



Report of Audit Committee of TVS Electronics Limited recommending the Draft Scheme of Amalgamation (the "Scheme") of TVS Investments Private Limited ("TVSIPL" or the "Transferor Company") with TVS Electronics Limited ("TVSEL" or the "Transferee Company" or the "Company") and their respective shareholders and creditors under section 230 to 232 and other applicable provisions of the Companies Act, 2013

Members Present:

Mr. M Lakshminarayan

Mr. M F Farooqui

Mr. K Balakrishnan

Dr. V Sumantran

Mr. R. S . Raghavan

In Attendance:

K Santosh, Company Secretary

By Invitation:

Mrs. Srilalitha Gopal, Managing Director

Mr. R S Raghavan, Director

Mr. A Kulandai Vadivelu, Chief Financial Officer

Mr. Krishna Ramachandran, Special Officer

1. The Audit Committee of TVS Electronics Limited at its meeting held on 11th November, 2023, considered a Draft of the Scheme of Amalgamation (the "Scheme") under Section 232 read with Section 230 and other applicable provisions of the Companies Act, 2013, and the rules and regulations made thereunder of TVS Investments Private Limited ("TVSIPL" or the "Transferor Company") with and into TVS Electronics Limited ("TVSEL" or the "Transferee Company" or the "Company") and their respective shareholders and creditors has been placed before the Audit Committee by the management for it to consider and recommend the said draft of the Scheme to the Board of Directors of the Company.

D. L. Hanyar

TVS Electronics Limited

"Arihant E-Park", No.117/1, 9th Floor, L.B.Road, Adyar, Chennai - 600 020. Tel.: + 91-44-4200 5200
Registered office : Greenways Towers, 2nd Floor, No 119, St. Mary's Road, Abhiramapuram, Chennai - 600 018.
Corporate Identity Number : L30007TN1995PLC032941
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2. The equity shares of the Company are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"). The Company will be filing the Scheme along with the necessary information / documents with the BSE and the NSE under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.
3. The report of the Audit Committee is made in order to comply with the requirements of the circular SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("SEBI Master Circular") issued by the Securities and Exchange Board of India ("SEBI") (including any amendment(s) or modifications(s) thereto) after considering the following documents:
 - a. Draft Scheme of Amalgamation;
 - b. Valuation Report dated 10th November, 2023, of CA Harsh Chandrakanth Ruparelia, IBBI Regn No. IBBI/RV/05/2019/11106, an independent registered valuer on valuation of assets / shares for the listed entity and unlisted entity and its recommendation of the share exchange ratio ("Share Exchange Ratio Report");
 - c. Fairness Opinion dated 10th November, 2023, issued by Kunvarji Finstock Private Limited, a SEBI registered Merchant Banker (SEBI Regn No. INM000012564), providing the Fairness Opinion on the valuation report of CA Harsh Chandrakanth Ruparelia, Registered Valuer, on valuation of assets / shares of TVSIPL and the Company and the Fair Share Swap ratio recommended;
 - d. Shareholding Pattern of TVSIPL and the Company;
 - e. Draft Certificate by the Statutory Auditor Guru and Jana, Chartered Accountants, of the Company dated 10th November, 2023, confirming that the Scheme is in compliance with the applicable Accounting Standards specified by the Central Government under Section 133 of the Companies Act, 2013;
 - f. Audited financial statements of TVSIPL and the Company, for the last 3 years;

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- g. Report of the Committee of the Independent Director of the Company recommending the draft Scheme to the Board of Directors for approval after due consideration to the effect that the scheme inter alia not detrimental to the shareholders of the listed entity.

4. **The Scheme inter-alia provides for the following:**

Upon Concurrent Scheme as defined in Clause 4.7 of the Scheme being given effect to, amalgamation of TVSIPL with and into the Company and certain consequential aspects thereto.

5. The Audit Committee has perused the provisions in the Scheme which, inter alia, contains the **rationale for the proposed Scheme**. The Audit Committee noted as under:

a. **Rationale of the proposed amalgamation of TVSIPL with and into the Company:**

- i. The Company is a subsidiary of TVSIPL. The amalgamation would result in the promoters of TVSIPL directly holding shares in the Company, which will not only lead to simplification of the shareholding structure and reduction of shareholding tiers but also demonstrate the promoter group's direct commitment to and engagement with the Company;
- ii. The promoter / promoter group of the Company is desirous of streamlining its holding in the Company. As a step towards such rationalization, it is proposed to merge TVSIPL into the Company;
- iii. The amalgamation will enable greater focus of the management on the business and facilitate in creating enhanced value for the Company's shareholders and allow a focused strategy in operations, which would be in the best interest of all its shareholders, creditors, and stakeholders;
- iv. Consolidation and simplification of the group structure and reduction of administrative costs and legal and regulatory compliances at the group level; and

TVS Electronics Limited

(Signature)



- v. By removing TVSIPL as a holding Company of TVS-E thereby giving greater flexibility to the Company to make down-stream investment since the same will remove the restriction on number of layers applicable under the Companies Act 2013 from time to time.

b. Impact of the Scheme on the shareholders:

- i. The consolidation of TVSIPL with the Company will be in the interest of stakeholders of TVSIPL and the Company to have an increased capability for running this business and pursue growth opportunities.
- ii. The Audit Committee also noted that the Scheme is subject to the majority of approval of public shareholders of the Company. The Audit Committee was of the opinion that the Scheme is not detrimental to the interest of the shareholders of the Company

c. Cost benefit analysis of the Scheme:

All the costs, charges, taxes, including consultant's fees, lawyer's fees and all other expenses if any, arising out of or incurred in implementing the said scheme and matters incidental thereto shall be borne by Company; however, the costs incurred towards the implementation of the Scheme foreshadows the long-run benefit that can be derived by achieving strategic and operational synergies envisaged under the Scheme.

Further, there will be business benefits arising to the Company, as explained in the above paragraphs, which cannot be quantified.

6. Consideration / Share Exchange Ratio

In respect of share exchange ratio, the Audit Committee noted, deliberated and confirmed that the report on recommendation of fair share entitlement ratio as recommended in the

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report on recommendation of fair share entitlement ratio is fair to the shareholders. Upon scheme becoming effective, shares would be issued as under:

1,11,60,093 fully paid-up equity shares of Rs. 10 each of the Company shall be issued and allotted as fully paid up to the equity shareholders of TVSIPL in proportion of their holding in TVSIPL.

7. The proposed Appointed Date for the Scheme is closing business hours of 1st day of April, 2023.
8. "Effective Date" means the date on which last of the conditionalities specified in Clause 21 of the Scheme is fulfilled. Any reference in this Scheme to the date "upon the Scheme becoming effective" or "effectiveness of the Scheme" or "upon coming into effect of this Scheme" or "upon the Scheme coming into effect" shall mean the Effective Date, as defined in 4.8 of the Scheme.
9. The Scheme would be subject to the sanction and approval of the National Company Law Tribunal, the SEBI, the BSE, the NSE, shareholders creditors and other appropriate authorities.
10. The Scheme is conditional upon approval by the public shareholders of the Company through e-voting in terms of Part - I (A)(10)(a) of the SEBI Master Circular and the Scheme shall be acted upon only if vote cast by the public shareholders in favour of the proposal are more than the number of votes cast by the public shareholders against it.
11. In terms of the cost benefit analysis of the Scheme, the Audit Committee had the following observations:
 - There would be no adverse change in the financial position of the Company. All the costs, charges, taxes, including consultant's fees, lawyer's fees and all other expenses if any, arising out of or incurred in implementing the said scheme and matters incidental thereto shall be borne by the Company,

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- There will be business benefits arising to the Company, as explained in the above paragraphs and which cannot be quantified.

12. Recommendation of the Committee

In light of the foregoing, the Audit Committee after due deliberations and due consideration of all the terms of the Scheme, report on recommendation of fair equity share entitlement ratio, fairness opinion and the specific points mentioned above, recommends the Scheme for favourable consideration by the Board of Directors of the Company.

By Order of the Audit Committee

For TVS Electronics Limited

Mr. M Lakshminarayan

Member of the Audit Committee

Mr. M F Farooqui

Member of the Audit Committee

Date: 11th November, 2023

Place: Chennai

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