

**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF ROYAL CUSHION VINYL PRODUCTS LIMITED FOR RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT AMONGST NATROYAL INDUSTRIES PRIVATE LIMITED AND ROYAL CUSHION VINYL PRODUCTS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HELD ON TUESDAY, AUGUST 13, 2024**

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Members Present:

1. Mr. Dhaval Vakharia – Chairman
2. Mrs. Avani Pandit – Member
3. Mr. Jayesh Motasha - Member

**1. Background**

- 1.1. The proposal to consider and recommend draft Scheme of Arrangement in the nature of merger / amalgamation of Natroyal Industries Private Limited ("**Transferor Company**") with Royal Cushion Vinyl Products Limited ("**Transferee Company**" / "**Company**") and their respective shareholders and creditors under Sections 230 to 232 of the Companies Act, 2013 read with applicable rules made thereunder ("**Scheme**") was placed before and considered by members of the Audit Committee at its meeting held on Tuesday, August 13, 2024.
- 1.2. The Equity Shares of RCVPL are listed on BSE Limited ("**BSE**"). The Company will be filing the draft Scheme along with the necessary documents / information with the BSE for their No Objection or No Observation Letter pursuant to Regulation 37 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI LODR Regulations**") and applicable statutory provisions.
- 1.3. The Report of the Audit Committee is made to comply with the requirements of SEBI LODR Regulations and master circular in relation to scheme of arrangement issued by SEBI having No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 covering all circulars issued by SEBI in relation to scheme of arrangement including any amendments or modifications thereof, and any other circular issued pursuant to Regulations 11, 37 and 94 of SEBI LODR Regulations ("**SEBI Scheme Circular**"), considering following:
  - i. Draft Scheme, duly initialed by the director of the Company for the purpose of identification;
  - ii. Draft Valuation Report issued by Mr. Anandkumar Gawade, an independent registered valuer (IBBI Registration No. – IBBI/RV/05/2019/10746) ("**Registered Valuer**") appointed for recommending the fair share exchange ratio for the purpose of the Scheme;

- iii. Draft Fairness Opinion Report issued by Finshore Management Services Limited Category-I SEBI Registered Merchant Banker (SEBI Registration No. - INM000012185) providing fairness opinion ("**Fairness Opinion**") on the share exchange ratio recommended in the Valuation Report issued by Registered Valuer; and
- iv. Draft certificate issued by Manek & Associates, Chartered Accountants (ICAI Firm Registration No. 0126679W), the statutory auditors of the Transferee Company, as required under section 230(7)(e) of the Companies Act, 2013 and SEBI Scheme Circular certifying that the accounting treatment as specified in Clause 13 of the draft Scheme is in compliance with the applicable Indian Accounting Standards specified by the Central Government under section 133 of the Companies Act, 2013.

## **2. Proposed Scheme**

- 2.1. The Scheme, inter-alia, provides the following:
  - i. amalgamation / merger of Natroyal Industries Private Limited with Royal Cushion Viny Products Limited; and
  - ii. Various other matters consequential or otherwise integrally connected herewith
- 2.2. Appointed Date of the Scheme shall be the opening business hours of April 01, 2024 or such other date as the Hon'ble National Company Law Tribunal ("**NCLT**") may allow or direct and which is acceptable to the Board of Directors of the Transferor Company and the Transferee Company.
- 2.3. Effective Date of the Scheme shall mean the last of the dates on which all the conditions as referred to in Clause 21 of the Scheme has been complied with, including filing of certified copy of the order, sanctioning the draft Scheme, passed by the Hon'ble NCLT with the Registrar of Companies by the Transferor Company and the Transferee Company collectively.
- 2.4. The Scheme would be subject to the sanction or approval of the Hon'ble NCLT, SEBI, Stock Exchange(s), Shareholders, Creditors and other Appropriate Authorities (as defined in the Scheme).

## **3. Need for the merger and Rationale of Scheme**

- 3.1. The Transferor Company is engaged in the business of manufacturing of seating components, coated textile fabrics, knitted fabrics and trading of PVC Vinyl Flooring/ chemical items. The Transferee Company is engaged in the business of manufacturing and supplying PVC floor covering, PVC sheets and PVC leathercloth. Both the Companies are in a related line of business activities and are held by the same controlling shareholders group.





- 3.2. The Scheme will enable the Transferee Company to position itself as a larger and competitive organisation by pooling of various resources including human resources, finance, capital base, manufacturing facilities, operational and management capabilities etc. thereby enabling accelerated growth and development of the combined businesses.
- 3.3. The Scheme provides an opportunity to help the Transferor Company and the Transferee Company in achieving efficiency and synergy in operations by combining the business of the Transferor Company with the Transferee Company, which will result into better and more productive utilization of various resources and economies of scale including reduction in overhead expenses relating to administration, operations and management of the businesses.
- 3.4. The Scheme will enable the companies concerned to rationalize and streamline their management, business and finances and to eliminate duplication of work to their common advantages.
- 3.5. Thus, with an intent to achieve aforesaid objectives and further in order to consolidate, streamline and effectively merge the Transferor Company and the Transferee Company in a single entity it is intended that the Transferor Company be merged / amalgamated with the Transferee Company.
- 3.6. The amalgamation of the Transferor Company with the Transferee Company will combine the business, activities and operations of the Transferor Company and the Transferee Company into a single company with effect from the Appointed Date and shall be in compliance with the provisions of the IT Act (as defined hereunder), including Section 2(1B) thereof or any amendments thereto.

#### **4. Synergies of business of the entities involved in the Scheme**

As elaborated in the rationale of the Scheme, the amalgamation of the Transferor Company with the Transferee Company provides an opportunity to the Transferee Company to pool their resources and to expand their activities thus enabling establishment of a larger company with larger resources and a larger capital base thus enabling further development of the business of the companies. Also, it will result into economies of scales, reduction in overheads including administrative, managerial and other expenditure, operational rationalization, organizational efficiency and optimal utilization of resources by elimination of unnecessary duplication of activities and related costs.

#### **5. Impact of the Scheme on the shareholders of the Company**

- 5.1. Pursuant to the Scheme, equity shares of the Transferee Company are proposed to be issued to the shareholders of the Transferor Company on the basis of share exchange ratio, as recommended by the Registered Valuer. Further, the Fairness Opinion report from Merchant Banker has confirmed that the share exchange ratio as recommended



by the Registered Valuer is fair for both the Companies and their respective shareholders.

- 5.2. The Scheme has been drafted keeping in mind the provisions of section 2(1B) of the Income-tax Act, 1961, as more particularly elaborated in Clause 11.1 of the Scheme, and therefore it may not have any adverse tax implications.
- 5.3. The Scheme is expected to be beneficial to the Companies and its shareholders and all other stakeholders at large and is not detrimental to any of the shareholders of the Company.

#### **6. Cost benefit analysis of the Scheme**

Keeping in view of the need for the merger, rationale of the Scheme and expected synergies, the Audit Committee is of the view that the proposed Scheme of Arrangement will provide many benefits to the Transferee Company in terms of development and expansion of its business without requiring immediate outflow of cash resources as the consideration is proposed to be discharged by issue of shares of the Transferee Company, while there would be non-material procedural costs to be expended by the Transferee Company to implement the Scheme proposal. Thus, considering all aspects, the Audit Committee is of the considered view that benefits would outweigh the costs.

#### **7. Recommendations of the Audit Committee**

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme, Valuation Report, Fairness Opinion Report and in view of above points, recommends the draft Scheme for favourable consideration by the Board of Directors of the Company, BSE and SEBI and other statutory or regulatory authorities.

By Order of the Audit Committee

For and on behalf of  
**Royal Cushion Vinyl Products Limited**



**Dhaval Vakharia**  
**Chairman of the Audit Committee**  
**DIN: 07787013**

**Place: Mumbai**  
**Date: August 13, 2024**