

Aerodrome Road,
Jamnagar – 361 006, India.
Tel.: +91 (0288) 2712972-73
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Appendix - 4

REPORT OF THE AUDIT COMMITTEE OF DIGJAM LIMITED (“COMPANY”) AT ITS MEETING HELD ON SUNDAY, JUNE 29, 2025 AT 04:25 P.M., RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT AMONGST REID & TAYLOR INTERNATIONAL PRIVATE LIMITED (“RTIL” OR “DEMERGED COMPANY”) AND THE COMPANY AND THEIR RESPECTIVE SHAREHOLDERS (“SCHEME”)

Present:

S. No.	Name of Committee Members	Designation
1.	Sudha Bhushan	Independent Director and Chairperson
2.	Duraiswamy Gunaseela Rajan	Independent Director
3.	Panchapakesan Swaminathan	Independent Director

Invitees:

S. No.	Name of Invitees	Designation
1.	Ajay Agarwal	Director
2.	Pankaj Prakash Gharat	Chief Financial Officer
3.	Kriti Rajoria	Secretarial Department
4.	Prashant Bokil	IT Department

Leave of Absence:

S. No.	Name of Committee Members	Designation
1.	Hardik Bharat Patel	Executive Director

1. Background

- 1.1. A meeting of the Audit Committee of Digjam Limited (“Company” or “Digjam”) was held on June 29, 2025, to, *inter alia*, consider and if thought fit, recommend to the Board of Directors of the Company (“Board”), the draft Scheme of Arrangement amongst Reid & Taylor International Private Limited (“RTIL” or “Demerged Company”) and the Company and their respective shareholders (“Draft Scheme”), pursuant to the provisions of Section 230 to 232 and other applicable provisions of the Companies Act, 2013 (“Act”) and the rules made thereunder.
- 1.2. The Company is a public company incorporated on 17th June 2015 under the Companies Act, 2013 with Corporate Identification Number: L17123GJ2015PLC083569 and having its registered office at Aerodrome Road, Jamnagar – 361006, Gujarat. The equity shares of the Company are listed on BSE Limited and National Stock Exchange of India Limited. The Company is engaged in the business of trading in all kinds of textiles and manufacturing of high-quality woollen/ worsted fabrics at Jamnagar, Gujarat under the brand “DIGJAM”.
- 1.3. RTIL is a private company incorporated on 21st February 2019 with Corporate Identification Number: U74999MH2019PTC321644 and having its registered office at 602 CTS No. 261, Boston House Suren Road, BHD. Cine Magic, Andheri (East), Mumbai – 400093, Maharashtra. RTIL is engaged in the business of textile manufacturing and undertaking job work services and trading activities. The equity shares of RTIL are not listed on any stock exchange(s).



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- 1.4. This report of the Audit Committee is made in compliance with the requirement of the Master Circular no. SEBI/HO/POD-2/P/CIR/2023/93 dated 20th June 2023, (“SEBI Circular”), issued by the Securities and Exchange Board of India (“SEBI”). In terms of the SEBI Circular, a report from the Audit Committee is required, recommending the Draft Scheme, after taking into consideration, inter alia, the Valuation Report (as defined below).
- 1.5. The Draft Scheme was placed before the Audit Committee to consider and recommend the same to the Board of Directors of the Company after taking into account the following necessary draft documents:
- Draft Scheme, duly initialled by the Chairman of the Audit Committee for the purpose of identification;
 - Share Exchange Ratio Report (Valuation Report) dated June 27, 2025 prepared by Registered Valuer, CA Archit Gupta, IBBI Registration Number **IBBI/RV/06/2020/13229**, providing the share exchange ratio for the Draft Scheme;
 - Fairness Opinion dated June 29, 2025 prepared by Navigant Corporate Advisors Limited, SEBI Registered Category I Merchant Banker, SEBI Registration No. INM000012243, providing the Fairness Opinion on the share exchange ratio (“Fairness Opinion”) as recommended by Registered Valuer, CA Archit Gupta, IBBI Registration Number **IBBI/RV/06/2020/13229**; and
 - Draft Certificate to be issued by the Statutory Auditors of the Company i.e., M/s Nayan Parikh & Co., Chartered Accountants, to the effect that the Scheme is in compliance with the applicable Accounting Standards as specified by the Central Government under Section 133 of the Companies Act, 2013;

2. Need and Rationale for the Scheme

The Audit Committee noted the need, rationale and the benefits of the Scheme to the stakeholders and shareholders which, inter-alia are as follows:

- Both the Companies involved in this Scheme are part of the Finquest Group (“Group”).
- Further, the Resulting Company and the Demerged Undertaking i.e., Textile Business Undertaking (as more explicitly defined in the Scheme) of the Demerged Company are engaged in similar business activities.
- The Group intends to consolidate the textile business of the Demerged Company and the Resulting Company through a Scheme of Arrangement which would be in the interest of both the Companies, their shareholders and other stakeholders, inter alia, on account of the following reasons:
 - The Board of Directors of both the Companies intend to bring the ‘Textile Business’ of the Demerged Company and the Resulting Company under one entity, since they recognize the fact that combining both the business divisions will enable the Resulting Company to optimize the utilization of the specialized skills and knowledge, cash flow profiles, and operational and training requirement. In this scenario, the Board of Directors of both the Companies are of the view that it would be better to demerge the ‘Textile Business’ of the Demerged Company into the Resulting Company and additionally take advantage of the economies arising out of integration of the business under one entity.



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- (ii) This arrangement will help in optimal utilization of resources, operations on economies of scale, achieve cost savings, reduction in multiplicity of legal and regulatory compliances, and would aid rationalization, simplify business process and optimize resources and administrative expenses and provide focused leadership and management attention on the textile business activity of the group and to bring about operation synergies in the business operations.
- (iii) Overall, the Scheme of Arrangement is intended to consolidate group business and operations to enable better and more efficient management, control and running of its various businesses and offering opportunities to the management of both the companies to vigorously pursue growth and expansion. The Scheme of Arrangement will lead to the emergence of a fully integrated single entity positioned to provide more extensive and integrated services in the textile sector.
- (iv) The Scheme of Arrangement would result in enhanced potential for increase in revenues and profits over time for the Resulting company and its members. The demerger would provide synergistic linkages besides economies in costs and other benefits resulting from the economies of scale, by combining the businesses (including specific industry expertise thereto) and thus contribute to the profitability over time of the Resulting company by rationalization of management and administrative structure.
- (v) Further, pursuant to the demerger, the shareholders of the Demerged Company will be allotted shares of the Resulting Company which will be subsequently listed, thus, increasing the long-term value for all the shareholders of the Demerged Company.

The Scheme shall be beneficial and be in the best interest of the shareholders, creditors and other stakeholders of both the Demerged Company and the Resulting Company. The Scheme shall not be in any manner prejudicial to the interest of concerned members, creditors and stakeholders.

In view of the aforesaid, the Audit Committee is of the informed opinion that the proposed rationale of the Scheme will be beneficial for the Company and its shareholders.

3. Synergies of business of the entities involved in the Scheme

The proposed Scheme would result in following synergies:

- i. The consolidation of Textile Business of the Demerged Company and Resulting Company under one entity will lead to operational efficiencies by aligning management focus and resources towards business specific approach and strategy.
- ii. The restructuring would allow management efficiency, improve agility to enable quicker decision making, eliminate administrative duplications etc. This will consequently reduce administrative costs.
- iii. The Scheme of Arrangement will lead to the emergence of a fully integrated single entity positioned to provide more extensive and integrated services in the textile sector.



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4. Salient Features of the Scheme

The Audit Committee considered and noted the following salient features in relation to the Draft Scheme:

- i. The Draft Scheme involves Demerger and vesting of the Demerged Undertaking i.e., Textile Business Undertaking (as more explicitly defined in the Scheme) of the Demerged Company into the Resulting Company;

The Appointed Date for the Scheme shall be 1st July 2025 or such other date as may be fixed or approved by the National Company Law Tribunal or such other Appropriate Authority (“Appointed Date”).

- ii. The effectiveness of this Scheme is conditional upon and subject to the following:
 - a. the approval of the Scheme by the requisite majority of the respective members and creditors and such class of persons of the Demerged Company and the Resulting Company, as required in terms of the applicable provisions of the relevant Act as well as any requirements that may be stipulated by the Appropriate Authority in this respect;
 - b. the approval of the shareholders of the Resulting Company through e-voting and / or other mode as may be required under any Applicable Law and the SEBI circular. The scheme is conditional upon scheme being approved by the public shareholders of the Resulting Company through e-voting in terms of para 10(a) of Part I of SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 and the Scheme shall be acted upon only if vote cast by the public shareholders of the Resulting Company in favour of the proposal are more than the number of votes cast by the public shareholders of the Resulting Company against it.
 - c. the sanction of the Appropriate Authority, being obtained under Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions of the Act, if so required on behalf of the Companies.
 - d. 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;
 - e. approval of Appropriate Authorities (including Securities and Exchange Board of India) and receipt of ‘No-Objection letter’ from Stock Exchange where such approval or consent is necessary; and
 - f. all other sanctions and approvals as may be required by law in respect of this Scheme being obtained.
- iii. Upon the Scheme becoming effective and with effect from the Appointed Date, the demerger of the Demerged Undertaking from the Demerged Company to the Resulting Company shall be accounted for, in the books of the Resulting Company, in accordance with Appendix C (i.e. Business Combinations under Common Control) of the Indian Accounting Standard (Ind AS) 103 - “Business Combination” notified under Section 133 of the Act and the applicable rules issued thereunder and as amended from time to time:



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- iv. The share exchange ratio for the allotment of equity shares of the Resulting Company, having face value of INR 10/- each to the shareholders of Demerged Company as on the Record Date (as defined in the Scheme), in consideration for the demerger have been determined:

“46,481 (Forty-Six Thousand Four Hundred and Eighty-One) equity shares of the Resulting Company of face value of INR 10/- (Rupees Ten Only) each fully paid up for every 100 (Hundred) equity shares of the Demerged Company of face value of INR 10/- (Rupees Ten Only) each fully paid up.”

In terms of the Scheme, equity shares of the Resulting Company are proposed to be issued and allotted to the shareholders of the Demerged Company. In view of the aforesaid paragraph and in terms of Paragraphs 10(b)(i) and 10(b)(ii) of the SEBI Circular, the Scheme shall be acted upon only if the votes cast by the public shareholders of the Resulting Company in favour of the Scheme are more than the number of votes cast by the public shareholders against it.

The consideration as set forth in the Draft Scheme will be discharged on an ‘arm’s length basis’. The share exchange ratio for the shares to be allotted pursuant to the Scheme are based on the Valuation Report and the Fairness Opinion. The aforementioned Valuation Report and Fairness Opinion have duly been considered by the Audit Committee.

Further, M/S Nayan Parikh & Co., Chartered Accountants, Statutory Auditors of the Company, vide their draft certificate, have confirmed that the accounting treatment as specified in the Draft Scheme is in accordance with the applicable Indian Accounting Standards issued by the Institute of Chartered Accountants of India and as notified by MCA, read together with Section 133 of the Act and the Companies (Indian Accounting Standards) Rules, 2015.

5. Cost-Benefit Analysis of the Scheme

The implementation of the Scheme will involve incurring costs including, administrative/ statutory levy(ies), fees payable to financial/ legal advisors etc.

Implementation of the Scheme shall result in appropriate consolidation of textile business resulting in pooling and more efficient utilization of their resources, reduction in overheads and other administrative expenses, enable focused strategy, better coordination and cohesiveness in their working and assist in standardisation of their business process.

As a result, the long-run benefit derived by the shareholders would foreshadow the cost incurred towards implementation of the Scheme.

6. Impact of the Scheme on the Shareholders

The Audit Committee reviewed the Valuation Report and the Fairness Opinion for determination of share exchange ratio under the Draft Scheme.

Pursuant to the Scheme, the shareholders of RTIL will receive equity shares in Digjam in accordance with Clause 10.1 of the Scheme.

The Audit Committee is of the informed opinion that the Draft Scheme is in the best interests of the Company and its shareholders. The impact of the Draft Scheme on the shareholders, including, the public shareholders would be the same in all respects and no shareholder is expected to have any disproportionate advantage or disadvantage in any manner. The Scheme is not in any manner

prejudicial or against public interest and would serve the interest of all shareholders, creditors or any other stakeholders.

7. Recommendations of the Audit Committee

The Audit Committee after due deliberations and due consideration of all the terms of the Draft Scheme, Share Exchange Ratio Report, Fairness Opinion Report, Certificate from Statutory Auditors and the specific points mentioned above, recommends the Draft Scheme for favourable consideration and approval by the Board of Directors of the Company, the BSE Limited, the Securities and Exchange Board of India ('SEBI') and other statutory / regulatory authorities including National Company Law Tribunal, Mumbai Bench ('NCLT').

By Order of the Audit Committee

For and on behalf of Audit Committee
DIGJAM LIMITED



Ms. Sudha Bhushan
Chairperson of the Audit Committee Meeting

Date: 29.06.2025
Place: Mumbai