



REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF SIYARAM SILK MILLS LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN SIYARAM SILK MILLS LIMITED AND ITS SHAREHOLDERS AT ITS MEETING HELD ON SATURDAY, 26TH OCTOBER, 2024, AT 11.45 A.M. AT THE CORPORATE OFFICE OF THE COMPANY.

The following members were present:

1. Shri. Sachindra N. Chaturvedi - Chairman
2. Smt. Mangala R. Prabhu - Member
3. Shri. Ashok N. Desai
4. Shri. Deepak R. Shah
5. Shri. Chetan S. Thakkar

By invitation:

1. Shri. Surendra S. Shetty - Chief Financial Officer
2. Shri. William V. Fernandes - Company Secretary

1. Background

- 1.1. A meeting of the Committee of Independent Directors of Siyaram Silk Mills Limited ("**Company**") was held on 26th October, 2024 to consider and recommend the proposed draft Scheme of Arrangement between the Company and its shareholders under Section 230 and other applicable provisions of the Companies Act, 2013 ("**Act**") ("**Scheme**").
- 1.2. The Company is incorporated under the provisions of the Companies Act, 1956. The Company is engaged in the business of manufacturing, branding and marketing of fabrics, readymade garments and indigo dyed yarn. The equity shares of the Company are listed on BSE Limited and the National Stock Exchange of India Limited (collectively referred as "**Stock Exchanges**").
- 1.3. The Committee of Independent Directors noted that the Scheme, inter alia, provides for issue of Preference Shares (*as defined in the Scheme*) by way of bonus to the shareholders of the Company by utilizing its general reserves.
- 1.4. This Report of the Committee of Independent Directors is made in order to comply with the requirements of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and SEBI Master Circular number

Corporate office: B - 5, Trade World, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai - 400013 (India)

Phone : 3040 0500, Fax: 3040 0599 Email: william.fernandes@siyaram.com

Internet: www.siyaram.com CIN : L17116MH1978PLC020451

Registered Office: H - 3/2, MIDC, A - Road, Tarapur, Boisar, Palghar - 401 506 (Mah.)





- 3 (Three) Preference Shares - Series II of face value of INR 10 each fully paid up for every 1 (One) equity share of INR 2 each fully paid up held by such shareholder.

(d) The effectiveness of the Scheme is contingent upon certain conditions as mentioned in the Scheme.

3. Proposed Scheme of Arrangement

3.1. Need for the Arrangement and Rationale of the Scheme

The Committee of Independent Directors noted the rationale and the benefits of the Scheme which, *inter-alia*, are as follows:

- (i) Over the years, the Company has built up substantial surplus reserves from its profits. The surplus reserves are well above the Company's current and likely future business needs.
- (ii) Further, upon taking into consideration the surplus reserves being more than what is needed to fund the Company's future growth and the Company's capability to generate strong free cash flow in the foreseeable future, the Company is of the view that these excess funds can be optimally utilized to reward its shareholders.
- (iii) Even after issue of Preference Shares in accordance with the Scheme, the Company would continue to have sufficient cash resources to discharge its liabilities towards its lenders and other stakeholders on time and in ordinary course of its business.
- (iv) Therefore, the Company has proposed *inter alia*, to distribute such surplus funds amongst its shareholders by issuing fully paid up Preference Shares by way of bonus in terms of this Scheme.
- (v) The Preference Shares will be a listed security and will give flexibility to the equity shareholders and the Company in managing its liquidity until redemption.
- (vi) In view of the aforesaid factors, the Company has concluded that it can effectively utilize its surplus reserves by distributing a considerable portion of the same to its equity shareholders. Further, to maintain high level of corporate governance and transparency, the Company proposes issuance of Preference Shares by way of bonus to its equity shareholders under Section 230 of the Act which will be

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subject to necessary statutory, regulatory and corporate approvals.

3.2. **Synergies of business of the entities involved in the Scheme**

The present Scheme is an arrangement between the Company and its shareholders for issuance of Preference Shares by way of bonus to shareholders of the Company. Thus, there is no question of synergies of business of the entities involved in the Scheme.

3.3. **Impact of the Scheme on the Company and its shareholders**

- (a) In terms of the Scheme, the Company will issue Preference Shares by way of bonus to all its shareholders (promoter and non-promoter) of the Company by utilizing its general reserves;
- (b) The rights and interests of the shareholders of the Company and its shareholders will not be prejudicially affected by the Scheme, and there will be no change in the economic interest of the shareholders of the Company, before and after the Scheme;
- (c) Pursuant to the Scheme, there will be no change in the equity shareholding pattern of the Company. The Preference Shares issued will be listed on the Stock Exchanges;
- (d) The proposed Scheme is in the interest of the shareholders of the Company; and
- (e) The Scheme is expected to be beneficial to the Company and its shareholder, leading to opportunity for growth and value creation in the long run and maximizing the value and returns to the shareholders, achieving cost and operational efficiencies.

3.4. **Cost benefit analysis of the Scheme**

The Committee of Independent Directors also noted that the Preference Shares proposed to be issued by the Company will carry a coupon of 9% per annum and will be listed on the Stock Exchanges.

The Committee of Independent Directors *inter alia* discussed and deliberated,

- each equity shareholder of the Company will get Preference Shares of the Company as mentioned in the Scheme, which will be listed on the Stock Exchanges;

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- the details of tax costs in the hands of the Company and shareholders, pursuant to the bonus issue of Preference Shares; and
- listing of Preference Shares of the Company would improve the liquidity of shares and thereby the public shareholders would get benefited.


While the Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company.

4. **Recommendation of the Committee of Independent Directors**

The Committee of Independent Directors *inter alia* taking into consideration the draft Scheme, and certificate(s) issued by the Statutory Auditors of the Company, need and rationale of the Scheme, impact of the Scheme on the Company and its shareholders, cost benefit analysis of the Scheme is of the view that the Scheme is not detrimental to the interests of shareholders of the Company. In view thereof, the Committee of Independent Directors hereby recommends the Scheme to the Board of Directors of the Company for its consideration and approval.

In order for the Company to comply with the extant regulations applicable to the listed companies undertaking any scheme of arrangement under the Act and SEBI Master Circular, this report of the Committee of Independent Directors may please be taken on record by the Board while considering the Scheme for approval and further authorisations.

On behalf of the Committee of Independent Directors of
SIYARAM SILK MILLS LIMITED


Sachindra N. Chaturvedi

DIN : 00553459

Committee of Independent Directors



Place : Mumbai

Date : 26th October, 2024.

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