

Report of Audit Committee of Momai Apparels Limited ("MAL" or "Transferor Company") recommending the draft Scheme of Amalgamation of Momai Apparels Limited with Ashapura Intimates Fashion Limited ("AIFL" or "Transferee Company")

Members

Mr. Tarak Gor	Chairman
Mrs. Anupama Sharma	Member
Mr. Harshad Thakkar	Member

Background: MAL is a public company incorporated under the Companies Act, 1956 having its registered office at Shop No. 305-309, 3rd Floor, Pacific Plaza Plot No.570, TPS IV, Off Bhawani Shankar Road, Mahim Division, Dadar - West, Mumbai – 400 028. MAL is engaged in the business of manufacturing non-branded intimate garments such as loungewear, bridal night wear, honeymoon sets, bathrobes, night wear, sportswear and women's innerwear.

AIFL is a public company incorporated under the Companies Act, 1956 having its registered office at Unit no 3/4, Pacific Plaza, Plot no 570, Masjid Gali, Off Bhavani Shankar Road, Dadar (W), Mumbai – 400 028. AIFL is a fashion house that designs, brands, markets and retails intimate garments for men, women and children. Its products include lounge wear, sleep wear, bridal night wear, honeymoon sets bathrobes, women inner wear, sportswear and kids lounge wear which are sold under the brand name 'Valentine'.

In terms of the SEBI CIRCULAR No. CIR/CFD/CMD/16/2015 dated November 30, 2015 ("the Circular") the Audit committee is required to recommend the scheme taking into consideration the valuation report. The report of the Audit Committee is made in order to comply with requirements of the said circular.

The Audit Committee considered the following documents:

- (a) The Scheme of Amalgamation;
- (b) Fair Equity Share Exchange Ratio Report dated March 30, 2016, of M/s. MZSK & Associates, Chartered Accountants, a member firm of BDO International, issued in accordance with Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015;
- (c) Fairness Opinion dated March 31, 2016, issued by Pantomath Capital Advisors Pvt Ltd, SEBI Registered Cat-I Merchant Bankers, in accordance with Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015, indicating that Share Exchange Ratio Report dated March 30, 2016, of M/s. MZSK & Associates, Chartered Accountants, a member firm of BDO International, appears to be fair and reasonable.

Proposed Scheme of Amalgamation

The Committee noted that the salient features of the Scheme as under:

- a) The Transferor Company is a subsidiary of Transferee Company by virtue of control over management of the Transferor Company.
- b) The Amalgamation of the Transferor Company with the Transferee Company will combine the business, activities and operations of the Transferor Company and the Transferee Company into a single company with effect from the Appointed Date i.e April 1, 2016.



- c) The Transferee Company will issue 10 (Ten) fully paid up Equity Shares of Rs 10/- each of the Transferee Company ("New Equity Shares") to the shareholders of the Transferor Company for every 27 (Twenty Seven) fully paid up Equity Shares of Rs. 10 each held by them in the Transferor Company.
- d) Upon the Scheme becoming effective, the Transferee Company shall, issue New Equity Shares in lieu of the shares held by the Transferee Company in the Transferor Company to a board of trustees of the Ashapura Benefit Trust, to have and to hold the New Equity Shares issued in accordance with clause 8.1 of the Scheme in trust together with all additions or accretions thereto upon trust for the benefit of the Transferee Company and/or its shareholders subject to the powers, provisions, discretions, rights and agreements contained in such Trust Deed.

Rationale for Merger

The proposed merger of the Transferor Company with the Transferee Company would result in

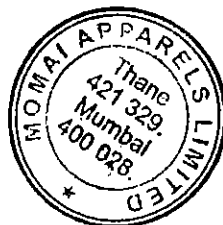
- i. Backward integration of business activities, thereby consolidation of business operations;
- ii. Greater integration and greater financial strength and flexibility for the amalgamated entity;
- iii. Improved competitive position of the combined entity in the market;
- iv. Greater efficiency in cash management, by cost reduction and unfettered access to cash flow generated by the combined business which can be deployed more efficiently to fund organic and inorganic growth opportunities, to maximize shareholder value;
- v. Opportunity to leverage on brand, goodwill and combined assets, build a stronger sustainable business and will enable optimal utilization of existing resources and provide an opportunity to fully leverage capabilities and experience of both the companies;
- vi. Accessibility to broader markets and improved organizational capability and leadership arising from pooling of human capital that has diverse skills, talent and vast experience to compete successfully in an increasingly competitive industry; and
- vii. Reduce regulatory compliance and multi-layer taxation of inter-se transaction;

The proposed Scheme would be in the best interest of the shareholders, creditors and employees of the Transferor Company and the Transferee Company, resulting in enhancement of shareholders and other stakeholder's value.

Recommendation of the Audit Committee

Taking into consideration the Fair Equity Share Exchange Ratio Report and the Fairness Opinion, the Audit Committee recommends the Draft Scheme to the Board of Director of MAL for approval.

Date: March 31, 2016
Place: Mumbai



A handwritten signature in black ink that reads "Tarak Gor".

Mr. Tarak Gor
Chairman, Audit Committee