

**REPORT OF AUDIT COMMITTEE OF SUPER SPINNING MILLS LIMITED RECOMMENDING
THE AMALGAMATION OF SARA ELGI ARTERIORS LIMITED AND ELGI BUILDING PRODUCTS
LIMITED, THE SUBSIDIARIES WITH THE COMPANY**

Members:

1. Mr.C S K Prabhu - Chairman (Independent Director)
2. Mr.C G Kumar - Member (Independent Director)
3. Mr.Vijay Venkataswamy - Member (Independent Director)

In Attendance:

1. Mr.Sumanth Ramamurthi - Executive Chairman
2. Mr.A.S.Thirumoorthy - Managing Director
3. Mr.C.Shankar - Chief Financial Officer (CFO)
4. Mrs.Ramaa Krishnakumar - Company Secretary

Background:

Pursuant to SEBI Circular No.CIR/CFD/CMD/16/2015 dated 30th November 2015 **Super Spinning Mills Limited (CIN:L17111TZ1962PLC001200)** (hereinafter referred to as “the Company”) has placed before its Audit Committee the draft Scheme of Amalgamation proposing the amalgamation of M/s.Sara Elgi Arteriors Limited (CIN:U28111TZ2003PLC010797) and M/s.Elgi Building Products Limited (CIN:U45201TZ1996PLC007037), the subsidiaries (being Transferor Companies) with the Company (the holding Company being the Transferee Company) (hereinafter referred to as “the Scheme”) seeking the recommendations of the Committee on the proposed Scheme. The equity shares of the Company are, presently, listed on BSE Limited (“BSE”) and The National Stock Exchange of India Limited (“NSE”).

The Committee opines that since the draft Scheme proposes the amalgamation of M/s. Sara Elgi Arteriors Limited, a wholly-owned subsidiary and M/s. Elgi Building Products Limited, a subsidiary of Sara Elgi Arteriors Limited whose entire paid-up share capital is held by Sara Elgi Arteriors Limited and Super Spinning Mills Limited with its holding company there would not be any change in the shareholding pattern of the Resultant Listed Company (being the Transferee Company) and hence, the Valuation Report from an Independent Chartered Accountant would not be required in accordance with the SEBI Circular No.CIR/CFD/CMD/16/2015 dated 30th November, 2015.

A certificate from Mr.A.Palaniappan, Chartered Accountant, Coimbatore certifying that the valuation report is not required has also been obtained.

After taking into consideration the following documents, the Audit Committee, at its meeting held on 24th November 2016, has reviewed the proposed Scheme and hereby reports as under;

- a. Copy of the draft Scheme of Amalgamation.
- b. Copy of the Certificate dated 23rd November 2016 obtained from Mr.A.Palaniappan, Chartered Accountant, Coimbatore
- c. Copy of the Fairness Opinion dated 23rd November 2016 issued by M/s.D & A Financial Services Limited, Merchant Bankers.

Rationale of the proposed Scheme of Amalgamation:

The Scheme of Amalgamation is expected to yield the following benefits:

- (i) Enable consolidation of the business of the three companies into one entity which will facilitate in focused growth, operational efficiencies, business synergies and better supervision of the business of the group.
- (ii) Pooling of resources (including manpower, management and administration and marketing resources) of the aforesaid companies resulting in, synergies of operations and optimisation of logistics, resulting in more productive utilisation of said resources, savings in cost and operational efficiencies.

- (iii) Strengthening financial position and increased leverage capacity of the merged entity
- (iv) Concentrated management focus, improved organisational capacity, integration rationalisation and streamlining of the management structure of the merged entity, seamless implementation of policy changes at a higher level from a management perspective and shall also help enhance the efficiency and control of the entities.
- (v) Facilitating internal transfer of resources and optimum utilisation of assets
- (vi) Avoiding duplication of administrative functions, reduction in multiplicity of legal and regulatory compliances.
- (vii) Enable the creation of a platform for a new business segment and to act as a gateway for growth and expansion of business operations.

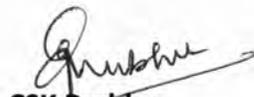
Salient Features of the proposed Scheme of Amalgamation:

- ❖ The Scheme provides for merger of Sara Elgi Arteriors Limited and Elgi Building Products Limited, the Subsidiaries with the Company under one single Scheme of Arrangement.
- ❖ The Appointed Date for the Scheme is fixed as 1st April, 2016.
- ❖ The Scheme provides for transfer of assets and liabilities pertaining to Sara Elgi Arteriors Limited and Elgi Building Products Limited on a 'going concern' basis to the Company.
- ❖ Since Sara Elgi Arteriors Limited and Elgi Building Products Limited are subsidiaries of the Company, the investment of the Company in Sara Elgi Arteriors Limited and Elgi Building Products Limited shall stand cancelled and hence, the Company shall not be required to issue any shares or pay any consideration to the transferor companies or its shareholders.
- ❖ M/s.D& A Financial Services Private Limited, the Merchant Bankers, has issued the Fairness Opinion on the proposed Scheme.
- ❖ The Scheme is subject to the approval of SEBI, BSE Limited ("BSE"), The National Stock Exchange of India Limited ("NSE") and the Hon'ble High Court of Judicature at Madras, Chennai and such other Authorities as may be necessary in this regard.

Recommendations of the Audit Committee:

In view of the above, the Audit Committee, after taking into consideration the (a) draft Scheme of Amalgamation (b) the Certificate dated 23rd November, 2016 obtained from Mr.A.Palaniappan, Chartered Accountant, Coimbatore and (c) the 'Fairness Opinion' dated 23rd November 2016 issued by M/s.D & A Financial Services Private Limited, Merchant Bankers, hereby recommends the draft Scheme of Amalgamation proposing the amalgamation of M/s.Sara Elgi Arteriors Limited (CIN: U28111TZ2003PLC010797) and M/s.Elgi Building Products Limited (CIN: U45201TZ1996PLC007037), the subsidiaries (being Transferor Companies) with the Company (the holding Company being the Transferee Company) for the favourable consideration and approval of the Board of Directors, BSE Limited ("BSE"), The National Stock Exchange of India Limited ("NSE") and The Securities and Exchange Board of India ("SEBI").

**For and On behalf of the Audit Committee of
Super Spinning Mills Limited**


CSK Prabhu

DIN : 00002913

Chairman of Audit Committee

Date : 24th November 2016

Place : Coimbatore