

**REPORT OF THE AUDIT COMMITTEE OF ASIAN GRANITO INDIA LIMITED RECOMMENDING THE DRAFT OF COMPOSITE SCHEME OF ARRANGEMENT AMONGST ASIAN GRANITO INDIA LIMITED AND AFFIL VITRIFIED PRIVATE LIMITED AND IVANTA CERAMICS INDUSTRIES PRIVATE LIMITED AND CRYSTAL CERAMIC INDUSTRIES LIMITED AND AFFIL CERAMICS LIMITED AND IVANTA CERAMIC LIMITED AND CRYSTAL VITRIFIED LIMITED AND AMAZOONE CERAMICS LIMITED AND AGL INDUSTRIES LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HELD ON AUGUST 12, 2023**

The following member of Audit Committee were present:

1. Mr. Kandarp Trivedi – Chairman (Independent Director)
2. Mr. Maganlal Prajapati – Member (Independent Director)
3. Mr. Kamleshkumar Patel - Member

**1. Back Ground and Salient Features of the Scheme**

- 1.1 A meeting of the Audit Committee of Asian Granito India Limited (“the Company” / “AGIL”) was held on **August 12, 2023** to consider the proposed scheme of arrangement amongst Asian Granito India Limited and Affil Vitrified Private Limited and Ivanta Ceramics Industries Private Limited and Crystal Ceramic Industries Limited and Affil Ceramics Limited and Ivanta Ceramic Limited and Crystal Vitrified Limited and Amazoone Ceramics Limited and AGL Industries Limited and their respective Shareholders and Creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“Act”)(“The Scheme”)
- 1.2 The company is a public listed company incorporated under the provisions of the Companies Act, 1956 and now governed by the provisions of the Companies Act, 2013. The equity shares of the Company are listed on BSE Limited and the National Stock Exchange of India Limited in accordance with SEBI regulations and circulars.
- 1.3 The report of the audit committee is made in order to comply with SEBI Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023
- 1.4 The Committee Consider the:
  - (i) Draft of the composite Scheme of Arrangement
  - (ii) Valuation report dated August 12, 2023 issued by independent Registered Valuer Mr. Gaurav Maheshwari (IBBI Reg No. : IBBI/RV/11/2021/14432)
  - (iii) Share Fair Exchange Ratio Certificate dated August 12, 2023 issued by Mr. Babulal Sharma (IBBI Reg. No. : IBBI/RV/06/2019/11766)
  - (iv) Fairness Opinions dated August 12, 2023, issued by M/s Holani Consultant Pvt. Ltd. SEBI Registered Category I Merchant Banker – On Valuation of the Companies and Share Swap Exchange Ratio

Regd. & Corp. Office:  
202, Dev Arc, Opp. Iskcon Temple,  
S. G. Highway, Ahmedabad - 380 015  
Gujarat (INDIA)

Tel : +91 79 66125500/698  
E : info@aglasiangranito.com  
W : www.aglasiangranito.com  
CIN : L17110GJ1995PLC027025



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## 2. Proposed Composite Scheme of arrangement:

### 2.1 Part A of the Scheme

Following undertakings to be demerged and transferred in following manner:

- Affil Tiles Manufacturing Undertaking of Affil Vitrified Private Limited to be demerged into Affil Ceramics Limited (a wholly owned subsidiary of Asian Granito India Limited)
- Ivanta Tiles Manufacturing Undertaking of Ivanta Ceramics Industries Private Limited (pursuant to Rule 3(2) of the Companies Rules, 2014 read with Section 366 of the Companies Act, 2013, Ivanta Ceramics Industries LLP is being converted into Ivanta Ceramics Industries Private Limited following the procedure prescribed in the rules) to be demerged into Ivanta Ceramic Limited (a wholly owned subsidiary of Asian Granito India Limited) and
- Crystal Tiles Manufacturing Undertaking of Crystal Ceramic Industries Limited to be demerged into Crystal Vitrified Limited (a wholly owned subsidiary of Asian Granito India Limited)

Upon the Scheme becoming effective, equity shares of Asian Granito India Limited will be allotted in lieu or exchange of the demergers.

### 2.2 Part B of the Scheme

Following undertaking to be sold by way of Slump Sale and transferred in following manner:

- Marbles & Quartz Division of Asian Granito India Limited into Amazoone Ceramics Limited (a wholly owned subsidiary of Asian Granito India Limited)

Upon the Scheme becoming effective, Amazoone Ceramics Limited will pay the consideration to Asian Granito India Limited in one or more tranches, with or without interest, as mutually agreed.

### 2.3 Part C of the Scheme

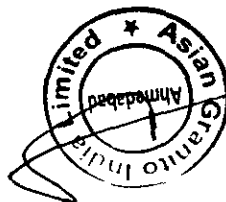
Following company to be merged and transferred in following manner:

- AGL Industries Limited (a wholly owned subsidiary of Asian Granito India Limited) to be merged into Amazoone Ceramics Limited (a wholly owned subsidiary of Asian Granito India Limited)

Upon the Scheme becoming effective, preference shares of Amazoone Ceramics Limited will be allotted to AGL Industries Limited in lieu or exchange of the merger.

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### 3. Comment by the Audit Committee on the Scheme:

#### 3.1 Need and Rationale of the scheme:

The Committee considered the following need and rationale of the scheme and was of the view that need and rationale of the scheme justifies the proposed arrangement.

- 3.1.1 Combining and bundling of Affil Tiles Manufacturing Undertaking of Affil Vitrified Private Limited, Ivanta Tiles Manufacturing Undertaking of Ivanta Ceramics Industries Private Limited and Crystal Tiles Manufacturing Undertaking of Crystal Ceramic Industries Limited into the Affil Ceramics Limited, the Ivanta Ceramic Limited and the Crystal Vitrified Limited which are, inter alia, wholly owned subsidiaries of the Asian Granito India Limited
- 3.1.2 Better control on utilization of production capacity due to integration of the manufacturing process
- 3.1.3 Optimization of working capital due to consolidation of businesses
- 3.1.4 Inorganic expansion of production lines and opportunity for further organic expansion due to increased fungibility of the existing funds
- 3.1.5 Economies of scale due to synergistic effect of the combination of the businesses related to similar business line of manufacturing of tiles;
- 3.1.6 Achieve cost optimization and specialization for sustained growth; and
- 3.1.7 Enhancing operational efficiencies, ensuring synergies through pooling of the financial, managerial, and technical resources, personnel capabilities, skills, expertise and technologies by bundling the businesses pertaining to different industries

#### 3.2 Synergies of business of the entities involved in the Scheme :

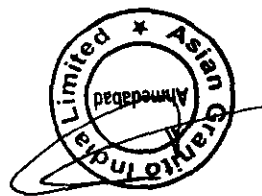
As details above in rationale of the scheme, it is observed that the companies involved in this composite scheme of arrangement are engaged in the similar and / or complementary businesses and the proposed demerges/amalgamation/slump sale pursuant to the scheme will create synergies between their business including by pooling of their financials, managerial, Technical, Distribution, Marketing and Other Resources. The proposed Composite scheme of arrangement is expected to *inter alia*, better control on utilisation of production capacity due to integration of the manufacturing process.

#### 3.3 Impact of the scheme on the shareholders:

Due to consolidation of tiles business under the umbrella of the Company will entail value creation for the shareholders of the Company.

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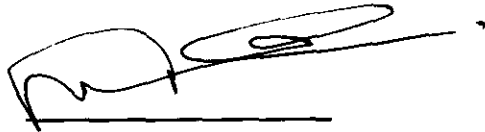
#### 3.4 Cost benefit analysis of the scheme :

The Audit Committee took note that the execution of the scheme would lead to expenses in the form of Stamp Duty, Statutory Fees, Legal & Professional Fees but the scheme will integrate the tiles businesses and segregate the Marbles & Quartz business and building construction material related business leading to synergistic effect along with increased focus leading to higher sustainability of all the businesses.

#### 4. Recommendation of Committee on the scheme :

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme of Arrangement, Equity Share Exchange Ratio / Valuation Report, Fairness Opinion and the specific matters mentioned above, recommends the draft Scheme of Arrangement for favourable consideration by the Board of Directors of the Company, the Stock Exchange(s), SEBI and other applicable regulatory authorities.

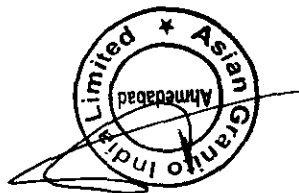
For, Asian Granito India Limited



(Mr. Kandarp Trivedi – Audit Committee Chairman)

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