

REPORT OF AUDIT COMMITTEE OF PARSHVA ENTERPRISES LIMITED (THE COMPANY) RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN PARSHVA ENTERPRISES LIMITED AND SIMANDHAR IMPEX LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HED ON 14TH DAY, MAY, 2024 AT THE REGISTERED OFFICE OF THE COMPANY AT 01:30 PM.

The following Members were present:

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| 1) Mr. Tejas Shah | : Chairman / Independent Director |
| 2) Ms. Mamta Patel | : Member / Independent Director |
| 3) Mr. Harsh Vora | : Member / Whole-Time Director |

In Attendance:

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|-----------------------|---------------------------|
| 4) Mr. Dhaval Siriya | : Chief Financial Officer |
| 5) Mr. Bhavin Lakhani | : Company Secretary |

Background

- 1) A meeting of Audit Committee was held on 14th May, 2024, *inter alia*, to consider and if thought fit, recommend to the Board of Directors (the "Board") of Parshva Enterprises Limited (the "Company"), the proposed Scheme of Arrangement between the Company and Simandhar Impex Limited, a wholly owned subsidiary of the Company (Resulting Company) for the demerger of the "Jewellery" undertakings of the Company and transfer of such demerged undertakings to the Resulting Company (the "Scheme") in the manner set out under Sections 230-232 of the Companies Act 2013, as amended (the "Act") and other applicable provisions of the Act between the Company and its members.
- 2) The Scheme inter-alia provides for the following :
 - i. Demerger of the 'Jewellery Business' (elaborated in the Scheme) of Parshva Enterprises Limited into Simandhar Impex Limited on a going concern basis;
 - ii. Cancellation and reduction of entire existing paid up equity share capital of Simandhar Impex Limited (Resulting Company) held by Parshva Enterprises Limited (Demerged Company) and their nominees.
- 3) The draft Scheme will be presented to the jurisdictional National Company Law Tribunal under Section 230 of the Act, the rules and regulations made thereunder and will be in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Regulations") and the Securities and Exchange Board of India ("SEBI") master circular dated November 23, 2021 bearing reference no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 ("SEBI Master Circular").

Requirement of SEBI Master Circular

- 4) The Audit Committee noted that in terms of the SEBI Master Circular, the Audit Committee of a listed company is required to recommend the draft Scheme to the Board, after taking into consideration *inter alia*, the draft valuation report obtained in relation to the draft Scheme. In



addition, the report of the Audit Committee is required to comment on (a) the need for the demerger; (b) rationale of the Scheme; (c) synergies of business of the entities involved in the Scheme; (d) impact of the Scheme on the shareholders; and (e) the cost benefit analysis of the Scheme. This report of the Audit Committee is made in compliance with the SEBI Master Circular. Capitalised terms used but not defined herein shall have the meanings set out in the draft Scheme.

Documents placed before Audit Committee

- 5) This report of the Audit Committee is being issued in compliance with the SEBI Master Circular and other provisions of the applicable law. The Audit Committee has made this report after perusing the following documents:
- a) Draft Scheme, initialed by the Chairman of the Company, for the purpose of identification;
 - b) Draft Certificate issued by Bohara-Shah & Co., Chartered Accountants, the Statutory Auditors of the Company to the effect of accounting treatment contained in the Scheme is in compliance with all the accounting standards specified by the Central Government under Section 133 and other applicable provisions of the Act or the accounting standards issued by the Institute of Chartered Accountants of India, as applicable, and other generally accepted accounting principles; ('Auditors Certificate').
 - c) Draft Valuation Report dated May 14th, 2024 issued by Rajul Iyer, Chartered Accountants ('Valuation Report');
 - d) Draft form of the Fairness Opinion issued by Navigant Corporate Advisors Limited Category- I SEBI Merchant Banker on the valuation done on May 14th, 2024, Chartered Accountants ('Fairness Opinion').
 - e) Audited Financial Statements of the Company for last 3 years i.e. 2021-22; 2022-23 and 2023-24;

Need for and rationale of the Scheme

- 6) The Audit Committee noted that the draft Scheme is being proposed with the following objectives and rationale:
- a) Segregation of business of the Jewellery division of the Demerged Company into Resulting Company in a manner provided in this scheme resulting into enhanced strategic flexibility to build a viable platform solely focusing on each of the business;
 - b) Allowing management of each company to pursue independent growth strategies and unlock significant value for shareholders;
 - c) Allow in creating the ability to achieve valuation based on respective risk-return profile and cash flow, attracting right investors and thus enhancing flexibility in accessing capital;
 - d) Provide scope of separate companies for independent collaboration and expansion including expanding potential Clients/Customer market for each business;



- e) Simandhar Impex Limited will acquire the Jewellery Division on going concern basis from Parshva Enterprises Limited. Parshva Enterprises Limited will focus on other commercial activities/businesses mainly cut and polished diamonds Business. The demerger will ensure focused management attention and resources and skill set allocation.
- f) The nature of Technology, Risk, Competition and capital intensity involved in each of the Undertakings of the Demerged Company is distinct from each other. Consequently, each Undertaking of the Demerged Company is capable of addressing independent business opportunities, deploying different technologies and attracting different set of Investors, Strategic Partners, Lenders and Other Stakeholders. Hence as a part of overall business reorganization plan, it is considered desirable and expedient to reorganize and reconstruct the Demerged Company by Demerging the Demerged Undertaking to the Resulting Company in the manner and on the terms and conditions contained in the Scheme.
- g) The proposed demerger will de-risk the businesses from each other and allow potential investors and other stakeholders the option of investing in all businesses.

Key features of the Scheme

- 7) The salient features of the draft Scheme are as under:
 - a) The draft Scheme provides for demerger of the Jewellery Division of the Company into the Resulting Company.
 - b) The Appointed Date under the Scheme is the Effective Date, subject to the sanction of regulatory authorities, as set out in the Scheme.
 - c) Upon the Scheme becoming effective, all the assets and liabilities and the business pertaining to the "Jewellery" business of the Company shall stand transferred to and vest in the Resulting Company, as a going concern.
 - d) Upon the Scheme becoming effective, 3 fully paid-up equity shares of Rs. 10 each of the Resulting Company(s) shall be issued and allotted to the equity shareholders of the Company for every 10 equity shares of Rs. 10 each held in the Company as on the record date.
 - e) Upon the coming into effect of this Scheme, the Resulting Company(s) shall record the assets and liabilities pertaining to the "Jewellery" business of the Company vested in it pursuant to this Scheme (which cease to be the assets and liabilities of the Company), at the respective book values thereof, as appearing in the books of the Company at the close of the day immediately preceding the Effective Date (as set out under the Scheme).

Synergies of business of the entities involved in the Scheme

- 8) The Audit Committee noted that the Scheme does not involve merger of business of the Company but provides for demerger of the "Jewellery" business of the Company. The said demerger would entail the benefits specified in paragraph 6 above.

Benefit of the Scheme

- 9) After a careful evaluation of the business of the Company, the Company believes that segregation of the "Jewellery" undertaking of the Company to house such undertaking in the Resulting



Company will *inter alia* facilitate pursuit of scale and independent growth plans (organically and inorganically) with more focused management and flexibility as well as liquidity for shareholders (following the listing of the shares of the Resulting Company but also de-risk both the businesses from each other and allow potential investors and other stakeholders the option with choosing the businesses.

View of the Audit Committee and impact of Scheme on the Shareholders

- 10) The proposal to undertake the Scheme between the Company and the Resulting Company under Sections 230-232 of the Act in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the SEBI Master Circular was placed before the Audit Committee at its meeting on 14th May, 2024. The Audit Committee was informed that under the draft Scheme, it was proposed to demerge the "Jewellery" undertaking of the Company and transfer such undertaking to vest in the Resulting Company.
- 11) The Audit Committee noted the background, salient features, rationale and the benefits to the Company and its shareholders, as set out above, of the proposed Scheme as placed before it.
- 12) In view of the fact that the execution of the Scheme would be in the best interests of the Company, the Resulting Company and their respective shareholders and creditors on account of the proposed demerger unlocking shareholder value, the Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme and other documents presented before the Audit Committee, hereby unanimously notes and is of the opinion that the Scheme is not detrimental to the interests of the Company and its shareholders.

Recommendations of the Audit Committee

- 13) The Audit Committee considered the Scheme in detail considering the Rational and Salient features of the Scheme and the Value addition to the Shareholders value.
- 14) The Audit Committee passed the following Resolution unanimously and none of the Members voted against the Resolution.

"RESOLVED THAT the Valuation Report dated May 14th, 2024 issued by Rajul Iyer, Chartered Accountants, Mumbai and fairness Report issued by Navigant Corporate Advisors Limited, SEBI registered Category I Merchant Banker, dated May 14th, 2024 be and are hereby received, considered and noted.

RESOLVED FURTHER THAT the draft 'Scheme of Arrangement' between Parshva Enterprises Limited (Demerged Company) and Simandhar Impex Limited (Resulting Company) and their respective shareholders and creditors under Sections 230 to 232 of Companies Act, 2013, Section 66 of the Companies Act and other applicable provisions for demerger of Jewellery Division of Parshva Enterprises Limited into Simandhar Impex Limited and continuation of Remaining Business in Parshva Enterprise Limited, be and is hereby received considered and approved.



RESOLED FURTHER THAT the said Scheme of Arrangement as initialed by the Chairman of the Company be and is hereby recommended to the Board of Directors of the Company for its consideration and its approval if thought fit.”

- 15) This report of the Audit Committee is made in compliance with the SEBI Master Circular after considering the necessary documents that are applicable in context of the draft Scheme.

For Parshva Enterprises Limited



Tejas Shah
Chairman of Audit Committee
DIN: 09592879

Place: Mumbai
Date: 14.05.2024



PARSHVA
ENTERPRISES