NIL	N.A.	NIL	N.A.
<b>2</b>	Non-Institutions				
(a)(i)	Bodies Corporate	NIL	N.A.	1,98,596	1.11
(b)	Individuals				
(b)(i)	Individual shareholders holding nominal share capital up to Rs. 2 Lakhs	NIL	N.A.	11,54,816	6.47
(b)(ii)	Individual shareholders holding nominal share capital in excess of Rs. 2 Lakhs	NIL	N.A.	26,45,170	14.81
(c)	Clearing Members	NIL	N.A.	NIL	N.A.
(d)	Foreign Corporate Bodies	NIL	N.A.	NIL	N.A.
(e)	Market Maker	NIL	N.A.	NIL	N.A.
(f)	Non Resident Indians	NIL	N.A.	5,51,979	3.09
(g)	Trusts	NIL	N.A.	NIL	N.A.
(h)	Foreign Portfolio Investors	NIL	N.A.	NIL	N.A.
(i)	Hindu Undivided Family	NIL	N.A.	163632	0.92
(j)	Fractional Shares	NIL	N.A.	NIL	N.A.
(k)	INVESTOR EDUCATION AND PROTECTION FUND AUTHORITY MINISTRY OF CORPORATE AFFAIRS	NIL	N.A.	96,823	0.54
	Sub Total	NIL	N.A.	48,11,016	26.94
	Total Public shareholding (B)	NIL	N.A.	48,11,016	26.94
	<b>Total (A)+(B)</b>	11152250	100	17858472	100

18. **PRE AND POST SCHEME CAPITAL STRUCTURE:**

18.1. Pre Scheme Capital Structure of the Transferor Company:-

Description	Pre-Scheme	
	No. of Shares	Amount (Rs.)

<b>Authorized Share Capital:</b>		
Equity Share Capital of Rs. 10 each	2,00,00,000	20,00,00,000
<b>Issued Share Capital:</b>		
Equity Share Capital of Rs. 10 each	60,50,000	6,05,00,000
<b>Subscribed &amp; Paid Up Share Capital:</b>		
Equity Share Capital of Rs. 10 each	60,50,000	6,05,00,000

18.2. Pre and Post Scheme Capital Structure of the Transferee Company:-

Description	Pre-Scheme		Post- Scheme	
	No. of Shares	Amount Rs.	No. of Shares	Amount (Rs.)
<b>Authorized Share Capital:</b>				
Equity Shares of Rs.10/- each.	1,20,00,000	12,00,00,000	3,20,00,000	32,00,00,000
<b>Total ( Rs.)</b>		12,00,00,000		32,00,00,000
<b>Issued Share Capital:</b>				
Equity Shares of Rs. 10 each	1,11,52,250	11,15,22,500	1,78,58,472	17,85,84,720
<b>Total (Rs.)</b>		<b>11,15,22,500</b>		<b>17,85,84,720</b>
<b>Subscribed &amp; Paid Up Share Capital:</b>				
Equity Shares of Rs. 10 each	1,11,52,250	11,15,22,500	1,78,58,472	17,85,84,720
<b>Total ( Rs.)</b>		<b>11,15,22,500</b>		<b>17,85,84,720</b>

\* Upon Scheme coming into effect,

- 1) The total authorized share capital shall stand increased pursuant to Clause 16 of Scheme of Amalgamation and
- 2) Issued, subscribed and paid-up share capital shall stand reduced upto the equity shares held by the Transferor Company being, 16,000 equity shares of Rs.10 each of the Transferee Company, pursuant to Clause 11 of Scheme of Amalgamation.

19. **STATEMENT DISCLOSING DETAILS OF AMALGAMATION AS PER SUB-SECTION 3 OF SECTION 230 OF THE COMPANIES ACT, 2013 READ WITH RULE 6 OF THE COMPANIES (COMPROMISES, ARRANGEMENTS AND AMALGAMATIONS) RULES, 2016**

No.	Particulars	FAIRDEAL FILAMENTS LIMITED	SHAH LON SILK INDUSTRIES LIMITED
		Transferor Company	Transferee Company
(i)	<i>Details of the order of the NCLT directing the calling, convening and conducting of the meeting :- of secured creditors</i>		
A	<b>Date of the order</b>	January 24, 2019	
B	<b>Date, time and venue of the meeting</b>	Date: March 12, 2019 Time: 11 a.m. Venue: 3 <sup>rd</sup> Floor, Dawer Chambers, Nr. Sub Jail, Ring Road, Surat - 395002 in the State of Gujarat	Date: March 12, 2019 Time: 12 p.m. Venue: 3 <sup>rd</sup> Floor, Dawer Chambers, Nr. Sub Jail, Ring Road, Surat - 395002 in the State of Gujarat
(ii)	<i>Details of the Companies including:-</i>		
a	<b>Corporate Identification Number (CIN)</b>	L17110GJ1990PLC013771	U17120GJ2008PLC053464

No.	Particulars	FAIRDEAL FILAMENTS LIMITED	SHAHLON SILK INDUSTRIES LIMITED
		Transferor Company	Transferee Company
b	Permanent Account Number (PAN)	AAACF3804A	AALCS7927G
c	Name of Company	Fairdeal Filaments Limited	Shahlon Silk Industries Limited
d	Date of Incorporation	May 15, 1990	April 02, 2008
e	Type of Company	Public Listed	Public Unlisted
f	Registered Office address	3 <sup>rd</sup> Floor, Dawer Chambers, Near Sub-Jail, Ring Road, Surat 395 002 in the State of Gujara	91, G.I.D.C., Khatodara, B/H.: Sub-Jail, Ring Road, Surat, Gujarat 395002, India
	E-mail address of the Contact Person	info@shahlon.com	info@shahlon.com
g	Summary of main object as per the memorandum of association; and main business carried on by the Company	<p>For main objects please refer para 4.4</p> <p>Main business carried on by the Company:</p> <p>The Transferor Company is <i>inter-alia</i> engaged in the business of manufacturing of grey fabric along with all types of yarn preparatory facilities like sizing, texturising, twisting, crape etc. Further the Transferor Company is also engaged in an agency with Reliance Industries Limited for sale of yarn.</p>	<p>For main objects please refer para 3.4</p> <p>Main business carried on by the Company:</p> <p>The Transferee Company is <i>inter-alia</i> engaged in the business of manufacturing of fabric on water jet looms, air jet looms &amp; rapier looms and various yarn preparatory activities like sizing, texturising, yarn dyeing, twisting, crape, ply yarn etc. Further the Transferee Company is also engaged in an agency with Reliance Industries Limited for sale of yarn which the Company is authorized to carry on.</p>
h	Details of change of name, Registered Office and objects of the Company during the last five years	There is no change of name, change of registered office and objects of the Transferor Company in the last five years.	There is no change of name, change of registered office and objects of the company in the last five years.
i	Name of stock exchange(s) where securities of the Company are listed, if applicable	BSE Limited	None
j	Details of capital structure – Authorized, Issued, subscribed and paid-up share capital	Refer Para 18	Refer Para 18
k	Names and address of the promoters and directors	Refer Paragraph 15 for Directors Refer Paragraph 16 for Promoters	Refer Paragraph 15for Directors Refer Paragraph 16 for Promoters

No.	Particulars	FAIRDEAL FILAMENTS LIMITED	SHAHLON SILK INDUSTRIES LIMITED
		Transferor Company	Transferee Company
(iii)	<b>If the scheme of compromise or arrangement relates to more than one company, the fact and details of any relationship subsisting between such companies who are parties to such scheme of compromise or arrangement, including holding, subsidiary or associate companies</b>	The parties to the Scheme are group companies. There is <b>no holding, subsidiary or associate companies</b> . However, the Transferor Company is holding 16,000 equity shares of Rs.10 each of the Transferee Company, which constitute 0.14% of total paid-up share capital of the Transferee Company, which will stand cancelled upon Scheme coming into effect and which will amount to reduction of share capital of the Transferee Company to such extent.	
(iv)	<b>The date of board meeting at which the scheme was approved by the board of directors including the name of directors who voted in favour of the resolution, who voted against the resolution and who did not vote or participate on such resolution</b>	August 22, 2018	August 22, 2018
(v)	<i>Explanatory Statement disclosing details of the scheme of merger including:-</i>		
a	<b>Parties involved in Such compromise or arrangement</b>	Fairdeal Filaments Limited- Transferor Company Shahlon Silk Industries Limited– Transferee Company	
	<b>In case of amalgamation or merger, appointed Date</b>		
	<b>Appointed Date</b>	April 1, 2018	
	<b>Effective Date</b>	<p>the last of the dates on which the certified copies of the Order(s) of the Adjudicating Body, are filed with the Registrar of Companies, Ahmedabad.</p> <p>The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the Adjudicating Body and/or by the Board of Directors in terms of Clause 23 shall although be operative from the Effective Date but shall be deemed to be retrospectively effective from the Appointed Date in accordance with the provisions of Section 232 (6) of the Act.</p>	

No.	Particulars	FAIRDEAL FILAMENTS LIMITED	SHAHLON SILK INDUSTRIES LIMITED
		Transferor Company	Transferee Company
b	<b>Share Exchange Ratio and other considerations, if any</b>	The Transferee Company will issue 67,22,222 ( <i>Sixty seven lakhs twenty two thousand two hundred twenty two only</i> ) equity shares of Rs.10 each (the " <i>New Shares</i> ") to the registered fully paid-up equity shareholders of the Transferor Company in the ratio of 1:0.90, i.e. 1 ( <i>one</i> ) equity share of Rs.10 each credited as fully paid up in the Transferee Company for every 0.90 ( <i>zero point ninety</i> ) equity share of Rs.10 each fully paid up held by them in the Transferor Company (the " <i>New Shares Entitlement Ratio</i> "). The New Shares will be issued in the New Shares Entitlement Ratio to registered fully paid-up equity shareholders of the Transferor Company whose names are recorded in the register of equity shareholders of the Transferor Company on the Record Date.	
c	<b>Summary of Valuation report (if applicable) including basis of valuation and fairness opinion of the registered valuer, if any, and the declaration that the valuation report is available for inspection at registered office of the Company</b>	Refer Annexure B of this Report.  Same is available for inspection at the Registered Office of the Applicant Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company (except Saturdays, Sundays & public holidays) upto one day prior from the date of the meeting.	
d	<b>Details of capital or debt restructuring, if any</b>	There is no debt restructuring involved in the Scheme. However, for the change in the capital structure pre and post Scheme refer Paragraph 18	
e	<b>Rationale for the compromise or arrangement</b>	Refer Para 6	
f	<b>Benefits of the compromise or arrangement as perceived by the Board of directors to the company, members, creditors and others (as applicable)</b>	Refer Para 6	
g	<b>Amount due to the Unsecured Creditors as of September 30, 2018</b>	Rs.1682.61 Lacs	Rs.5542.73 Lacs
(vi)	<b>Disclosure about effect of the merger on</b>		

No.	Particulars	FAIRDEAL FILAMENTS LIMITED	SHAHLON SILK INDUSTRIES LIMITED
		Transferor Company	Transferee Company
a	<b>Key Managerial personnel (KMP) (other than Directors)</b>	KMP are the employees of the Transferor Company and as per the Scheme, all the employees of the FFL shall become employees of the SSIL with effect from effective date of scheme.	No change in Key Managerial Person is expected pursuant to the Scheme.
b	<b>Directors</b>	Pursuant to the Scheme becoming effective, the directors which are common will continue as Directors in the Transferee Company. In relation to remaining Directors, the question of impact on them does not arise as the Transferor Company shall cease to exist.	There is no adverse effect of the Scheme on the Directors of the Transferee Company.
c	<b>Promoters</b>	The Scheme does not contemplate payment of any additional considerations to the Promoters except to the extent of their shareholding in the Transferee Company as detailed in point v (b) above. The Scheme will lead to additional allotment of shares of the Transferee Company, which would in turn would increase the public shareholding in the Transferee Company to approximately 26.94% of total issued and paid-up share capital of the Transferee Company post Scheme coming into effect. Although, the shareholding of the Promoter in the Transferee Company will reduce from earlier 100% to 73.06% but, the shareholding of promoters in the merged entity will increase as compared to 28.43% of promoters' shareholding in the Transferor Company prior to the Scheme coming into effect.	

No.	Particulars	FAIRDEAL FILAMENTS LIMITED	SHAHLON SILK INDUSTRIES LIMITED
		Transferor Company	Transferee Company
d	<b>Non-promoter members</b>	<p>Pursuant to this Scheme, as part of the consideration for the merger, the Transferee Company will issue and allot 67,22,222 fully paid-up equity shares of Rs.10 each (the "<i>New Shares</i>") to shareholders of FFL. The New Shares will be issued by the Transferee Company to such equity shareholders of the Transferor Company whose names are recorded in the register of members of the Transferor Company as on the Record Date in the ratio of 1:0.90, i.e. 1 (one) equity share of Rs.10 each credited as fully paid up in the Transferee Company for every 0.90 (point ninety) equity share held by them in the Transferor Company.</p> <p>The New Shares issued and allotted by the Transferee Company in terms of this Scheme shall rank <i>pari-passu</i> in all respects with the existing shares of the Transferee Company, including in respect of dividends, if any, that may be declared by SSIL, on or after the Effective Date.</p> <p>This will lead to additional allotment of shares of the Transferee Company, which would in turn would increase the public shareholding in the Transferee Company to approximately 26.94% of total issued and paid-up share capital of the Transferee Company post Scheme coming into effect. However, shareholding of public shareholders in the Transferee Company will reduced 26.94% in the Transferee Company as compared to 71.57% of public shareholding in the Transferor Company prior to the Scheme coming into effect.</p>	
e	<b>Depositors</b>	The Transferor Company does not have any public deposits and accordingly, it does not have any depositors hence the question of Scheme having effect on depositor does not arise.	The Transferee Company does not have any public deposits and accordingly, it does not have any depositors hence the question of Scheme having effect on depositor does not arise.
f	<b>Creditors</b>	Upon the Scheme coming into effect, the creditor obligations with respect to the Transferor Company shall become the obligations of the Transferee Company. The Scheme is expected to be in the best interest of the Transferor Company's creditors	Upon the Scheme coming into effect, the creditor obligations with respect to the Transferor Company shall remain obligations of the Transferee Company. The Scheme is expected to be in the best interest of the Transferor Company's creditors
g	<b>Debenture holders</b>	The Transferor Company has no outstanding debentures and therefore, the effect of the Scheme on debenture holders does not arise.	The Transferee Company has no outstanding debentures and therefore, the effect of the Scheme on debenture holders does not arise.



No.	Particulars	FAIRDEAL FILAMENTS LIMITED	SHAHLON SILK INDUSTRIES LIMITED
		Transferor Company	Transferee Company
h	<b>Deposit trustee &amp; Debenture trustee</b>	<p>The Transferor Company does not have any public deposits and accordingly, it does not have any depositors or deposit trustee and the question of Scheme having effect on depositor or deposit trustee does not arise.</p> <p>Further, there are no debenture holders or debenture trustee in the Transferor Company as no debentures are issued. Thus, the question of Scheme having effect on debenture holder or debenture trustee does not arise.</p>	<p>The Transferee Company does not have any public deposits and accordingly, it does not have any depositors or deposit trustee and the question of scheme having effect on depositor or deposit trustee does not arise.</p> <p>Further, there are no debenture holders or debenture trustee in the Transferee Company as no debentures are issued. Thus, the question of scheme having effect on debenture holder or debenture trustee does not arise.</p>
i	<b>Employees of the company</b>	Employees in relation to the Transferor Undertaking shall become the employees of the Transferee Company. No right of employees shall get affected.	
(vii)	<b>Disclosure about effect of compromise or arrangement on material interest of Directors, Key Managerial Personnel (KMP) and debenture trustee</b>		
	<b>Directors</b>	Pursuant to the Scheme becoming effective, few directors are already directors in the Transferee Company and will continue as directors in the Transferee Company. In relation to the remaining Directors, the question of impact on them does not arise as the Company shall cease to exist.	There is no adverse effect of the Scheme on the Directors of the Transferee Company.
	<b>Key Managerial personnel</b>	KMP are the employees of the Transferor Company and as per the Scheme, all the employees of the Transferor Company shall become employees of the Transferee Company with effect from Effective Date of scheme.	No change in Key Managerial Person is expected pursuant to the Scheme.
	<b>Debenture Trustee</b>	There are no debenture holders or debenture trustee in the Transferor Company as no debentures are issued. Thus, the question of Scheme having effect on debenture holder or debenture trustee does not arise.	There are no debenture holders or debenture trustee in the Transferee Company as no debentures are issued. Thus, the question of Scheme having effect on debenture holder or debenture trustee does not arise.

No.	Particulars	FAIRDEAL FILAMENTS LIMITED	SHAHLON SILK INDUSTRIES LIMITED
		Transferor Company	Transferee Company
(viii)	<b>investigation or proceedings, if any, pending against the company under the Act</b>	No investigation proceedings have been initiated or are pending against the Transferor Company and Transferee Company under the Companies Act, 2013.	
(ix)	<b>details of the availability of the following documents for obtaining extract from or for making or obtaining copies of or inspection by the members and creditors, namely:</b>		
a	<b>Latest Audited Financial Statements of the Company including consolidated financial statements</b>	Available for inspection at the Registered Office of the Applicant Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company (except Saturdays, Sundays & public holidays) upto one day prior from the date of the meeting.	
b	<b>Copy of the order of Tribunal in pursuance of which the meeting is to be convened or has been dispensed with</b>	Available for inspection at the Registered Office of the Applicant Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company (except Saturdays, Sundays & public holidays) upto one day prior from the date of the meeting.	
c	<b>Copy of Scheme</b>	Annexed as Annexure A to the Notice.  Also available at the Registered Office of the Applicant Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company (except Saturdays, Sundays & public holidays) upto one day prior from the date of	
d	<b>Contracts or Agreements material to the compromise or arrangement</b>	All business contracts and licenses of Transferor Company will get transferred to the Transferee Company.	

No.	Particulars	FAIRDEAL FILAMENTS LIMITED	SHAHLON SILK INDUSTRIES LIMITED
		Transferor Company	Transferee Company
e	<b>The certificate issued by the Auditor of the company to the effect that the accounting treatment, if any, proposed in the scheme of compromise or arrangement is in conformity with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013; and</b>	Available for inspection at the Registered Office of the Applicant Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company (except Saturdays, Sundays & public holidays) upto one day prior from the date of the meeting.	
f	<b>Such other information or documents as the Board or Management believes necessary and relevant for making decision things for or against the scheme</b>	Available for inspection at the Registered Office of the Applicant Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company (except Saturdays, Sundays & public holidays) upto one day prior from the date of the meeting.	
(x)	<b>Details of approvals, sanctions or no-objection(s), if any, from regulatory or any other governmental authorities required, received or pending for the proposed scheme of compromise or arrangement</b>	As per the Minutes of the Order dated January 24, 2019.	

No.	Particulars	FAIRDEAL FILAMENTS LIMITED	SHAHLON SILK INDUSTRIES LIMITED
		Transferor Company	Transferee Company
(xi)	<b>A statement to the effect that the persons to whom the notice is sent may vote in the meeting either in person or by proxies, or where applicable, by voting through electronic means</b>	Members to whom the Notice is sent may vote in either person or by proxies	

20. No investigation proceedings have been initiated or are pending against the Transferee Company, under Chapter XIV of the Companies Act, 2013.
21. The proposed Scheme will not have any adverse effect on the interest of any of the shareholders and creditors of the Applicant Company. The sanction of the Scheme will benefit and is in the interests of the shareholders and creditors of the Applicant Company.
22. The rights and interests of the creditors will not be prejudicially affected by the Scheme as no sacrifice or waiver is at all called from them nor their rights sought to be modified in any manner.
23. The New Shares Entitlement Ratio in respect of the Scheme has been arrived at on the basis of the valuation made by CNK & Associates LLP and the discussion of the Board of Directors of the Transferor Company and the Applicant Company. A copy of the said valuation report has been annexed to this Notice as **Annexure – B**.
24. The Board of Directors of the Applicant Company has considered the said Valuation Report and also considered various factors and accordingly, the Board of Directors of the Applicant Company believes that the New Shares Entitlement Ratio in respect of the New Shares is fair and reasonable and has approved the same at its meeting held on August 22, 2018. All Directors of the company i.e. Mr. Jayantilal Raichand Shah, Mr. Mahendra Raichand Shah and Mr. Dipan Jayantilal Shah were present at the meeting and voted in favour of the Scheme. As per the Valuation Report prepared by the Chartered Accountants, CNK & Associates LLP the share exchange ratio determined was 1:1 i.e. 1 (one) equity share of Rs.10 each credited as fully paid up in Transferee Company for every 1 (one) equity share of Rs.10 each fully paid up held by them in the Company on basis of the valuation of the assets and liabilities of the Company carried out by them as provided in their report. However, after detailed deliberation and discussions the Board, for the benefit of the public shareholders of the Transferor Company have decided to reduce the valuation of Transferee Company by issuing additional shares to the members of the Transferor Company in the ratio of 1:0.9 i.e. 1 (one) equity share of Rs.10 each credited as fully paid up in Transferee Company for every 0.9 (point nine) equity share held by them in the Company.
25. Only Secured Creditors of the Applicant Company may attend and vote (*either in person or by proxy or by authorized representative*) at the meeting. The representative of a body corporate, which is a Secured Creditor of the Applicant Company may attend and vote at the meeting provided a certified true copy of the resolution/authorization of the competent body is deposited at the registered office of the Applicant Company not later than 48 hours before the meeting authorizing such a representative to attend and vote at the meeting.
26. A Secured Creditor entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a creditor of the Applicant Company. The form of proxy duly completed should, however, be deposited at the registered office of the Applicant Company not less than 48 hours

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before the scheduled time for commencement of the meeting.

27. That the quorum for the meeting of the Secured Creditors shall be 2 (two) Secured Creditors present in person .
28. On the Scheme being approved as per the requirements of Section 230 to 232 of the Companies Act, 2013, the Applicant Company will seek the sanction of the Hon'ble National Company Law Tribunal for sanction of the Scheme.

29. **INSPECTION OF DOCUMENTS**

Copies of the following documents are open for inspection at the Registered Office of the Applicant Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company (except Saturdays, Sundays & public holidays) up to one day prior to the date of the meeting:

- 29.1. Memorandum and Articles of Association of the Transferor Company and the Transferee Company;
- 29.2. Copy of the Audited Annual Accounts as on March 31 2018 and March 31, 2017 of the Transferee Company and the Transferor Company;
- 29.3. Papers and proceedings in Company Application No. 9 of 2019;
- 29.4. Certified Copy of the Minutes of the Orders dated January 24, 2019 passed by the Hon'ble National Company Law Tribunal, Ahmedabad Bench directing the holding and convening the meetings;
- 29.5. Certificate issued by the Auditor of the company to the effect that the accounting treatment, if any, proposed in the scheme of amalgamation is in conformity with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013;
- 29.6. Copies of Resolutions passed by the Board of Directors for approval of the Scheme;
- 29.7. Register of Directors and Shareholders of the Applicant Company; and
- 29.8. Valuation Report by CNK & Associates LLP dated August 17, 2018.

Dated this 1<sup>st</sup> day of February, 2019.

Sd/-  
Mr. Dhirajlal Raichand Shah  
Chairman appointed for the Meeting

**Registered Office:** 91, G.I.D.C., Khatodara, B/H.: Sub-Jail, Ring Road, Surat, Gujarat 395002, India

## Annexure A Scheme

### SCHEME OF MERGER BY ABSORPTION OF FAIRDEAL FILAMENTS LIMITED BY SHAHLON SILK INDUSTRIES LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

This Scheme of Merger is presented under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 for merger by absorption of Fairdeal Filaments Limited ("*FFL*" or "*Transferor Company*") by Shahlon Silk Industries Limited ("*SSIL*" or "*Transferee Company*"). This Scheme also provides for various other matters consequential and otherwise integrally connected therewith.

The Scheme is divided into the following parts:

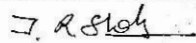
- A. **Part I** deals with the Introduction and Rationale;
- B. **Part II** deals with the Definitions, Interpretations and Share Capital;
- C. **Part III** deals with merger of FFL and SSIL;
- D. **Part IV** deal with reorganisation of share capital of SSIL
- E. **Part V** deals with the Accounting Treatment;
- F. **Part VI** deals with the General Clauses; and
- G. **Part VII** deals with the General Terms and Conditions.

#### PART I INTRODUCTION, RATIONALE AND OPERATION OF THE SCHEME

#### 1. INTRODUCTION

#### 1.1. FAIRDEAL FILAMENTS LIMITED

For FAIRDEAL FILAMENTS LTD.

  
Authorised Signatory/Director

1.1.1. FFL (CIN: L17110GJ1990PLC013771) was originally incorporated under the name of "*Fairdeal Filaments Private Limited*" under the provisions of the Companies Act, 1956 *vide* Certificate of Incorporation dated May 15, 1990 issued by the Registrar of Companies, Gujarat.

1.1.2. The company was subsequently converted into a public limited company and consequent upon the said change of status, the name of the company was changed from '*Fairdeal Filaments Private Limited*' to its present name i.e. '*Fairdeal Filaments Limited*' *vide* fresh Certificate of Incorporation dated March 1, 1994 issued by the Registrar of Companies, Gujarat, Dadra & Nagar Haveli. The company has its shares listed on the Bombay Stock Exchange ("*BSE Limited*").

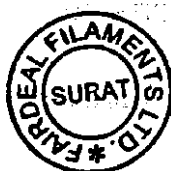
1.1.3. FFL is *inter-alia* engaged in the business of manufacturing of grey fabric along with all types of yarn preparatory facilities like sizing, texturising, twisting, crape etc. FFL is also engaged in an agency with Reliance Industries Limited for sale of yarn.

1.1.4. FFL holds 0.14% of the issued, subscribed and paid-up share capital of the Transferee Company.

## 1.2. **SHAHLON SILK INDUSTRIES LIMITED**

1.2.1. SSIL (CIN: U17120GJ2008PLC053464), a public company, was originally established as a partnership firm on September 13, 1984 and was subsequently converted into a private limited company under the Companies Act, 1956 *vide* Certificate of Incorporation dated April 02, 2008 under the name of '*Shahlon Silk Mills Private Limited*' issued by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli.

1.2.2. The name of the company was changed from '*Shahlon Silk Mills*



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*Private Limited* to *'Shahlon Silk Industries Private Limited'* vide fresh Certificate of Incorporation dated December 03, 2013 issued by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli.

- 1.2.3. The company was subsequently converted into a public limited company and consequent upon the said change of status, the name of the company was changed from *'Shahlon Silk Industries Private Limited'* to its present name i.e. *'Shahlon Silk Industries Limited'* vide fresh Certificate of Incorporation dated 10<sup>th</sup> August, 2018 issued by the Registrar of Companies, Ahmedabad.
- 1.2.4. SSIL is *inter-alia* engaged in the business of manufacturing of fabric on water jet looms, air jet looms & rapier looms and various yarn preparatory activities like sizing, texturising, yarn dyeing, twisting, crape, ply yarn etc. SSIL is also engaged in an agency with Reliance Industries Limited for sale of yarn.

## 2. RATIONALE FOR THE SCHEME

- 2.1. The merger of FFL with SSIL is based on the following rationale:
- 2.1.1. FFL and SSIL, belonging to the same group of management, are largely engaged in the similar kind of business activities i.e. manufacturing of fabric on water jet looms. In addition to above, SSIL is also involved in manufacturing of fabric on air jet looms and rapier looms, which will be beneficial to the merged entity in diversifying its product portfolio pursuant to the Scheme coming into effect.
- 2.1.2. FFL and SSIL both carry out yarn preparatory facilities like sizing, texturising, twisting, crape, etc.
- 2.1.3. FFL and SSIL both are the agents for Reliance Industries Limited in relation to sale of yarn product and thus, business of FFL and SSIL are complementary in nature and consolidation of business

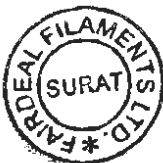
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will be beneficial for both the companies and their shareholders.

- 2.1.4. Economies of scale will play a bigger role as the consolidated entity's operational efficiency will increase, which will in turn allow the merged entity to compete on a larger scale in the industry, thus benefiting the merged entity and the shareholders.
- 2.1.5. The amalgamation will enable the merged entity to build up a diversified product portfolio.
- 2.1.6. As on March 31, 2018, SSIL has a net worth of Rs.61,71,32,000 (*Rupees sixty one crores seventy one lakhs thirty two thousand*) and FFL has a net worth of Rs.19,16,98,000 (*Rupees nineteen crores sixteen lakhs ninety eight thousand*). The combined entity will have net worth of around Rs.80,65,90,000 (*Rupees eighty crores sixty five lakhs ninety thousand*) which will enable the merged entity with more negotiation power for debt finance considering its size and financial strength further the merged entity will have option of equity financing.
- 2.1.7. This merger will provide an opportunity to leverage assets and build a stronger sustainable business. It will provide an opportunity to fully leverage stronger asset capabilities, experience, expertise and infrastructure of both the companies and thus increased ability for promotion of business activities as well as for fund raising as may be required for business development.
- 2.1.8. Manufacturing of grey fabric and texturizing / various yarn value addition activities of FFL and SSIL are located at Block number 297 /298 of Limodara Patiya, Village: Karanj, Taluka Mandvi, District: Surat and both the companies share the common entrance gate. At Fairdeal Textile Park, Village: Mahuvej, Taluka Mangrol, District: Surat, SSIL has manufacturing facilities for manufacturing of various yarns, grey fabric at Block no. 692/A and FFL has its proposed factory site also located just adjacent to



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SSIL on Block number 692/A. Both the companies have their administrative office located at 3<sup>rd</sup> Floor Dawer Chambers, Nr. Sub-Jail, Ring Road, Surat which is partly owned by FFL and partly by SSIL. As major of the manufacturing sites of FFL are adjacent to/together with SSIL, this merger would lead to synergic benefits, efficiency of operations and management, rapid growth of the entity, optimum utilization of its resources and minimization of the administrative and operative costs.

- 2.1.9. The merger will result in a value creation for the shareholders and stakeholders of FFL and SSIL as the combined amalgamated company will have improved efficiency, market share, financial structure, larger cash flows and stronger consolidated revenue and profitability.
- 2.1.10. The merger of FFL with SSIL would result in consolidation of business activities of both the companies and will facilitate effective management of investments and synergies in operation.
- 2.1.11. There is no likelihood that any shareholder or creditor or employee of FFL and SSIL would be prejudiced as a result of the Scheme. Thus, the merger is in the interest of the shareholders, creditors and all other stakeholders of the companies and is not prejudicial to the interests of the concerned shareholders, creditors or the public at large.

### **3. OPERATION OF THE SCHEME**

- 3.1. This Scheme is presented under Sections 230 to 232 read with Sections 66 of the Companies Act, 2013, and other applicable provisions of the relevant Act (*as defined hereinafter*) for:
- 3.1.1. merger of FFL with SSIL;
- 3.1.2. reduction of paid-up share capital of SSIL; and
- 3.1.3. various other matters consequential or otherwise integrally connected herewith.

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**PART II**  
**DEFINITIONS, INTERPRETATIONS AND SHARE CAPITAL**

**4. DEFINITIONS**

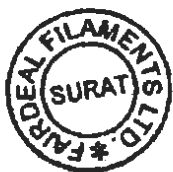
4.1. In this Scheme, unless inconsistent with the subject or context, the following expression shall have the following meanings:

4.1.1. "*Act*" means the Companies Act, 2013, along with rules and regulations issued thereunder, including, any statutory modifications, re-enactments or amendments made thereto from time to time.

4.1.2. "*Adjudicating Body(ies)*" means the Hon'ble National Company Law Tribunal, Ahmedabad Bench and the National Company Law Appellate Tribunal as constituted and authorised as per the provisions of the Companies Act, 2013 for approving any scheme of arrangement, compromise or reconstruction of companies under section 230 to 232 of the Companies Act, 2013 or any other authority having jurisdiction under the Act to sanction the scheme.

4.1.3. "*Appointed Date*" means April 01, 2018 or such other date as the Adjudicating Body(ies) may direct or fix, for the purpose of amalgamation of FFL with SSIL under this Scheme.

4.1.4. "*Board*" or "*Board of Directors*" means the board of directors of FFL or SSIL, as the case may be, and shall, unless it is repugnant to the context or otherwise, include a committee of directors or any person authorized by the board of directors or such committee of directors.



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4.1.5. "**Effective Date**" means the last of the dates on which the certified copies of the Order(s) of the Adjudicating Body, are filed with the Registrar of Companies, Ahmedabad.

All references in this Scheme to the date of "coming into effect of the/this Scheme" or "Effectiveness of the Scheme" or "Scheme taking effect" shall mean the Effective Date.

4.1.6. "**FFL**" or "**Transferor Company**" means Fairdeal Filaments Limited, a company incorporated under the Companies Act, 1956 and having its registered office situated at 3<sup>rd</sup> Floor, Dawer Chambers, Near Sub-Jail, Ring Road, Surat 395 002 in the State of Gujarat. The Permanent Account Number of FFL is AAACF3804A.

4.1.7. "**Governmental Authorities**" means any applicable central, state or local government, legislative body, regulatory or administrative authority, agency or commission or quasi-governmental or private body or agency lawfully exercising, or entitled to exercise, any administrative, executive, judicial, legislative, regulatory, licensing, competition, tax, importing or other governmental or quasi-governmental authority or any court, tribunal, board, bureau, instrumentality, judicial or arbitral body having jurisdiction over the territory of India.

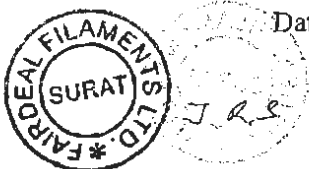
4.1.8. "**LODR**" means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 issued by the Securities and Exchange Board of India.

4.1.9. "**Record Date**" means the date to be fixed by the Board of Directors of SSIL for the purpose of reckoning name of the equity shareholders of FFL, who shall be entitled to receive the New Shares to be issued by SSIL and for any other purpose as provided in this Scheme.

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- 4.1.10. "**ROC**" means the Registrar of Companies, Ahmedabad having jurisdiction in relation to both the Transferor Company and the Transferee Company.
- 4.1.11. "**Scheme**" or "**the Scheme**" or "**this Scheme**" means this Scheme of Merger by Absorption in its present form submitted to the relevant Adjudicating Body with modification(s), approved or imposed or directed by the relevant Adjudicating Body.
- 4.1.12. "**SEBI Circulars**" means the circulars issued by Securities and Exchange Board of India in relation to the amalgamations and arrangements carried out under the Act and shall *inter-alia* collectively refer to SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017, SEBI Circular no. CFD/DIL3/CIR/2017/26 dated March 23, 2017 and the SEBI Circular no. CFD/DIL3/CIR/2018/2 dated January 03, 2018.
- 4.1.13. "**SSIL**" or "**Transferee Company**" means Shahlon Silk Industries Limited, incorporated under the provisions of the Companies Act, 1956 and having its registered office at 91, G.I.D.C., Khatodara, B/H.: Sub-Jail, Ring Road, Surat, Gujarat 395002, India. The Permanent Account Number of SSIL is AALCS7927G.
- 4.1.14. "**Transferor Undertaking**" means and includes:
- 4.1.14.1. All the assets and properties of FFL, whether real, tangible or intangible, present or future, actual or contingent, or whether recorded in the books or not, as on the commencement of the Appointed Date;
- 4.1.14.2. All debts, liabilities, duties and obligations of FFL, whether fixed, contingent or absolute, as on the commencement of the Appointed Date;



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4.1.14.3. Without prejudice to the generality of sub-clause 4.1.14.1 and 4.1.14.2 above, the Transferor Undertaking shall mean and include:

4.1.14.4. all the assets and properties, whether movable or immovable, real or personal, fixed assets, in possession or reversion, corporeal or incorporeal, tangible or intangible, present or contingent assets including stock, investments, insurance policies, claims, powers, authorities, allotments, approvals, registrations, contracts, engagements, arrangements, rights, titles, interests, benefits, advantages, lease-hold rights, tenancy rights, permits, authorisations, quota rights, including reserves, provisions, funds, contributions (including to any provident fund, employee state insurance, gratuity fund or any other schemes or benefits for employees), utilities, electricity, telephone, data, water and other service connections, books, records (including employee records and files), files, papers, engineering and process information, computer programmes along with licenses, drawings, backup copies, websites, 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 form or electronic form, benefits of agreements, contracts and arrangements, powers, authorities, balances with all regulatory authorities, liberties, advantages, easements and all the right, title, interest, goodwill, reserves, provisions, advances, receivables, funds, cash, bank balances, accounts, earnest moneys/ security deposits and all other rights, claims and powers, of whatsoever nature and wheresoever situated belonging to or in the possession of or granted in favour of or enjoyed by FFL as on the commencement of the Appointed Date and all earnest money and/or deposits including security deposits paid by FFL as on the commencement of the Appointed Date and all other rights, obligations, benefits available under any rules, regulations, statutes including direct and indirect tax laws, central goods and

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services tax, state goods and services tax and particularly Sales Tax benefits, advance taxes, self-assessment tax, tax deducted at source, CENVAT benefits, import and export benefits and custom duty benefits, MAT credit, tax deferrals, accumulated tax losses, unabsorbed tax depreciation of FFL;

4.1.14.5. any license fee with any Governmental Authority that may have been paid by FFL;

4.1.14.6. all intellectual property rights including trademarks, brands, domain names, trade names and the goodwill associated therewith, patent rights copyrights and other industrial designs and intellectual properties and rights of any nature whatsoever including know-how assignments and grants in respect thereof of FFL;

4.1.14.7. all employees of FFL;

4.1.15. and in each case, as on the commencement of the Appointed Date and as modified and altered from time to time till the Effective Date.

All terms and expressions which are used in this Scheme but not defined herein shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, the Income-tax Act, 1961, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 (as the case may be) or other applicable laws, rules, regulations, bye-laws, as the case may be, including any statutory amendment, modification or re-enactment thereof, from time to time.

## 5. INTERPRETATION

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



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- 5.1.1. words denoting singular shall include plural and vice versa;
- 5.1.2. headings and bold typeface are only for convenience and shall be ignored for the purposes of interpretation;
- 5.1.3. references to the word "include" or "including" shall be construed without limitation;
- 5.1.4. a reference to an article, clause, section, paragraph or schedule is, unless indicated to the contrary, a reference to an article, clause, section, paragraph or schedule of this Scheme;
- 5.1.5. unless otherwise defined, the reference to the word "days" shall mean calendar days;
- 5.1.6. references to dates and times shall be construed to be references to Indian dates and times;
- 5.1.7. reference to a document includes an amendment or supplement to, or replacement or novation of, that document;
- 5.1.8. word(s) and expression(s) elsewhere defined in the Scheme will have the meaning(s) respectively ascribed to them; and
- 5.1.9. 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).

## 6. SHARE CAPITAL

- 6.1. The Share Capital of FFL as on March 31, 2018 is as under:

Particulars	(Amount in Rs.)
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<b>Authorised Share Capital</b>	
2,00,00,000 Equity Shares of Rs.10 each	20,00,00,000
<b>Total</b>	<b>20,00,00,000</b>
<b>Issued, Subscribed and Paid-up Capital:</b>	
60,50,000 Equity Shares of Rs.10 each	6,05,00,000
<b>Total</b>	<b>6,05,00,000</b>

6.2. The Share Capital of SSIL as on March 31, 2018 is as under:

Particulars	(Amount in Rs.)
<b>Authorised Share Capital</b>	
1,20,00,000 Equity Shares of Rs.10 each	12,00,00,000
<b>Total</b>	<b>12,00,00,000</b>
<b>Issued, Subscribed and Paid-up Capital:</b>	
1,11,52,250 Equity Shares of Rs.10 each	11,15,22,500
<b>Total</b>	<b>11,15,22,500</b>

6.3. As on date of the approval of the Scheme by the Board of Directors of FFL and SSIL, there is no change in the capital structure of FFL or SSIL.

### PART III MERGER OF FFL WITH SSIL

#### 7. TRANSFER AND VESTING OF ASSETS AND LIABILITIES OF FFL INTO SSIL

7.1. The entire assets, liabilities, business and undertaking (including, the Transferor Undertaking) of FFL shall, with effect from the Appointed Date and without any further act or deed, be and the same shall stand transferred to and vested in or deemed to have been transferred to or vested in SSIL, as a going concern,



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pursuant to the provisions of Sections 230 to 232 of the Companies Act, 2013, and other applicable provisions of the relevant Act and in accordance with the provisions of Sections 2(1B) and 47 of the Income Tax Act, 1961 and the provisions of this Scheme in relation to the mode of transfer and vesting of assets. This Scheme is a '*Merger by Absorption*' in terms of the Explanation provided in Section 232 of the Act and shall be deemed to be regarded as an '*Amalgamation*' in terms of Section 2(1B) of the Income Tax Act, 1961.

- 7.2. This Scheme has been drawn up to comply with the conditions relating to "Amalgamation" as specified under Section 2(1B) and other relevant provisions of the Income Tax Act, 1961. If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the provisions of the said section and other related provisions at a later date including resulting from a retrospective amendment of law or for any other reason whatsoever, till the time the Scheme becomes effective, the provisions of the said section and other related provisions of the Income-tax Act, 1961 shall prevail and the Scheme shall stand modified to the extent determined necessary to comply with Section 2(1B) and other relevant provisions of the Income Tax Act, 1961.
- 7.3. The assets of FFL, which are moveable in nature or incorporeal property or are otherwise capable of transfer by manual delivery or by endorsement and acknowledgement of possession, shall be so transferred by FFL and shall become the property of SSIL without any act or deed on the part of FFL without requiring any separate deed or instrument or conveyance for the same to the end and intent that the property and benefits therein passes to SSIL.
- 7.4. The assets of FFL on the Appointed Date shall upon the Scheme coming into effect, without any further act, instrument or deed, be transferred to and vested in and/or be deemed to be transferred

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and vested in SSIL pursuant to the provisions of Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions of the Act and the vesting of all such assets shall take place from the Effective Date.

- 7.5. The assets of FFL, acquired by FFL on and from the Appointed Date upto the Effective Date, shall also without any further act, instrument or deed stand transferred to or be deemed to have been transferred to SSIL upon the Scheme coming into effect.
- 7.6. For avoidance of doubt, upon the Scheme coming into effect, all the rights, title, interest and claims of FFL in any leasehold properties shall, pursuant to Section 232 of the Companies Act, 2013 and other applicable provisions of Act, without any further act or deed, be transferred to and vested in or be deemed to have been transferred to and vested in SSIL.
- 7.7. For avoidance of doubt and without prejudice to the generality of the foregoing, it is clarified that upon the Scheme coming into effect, all approvals, permits, quotas, environmental approval and consents, consents, permissions (municipal and any other statutory permission), licences, accreditations to trade and industrial bodies, privileges, powers, facilities, certificates, clearances, membership, subscriptions, entitlements, incentives, engagements, remissions, remedies, powers, facilities, rehabilitation schemes, authorities, subsidies, concession, special status and other benefits or privileges (granted by any Governmental Authorities or by any other person) any exemptions or waivers of every kind and description of whatsoever nature, powers of attorney given by, issued to or executed in favour of FFL, shall stand transferred to SSIL as if the same were originally given by, issued to or executed in favour of SSIL and SSIL shall be bound by the terms thereof, the obligations and duties thereunder, and the rights and benefits under the same shall be available to SSIL.



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- 7.8. As a consequence of the amalgamation of FFL with SSIL in accordance with this Scheme, the recording of change in name from FFL to SSIL, whether for the purposes of any licence, permit, approval or any other reason, or whether for the purposes of any transfer, registration, mutation or any other reason, shall be carried out by the concerned statutory or regulatory or any other authority without the requirement of payment of any transfer or registration fee or any other charge or imposition whatsoever.
- 7.9. Without prejudice to the other provisions of this Scheme, SSIL may, at any time after the Scheme becoming effective, in accordance with the provisions hereof, if required by any applicable law or otherwise, take such actions or execute such documents or deeds or make such applications to the Governmental Authorities or any third person for the purposes of transfer/vesting of the approvals, sanctions, consents, permits, rights, entitlements, contracts or arrangements to which FFL was entitled to or party to, as the case may be and such authority or third party shall pursuant to sanction of this Scheme by Adjudicating Body, deem to take on record in the name of SSIL. SSIL shall make applications to any Governmental Authorities or any third persons (as the case may be) as may be necessary in this behalf.
- 7.10. Without prejudice to the other provisions of this Scheme and notwithstanding the fact that the vesting of FFL occurs by virtue of this Scheme itself, SSIL may, at any time after the Scheme coming into effect in accordance with the provisions hereof, if so required under any law or otherwise, execute deeds (not limited to deeds of adherence), confirmations or other writings or tripartite arrangements with any party to any contract or arrangements to which FFL was a party or any writing as may be necessary to be executed in order to give formal effect to the above provisions. SSIL shall, under the provisions of this Scheme, be deemed to be

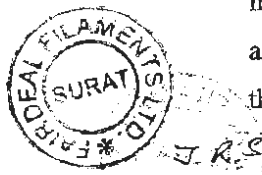
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authorised to execute any such writings on behalf of FFL and to carry out or perform all such formalities and compliances as required by FFL.

- 7.11. SSIL shall be entitled to the benefit of all insurance policies which have been issued in respect of FFL and the name of SSIL shall be substituted as "Insured" in the policies as if SSIL was initially a party.
- 7.12. With effect from the Appointed Date, all debts, liabilities and obligations, whether or not provided for in the books of accounts and whether disclosed or undisclosed in the balance sheet of FFL, as on the close of the business on the day immediately preceding the Appointed Date, shall become the debts liabilities, duties and obligations of SSIL. Upon the Scheme coming into effect, SSIL shall, in relation to all debts, liabilities and obligations provided for and disclosed in the books of accounts and/ or balance sheet of FFL meet, discharge and satisfy the same to the exclusion of FFL.
- 7.13. With effect from the Appointed Date, and subject to the provisions of this Scheme, the liabilities of FFL including, but not limited to all secured and unsecured debts, sundry creditors, liabilities (including contingent liabilities), and all duties and obligations (including any guarantees, indemnities, letter of credit or any other instrument or arrangement which may give rise to a contingent liability in whatever form) of every kind, nature and description whatsoever and howsoever arising, raised or incurred or utilized for its business activities and operations, shall, pursuant to the sanction of this Scheme by the Adjudicating Body and under the provisions of Sections 230 to 232 and other applicable provisions, if any, of the Act, without any further act, instrument or deed or matter or thing be transferred to and vested in or be deemed to have been transferred to and vested in SSIL, along with any charge, encumbrance, lien or security thereon, and the same shall be assumed by SSIL to the extent they are



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outstanding on the Effective Date so as to become as and from the Appointed Date, the liabilities of SSIL on the same terms and conditions as were applicable to FFL, without any consent of any third party or other person who is a party to the contract or arrangements by virtue of which such liabilities have arisen, in order to give effect to the provisions of this Clause. Further, any existing credit facilities which have been sanctioned to FFL by the bankers, financial institutions and any third party and which is standing as on the Appointed Date but before the Effective Date shall upon the Scheme coming into effect shall *ipso facto* extend to SSIL.

7.14. Where any such debts, loans raised, liabilities, duties and obligations of FFL as on the Appointed Date have been discharged or satisfied by FFL after the Appointed Date and prior to the Effective Date, such discharge or satisfaction shall be deemed to be for and on account of SSIL.

7.15. With effect from the Appointed Date, all guarantees, indemnities and contingent liabilities of FFL shall also, without any further act or deed, be transferred to or be deemed to be transferred to SSIL so as to become as and from the Appointed Date, as the guarantees, indemnities and contingent liabilities of SSIL and it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such guarantees, indemnities and contingent liabilities have arisen or given, in order to give effect to the provisions of this Clause.

7.16. The transfer and vesting of FFL as aforesaid, shall be subject to the existing securities, charges, hypothecation and mortgages, if any, subsisting over or in respect of the property and assets or any part thereof of FFL, provided however, any reference in any security documents or arrangements, to which FFL is a party, wherein the assets of FFL have been or are offered or agreed to be

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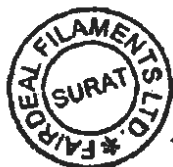


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offered as security for any financial assistance or obligations, shall be construed as reference only to the assets pertaining to FFL as are vested in SSIL by virtue of this Scheme, to the end and intent that such security, charges, hypothecation and mortgage shall not extend or be deemed to extend, to any of the other assets of SSIL, provided further that the securities, charges, hypothecation and mortgages (if any subsisting) over and in respect of the assets or any part thereof of SSIL shall continue with respect to such assets or part thereof and this Scheme shall not operate to enlarge such securities, charges, hypothecation or mortgages to the end and intent that such securities, charges, hypothecation and mortgages shall not extend or be deemed to extend, to any of other assets of FFL vested in SSIL. Notwithstanding anything contrary provided in this Scheme, it is clarified that this Scheme shall not operate to enlarge the security for any loan, deposit or facility created by FFL which shall vest in SSIL by virtue of the vesting of FFL with SSIL and SSIL shall not be obliged to create any further or additional security therefore after the amalgamation has become operative.

7.17. Without prejudice to the foregoing provisions, FFL and SSIL 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(s), with the respective ROC, Sub Registrar of Assurances and any other Governmental Authorities to give formal effect to the above provisions, if required.

7.18. All inter party transactions between FFL and SSIL as may be outstanding on the Appointed Date or which may take place subsequent to the Appointed Date and prior to the Effective Date, shall be considered as intra party transactions for all purposes from the Appointed Date. Any loans or other obligations, if any, due *inter-se* i.e. between FFL and SSIL as on the Appointed Date, and thereafter till the Effective Date, shall stand automatically



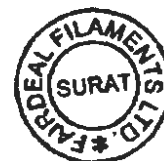
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extinguished.

7.19. All the loans, advances, credit, overdraft and other facilities sanctioned to FFL by its bankers and financial institutions and any third party as on the Appointed Date, whether utilised, partly drawn or unutilised shall be deemed to be the loans and advances sanctioned to SSIL and the said loans, advances and other facilities can be drawn and utilised either partly or fully by FFL from the Appointed Date till the Effective Date and all the loans, advances and other facilities so drawn by any of FFL (within the overall limits sanctioned by their bankers and financial institutions) shall on the Effective Date be treated as loans, advances and other facilities made available to SSIL and all the obligations of FFL under any loan agreement shall be construed and shall become the obligation of SSIL without any further act or deed on the part of SSIL. Further, any existing credit facilities which have been sanctioned to FFL by the bankers and financial institutions prior to or after the Appointed Date but before the Effective Date shall, upon the Scheme coming into effect *ipso facto* extend to SSIL.

7.20. All existing and future incentives, benefits, brought forward losses (if any), book unabsorbed depreciation, tax unabsorbed depreciation, un-availed credits and exemptions and other statutory benefits, including in respect of income tax, excise (including cenvat), customs, central goods and services tax, state goods and services tax, integrated goods and services tax, value added tax, sales tax, service tax etc. to which FFL is entitled to in terms of the various statutes / schemes / policies, etc. of Union and State Governments shall be available to and shall vest in SSIL upon this Scheme becoming effective. Accordingly, upon the Scheme becoming effective, SSIL is expressly permitted to revise, if it becomes necessary, its Income tax returns, Sales tax returns, Excise & Cenvat returns, service tax returns, other tax returns, and to claim refunds/ credits, pursuant to the provisions

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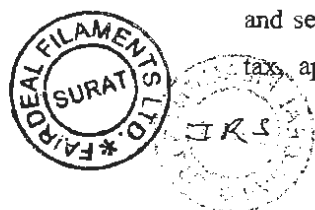
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of this Scheme. SSIL is also expressly permitted to claim refunds and credits in respect of any transaction between or amongst FFL and SSIL.

7.21. All taxes, including, income-tax, tax on book profits, service tax, value added tax, central goods and service tax, state goods and service tax, integrated goods and services tax etc. paid or payable by FFL in respect of the operations and/ or the profits of FFL before the Appointed Date, shall be on account of FFL and, in so far as it relates to the tax payment (including, without limitation, income-tax, tax on book profits, value added tax, etc.) whether by way of deduction at source, advance tax or otherwise howsoever, by FFL in respect of the profits or activities or operation of FFL after the Appointed Date, the same shall be deemed to be the corresponding item paid by SSIL and shall, in all proceedings, be dealt with accordingly. Any tax deducted at source by FFL/ SSIL on payables to FFL/ SSIL on account of inter corporate loans or balances between FFL and SSIL which has been deemed not to be accrued, shall be deemed to be advance taxes paid by SSIL and shall, in all proceedings, be dealt with accordingly.

7.22. Any refund, under the Income-tax Act, 1961, central goods and services tax, state goods and services tax, integrated goods and services tax, service tax laws, excise duty laws, central sales tax, applicable state value added tax laws or other applicable laws/ regulations dealing with taxes/ duties/ levies due to FFL consequent to the assessment made on FFL (including any refund for which no credit is taken in the accounts of FFL) as on the date immediately preceding the Appointed Date shall also belong to and be received by SSIL, upon this Scheme becoming effective.

7.23. Any tax liabilities under the Income-tax Act, 1961, central goods and services tax, state goods and services tax, integrated goods and services tax, service tax laws, excise duty laws, central sales tax, applicable state value added tax laws or other applicable



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laws/regulations dealing with taxes/ duties/ levies of FFL to the extent not provided for or covered by tax provision in the accounts made as on the date immediately preceding the Appointed Date shall be transferred to SSIL.

7.24. All cheques and other negotiable instruments, payment orders received or presented for encashment which are in the name of FFL after the Effective Date shall be accepted by the bankers of SSIL and credited to the account of SSIL, if presented by SSIL. Similarly, the banker of SSIL shall honour all cheques issued by FFL for payment after the Effective Date. If required, FFL shall allow maintaining of banks accounts in the name of FFL by SSIL for such time as may be determined to be necessary by FFL and SSIL for presentation and deposition of cheques and pay orders that have been issued in the name of FFL. It is hereby expressly clarified that any legal proceedings by or against FFL in relation to cheques and other negotiable instruments, payment orders received or presented for encashment which are in the name of FFL shall be instituted, or as the case may be, continued, by or against, SSIL after the coming into effect of the Scheme.

7.25. Pursuant to the order of the Adjudicating Body, SSIL shall file the relevant notifications and communications in relation to assignment, transfer, cancellation, modification, or encumbrance of any license/ certificate and any other registration including but not limited to central goods and services tax, state goods and services tax, integrated goods and services tax, value added tax, excise, service tax, income tax, IEC Code, ESI, company registration number, PF, etc. if any, for the record of the appropriate authorities, which shall take them on record.

## 8. ISSUE OF NEW SHARES

8.1. Upon the Scheme coming into effect and without any further act or deed on the part of SSIL, SSIL will, in consideration of transfer

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and vesting of FFL into SSIL in terms of this Scheme, issue 67,22,222 (*Sixty seven lakhs twenty two thousand two hundred twenty two only*) equity shares of Rs.10 each (the "*New Shares*") to the registered fully paid-up equity shareholders of FFL in the ratio of 1:0.90, i.e. 1 (*one*) equity share of Rs.10 each credited as fully paid up in SSIL for every 0.90 (*zero point ninety*) equity share of Rs.10 each fully paid up held by them in FFL (the "*New Shares Entitlement Ratio*"). The New Shares will be issued in the New Shares Entitlement Ratio to registered fully paid-up equity shareholders of FFL whose names are recorded in the register of equity shareholders of FFL on the Record Date.

- 8.2. CNK & Associates LLP, Chartered Accountants have issued the report dated August 17, 2018 on the aforesaid New Shares Entitlement Ratio adopted under this Scheme. Mark Corporate Advisors Private Limited, Merchant Banker, has provided its fairness opinion on the aforesaid New Shares Entitlement Ratio. The aforesaid report on New Shares Entitlement Ratio and Fairness Opinion have been duly considered by the Boards of Directors of FFL and SSIL, respectively.
- 8.3. After detailed deliberation and discussions at the meeting held on August 22, 2018 of the Board of Directors of FFL, for the benefit of the public shareholders of FFL, have marginally reduced the valuation of SSIL by issuing additional shares to the members of FFL in the ratio of 1:0.90 i.e. 1 (*one*) equity share of Rs.10 each credited as fully paid up in SSIL for every 0.90 (*zero point ninety*) equity share held by them in FFL.
- 8.4. SSIL, shall, increase its authorised share capital, to the extent required, in order to issue the New Shares under this Scheme in accordance with the procedure prescribed under Section 61 of the Companies Act, 2013, without prejudice to the right of SSIL to avail set off for the fees paid by FFL as per Clause 16 in terms of Section 232(3)(i) of the Act.



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- 8.5. The New Shares, to be issued by SSIL pursuant to Clause 8 above, shall be issued and allotted in dematerialised form by SSIL, unless otherwise notified in writing by the shareholders of FFL to SSIL, on or before such date as may be determined by the Board of Directors of SSIL or a committee thereof. In the event that such notice has not been received by SSIL in respect of any of the shareholders of FFL, the equity shares shall be issued and allotted to such shareholders in dematerialised form, provided that the shareholder of FFL shall be required to have an account with a depository participant and shall be required to provide details thereof and such other confirmations as may be required. In the event that SSIL has received notice from any shareholder that the New Shares are to be issued in physical form or if any shareholder has not provided the requisite details relating to his/her/its account with a depository participant or other confirmations as may be required or if the details furnished by any shareholder do not permit electronic credit of the shares of SSIL, then SSIL shall issue the New Shares in physical form to such shareholder or shareholders.
- 8.6. In the event of there being any pending and valid share transfers, whether lodged or outstanding, of any shareholder of FFL, the Board of Directors, or any committee thereof, of FFL shall be empowered in appropriate cases, even subsequent to the Record Date, as the case may be, to effectuate such a transfer in FFL, as if such changes in registered holder were operative as on the Record Date, in order to remove any difficulties arising to FFL or SSIL, as the case may be, in respect of such shares.
- 8.7. In the event the New Shares are required to be issued and allotted to such shareholders of FFL, being non-resident, the issue of such shares shall be in accordance with the provisions of the Foreign Exchange Management Act, 1999 and the applicable rules and regulations made thereunder (for the time being in force,

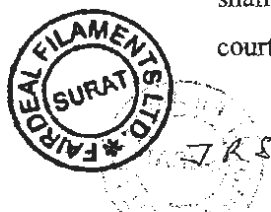
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including, any statutory modifications, re-enactments or amendments made thereto from time to time).

- 8.8. The New Shares, to be issued and allotted by SSIL, in terms of this Scheme, shall be subject to the provisions of the Memorandum of Association and Articles of Association of SSIL. The New Shares, to be issued and allotted, shall rank *pari-passu* in all respects with the existing shares of SSIL, including in respect of dividends, if any, that may be declared by SSIL, on or after the Effective Date.
- 8.9. If, after applying the New Shares Entitlement Ratio, a person eligible to receive equity shares of SSIL pursuant to Clause 8, becomes entitled to receive any fractional equity shares of SSIL, such person shall be entitled to receive one fully paid share instead of any such fractional entitlement.
- 8.10. Pursuant to Clause 8.9 above, the total number of shares that will be issued to equity shareholders of FFL, may vary from the total number of shares of SSIL to be issued as set forth in the first sentence of Clause 8.1.
- 8.11. The issue and allotment of the New Shares in SSIL to the relevant shareholders of FFL as provided in the Scheme shall be carried out and the same would not require following of the procedure laid down under Section 42 and 62 of the Companies Act, 2013 and any other applicable provisions of the relevant Act.
- 8.12. The New Shares to be issued by SSIL under this Scheme pursuant to Clause 8 in respect of any equity shares of FFL which are held in abeyance under the provisions of Section 126 of the Companies Act, 2013 and other applicable provisions of the relevant Act shall, pending allotment or settlement of dispute by the order of court or otherwise, also be held in abeyance by FFL and SSIL.

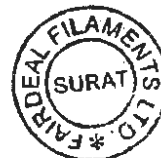


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- 8.13. For the purpose of issue of the New Shares to the equity shareholders of FFL, SSIL may, if and to the extent required, apply for and obtain the required statutory approvals from the Governmental Authorities for the issue and allotment by SSIL of such New Shares.
- 8.14. Subsequent to the sanction of the Scheme, SSIL will make an application for listing of its equity shares, including, the New Shares on the stock exchange in which the shares of FFL are listed, in pursuance to the relevant regulations including, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI Circulars.
- 8.15. The shares allotted pursuant to the Scheme shall remain frozen in the depositories system until listing/ trading permission is given by the designated stock exchange i.e. BSE Limited.
- 8.16. The New Shares, to be issued by SSIL under this Scheme to shareholders of FFL, in lieu of the locked in shares of FFL, if any, shall be subject to lock-in requirement for the remaining period in terms of the LODR read with the SEBI Circulars.
- 8.17. There shall be no change in the shareholding pattern or control in SSIL between the Record Date and the listing of the shares of SSIL by the relevant stock exchanges in terms of this Scheme.
- 8.18. SSIL and FFL shall duly comply with various provisions of the LODR read with the SEBI Circulars.

**9. CANCELLATION OF LOANS AND ADVANCES**

- 9.1. Upon the Scheme coming into effect, all the loans, inter-corporate deposits, advances or any kind of debts, as the case may be, paid or subscribed by FFL in SSIL and vice versa shall, without any

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further act or deed, get cancelled at their respective face value.

- 9.2. Upon the Scheme coming into effect, any instrument either issued by SSIL or FFL in relation to any outstanding loans, advances and/or any kind of debts, as the case may be, as set out in Clause 9.1 shall also, without any further act or deed, get cancelled.
- 9.3. The obligations in respect of aforesaid loans, advances or any kind of debts, as the case may be, shall come to an end and a corresponding suitable effect shall be given in the books of accounts and records of SSIL. If required reduction/ cancellation of such loans, advances or any kind of debts shall be reflected in the books of accounts and records of SSIL.

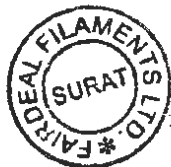
#### **10. DISSOLUTION OF FFL**

- 10.1. Upon the Scheme coming into effect, FFL shall, without any further act or deed, stand dissolved without winding up. The name of FFL shall be struck off from the records of the Registrar of Companies, Gujarat and SSIL shall make necessary filings in this regard.

### **PART IV REORGANISATION OF SHARE CAPITAL OF SSIL**

#### **11. CANCELLATION/ REDUCTION OF SHARE CAPITAL OF SSIL HELD BY FFL**

- 11.1. FFL, legally and beneficially, owns 16,000 equity shares of Rs.10 each of SSIL thereby aggregating to 0.14% of the total issued, subscribed and paid-up equity share capital of SSIL.



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- 11.2. As part of the Scheme, upon the Scheme coming into effect, all the equity shares of SSIL held by FFL being, 16,000 equity shares of Rs.10 each of SSIL, shall stand cancelled and extinguished on and from the Effective Date as an integral part of the Scheme and accordingly, the Share Certificates in respect of the aforesaid equity share in SSIL held by FFL shall also stand cancelled and shall be deemed to be cancelled without any further act or deed.
- 11.3. Accordingly, upon the Scheme coming into effect and after taking into effect issue and allotment of New Shares under Clause 8, the issued, subscribed and paid-up equity share capital of SSIL shall stand reduced from the sum of Rs. 17,87,44,720 divided into 1,78,74,472 equity shares of the face value of Rs.10 each fully paid to Rs. 17,85,84,720 divided into 1,78,58,472 equity shares of the face value of Rs.10 each fully paid to give effect to cancellation of equity shares held by FFL in SSIL.
- 11.4. The cancellation, which amounts to reduction of share capital of SSIL, shall be effected as an integral part of the Scheme itself and shall be deemed to be in accordance with the provisions of Sections 230 to 232 read with Section 66 of the Companies Act, 2013 and other applicable provisions of the Act as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid up share capital. The order of the Adjudicating Bodies sanctioning the Scheme shall be deemed to be an order under Section 66 of the Companies Act, 2013 and other applicable provisions of the Act confirming the reduction without imposing a condition on SSIL to add to its name "and reduced".



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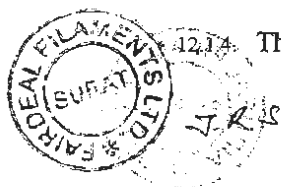
## 12. ACCOUNTING TREATMENT IN BOOKS OF SSIL

12.1. The merger of FFL with SSIL is a 'Business combinations of entities under common control' within the meaning of Indian Accounting Standard ("*Ind AS*") 103 issued by the Central Government u/s 133 of the Companies Act, 2013 or any applicable standard prevailing. Upon the Scheme coming into effect:

12.1.1. SSIL shall recognize the accounting treatment for this Scheme, upon the Scheme becoming effective, in accordance with the provisions of Ind AS 103. The amalgamation would be accounted for by applying "Pooling of Interest method" of accounting as contained in the Ind AS 103 issued by Institute of Chartered Accountants of India.

12.1.2. Accordingly, SSIL shall record the assets, liabilities and reserves (whether Capital or Revenue or arising on Revaluation) pertaining to the business and undertaking of FFL transferred to it in pursuance of this Scheme at their respective carrying amounts and in the same form as at the Appointed Date. SSIL shall pass such accounting entries which are necessary in connection with the Scheme to comply with other applicable Accounting Standards. The balance of Profit and Loss Account of FFL will be aggregated with corresponding balances of SSIL.

12.1.3. To the extent that there are inter-corporate loans/trade deposits, debentures, debt securities or balances between FFL and SSIL, the obligation in respect thereof shall come to an end and corresponding effect shall be given in the books of account and the records of SSIL for the reduction / netting of any assets or liabilities, as the case may be.



12.1.4. The difference between the amount recorded as share capital

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issued by SSIL pursuant to this scheme and the amount of share capital of FFL shall be transferred to Capital Reserve in the books of SSIL.

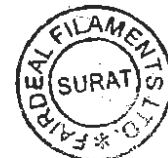
- 12.1.5. In case of any differences in accounting policy between FFL and SSIL, the accounting policies followed by SSIL will prevail and the differences, if any, till the Appointed Date will be quantified and appropriately recorded in the Accounts of SSIL to ensure that the financial statements of SSIL reflect the financial position on the basis of consistent accounting policy. The effects on the financial statements of any changes in accounting policies should be reported in accordance with Ind AS 8 Accounting Policies, Changes in Accounting Estimates & Errors.

**PART VI**  
**GENERAL CLAUSES**

**13. STAFF, WORKMEN AND EMPLOYEES**

- 13.1. On the Scheme coming into effect, all the employees of FFL in service on such date shall be deemed to have become employees of SSIL with effect from the Effective Date without any break in their service and on the basis of continuity of service and the terms and conditions of their employment with SSIL shall not be less favourable than those applicable to them with reference to FFL on the Effective Date. The position, rank and designation of the employees would however be decided by SSIL. Any salary, compensation, fringe benefits, perquisites and other kind of consideration given by FFL from the Appointed Date till the Effective Date will be deemed to have been paid by SSIL.
- 13.2. In so far as the Provident Fund, Gratuity Fund or any other Special Fund created or existing for the benefit of the employees of FFL are concerned, upon the Scheme coming into effect, SSIL

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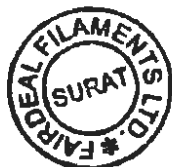
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shall, stand substituted for FFL for all purposes whatsoever in relation to the administration or operation of such Fund or Funds or in relation to the obligation to make contributions to the said Fund or Funds in accordance with the provisions thereof as per the terms provided in the respective Trust Deeds, if any, to the end and intent that all rights, duties, powers and obligations of FFL in relation to such Fund or Funds shall become those of SSIL and all the rights, duties and benefits of the employees employed in FFL under such Funds and Trusts shall be protected, subject to the provisions of law for the time being in force. The contributions made by FFL in respect of its employees to such Fund or Funds for any period subsequent to the Appointed Date shall be deemed to be contributions made by SSIL. It is clarified that the services of the employees of FFL will be treated as having been continuous for the purpose of the said Fund or Funds.

#### 14. CONTRACTS, DEEDS AND STATUTORY CONSENTS

14.1. Subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements, arrangements and other instruments of whatsoever nature of FFL which are subsisting or having effect immediately before the Effective Date shall be in full force against or in favour of SSIL, and may be enforced as fully and effectively as if, instead of FFL, SSIL has been a party or beneficiary thereto. SSIL shall, if necessary, to give formal effect to this Clause, enter into and/or issue and/or execute deeds, writings or confirmations or enter into a tripartite arrangement, confirmation or novation to which FFL is a party.

14.2. SSIL may, at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required, under any law or otherwise, enter into, or issue or execute deeds, writings, confirmations, novations, declarations, or other documents with, or in favour of any party to any contract or arrangement to which FFL is a party or any writings as may be necessary to be executed



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in order to give formal effect to the above provisions. SSIL shall be deemed to be authorised to execute any such writings on behalf and in the name of FFL and to carry out or perform all such formalities or compliances required for the purposes referred to above on the part of FFL.

- 14.3. SSIL shall be entitled, pending the sanction of the Scheme, to apply to the relevant Governmental Authorities (including, the Court, Tribunal, Debt Recovery Tribunal, as the case may be or any other agency, department or other authorities concerned as may be necessary under law), for such consents, approvals and sanctions which SSIL, respectively, may require to own and operate all or any party of FFL.

#### **15. VALIDITY OF EXISTING RESOLUTIONS**

- 15.1. Upon coming into effect of this Scheme, the resolutions of FFL including the approvals that may have been obtained by FFL from its shareholders and which are valid and subsisting on the Effective Date, as are considered necessary by the Board of Directors of SSIL shall be considered as resolutions of SSIL. If any such resolutions have any monetary limits approved under the provisions of the Act or of any other applicable statutory provisions, then the said limits, as are considered necessary by the Board of Directors of SSIL, shall be added to the limits, if any, under the like resolutions passed by SSIL.

#### **16. MERGING OF AUTHORISED SHARE CAPITAL**

- 16.1. Upon the Scheme coming into effect, in accordance with the provisions of Section 232 of the Companies Act, 2013 the authorised share capital of FFL of Rs.20,00,00,000 (*Rupees twenty crores only*) shall stand combined/ consolidated with the authorised share capital of SSIL and on the Scheme coming into effect, the authorised share capital of SSIL shall, without any



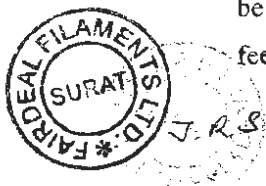
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further act, deed or action, stand increased (*post combination and consolidation*) and reconstituted to Rs.32,00,00,000 (*Rupees thirty two crores*) divided into 3,20,00,000 equity shares of Rs.10 each.

- 16.2. Clause V of the Memorandum of Association of SSIL shall be amended by deleting the clause and replacing it by the following:

*"The Authorised Share Capital of the Company is Rs. 32,00,00,000 (Rupees Thirty Two Crores only) divided into 3,20,00,000 equity shares of Rs.10 each, with the rights, privileges and conditions attached thereto as per the relevant provisions contained in that behalf in the Articles of Association of the Company and with the power to increase or reduce the capital of the Company and divide the shares in the share capital for the time being into several classes and to attach thereto respectively such preferential, qualified for special rights, privileges, or conditions in such manner as may be determined by or in accordance with the Articles of Association of the Company for the time being in force, and to vary, modify, enlarge or abrogate any such rights, privilege or conditions in such manner as may be permitted by the said Act or provided by the Articles of Association of the Company for the time being force."*

- 16.3. It is hereby clarified that an increase in authorised share capital of SSIL, if required, shall be effected as an integral part of this Scheme without any further act or deed on the part of SSIL and the consent of the shareholders to the Scheme shall be deemed to be sufficient for the purposes of effecting this amendment. SSIL shall not be obliged to follow the procedure or filing as required under Sections 13, 61, 64 of the Companies Act, 2013 or any other applicable provisions of the relevant Act. It is further clarified that no registration fee/ ROC fees, stamp duty etc., shall be payable by SSIL. Upon the Scheme coming into effect, the fees paid by FFL on the authorised share capital of FFL shall,



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without any act or deed, be available as a set off to SSIL in terms of Section 232(3)(i) of the Act.

- 16.4. The aforesaid quantum of merging of authorised share capital of FFL with SSIL and consequent amendment to the Memorandum of Association of SSIL is indicative in nature and the same shall be subject to change due to any increase in authorised share capital of FFL or SSIL pursuant to the Appointed Date till the Scheme coming into effect. Any such increase in the authorised share capital of FFL or SSIL pursuant to the Appointed Date till the Scheme coming into effect shall stand ipso facto added or clubbed to aggregate authorised share capital of SSIL as set out in Clause 16.1 above.

**"16A CHANGE OF NAME OF THE TRANSFEREE COMPANY**

1. *Upon the Scheme coming effect, the name of SSIL shall change from its present name i.e. "Shahlon Silk Industries Limited" to "Shahlon Limited" or any other name as approved by Ministry of Corporate Affairs.*
2. *The change of name of SSIL shall be effected as an integral part of this Scheme without any further act or deed on the part of SSIL and the consent of the shareholders to the Scheme shall be deemed to be sufficient for the purposes of effecting this amendment. SSIL shall not be obliged to follow the separate procedure under the Companies Act, 2013."*

**17. LEGAL PROCEEDINGS**

- 17.1. Any suit, petition, appeal or other proceeding of whatsoever nature and any orders of court, judicial or quasi-judicial tribunal or other Governmental Authorities enforceable by or against FFL including without limitation any restraining orders (including order under section 281B of the Income-tax Act, 1961) pending before any court, judicial or quasi-judicial tribunal or any other forum, relating to FFL, whether by or against FFL, pending as on the Effective Date, shall not abate or be discontinued or in any

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way prejudicially affected by reason of the amalgamation of FFL or of any order of or direction passed or issued in the amalgamation proceedings or anything contained in this Scheme, but by virtue of the order sanctioning the Scheme, such legal proceedings shall be continued and any prosecution shall be enforced by or against SSIL in the same manner and to the same extent as would or might have been continued, prosecuted and/or enforced by or against FFL, as if this Scheme had not been implemented.

17.2. After the Appointed Date and until the Effective Date, FFL shall defend all legal proceedings, other than in the ordinary course of business, with the advice and instructions of SSIL.

17.3. The transfer and vesting of the assets and liabilities under the Scheme and the continuance of the proceedings by or against SSIL shall not affect any transaction or proceeding already completed by FFL between the Appointed Date and the Effective Date to the end and intent that SSIL accepts all acts, deeds and things done and executed by and/or on behalf of FFL as acts, deeds and things done and executed by and on behalf of SSIL.

**18. CONDUCT OF BUSINESS TILL THE EFFECTIVE DATE**

18.1. With effect from the Appointed Date and up to the Effective Date:

18.1.1. FFL shall carry on its business and activities in the normal course of business till the vesting of the Transferor Undertaking and amalgamation of FFL with SSIL on the Effective Date and shall be deemed to have held or stood possessed of and shall hold and stand possessed of all the assets of FFL for and on account of and in trust for SSIL;

18.1.2. all the profits or income accruing or arising to FFL in relation to the Transferor Undertaking or the expenditure or losses arising or



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incurred by FFL shall for all purposes be treated and be deemed to be and accrued as the profits and income or expenditure or losses of SSIL.

- 18.1.3. FFL shall carry on their business activities with general prudence and shall not, without prior written consent of SSIL, alienate, charge or otherwise deal with or dispose off any of its business undertaking or any part thereof (except in the ordinary course of business or pursuant to any pre-existing obligations undertaken by FFL prior to the Appointed Date).
- 18.1.4. FFL shall also be entitled, pending the sanction of the Scheme, to apply to the Central Government, State Government, and all other agencies, departments and statutory authorities concerned, including Securities & Exchange Board of India (SEBI) and BSE Ltd. wherever necessary for such consents, approval and sanctions which SSIL may require including the registration, approvals, exemptions, reliefs, etc., as may be required to be granted under any law for time being in force for carrying on business by SSIL.
- 18.1.5. FFL shall not make any modification to its capital structure, either by increase, decrease, reclassification, sub-division or reorganisation or in any other manner, whatsoever, except by mutual consent of the Boards of Directors of FFL and of SSIL.
- 18.1.6. all the taxes of FFL in relation to the Transferor Undertaking paid or payable by FFL, including Income Tax Refunds receivable, Tax Credits such as TDS Deducted by Customers/Banks, CENVAT Credit Balances, Goods and Services Tax Credit Balances, Goods and Services Tax Refunds due and Service Tax Refunds due, etc. shall be deemed to be taxes paid or payable by or Credits available (as the case may be) for SSIL; and
- 18.1.7. FFL shall, with simultaneous intimation to SSIL, take major

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policy decisions in respect of its assets and liabilities and its present capital structure.

**19. RATIFICATION**

19.1. Except as provided in the Clauses above, SSIL shall accept all acts, deeds and things relating to the Transferor Undertaking, done and executed by and/or on behalf of FFL on and after the Appointed Date as acts, deeds and things done and executed by and/or on behalf of SSIL, as the case may be.

**20. DIVIDEND, PROFIT, BONUS, RIGHT SHARES**

20.1. At any time upto the Effective Date, save and except the dividend of Rs. 1.25/-i.e. 12.50% recommended at the meeting of the board held on 28<sup>th</sup> May, 2018, FFL shall not declare dividend, distribute profits, or issue or allot any right shares or bonus shares or any other security converting into equity shares or other share capital or obtain any other financial assistance converting into equity shares or other share capital, unless agreed to by the Board of Directors of SSIL.

**PART VII  
GENERAL TERMS AND CONDITIONS**

**21. APPLICATION TO ADJUDICATING BODY**

21.1. FFL and SSIL shall, with all reasonable despatch, make applications/petitions (jointly, if permissible) under Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions of the Act to the relevant Adjudicating Body, for sanctioning of this Scheme and all matters ancillary or incidental

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thereto.

## **22. MODIFICATIONS, AMENDMENTS TO THE SCHEME**

- 22.1. Upon prior approval from the Adjudicating Body, FFL and SSIL (by their respective Board of Directors) may assent from time to time on behalf of persons concerned to any modifications/amendments to this Scheme (including but not limited to the terms and conditions thereof) or any conditions or limitations which the relevant Adjudicating Body, or any authorities under the law may deem fit to approve or impose and to resolve any doubt or difficulties that may arise for carrying out this Scheme and to do and execute all such acts, deeds, matters and things necessary for putting the Scheme into effect.
- 22.2. For the purpose of giving effect of this Scheme or to any modifications or amendments, thereof, the Directors of FFL and SSIL, or any person authorised in that behalf by the concerned Board of Directors, may give and is/are authorised to give all such directions that are necessary or are desirable including directions for settling any doubts or difficulties that may arise.

## **23. CONDITIONALITY OF THE SCHEME**

- 23.1. Unless otherwise decided by the Board of FFL and SSIL, this Scheme is specifically conditional upon and subject to:
- 23.1.1. the approval of the Scheme by the requisite majority of the respective members and such class of persons of FFL and SSIL, as required in terms of the applicable provisions of the relevant Act as well as any requirements that may be stipulated by the relevant Adjudicating Body in this respect;
- 23.1.2. in addition to the requirement stipulated under Clause 23.1.1 of this Scheme, in case of FFL, the requisite resolution with respect

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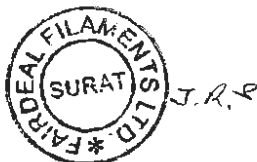
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to this Scheme, shall be passed through e-voting, after disclosure of all material facts in the explanatory statement (including the applicable information pertaining to SSIL in the format specified for abridged prospectus as provided in Part D of Schedule VIII of the ICDR Regulations), in the explanatory statement or notice or proposal accompanying resolution to be passed sent to the shareholders while seeking approval of the scheme whereby the votes cast by the public shareholders of FFL in favour of the proposal relating to the Scheme are more than the number of votes cast by the public shareholders of FFL against it as per the requirement under the SEBI Circulars

- 23.1.3. sanction of the relevant Adjudicating Body, being obtained under Sections 230 to 232 read with Section 66 of the Companies Act, 2013, and other applicable provisions of the Act, if so required on behalf of FFL and SSIL;
- 23.1.4. the necessary certified copies of the order under Sections 230 to 232 of the Act, and other applicable provisions of the Act are duly filed with the Registrar of Companies;
- 23.1.5. approval of the Government of India and/ or Reserve Bank of India and/ or Securities and Exchange Board of India, if required and the consent of the BSE Limited where such approval or consent is necessary; and
- 23.1.6. all other sanctions and approvals as may be required by law in respect of this Scheme being obtained.

#### **24. EFFECTIVE DATE OF THE SCHEME**

- 24.1. The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the Adjudicating Body and/or by the Board of Directors in terms of Clause 23 shall although be operative from the Effective Date but



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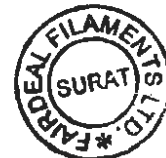
shall be deemed to be retrospectively effective from the Appointed Date in accordance with the provisions of Section 232 (6) of the Act.

**25. REVOCATION OF THE SCHEME**

25.1. In the event of any of the said sanction and approval referred to in the preceding Clauses 23 above not being obtained and/or the Scheme not being sanctioned by applicable Adjudicating Body and/or the Order(s) not being passed as aforesaid within eighteen (18) months from the date of filing of the Company Application with the relevant Adjudicating Body, or within such further period(s) as may be agreed upon from time to time between FFL and SSIL (through their respective Board of Directors), this Scheme shall stand revoked, cancelled and be of no effect and in that event, no rights and liabilities whatsoever shall accrue to or be incurred *inter se* between FFL and SSIL, or their respective shareholders or employees or any other persons, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any right, obligation and/or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in this Scheme and or otherwise arise as per law. For the purpose of giving full effect to this Scheme, the respective Board of Directors of FFL and SSIL, are hereby empowered and authorised to agree to and extend the aforesaid period from time to time without any limitations in exercise of their power through and by their respective delegates.

25.2. The Board of Directors of FFL and SSIL, shall be entitled to revoke, cancel and declare the Scheme of no effect if such Boards of Directors of FFL and SSIL are of the view that the coming into effect of the Scheme in terms of the provisions of this Scheme or filing of the drawn up/ certified/ authenticated orders with any authority could have adverse implication on both/ any of the

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companies or in case any condition or alteration imposed by the relevant Adjudicating Body or any other authority is not on terms acceptable to them.

25.3. If any part of this Scheme hereof is invalid, ruled illegal by any court of competent jurisdiction or unenforceable under present or future laws, then it is the intention of the parties that such part shall be severable from the remainder of the Scheme and the Scheme shall not be affected thereby, unless the deletion of such part shall cause this Scheme to become materially adverse to any party, in which case the parties shall attempt to bring about a modification in the Scheme, as will best preserve for the parties the benefits and obligations of the Scheme, including but not limited to such part.

**26. COSTS, CHARGES AND EXPENSES CONNECTED WITH THE SCHEME**

26.1. All costs, charges, taxes including duties, levies and all other expenses of FFL and SSIL in relation to or in connection with or incidental to this Scheme shall be borne by SSIL.

For FAIRDEAL FILAMENTS LTD.

*J. R. Shoh*

Authorised Signatory/Director



## Annexure B

### Valuation Report

**CNK & Associates LLP**  
Chartered Accountants

C - 201 - 202, Shree Siddhi Vinayak Complex, Opp. Alkapuri Side Railway Station,  
Faramji Road, Alkapuri, Vadodara - 390 005.  
Ph. : +91-265-2343483, 2354353, 2354359  
Email : alok@cnkindia.com • vadodara@cnkindia.com

To,  
The Board of Directors

**Shahlon Silk Industries Limited**  
91, GIDC, Khatodara,  
B/h Sub Jail, Ring Road,  
Surat, Gujarat – 395 002

**Fairdeal Filaments Limited**  
3<sup>rd</sup> Floor, Dawer Chambers,  
Near Sub Jail, Ring Road,  
Surat, Gujarat – 395 002

Dear Sirs,

**Sub: Evaluation and determination of equity share exchange ratio for the proposed amalgamation/merger of Fairdeal Filaments Limited with Shahlon Silk Industries Limited.**

**Preamble:** By engagement letter dated 14<sup>th</sup> July, 2018 from Fairdeal Filaments Limited (hereinafter referred to as 'FFL' or 'Transferor Company') and subsequent meeting with the officials of the Company, we have been requested to recommend an exchange ratio/ swap ratio of equity shares in connection with the proposed amalgamation/merger of Shahlon Silk Industries Limited (hereinafter referred to as 'SSIL' or 'Transferee Company') with FFL. We have been requested to carry out the valuation exercise and to advise share swap ratio for the aforesaid amalgamation.

We accordingly report as under:

**1. Objective:**

The objective of the present valuation process is to work out a share exchange ratio of the aforesaid amalgamation, for the purpose of the proposed scheme of the Amalgamation.

**2. Scope/Limitations:**

**2.1** The valuation exercise carried out by us does not constitute an audit carried out in accordance with Generally Accepted Accounting Principles/Auditing Standards. Accordingly, we do not express any opinion on the financial statements, assumptions underlying such financial statements and representations of management included in the valuation report. We do not provide any assurance



HO : Mistry Bhavan, 3rd Floor, Dinshaw Vachha Road, Churchgate, Mumbai - 400 020. Tel : +91-22-6623 0600



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that the financial information or assumptions, upon which these have been based, are accurate.

- 2.2 In carrying out the valuation, we have entirely relied upon the financial statements of the concerned companies, assumptions and other information and explanations provided by the management and discussions with the management from time to time regarding operations of these companies.
- 2.3 The scope of our service is to carry out a relative valuation of the equity shares of SSIL, and FFL with a view to arrive at the exchange ratio of the equity shares of FFL for the equity shares of SSIL for the proposed amalgamation/merger.
- 2.4 This report is the deliverable in respect of our recommendation of equity swap ratio for the purpose of proposed amalgamation/merger of FFL into SSIL.

3. **Disclaimer:**

This report is a private and confidential document prepared under the specific instructions of the client(s). It is for the internal use of the client(s) only and is not meant for external circulation except to any statutory agency or competent authority for the purpose of the proposed scheme. Any person making any investment or taking other decision on reliance of this report will be doing so at its/ his sole risk. We shall not be responsible for any decision taken by anybody on reliance of this report.

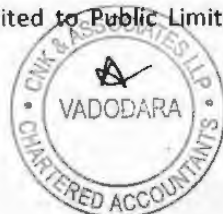
4. **Brief Profile of the Companies:**

- 4.1 **Fairdeal Filaments Limited** is a company incorporated under the Companies Act, 1956, on 15<sup>th</sup> May, 1990 with the office of the Registrar of Companies, Gujarat at Ahmadabad, having its Corporate Identification Number L17110GJ1990PLC013771 now governed by The Companies Act, 2013 having its Registered Office at 3<sup>rd</sup> Floor, Dawer Chambers, Near Sub Jail, Ring Road, Surat, Gujarat – 395 002.

FFL is a company engaged in manufacturing and trading of synthetic textile yarn and grey fabrics both for domestic and international markets. The Company is engaged in manufacture of texturized, twisted and sized yarn and weaving on water-jet looms. The Company's manufacturing plants are located at Mangrol and Mandvi in Surat.

The present Authorized Share Capital of the Transferor Company is Rs. 20,00,00,000/- divided into 2,00,00,000 Equity Shares of Rs. 10/- each. The present Issued, Subscribed and Paid up Share Capital of the Company is Rs. 6,05,00,000/- divided into 60,50,000 Equity Shares of Rs. 10/- each.

- 4.2 **Shahlon Silk Industries Limited** is a company which is converted from Private Limited to Public Limited Company on 10<sup>th</sup> August 2018 with the office of the



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Registrar of Companies which was formerly known as **Shahlon Silk Industries Private Limited** incorporated under the Companies Act, 1956, on 2<sup>nd</sup> April, 2008 with the office of the Registrar of Companies, Gujarat at Ahmadabad, having its Corporate Identification Number U17120GJ2008PLC053464 now governed by The Companies Act, 2013 having its Registered Office at 91, GIDC, Khatodara, Behind Sub Jail, Ring Road, Surat, Gujarat – 395 002.

Shahlon Silk Industries Ltd. established its presence in weaving textile business in Surat (Gujarat) - India. Prior to its establishment Shahlon Industries (P) Ltd. was established in the year 2001 which was merged with Shahlon Silk Industries (P) Ltd in the year 2008. The Company has established scalable production facilities and service support for manufacturing of various synthetic yarns and fabrics with the help of hi-tech and advance technology.

SSIL is engaged in the business of manufacturer of synthetic yarns, beams, fabrics and garments selling to manufacturers, exporters, and wholesalers.

The present Authorized Share Capital of the Transferee Company is Rs. 12,00,00,000/- divided into 1,20,00,000 Equity Shares of Rs. 10/- each. The present Issued, Subscribed and Paid up Share Capital of the Company is Rs. 11,15,22,500/- divided into 1,11,52,250 Equity Shares of Rs. 10/- each.

Fairdeal Filaments Limited is proposed to be merged with Shahlon Silk Industries Limited.

4.3 The Transferor Company is listed company with the Market Capital of Rs. 68.15 Cr (as on 17/08/2018). The 28.67% equity share capital is held by the Promoters, and Promoters Group and the 71.33% equity share capital is held by the general public.

4.4 We have been informed that the above two Companies is considering a Scheme of Amalgamation/Merger under Sections 230-232 of the Companies Act, 2013 ("the Act") whereby, FFL would be amalgamated/merged with SSIL.

5. **Information Furnished:**

For the purposes of the aforesaid engagement, we were provided with the following relevant documents / information pertaining to the Transferor Company and Transferee Company:

5.1 Memorandum and Articles of Association ;



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- 5.2 Audited Annual Accounts for the financial year ended 31<sup>st</sup> March, 2017 and 2018;
  - 5.3 Shareholding pattern of as on 30<sup>th</sup> June, 2018.
  - 5.4 Projections for the financial Years 2018-19 to 2022-23.
  - 5.5 Draft Scheme of Amalgamation under sections 230-232 of the Act; and
  - 5.6 We have also obtained information and explanations which were considered relevant, reasonable and necessary for our engagement from the executives and representatives of the respective companies.

**6. Salient Features of the Scheme:**

The salient features of the Scheme are as under:

- 6.1 The Scheme envisages the amalgamation of FFL with SSIL under sections 230-232 of the Act.
- 6.2 The management of the respective two companies believe that the restructuring would benefit the companies and its stake holders on account of the elimination of multiple entities which would result into greater administrative efficiency eliminates administrative functions and multiple record keeping, thus resulting in reduced expenditure, and significant reduction in the multiplicity of regulatory compliances.
- 6.3 "**Appointed Date**" means 1<sup>st</sup> April, 2018.
- 6.4 "**Effective Date**" means the date on which the authenticated copies or certified copies of the Orders of the National Company Law Tribunal (NCLT), sanctioning the Scheme are filed with the Registrar of Companies, Gujarat by the Transferor Company and the Transferee Company.
- 6.5 With effect from the Appointed Date all the assets (whether movable or immovable, real or personal, corporeal or incorporeal, present, future or contingent, tangible or intangible), investments and liabilities of the Transferor Company shall be transferred to and vested in the Transferee Company;

**7. Valuation Methodology for Amalgamation:**

- 7.1 To arrive at the share exchange swap ratio between the equity shares of Transferor Company and Transferee Company, it is necessary to value equity



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shares of Transferor Company FFL in terms of the value of the equity shares of SSIL. These values are to be determined independently but on a relative basis, without considering the current transaction.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at, after taking into account its purpose and shareholding pattern in each of the two companies, using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner.

- 7.2 There are a number of techniques/methods for valuation of shares. According to a High court statement: "The valuation of shares is a technical matter which requires considerable skills and expertise. There are bound to be differences of opinion as to the correct value of shares of the company. Simply because it is possible to value the shares in a manner different from the one adopted in a given case, it cannot be said that the valuation agreed upon has been unfair."
- 7.3 However, following methods are widely used for determining the fair value of equity shares:
- i. Net Assets Value Method
  - ii. EBITDA Valuation Method
  - iii. Market Value Method (In the case of Listed Company);

**i). Net Assets Value Method:**

The asset based valuation technique is based on the value of the underlying net assets of the company, either on a Book Value basis or replacement cost basis. This method is also known as the Net Asset Valuation ("NAV") methodology.

Considering the nature of business of the company and other facts and based on the discussions with the management, including the fact that the two companies are closely held companies and as informed, owned by the same group and upon the proposed restructuring, none of the stake holders are likely to be adversely affected, the asset based valuation technique seems to be appropriate for valuing the shares of the two companies. In other words, net assets (operating business assets) have been valued using book value as reflected in the Audited Accounts as at 31<sup>st</sup> March, 2018.



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ii). **EBITDA Valuation Method**

“EBITDA Multiplier” method is generally used for the Enterprise, which has lower profit in initial year. ‘EBITDA’ stands for “Earnings before Interest, Tax, Depreciation and Amortization”. It seems to use when business required substantial investment in initial year and with long gestation period.

Key Factor in this method is cash generated by the enterprise prior to all discretionary expenditures. The EBITDA is the measures of cash flows from operations that can be used to support debt payment least in the short term. It provides better estimation of “Optimal value” when capital expenditure earns unwise or substandard returns.

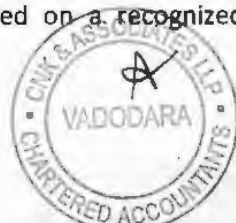
Earnings before interest, tax, depreciation, and amortization (EBITDA) are a measure of Enterprise profits and information in the Enterprise’s financial statements. A multiple of the EBITDA is used to value a Enterprise, especially in relation to its competitors, where the multiple to be used can be obtained from dividing the market value of similar business by their EBITDA and using the mean or median result as the multiple for valuing a business.

EBITDA takes out of the equation those items that might obscure how the Enterprise is really performing.

- The tax charge can be affected by the tax strategy of the Enterprise, the availability of tax losses brought forward from previous years, or the amount of tax allowances available for capital investment.
- Depreciation and amortization are dependent on the extent of capital expenditure by the Enterprise and may also depend on subjective estimates of the useful life of the plant and equipment.
- The amount of the interest charge depends on the Enterprise’s choice of how to finance its operations.
- By taking out these items the EBITDA gives a figure that is closer to the actual cash generated by the operations of the business.
- We have considered the Average EBITDA from the Financial Year 2016-17 to 2019-20 to arrive at the Fair Value of Shares of SSIL and FFL.

iii). **Market Value Method**

Market value of shares of a company quoted on stock exchanges - The market value of a listed stock carries significant weightage in the analysis of the equity value of the company. The price, at which the shares of a listed company are quoted on a recognized stock exchange, is an indicator of the value of the



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company. This method is effective in various situations as market forces collectively determine the price quoted on the stock exchanges. The market value is an outcome of various factors like quality and integrity of the Management, present and prospective competition, yield on comparable securities, market sentiment, etc.

Since the shares of Transferor Company is involved in the Scheme is listed on stock exchange, we have considered the same while on the other hand the Transferee Company is unlisted company so Market Value Method is not considered.

For the Transferor Company we have considered the Average Market Price 21<sup>st</sup> May 2018 to 10<sup>th</sup> August 2018.

- 7.4 Since the transferee company (SSIL) is unlisted company and, no market price/quotations are available for the shares of this company.
- 7.5 Accordingly, Fair Valuation of shares of the Transferor Company has been determined on the basis of Weightage of the Three Methods i.e. Net Asset Value Method, EBITDA Method and Market Value Method, and the Transferee Company has been determined on the basis of Weightage of the Two method i.e. Net Asset Value Method and EBITDA Method for the purpose of working out of share exchange swap ratio for merger.
- 7.6 Value of shares has been calculated on the basis of the latest Audited Balance sheet as on 31<sup>st</sup> March, 2018.

**8. Share Exchange Ratio for the proposed Amalgamation:**

On the basis of valuation exercise and after rounding off, we have valued equity shares of Transferor Company under the Net Asset Value Method, EBITDA Method and Market Value Method and Transferee Company under the Net Asset Value Method and EBITDA Method based on the audited financial statements of the companies as of March 31, 2018, with certain adjustments therein as indicated above. Based thereon, in our opinion, the ratio at which Transferee Company shall issue its equity shares to the shareholders of Transferor Company shall be as under (For detailed working – see Annexure I to this Report):

**To the shareholders of FFL**

**Against 1 Equity Shares** of the face value of Rs.10/- of the FFL, **1 Equity Shares** of the face value of Rs.10/- of the SSIL shall be issued to the share holders of FFL.



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**To the shareholders of SSIL**

**1 Equity Shares** of Rs.10/- each, credited as fully paid-up in the capital of the **SSIL** for every **1 Equity Shares** of the face value of Rs.10/- each held by the Shareholders of the **FFL**.

This valuation and the resultant exchange ratio are subject to the statement of assumptions and limiting conditions set out in Appendix II.

We shall also inform that we have no obligation to update this report or our calculation of value on account of any information that may come to our attention after the date of this report.

**For CNK & Associates, LLP.**

Chartered Accountants

FRN No: 101961W/W-100036



**CA Alok Shah**

Partner

Mem No. 042005

Date: 17th August, 2018



Annexure I to our Report dated 17th August, 2018 recommending equity share exchange ratio for the proposed amalgamation of Fairdeal Filaments Limited with Shahlon Silk Industries Limited.

**Working of exchange ratio**

<b>1.</b>	<b>Fairdeal Filaments Limited (FFL)</b>		
	No of Shares of Rs. 10 each		60,50,000
	Owners Value (Amount in Lakhs)		<b>6,109.18</b>
	Value per equity share of FFL as on 31 <sup>st</sup> March, 2018 (Rs.)		<b>101</b>
<b>2.</b>	<b>Shahlon Silk Industries Limited (SSIL)</b>		
	No of Shares of Rs. 10 each		1,11,52,250
	Owners Value (Amount in Lakhs)		11,667.12
	Value per equity share of SSIL as on 31 <sup>st</sup> March, 2018 (Rs.)		<b>105</b>

<b>3.</b>	<b>Exchange Ratio (SSIL : FFL)</b>		
	For every 1 equity share of SSIL 1 equity share of FFL shall be issued (Exchange ratio of shares are rounded off to the next integer)		1:1





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## Annexure II

### Statement of Assumptions and Limiting Conditions

1. The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation and should not be used out of the context presented herein.
2. FFL and SSIL has warranted to us that the information supplied to us was complete and accurate to the best of its knowledge and that the financial information properly reflects the business conditions and operating results for the year in accordance with generally accepted accounting principles. Information supplied to us has been accepted as correct without any further verification. We have not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.
3. Financial information of the subject companies is included solely to assist in the development of a value conclusion presented in this report and should not be used to obtain credit or for any other allied purpose.
4. We have been informed that both the companies have consistently grown in past and management have provided us future projections for next five years.
5. Possession of this report, or a copy thereof, does not carry with it the right of publication of all or part of it nor may it be used for any purpose by anyone other than those enumerated in this report without my written consent. This report and the conclusion of value arrived at herein are for the exclusive use of the client for the sole and specific purposes as noted herein.
6. The report and conclusion of value are not intended and should not be construed by the reader to be an investment / disinvestment advice. The conclusion of value represents our considered opinion, based on information furnished by the client.
7. Neither all nor any part of the contents of this report (especially the conclusion of value) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without our prior written consent and approval.
8. This valuation reflects facts and conditions existing or reasonably foreseeable at the valuation date. Subsequent events have not been considered, and we have no obligation to update the report for such events and conditions.



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9. Our engagement for this valuation assignment does not include any procedures designed to discover any defalcations or other irregularities, should any exist.
  10. No change of any item in this valuation report shall be made by anyone and we bear no responsibility for any such unauthorized change.
  11. We have held discussion with the management including directors of FFL and SSIL and the team of advisors / finance personnel concerning the present and prospective operating results of the Companies. We have relied on the representations by them concerning the valuation of all assets and liabilities reflected in the financial statements for the year 2017-18.



## Annexure C

Report adopted by the Board of Directors of  
Shahlon Silk Industries Limited pursuant to the provisions  
of Section 232(2)(c) of the Companies Act, 2013



**REPORT ADOPTED BY THE BOARD OF DIRECTORS OF SHAHLON SILK INDUSTRIES LIMITED ("COMPANY") AT ITS MEETING HELD ON WEDNESDAY, AUGUST 22, 2018, EXPLAINING THE EFFECT OF THE SCHEME OF MERGER BY ABSORPTION OF THE FAIRDEAL FILAMENTS LIMITED BY THE COMPANY AND THEIR RESPECTIVE SHAREHOLDERS ON SHAREHOLDERS, KEY MANAGERIAL PERSONNEL, PROMOTERS AND NON-PROMOTER SHAREHOLDERS OF THE COMPANY**

### Background

The Board of Directors (the "**Board**") of the Company at its meeting held on 22/08/2018, approved the Scheme of Merger by Absorption of Fairdeal Filaments Limited ("**Transferor Company**" or "**FFL**") by the Company and their respective shareholders pursuant to Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013 and Section 2(1B) of the Income Tax Act, 1961. ("**Scheme**").

The Scheme provides for merger of FFL with the Company in the manner set out in the Scheme, the re-organisation of the share capital of the Company and various other matters consequential to or otherwise integrally connected with the above, in the manner provided for in the Scheme. As per Section 232(2)(c) of the Companies Act, 2013, a report adopted by the Directors explaining effect of arrangement and amalgamation on Shareholders, Key Managerial Personnel (KMPs), Promoters and Non-Promoter Shareholders laying out in particular the Share Exchange Ratio ("**Report of the Board**") is required to be circulated to the shareholders.

Having regard to the applicability of the aforesaid provisions, the Report of the Board is accordingly being made to comply with the provisions of Section 232(c) of the Companies Act, 2013.

*J. R. Shah*



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While considering the Scheme, the Board perused the following documents and also took on record the same –

- a. Draft Scheme;
- b. The valuation report(s) dated August 17, 2018 issued by CNK & Associates LLP, which sets out the share entitlement ratio for the Scheme; and
- c. Fairness Opinion issued by Mark Corporate Advisors Private Limited;

**Rationale for the Scheme**

The merger of FFL with the Company is based on the following rationale:

- i. FFL and the Company, belonging to the same group of management, are largely engaged in the similar kind of business activities i.e. manufacturing of fabric on water jet looms. In addition to above, the Company is also involved in manufacturing of fabric on air jet looms and rapier looms, which will be beneficial to the merged entity in diversifying its product portfolio pursuant to the Scheme coming into effect.
- ii. FFL and the Company both carry out yarn preparatory facilities like sizing, texturing, twisting, crape etc.
- iii. FFL and the Company both are the agents for Reliance Industries Limited in relation to sale of yarn product and thus, business of FFL and the Company are complementary in nature and consolidation of business will be beneficial for both the companies and its shareholders.
- iv. Economies of scale will play a bigger role as the consolidated entity's operational efficiency will increase, which will in turn allow the merged entity to compete on a larger scale in the industry, thus benefiting the merged entity and the shareholders.

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*J. Ashok*



- v. The amalgamation will enable the merged entity to build up a diversified product portfolio.
- vi. As on March 31, 2018, the Company had a net worth of Rs. 61,71,32,000 (*Rupees sixty one crores seventy one lakhs thirty two thousand*) and FFL had a net worth of Rs. 19,16,98,000 (*Rupees nineteen crores sixteen lakhs ninety eight thousand*). The combined entity will have net worth of around Rs. 80,65,90,000 (*Rupees eighty crores sixty five lakhs ninety thousand*) which will enable the merged entity with more negotiation power for debt finance considering its size and financial strength further the merged entity will have option of equity financing.
- vii. This merger will provide an opportunity to leverage assets and build a stronger sustainable business. It provides an opportunity to fully leverage stronger asset capabilities, experience, expertise and infrastructure of both the companies and thus increased ability for promotion of business activities as well as for fund raising as may be required for business development.
- viii. Manufacturing of grey fabric and texturizing / various yarn value addition activities of FFL and the Company are located at Block number 297 /298 of Limodara Patiya, Village: Karanj, Taluka Mandvi, District: Surat and both the companies share the common entrance gate. At Fairdeal Textile Park, Village: Mahuvej, Taluka Mangrol, District: Surat, the Company has manufacturing facilities for manufacturing of various yarns, grey fabric at Block no. 692/A and FFL has its proposed factory site also located just adjacent to the Company on Block number 692/A. Both the companies have their administrative office located at 3<sup>rd</sup> Floor Dawer Chambers, Nr. Sub-Jail, Ring Road, Surat which is partly owned by FFL and partly by the Company. As major of the manufacturing sites of FFL are adjacent to/together with the Company, this merger would lead to synergic benefits, efficiency of operations and management, rapid growth of the entity, optimum utilization

✓ R. Shah

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of its resources and minimization of the administrative and operative costs.

- ix. The merger will result in a value creation for the shareholders and stakeholders of FFL and the Company as the combined amalgamated company will have improved efficiency, market share, financial structure, larger cash flows and stronger consolidated revenue and profitability.
- x. The merger of FFL with the Company would result in consolidation of business activities of both the companies and will facilitate effective management of investments and synergies in operation.
- xi. There is no likelihood that any shareholder or creditor or employee of FFL and the Company would be prejudiced as a result of the Scheme. Thus, the merger is in the interest of the shareholders, creditors and all other stakeholders of the companies and is not prejudicial to the interests of the concerned shareholders, creditors or the public at large.

#### **Valuation**

The valuation for FFL has been arrived at on the basis of working the Weightage of the Three Methods i.e. Net Asset Value Method, EBITDA Method and Market Value Method, and the Company has been determined on the basis of Weightage of the Two method i.e. Net Asset Value Method and EBITDA Method for the purpose of working out of share exchange swap ratio for merger.

As per the valuation report dated August 17, 2018 provided by the Chartered Accountants, CNK & Associates LLP had determined the share exchange ratio to be 1:1 i.e. 1 (*one*) equity share of Rs.10 each credited as fully paid up in the Company for every 1 (*one*) equity share of Rs.10 each fully paid up held by them in FFL on basis of the valuation of the assets and liabilities of the Company carried out by them as provided in their report.

*J. R. Shah*



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However, the Board of Directors of the Company for the benefit of the public shareholders of FFL have decided to reduce the valuation of the Company by issuing additional shares to the members of FFL in the ratio of 1:0.90 i.e. 1 (*one*) equity share of Rs.10 each credited as fully paid up in the Company for every 0.90 (*point ninety*) equity share held by them in FFL. This will lead to additional allotment of shares of the Company, which would in turn would increase the public shareholding in the Company to approximately 26.94% of total issued and paid-up share capital of the Company post Scheme coming into effect as against 25.19%, and thus consequently, reducing the consolidated promoter shareholding of the Company and FFL.

Upon the Scheme coming into effect, in consideration of the merger of FFL into the Company pursuant to provisions of this Scheme, and without any further application, act, deed payment, consent, acts, instrument or deed, the Company will issue and allot 67,22,222 (Sixty seven lakhs twenty two thousand two hundred twenty two only) fully paid-up equity shares of Rs.10 each (the "*New Shares*") to shareholders of FFL in accordance with the terms of the Scheme. The New Shares will be issued by the Company to such equity shareholders of FFL whose names are recorded in the register of members of FFL as on the Record Date in the ratio of 1:0.90, i.e. 1 (*one*) equity share of Rs.10 each credited as fully paid up in the Company for every 0.90 (*point ninety*) equity share held by them in FFL.

If, after applying the New Shares Entitlement Ratio, a person eligible to receive equity shares of the Company as set out in the Scheme becomes entitled to receive any fractional equity shares of the Company, such person shall be entitled to receive one full paid share instead of any such fractional entitlement.

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**Effect of the Scheme on equity shareholders (promoter shareholders and non-promoter shareholders), employees and KMPs of the Company:**

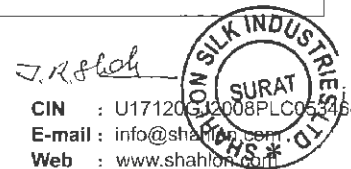
Disclosure about the effect of the Scheme on the following persons:

Sr. No.	Category	Effect of the Scheme
1.	Shareholders	<p>Pursuant to this Scheme, as part of the consideration for the merger, the Company will issue and allot 67,22,222 fully paid-up equity shares of Rs.10 each (the "<b>New Shares</b>") to shareholders of FFL. The New Shares will be issued by the Company to such equity shareholders of FFL whose names are recorded in the register of members of FFL as on the Record Date in the ratio of 1:0.90, i.e. 1 (<i>one</i>) equity share of Rs.10 each credited as fully paid up in the Company for every 0.90 (<i>point ninety</i>) equity share held by the shareholders of FFL.</p> <p>The New Shares issued and allotted by the Company in terms of this Scheme shall rank <i>pari-passu</i> in all respects with the existing shares of the Company, including in respect of dividends, if any, that may be declared by the Company, on or after the Effective Date.</p> <p>The Scheme will lead to additional allotment of shares of the Company, which would in turn would increase the public shareholding in the Company to approximately 26.94% of total issued and paid-up share capital of the Company post Scheme coming into effect. However, shareholding of public shareholders in the Company will reduced 26.94% in the Company as compared to 71.57% of public shareholding in the FFL prior to the Scheme coming into effect.</p>
2.	Promoters	The Scheme does not contemplate payment of any additional

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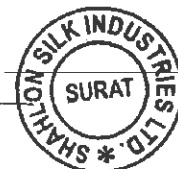
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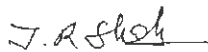
		<p>considerations to the Promoters except to the extent of their shareholding in the Company as detailed in point 1 above.</p> <p>The Scheme will lead to additional allotment of shares of the Company, which would in turn would increase the public shareholding in the Company to approximately 26.94% of total issued and paid-up share capital of SSIL post Scheme coming into effect. However, shareholding of public shareholders in the Transferee Company will reduced 26.94% in the Transferee Company as compared to 71.57% of public shareholding in the Transferor Company prior to the Scheme coming into effect.</p>
3.	Non-promoter Shareholders	Please refer point 1 above regarding effect on the equity shareholders
4.	Key Managerial personnel (KMP) (other than Directors)	No change in Key Managerial Person is expected pursuant to the scheme.
5.	Directors	There is no adverse effect of the Scheme on the Directors of SSIL.
6.	Depositors	SSIL does not have any public deposits and accordingly, it does not have any depositors hence the question of scheme having effect on depositor does not arise.
7.	Creditors	Upon the Scheme coming into effect, the creditor obligations with respect to the Company shall become the obligations of the Company. The Scheme is expected to be in the best interest of the Company's creditors.

*J. R. Shah*



8.	Debenture holders	SSIL has no outstanding debentures and therefore, the effect of the Scheme on debenture holders does not arise.
9.	Deposit trustee & Debenture trustee	SSIL does not have any public deposits and accordingly, it does not have any depositors or deposit trustee and the question of scheme having effect on depositor or deposit trustee does not arise.  Further, there are no debenture holders or debenture trustee in SSIL as no debentures are issued. Thus, the question of scheme having effect on debenture holder or debenture trustee does not arise.
10.	Employees of the company	Employees in relation to the Transferor Undertaking shall become the employees of the Transferee Company. No right of employees shall get affected.

For and on behalf of the Board of Directors of  
Shahlon Silk Industries Limited.



[JAYANTILAL RAICHAND SHAH]  
Chairman and Director



## Annexure D

Resolutions passed by the Board of directors of the Transferee Company



**CERTIFIED TRUE COPY OF THE RESOLUTIONS PASSED BY THE BOARD OF DIRECTORS OF SHAHLON SILK INDUSTRIES LIMITED AT THEIR MEETING HELD AT 3 P.M. ON WEDNESDAY, AUGUST 22, 2018 AT REGISTERED OFFICE OF THE COMPANY SITUATED AT 91 G.I.D.C., KHATODARA, B/H. SUB-JAIL, RING ROAD, SURAT-395002.**

### APPROVAL OF PROPOSED MERGER AND RELATED MATTERS:

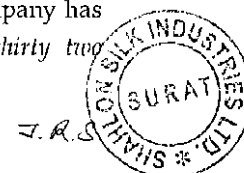
The Chairman briefed the Board of Directors of the Company (the "Board") about the proposed merger of Fairdeal Filaments Limited, a listed company incorporated under the Companies Act, 1956 and having its registered office situated at 3<sup>rd</sup> Floor, Dawer Chambers, Near Sub-Jail, Ring Road, Surat 395 002 in the State of Gujarat ("FFL") with the Company by the way of a Scheme of Merger by absorption under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and rules and regulations made thereunder including any statutory modifications, re-enactments or amendments made thereto from time to time (the "Scheme").

The Chairman further informed the Board the aforesaid consolidation by way of a merger of FFL with the Company will lead to synergies of operation and stronger and wider capital and financial base for future growth/expansion. The merged entity will incur lower cost of business thereby increasing the efficiency and providing the merged entity with a higher bargaining power.

The Chairman informed the Board that FFL and the Company are largely engaged in similar activities i.e. manufacturing of fabric on water jet looms. In addition to the above, the Company is also involved in manufacturing of fabric on air jet looms and rapier looms, which will be beneficial for FFL and its shareholders pursuant to the Scheme coming into effect.

The Chairman further informed the Board that FFL and the Company both are the agents for Reliance Industries Limited in relation to sale of yarn product and thus, business of FFL and the Company are complementary in nature and consolidation of business will be beneficial for both the companies and their shareholders.

The Chairman further informed the Board that as on March 31, 2018, the Company has a net worth of Rs.61,71,32,000 (*Rupees sixty one crores seventy one lakhs thirty two*



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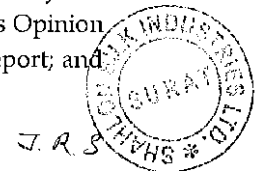
thousand) and FFL has a net worth of Rs. 19,16,98,000 (Rupees nineteen crores sixteen lakhs ninety eight thousand). The combined entity will have net worth of around Rs.80,65,90,000 (Rupees eighty crores sixty five lakhs ninety thousand) which will enable the merged entity with more negotiation power for debt finance considering its size and financial strength further the merged entity will have option of equity financing.

The Chairman further informed the Board that, both FFL and the Company have manufacturing of grey fabric and texturizing / various yarn value addition activities of FFL and the Company are located at Block number 297 /298 of Limodara Patiya, Village: Karanj, Taluka Mandvi, District: Surat and both the companies share the common entrance gate at Fairdeal Textile Park, Village: Mahuvej, Taluka Mangrol, District: Surat, the Company has manufacturing facilities for manufacturing of various yarns, grey fabric at Block no. 692/A and FFL has its proposed factory site also located just adjacent to the Company on Block number 692/A. Both the companies have their administrative office located at 3<sup>rd</sup> Floor Dawer Chambers, Nr. Sub-Jail, Ring Road, Surat which is partly owned by FFL and partly by the Company. As major of the manufacturing sites of FFL are adjacent to/together with the Company, this merger would lead to synergic benefits, efficiency of operations and management, rapid growth of the entity, optimum utilization of its resources and minimization of the administrative and operative costs.

The amalgamation will result in economy of scale and reduction in overheads, administrative, managerial and other expenditure, operational rationalisation, organisational rationalisation, efficiency, optimal utilisation of various resources and will bring both the entities under one roof to portray one face to all the parties with whom the group deals.

The Chairman further informed the Board, that in view of feasible consolidation of the businesses/undertakings of FFL and the Company and other synergic, administrative, operational advantages the amalgamation should take effect from April 1, 2018.

The Chairman placed before the Board the (i) draft Scheme of Merger by Absorption, prepared by M/s. Rajani Associates, Solicitors; (ii) the Valuation Report dated August 17, 2018 prepared by CNK & Associates LLP in relation to the shares issued by the Company to the shareholders of FFL pursuant to the Scheme; (iii) the Fairness Opinion issued by Mark Corporate Advisors Private Limited on the said Valuation Report; and



(iv) Report explaining the effect of the scheme on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders as required under the Companies Act 2013.

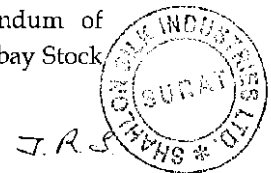
The Chairman informed the Board that the Chartered Accountants, CNK & Associates LLP and Fairness Opinion issued by Mark Corporate Advisors Private Limited had determined/confirmed the share exchange ratio to be 1:1 i.e. 1 (*one*) equity share of Rs.10 each credited as fully paid up in the Company for every 1 (*one*) equity share of Rs.10 each fully paid up held by them in FFL on the basis of the valuation of the assets and liabilities of the Company.

However, the Board of Directors of FFL after detailed deliberations in their meeting dated August 22, 2018, for the benefit of the public shareholders of FFL proposed to marginally reduce the valuation of the Company by issuing additional shares to the members of FFL in form of revised ratio of 1:0.90 i.e. 1 (*one*) equity share of Rs.10 each credited as fully paid up in the Company for every 0.90 (*point ninety*) equity share held by them in FFL. This will lead to additional allotment of shares of the Company, which would in turn increase the public shareholding in the Company to approximately 26.94% of total issued and paid-up share capital of the Company post Scheme coming into effect as against 25.19%, and thus consequently, reducing the consolidated promoter shareholding of FFL and the Company.

The Board deliberated on recommendation of Board of Directors of FFL on aforesaid revised share exchange ratio. After deliberation between the Board of Directors of the Company, the Board proposes to concur to recommendation of Board of Directors of FFL and proposes to issue and allot additional shares of the Company to the shareholders of FFL pursuant to the Scheme in the aforesaid ratio of 1:0.90 instead of 1:1 as recommended in the valuation report.

The Board, after discussion, passed the following resolution in this regard:

"RESOLVED THAT pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 along with the rules and regulations issued thereunder, including any statutory modifications, re-enactments or amendments made thereto from time to time, subject to the Memorandum of Association and Articles of Association of the Company, approval from Bombay Stock



Exchange Limited ("BSE"), approval from Securities and Exchange Board of India (the "SEBI"), approval from the members of the Company, approval from its creditors and subject to the sanction of the National Company Law Tribunal ("NCLT") constituted under the Companies Act, 2013, and subject to the approval of any other statutory or governmental authorities, the Draft Scheme of Merger of Absorption of Fairdeal Filaments Limited, a listed company incorporated under the Companies Act, 1956 and having its registered office situated at 3<sup>rd</sup> Floor, Dawer Chambers, Near Sub-Jail, Ring Road, Surat 395 002 in the State of Gujarat ("FFL") by the Company and their respective shareholders ("Scheme") placed before the Board and initialled by the Chairman for the purpose of identification be and is hereby approved subject to changes in Clause 8 of the Scheme with the revised Clause 8as set out below:

*"Upon the Scheme coming into effect and without any further act or deed on the part of SSIL, SSIL will, in consideration of transfer and vesting of FFL into SSIL in terms of this Scheme, issue 67,22,222 (Sixty Seven Lacs Twenty Two Thousand Two Hundred Twenty Two Only)equity shares of Rs.10 each (the "New Shares") to the registered fully paid-up equity shareholders of FFL in the ratio of 1:0.90, i.e. 1 (one) equity share of Rs.10 each credited as fully paid up in SSIL for every 0.90 (point ninety) equity share of Rs.10 each fully paid up held by them in FFL (the "New Shares Entitlement Ratio"). The New Shares will be issued in the New Shares Entitlement Ratio to registered fully paid-up equity shareholders of FFL whose names are recorded in the register of equity shareholders of FFL on the Record Date."*

RESOLVED FURTHER THAT the Company do take further steps for obtaining the requisite approvals of BSE, SEBI and the shareholders and the creditors of the Company and other regulatory authorities and persons, whose consent is required under law for the Scheme and for that purpose to initiate all necessary actions including seeking appropriate directions from the NCLT for either dispensing with the requirement of convening meetings of the shareholders and/or creditors of the Company or convening the meeting of the shareholders and/or creditors of the Company and other concerned persons / parties and to take all other consequential steps in that behalf, including the preparation and circulation of the notices and explanatory statements, and filing of all other documents required to be filed in this connection.

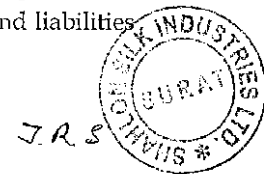


**RESOLVED FURTHER THAT** for the purpose of the Scheme and for determining the share exchange ratio, the Valuation Report prepared by CNK & Associates LLP and the Fairness Opinion issued by Mark Corporate Advisors Private Limited on the said Valuation Report, submitted to the meeting and signed by the Chairman of the meeting for the purpose of identification, be and is hereby approved subject to modification as stated as hereinabove in respect to share exchange ratio.

**RESOLVED FURTHER THAT** pursuant to the provisions of Sections 230-232 read with Sections 66 and other applicable provisions of the Companies Act, 2013, along with rules and regulations issued thereunder, including, any statutory modifications, re-enactments or amendments made thereto from time to time, subject to the Memorandum of Association and Articles of Association of the Company, approvals from the BSE, the SEBI, the members of the Company, its creditors and subject to the sanction of the National Company Law Tribunal, constituted under the Companies Act, 2013, as the case may be and subject to approval of any other statutory or governmental authorities as may be required, upon the Scheme coming into effect, all the equity shares of the Company held by FFL being, 16,000 equity shares of Rs.10 each of the Company, shall stand cancelled and extinguished on and from the Effective Date as an integral part of the Scheme and accordingly, the share certificates in respect of the aforesaid equity share in the Company held by FFL shall also stand cancelled and shall be deemed to be cancelled without any further act or deed.

**RESOLVED FURTHER THAT** that the Directors of the company and/ or Shri Hitesh K. Garmora, Company Secretary of the company, be and are hereby jointly/ or severally authorised to make such alterations and changes in the Scheme, as may be expedient and necessary for satisfying the requirement(s) or conditions imposed by the NCLT, BSE, SEBI or any other statutory authorities as may be required, provided that prior approval of the Board shall be obtained for making any material changes in the said draft Scheme, as approved in this meeting.

**RESOLVED FURTHER THAT** that the Directors of the company and/ or Shri Hitesh K. Garmora, Company Secretary of the company, be and are hereby jointly/ or severally authorised to do, or cause to be done all such acts, deeds and things, and/or file all such documents, as may be necessary for the transfer of the assets and liabilities

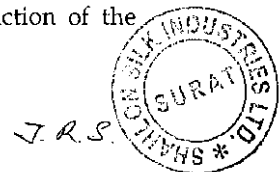


of FFL into the Company upon the Scheme coming into effect, including but not limited to intimation to financial institutions, creditors and debtors of FFL regarding the merger, application to the concerned governmental authorities or third party for transfer of all approvals and licenses in name of the Company, to enter into agreements with any party to any contract or arrangements to which FFL was party to or any writing as may be necessary to effect the transfer of the rights and interest therein in the name of the Company and such other things as may be required.

**RESOLVED FURTHER THAT** the report of the board of directors explaining the effect of the scheme of amalgamation on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders as required to be annexed to the notice and explanatory statement as per section 232(2) of Companies Act 2013, submitted before the meeting, duly initialed by the Chairman of the Meeting for the purpose of identification, and signed on behalf of the Board of Directors of the Company by Shri Jayantilal Raichand Shah, the Director be and is hereby adopted.

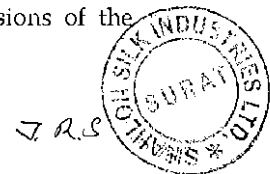
**RESOLVED FURTHER THAT** the Board do and hereby further authorize any one of the above officials of the Company either jointly/ or severally, to take all such steps in connection with:-

- (a) To verify, sign, deal, swear, affirm, declare, deliver, execute, make, enter into, acknowledge, undertake, record all deeds, declarations, instruments, vakalatnamas, applications, petitions, affidavits, objections, notices and writings whatsoever as may be usual, necessary, proper or expedite and all matter of documents, petitions, affidavits and applications under the applicable laws including Companies Act, 2013 or Companies Act, 1956, as the case may be, and other applicable laws in relation to the aforesaid matter;
- (b) To make necessary applications, petitions, appeals and judges summons to the competent authorities for the purpose for obtaining requisite approvals as and when required before any Court, Tribunal, or statutory authorities;
- (c) To file applications and/ or petitions before the NCLT for the directions for holding the meeting of the shareholders and creditors and for sanction of the Scheme;





- (d) Filing of valuation report as prepared by CNK & Associates LLP providing the share exchange ratio in respect of the aforesaid Scheme and Fairness Opinion issued by issued by Mark Corporate Advisors Private Limited.
- (e) To make necessary applications, petitions, appeals and judges summons to the competent authorities for the purpose for obtaining requisite approvals including in principle approvals and/ or implementation of the Scheme as and when required before any Court, Tribunal, BSE, SEBI or statutory authorities;
- (f) To file requisite undertaking, affidavit, certificates or other documents and/ or liaise with the SEBI, the BSE, Regional Director, Registrar of Companies, Stamp Authorities, Sub Registrar of Assurances, Official Liquidator, income tax authorities or any other governmental authorities in connection with the proposed Scheme during the process of sanction thereof and during the implementation of the Scheme after sanction of the Scheme;
- (g) To appoint and settle the terms of the appointment of rating agencies, merchant bankers and other intermediaries as may be required for the purpose of implementing the Scheme;
- (h) To make application to BSE, the SEBI and other governmental authorities for listing of the equity shares issued pursuant to the aforesaid Scheme;
- (i) To make necessary applications to various statutory authorities, as may be required for the purpose of sanction and/ or implementation of the Scheme;
- (j) To engage M/s. Rajani Associates, Solicitors, Mumbai and Nanavati Associates, Ahmedabad and any other advisors, counsels, consultant firms to advise and represent the Company before competent authorities etc.;
- (k) To affix the common seal of the Company on such deeds, documents, agreements, undertakings, letters, writings, etc. from time to time (including any modifications thereto) or any such other documents in connection with the purpose of above resolutions as may be required and in accordance with the provisions of the Articles of Association of the Company;

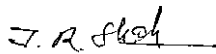


- (l) To make such alterations and changes and/ or modifications in the aforesaid applications and/ or petitions as may be expedient and necessary for satisfying the requirements and conditions imposed if any, by the court or any authority;
- (m) Engage/ appoint any lawyers (M/s. Rajani Associates, Solicitors)/ consultant/ advisors etc. for the purpose of filing of the applications and/ or petitions before the National Company Law Tribunal or any authority and any other matters incidental thereof;

and do all such acts, deeds, matters and things as may be necessary, proper and expedient for effectuating and implementing the above decision, including any directions for settling any question or doubt or difficulty whatsoever that may arise to give effect to the aforesaid resolutions, including the execution of any document(s) that may be deemed fit.

RESOLVED FURTHER THAT the copy of the aforesaid resolutions certified to be true by any Director or Authorised Signatory of the Company and the same be submitted to the concerned authorities and they be requested to act thereon."

*Certified True Copy*  
For Shahlon Silk Industries Limited



Jayantilal Raichand Shah  
Director  
DIN No. 00010470



## Annexure E

Resolutions passed by the Board of directors of the Transferor Company



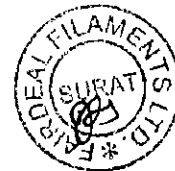
**CERTIFIED TRUE COPY OF THE RESOLUTIONS PASSED BY THE BOARD OF DIRECTORS OF FAIRDEAL FILAMENTS LIMITED AT THEIR MEETING HELD AT 11:45 AM ON WEDNESDAY, AUGUST 22, 2018 AT REGISTERED OFFICE OF THE COMPANY SITUATED AT 3RD FLOOR, DAWER CHAMBERS, NR. SUB-JAIL, RING ROAD, SURAT-395002**

### APPROVAL OF DRAFT SCHEME OF AMALGAMATION AND RELATED MATTERS:

The Chairman briefed the Board of Directors of the Company (the "Board") about the resolution passed on 14/07/2018 wherein the Board had considered the consolidation of certain business activities of the group entities on basis of the opinion provided by M/s. Kannaujiya & Co., Cost Accountants, Surat, vide report dated 26/06/2018. The Board pursuant to said report *in principle* discussed and approved the proposal of Scheme of merger by Absorption of the Company by Shahlon Silk Industries Limited ("SSIL"), a company incorporated under the Companies Act, 1956 and having its registered office at 91, G.I.D.C., Khatodara, B/H.: Sub-Jail, Ring Road, Surat, Gujarat 395002, India ("*Scheme*"), subject to the approval of the draft Scheme by the Board. The Board also appointed various consultants and advisors to carry out the aforesaid process of merger.

The Chairman further informed the Board the aforesaid consolidation by way of a merger of the Company with SSIL will lead to synergies of operation and stronger and wider capital and financial base for future growth/expansion. The merged entity will incur lower cost of business thereby increasing the efficiency and providing the merged entity with a higher bargaining power.

The Chairman placed before the Board the (i) draft Scheme of Merger by Absorption, prepared by M/s. Rajani Associates, Solicitors; (ii) the Valuation Report dated August 17, 2018 prepared by CNK & Associates LLP in relation to the shares to be issued by SSIL to the shareholders of the Company pursuant to the Scheme; (iii) the Fairness Opinion issued by Mark Corporate Advisors Private Limited on the said Valuation Report; and (iv) Report explaining the effect of the scheme on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders as required under the Companies Act 2013.



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**Fax :** +91 261 2635550

**CIN :** L17110GJ1990PLC013771  
**E-mail :** info@shahlon.com  
**Web :** www.shahlon.com

The Chairman further informed the Board that a meeting of the Audit Committee of the Board was held on August 22, 2018 in order to consider the draft Scheme. The members of the Audit Committee found the proposed Scheme to be in the best interest of the Company and its shareholders, creditors and other stakeholders and recommended the draft Scheme to the Board of Directors of the Company.

The Chairman informed the Board that the Chartered Accountants, CNK & Associates LLP had determined the share exchange ratio to be 1:1 i.e. 1 (one) equity share of Rs.10 each credited as fully paid up in SSIL for every 1 (one) equity share of Rs.10 each fully paid up held by them in the Company on basis of the valuation of the assets and liabilities of the Company carried out by them as provided in their report.

However, after detailed deliberation and discussions the Board for the benefit of the public shareholders of the Company have proposed to marginally reduce the valuation of SSIL by issuing additional shares to the members of the Company in the ratio of 1:0.90 i.e. 1 (one) equity share of Rs.10 each credited as fully paid up in SSIL for every 0.90 (point ninety) equity share held by them in the Company. This will lead to additional allotment of shares of SSIL, which would in turn would increase the public shareholding in SSIL to approximately 26.94% of total issued and paid-up share capital of SSIL post Scheme coming into effect as against 25.19%, and thus consequently, reducing the consolidated promoter shareholding of SSIL and the Company.

The Chairman further informed the Board that as a thankful gesture, and for the benefit of the public shareholders of the Company, despite of the 1:1 ratio determined by the Chartered Accountants, CNK & Associates LLP and Fairness Opinion, the Board has recommended that SSIL shall propose to issue and allot shares of SSIL to the shareholders of the Company pursuant to the Scheme in the aforesaid ratio of 1:0.90 instead of 1:1 as contemplated in valuation report.

The Chairman placed before the Board, the Audit Committee Report dated 22/08/2018 recommending the Scheme.

The Board, after discussion, passed the following resolution in this regard:

"RESOLVED THAT pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 along with the rules and regulations issued



thereunder, including any statutory modifications, re-enactments or amendments made thereto from time to time, subject to the Memorandum of Association and Articles of Association of the Company, approval from Bombay Stock Exchange Limited ("BSE"), approval from Securities and Exchange Board of India (the "SEBI"), approval from the members of the Company, approval from its creditors and subject to the sanction of the National Company Law Tribunal ('NCLT') constituted under the Companies Act, 2013, and subject to the approval of any other statutory or governmental authorities, the Draft Scheme of Merger of Absorption of the Company, by Shahlon Silk Industries Limited a company incorporated under the Companies Act, 1956 and having its registered office at 91, G.I.D.C., Khatodara, B/H.: Sub-Jail, Ring Road, Surat in the State of Gujarat ("SSIL") and their respective shareholders and creditors ("*Scheme*") placed before the Board and initialled by the Chairman for the purpose of identification be and is hereby approved subject to changes in Clause 8 of the Scheme with the revised Clause 8 as set out below:

*"Upon the Scheme coming into effect and without any further act or deed on the part of SSIL, SSIL will, in consideration of transfer and vesting of FFL into SSIL in terms of this Scheme, issue 67,22,222 (Sixty seven lakhs twenty two thousand two hundred twenty two only) equity shares of Rs.10 each (the "New Shares") to the registered fully paid-up equity shareholders of FFL in the ratio of 1:0.90, i.e. 1 (one) equity share of Rs.10 each credited as fully paid up in SSIL for every 0.90 (point ninety) equity share of Rs.10 each fully paid up held by them in FFL (the "New Shares Entitlement Ratio"). The New Shares will be issued in the New Shares Entitlement Ratio to registered fully paid-up equity shareholders of FFL whose names are recorded in the register of equity shareholders of FFL on the Record Date."*

**RESOLVED FURTHER THAT** the Company do take further steps for obtaining the requisite approvals of the shareholders and the creditors of the Company and other regulatory authorities and persons, whose consent is required under law for the Scheme and for that purpose to initiate all necessary actions including seeking appropriate directions from the NCLT for either dispensing with the requirement of convening meetings of the shareholders and/or creditors of the Company or convening the meeting of the shareholders and/or creditors of the Company and other concerned persons / parties and to take all other consequential steps in that behalf, including the preparation and circulation of the notices and explanatory statements, and filing of all other documents required to be filed in this connection.



RESOLVED FURTHER THAT for the purpose of the Scheme and for determining the share exchange ratio, the Valuation Report prepared by CNK & Associates LLP and Fairness Opinion issued by Mark Corporate Advisors Private Limited on the said Valuation Report, submitted to the meeting and signed by the Chairman of the meeting for the purpose of identification, be and is hereby approved subject to modification as stated as hereinabove in respect to share exchange ratio.

RESOLVED FURTHER THAT Report of the Audit Committee dated 22/08/2018 recommending the draft Scheme for favourable consideration and approval by the Board, be and is hereby approved for submission to the BSE and SEBI in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR") and circulars and regulations issued by SEBI thereunder.

RESOLVED FURTHER THAT upon sanction of the said Scheme by the NCLT and upon the Scheme becoming effective, without any further act or deed on the part of SSIL, SSIL will, in aggregate, issue and allot 67,22,222 (*Sixty Seven Lacs Twenty Two Thousand Two Hundred Twenty Two Only*) equity shares of Rs. 10 each (the "New Shares") to registered fully paid-up equity shareholders of the Company, whose names are recorded in the register of equity shareholders of the Company on the Record Date, as decided by the Board in the ratio of 1:0.90 i.e. 1 (*one*) equity share of Rs.10 each credited as fully paid up in SSIL for every 0.90 (*point ninety*) equity share of Rs.10 each fully paid up held by the shareholders in the Company and Clause 8.1 of the draft Scheme shall be modified accordingly.

RESOLVED FURTHER THAT Upon the Scheme coming into effect, the Company shall without any further act or deed, stand dissolved without winding up.

RESOLVED FURTHER THAT Shri Dhirajlal Raichand Shah, Shri Jayantilal Raichand Shah and Shri Arvind Raichand Shah, Directors of the company and/or Shri Jitesh R. Varkal, Company Secretary of the company, be and are hereby jointly/or severally authorised to make such alterations and changes in the Scheme, as may be expedient and necessary for satisfying the requirement(s) or conditions imposed by the NCLT or any other statutory authorities as may be required, provided that prior approval of the Board shall be obtained for making any material changes in the said draft Scheme, as approved in this meeting.



**RESOLVED FURTHER THAT** the report of the board of directors explaining the effect of the scheme of amalgamation on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders as required to be annexed to the notice and explanatory statement as per section 232(2) of Companies Act 2013, submitted before the meeting, duly initialed by the Chairman of the Meeting for the purpose of identification, and signed on behalf of the Board of Directors of the Company by Shri Dhirajlal Raichand Shah, the Director be and is hereby adopted.

**RESOLVED FURTHER THAT** the Bombay Stock Exchange Limited will be the designated stock exchange for co-ordinating with SEBI in accordance with the SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017, SEBI Circular no. CFD/DIL3/CIR/2017/26 dated March 23, 2017 and the SEBI Circular no. CFD/DIL3/CIR/2018/2 dated January 03, 2018.

**RESOLVED FURTHER THAT** the Board do and hereby further authorize any one of the above officials of the Company either jointly/ or severally, to take all such steps in connection with:-

- (a) To verify, sign, deal, swear, affirm, declare, deliver, execute, make, enter into, acknowledge, undertake, record all deeds, declarations, instruments, vakalatnamas, applications, petitions, affidavits, objections, notices and writings whatsoever as may be usual, necessary, proper or expedite and all matter of documents, petitions, affidavits and applications under the applicable laws including Companies Act, 2013 or Companies Act, 1956, as the case may be, and other applicable laws in relation to the aforesaid matter;
- (b) To make necessary applications, petitions, appeals and judges summons to the competent authorities for the purpose for obtaining requisite approvals as and when required before any Court, Tribunal, or statutory authorities;
- (c) To file applications and/ or petitions before the NCLT for the directions for holding the meeting of the shareholders and creditors and for sanction of the Scheme;



- (d) To send notices, explanatory statement and other related documents and to conduct court convened meeting(s) and/or meeting through postal ballot and e-voting as per the applicable laws and/or as per direction of the NCLT;
- (e) Filing of valuation report as prepared by CNK & Associates LLP providing the share exchange ratio in respect of the aforesaid Scheme and Fairness Opinion issued by issued by Mark Corporate Advisors Private Limited;
- (f) File the Scheme of Amalgamation with the BSE and SEBI and to obtain approval under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (g) To file requisite undertaking, affidavit, certificates or other documents and/or liaise with SEBI, BSE, the Regional Director, Registrar of Companies, Stamp Authorities, Sub Registrar of Assurances, Official Liquidator, income tax authorities or any other governmental authorities in connection with the proposed Scheme during the process of sanction thereof and during the implementation of the Scheme after sanction of the Scheme;
- (h) To make necessary applications, petitions, appeals and judges summons to the competent authorities for the purpose for obtaining requisite approvals including in principle approvals as and when required before any Court, Tribunal, BSE, SEBI or statutory authorities as may be required for the purpose of sanction and/ or implementation of the Scheme;
- (i) To engage M/s. Rajani Associates, Solicitors and Nanavati Associates, Ahmedabad and any counsel/advocate on record appointed by them, and any other advisors, counsels, consultant firms to advise and represent the Company before competent authorities etc.;
- (j) To appoint and settle the terms of the appointment of rating agencies, merchant bankers and other intermediaries as may be required for the purpose of implementing the Scheme.
- (k) To make application to BSE, the SEBI and other governmental authorities for listing of the equity shares issued pursuant to the aforesaid Scheme;

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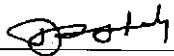


- (l) To affix the common seal of the Company on such deeds, documents, agreements, undertakings, letters, writings, etc. from time to time (including any modifications thereto) or any such other documents in connection with the purpose of above resolutions as may be required and in accordance with the provisions of the Articles of Association of the Company;
- (m) To make such alterations and changes and/ or modifications in the aforesaid applications and/ or petitions as may be expedient and necessary for satisfying the requirements and conditions imposed if any, by the court or any authority;

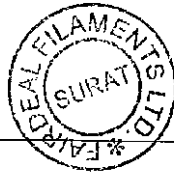
and do all such acts, deeds, matters and things as may be necessary, proper and expedient for effectuating and implementing the above decision, including any directions for settling any question or doubt or difficulty whatsoever that may arise to give effect to the aforesaid resolutions, including the execution of any document(s) that may be deemed fit.

**RESOLVED FURTHER THAT** the copy of the aforesaid resolutions certified to be true by any Director or Authorised Signatory of the Company and the same be submitted to the concerned authorities and they be requested to act thereon."

*Certified True Copy*  
For Fairdeal Filaments Limited



Dhirajlal Raichand Shah  
Director  
DIN No. 00010480



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**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL  
BENCH, AT AHMEDABAD  
COMPANY SCHEME APPLICATION NO. 8 OF 2019**

In the matter of the Companies Act, 2013;

And

In the matter of Sections 230 to 232 of the Companies Act, 2013;

And

In the matter of Scheme of Merger by absorption of Fairdeal Filaments Limited ("**FFL**" or "**Transferor Company**") by Shahlon Silk Industries Limited ("**SSIL**" or "**Transferee Company**");

And

their respective shareholders and creditors.

Fairdeal Filaments Limited

.... Applicant Company/ Transferor Company/ FFL

**FORM OF PROXY**

I/We, the undersigned Secured Creditor(s) of the Applicant Company hereby appoint Mr./Ms. \_\_\_\_\_ and failing him / her Mr./Ms. \_\_\_\_\_ of as my / our proxy, to act for me / us at the meeting of the Secured Creditors of the Applicant Company to be held on the Tuesday, 12<sup>th</sup> of March, 2019 at 3<sup>rd</sup> Floor, Dawer Chambers, Nr. Sub Jail, Ring Road, Surat -395002 in the State of Gujarat at 11 a.m. or so soon thereafter for the purpose of considering and, if thought fit, approving, with or without modification(s), the Scheme of Merger by absorption of Fairdeal Filaments Limited ("**FFL**" or "**Transferor Company**") by Shahlon Silk Industries Limited ("**SSIL**" or "**Transferee Company**") and their respective shareholders and creditors and at such meeting and at any adjournment or adjournments thereof, to vote, for me / us / and in my / our name \_\_\_\_\_ (*here, if for, insert 'for'; if against, insert 'against', and in the latter case, strike out the words below after 'Scheme'*) the said Scheme, either with or without modification(s)\*, as my / our proxy may approve.

\*Strike out what is not necessary.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Signature of Secured Creditor: \_\_\_\_\_

Signature of Proxy: \_\_\_\_\_

**Notes:**

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. The proxy need not be a creditor of the applicant company.
3. Please complete all details including details of member(s) before submission.
4. All alterations made in the Form of Proxy should be initialed.
5. In case of multiple proxies, the proxy later in time shall be valid and accepted.

**FAIRDEAL FILAMENTS LIMITED**  
CIN- L17110GJ1990PLC013771

Regd. Office: 3<sup>rd</sup> Floor, Dawer Chambers, Near Sub-Jail, Ring Road, Surat 395 002 in the State of Gujarat

**ATTENDANCE SLIP**

I hereby record my presence at the meeting of the Secured Creditors of the Applicant Company, convened pursuant to the Order dated January 24, 2019 of the Hon'ble National Company Law Tribunal at the registered office of the Applicant Company at 3<sup>rd</sup> Floor, Dawer Chambers, Near Sub-Jail, Ring Road, Surat 395 002 in the State of Gujarat, India on Tuesday, 12<sup>th</sup> day of March, 2019 at 11 a.m.

<b>Name and Address of the Secured Creditor</b>	
---	--

**Signature of Secured Creditor** \_\_\_\_\_

**E-mail address** \_\_\_\_\_

**NAME AND ADDRESS OF THE PROXY**

(in block letters, to be filled in by the proxy attending instead of the Secured Creditor):

\_\_\_\_\_

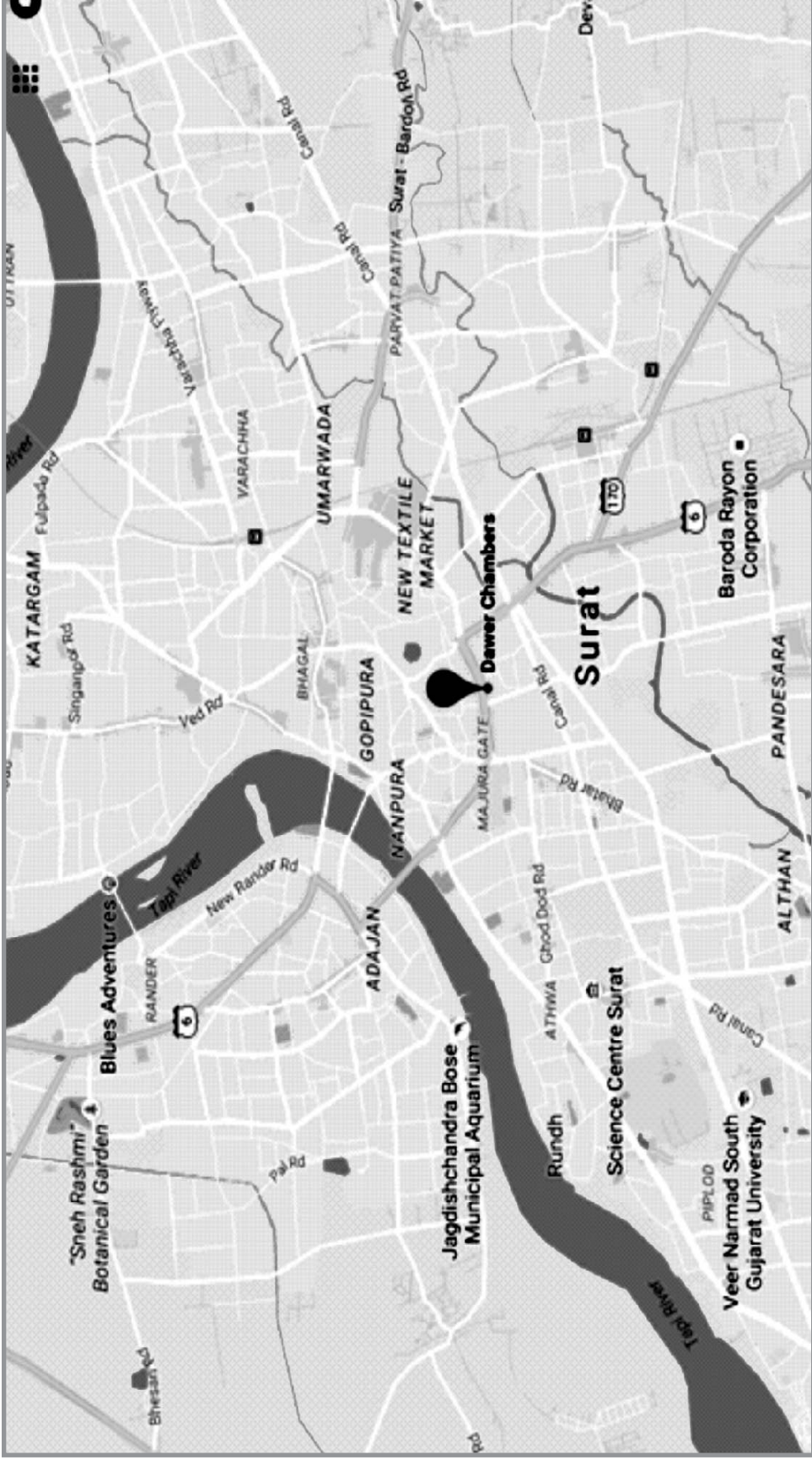
<b>Name and Address of Secured Creditor</b>	

**Signature of Secured Creditor** \_\_\_\_\_

**E-mail address** \_\_\_\_\_

**Notes:**

1. Secured Creditor /proxies are requested to bring this slip with them. Duplicate slips will not be issued at the entrance of the venue of the meeting.
2. Secured Creditor attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.
3. The proxy form must be deposited so as to reach the Registered Office of the Applicant Company not less than FORTY-EIGHT HOURS BEFORE THE TIME OF THE meeting.



Source : Google

## --: VENUE :-

**Fairdeal Filaments Ltd.**

3rd Floor, Dawer Chamber, Near Sub Jail, Ring Road, Surat, Gujarat 395002, India.