



**REPORT OF THE AUDIT COMMITTEE OF M/S LUX INDUSTRIES LIMITED,
(" COMPANY") RECOMMENDING THE DRAFT SCHEME OF
AMALGAMATION OF M/S J.M.HOSIERY & CO LIMITED AND M/S EBELL
FASHIONS PRIVATE LIMITED WITH THE COMPANY AND THEIR
RESPECTIVE SHAREHOLDERS DATED 26TH JUNE, 2018.**

To
The Board of Directors
Lux Industries Limited
39, Kali Krishna Tagore Street,
Kolkata-700007.

1. Background

- 1.1 A meeting of the Audit Committee of the Company was held on 26th June, 2018 to consider and recommend the proposed Scheme of Amalgamation of M/S J.M. Hosiery & Co. Limited And M/S Ebell Fashions Private Limited with the Company And their Respective Shareholders, under Sections 230-232 and other applicable provisions of the Companies Act, 2013 ("Scheme").
- 1.2 This report of the Audit Committee is made in order to comply with the requirements of the SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI circular no. CFD/DIL3/CIR/2017/21 dated 10th March, 2017 and as amended from time to time.

1.3 The following documents were placed before the Audit Committee:

- Draft Scheme, duly initialed by the Company Secretary of the company for the purpose of identification;
- Valuation report dated 26th June, 2018("Valuation Report") prepared by M/s. S.R. Batliboi & Co. LLP, Independent Chartered Accountants, describing the methodology adopted by them in arriving at the share entitlement ratio; and
- Fairness opinion dated 26th June, 2018 ("Fairness Opinion") prepared by VC Corporate Advisors Private Limited, Independent Merchant Banker providing the Fairness Opinion on the share entitlement ratio as recommended by the Valuation Report.
- Statutory Auditor's Certificate dated 26th June, 2018 confirming the compliance of accounting treatment received from S. K. Agrawal & Co, Chartered Accountants.

2. Proposed Scheme of Amalgamation

2.1 The Audit Committee noted the rationale and the benefits of the Scheme which, inter-alia, are as follows:

- The proposed merger will lead to the presence of the Transferee Company across various market segments leading to risk mitigation and higher growth;

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- (b) The proposed merger will rationalize the management structure, enhance customer reach, reduce overhead costs and ultimately lead to increased topline and bottomline for the Transferee Company;
- (c) The merged entity will have greater financial strength and flexibility;
- (d) The merger will also result in value appreciation for the shareholders of the merged entity;
- (e) Under a liberalised, fast changing and highly competitive environment, this amalgamation shall strengthen the business of the Transferor Companies and the Transferee Company by pooling up the resources for common purpose;
- (f) The amalgamation will enable the future business activities to be carried on more conveniently and advantageously with a larger asset base besides achievement of management efficiency, reduction in administrative cost, optimisation of resources, enhanced flexibility in funding of expansion plans, improving profitability and stronger balance sheet of the merged Company.
- (g) Cost savings are expected to flow from more focused operational efforts, rationalisation, standardisation and simplification of business processes, and the elimination of duplication and rationalization of administrative expenses.

2.2 The Audit Committee reviewed the Valuation Report and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the share exchange ratio in the Valuation Report is fair to the shareholders of the Company.

The share entitlement ratio recommended by the Valuation Report and confirmed by the Fairness Opinion is as follows:

1142 Equity Shares of Rs. 2 each fully paid up of LIL to be issued for every 100 Equity Shares of Rs. 10 each fully paid up of EFPL.
29 Equity Shares of Rs. 2 each fully paid up of LIL to be issued for every 100 Equity Shares of Rs. 10 each fully paid up of JMHL.

2.3 The proposed appointed date for the amalgamation will be 1st April, 2018.



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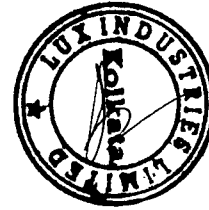
3. Recommendation of the Audit Committee

Taking into consideration the draft Scheme, Valuation Report, Fairness Report and other documents, as placed, the Audit Committee recommends the draft Scheme to the board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee

For and on behalf of LUX INDUSTRIES LIMITED


(Nandanandan Mishra)
Chairman
Audit Committee
Place: Kolkata
Dated: 26th June, 2018



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