

FRANKLIN INDUSTRIES LIMITED

(Formerly Known as Murad Properties & Projects Ltd.)

(CIN: L45209GJ1983PLC092054)

Regd. off.: 708, Scarlet Business Hub, Opp. Ankur School, Near Mahalaxmi Panch Rasta,
Fatehnagar, Paldi, Ahmedabad-380007.

E-mail Id: muradprop1983@gmail.com, Phone No.: 079 - 27541156

Website: www.franklinindustries.in

REPORT OF AUDIT COMMITTEE OF FRANKLIN INDUSTRIES LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN FRANKLIN INDUSTRIES LIMITED ("FIL") AND APHRODITE INDUSTRIES LIMITED ("AIL") FOR DEMERGER OF JEWELLERY DIVISION OF FIL AND VESTED INTO AIL

This Report is considered and approved by Audit Committee in its meeting held on 29th April, 2021. All the members of the Committee were presented in the meeting.

1. Background

- 1.1 A meeting of the Audit Committee of Franklin Industries Limited was held on 29th April, 2021 to consider and recommend to the Board of Directors the proposed Scheme of arrangement for Demerger under Sections 230 to 232 and applicable provisions of the Companies Act 2013, between Franklin Industries Limited (FIL or the Transferor Company) and Aphrodite Industries Limited (AIL or the Transferee Company) and their respective Shareholders and creditors (the Scheme) for the Demerger of Jewellery Division of Franklin Industries Limited.
- 1.2 The Equity Shares of FIL are listed on BSE Limited (Bombay Stock Exchange) and CSE Limited (Calcutta Stock Exchange). The Company will be filling the scheme along with necessary documents with the BSE Limited for their no objection or observation letter pursuant to regulation 37 of SEBI (Listing obligation and Disclosure Requirements) Regulation 2015 and applicable statutory provisions.
- 1.3 This report of the Audit Committee is made and issued to comply in terms of Para (A)(2)(c) of Part 1 SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated 22nd December, 2020 after considering following:
 - (a) Draft Scheme duly initiated by Managing Director of the Company for the purpose of identification;
 - (b) Valuation report dated 29.04.2021 issued by Vikash Goel, Registered Valuer;
 - (c) Fairness Opinion dated 29.04.2021 issued by M/s Finshore Management Services Limited, a SEBI registered merchant banker.
 - (d) Audited Financial statement of the Transferor company for the Financial Year ended as on 31st March 2021, 2020.
 - (e) Management presentation relating to acquisition of equity shares of Transferor Company and proposed scheme after completion of the said demerger.



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2. Proposed Scheme and review

The salient features of the draft Scheme are as under.

2.1 The Scheme contemplates demerger and transfer of the Jewellery Division (Demerged Undertaking) from FIL into AIL as a going concern in accordance and In return AIL will issue and allot Equity Share of Rs.10/- each to the Shareholders of FIL as on record date as per the Share Swap Ratio as per the Report issued by Registered valuer.

2.2 Rationale, objective & purpose of the Scheme.

The demerger of Jewellery division of the Transferor Company and its vested in Transferee Company would *inter alia* have the following benefits.

- (a) This scheme of arrangement envisages demerger of Jewellery division of FIL in favour of another company namely AIL which is also a Jewellery Trading company.
- (b) FIL intends to develop/restructure its two businesses to achieve optimum growth and development of both the business separately and to have separate concentrated focus on both the Jewellery and Agricultural Commodity.
- (c) AIL is an incorporated company desirous of engaging in the business of Trading of Jewellery and is empowered by the objects clause of its Memorandum & Articles of Association to undertake the business of Trading of Jewellery. AIL is planning to expand its business operations and is desirous of expanding in various Jewellery activities. In future AIL will also go for listing.
- (d) The nature of risk and competition involved in both the Divisions of FIL are divergent and consequently each Division is capable of attracting different sets of investors. Moreover, the activities which have been so far carried out by FIL, have potential for growth and development, and require large infusion of funds and require undivided care and attention. Therefore, both the businesses need separate set of directions and investment for development, expansion and optimum growth of their respective businesses and maximization of shareholders' value.
- (e) Agricultural Commodity Trading carried out at Commodity Division is the core business of FIL which needs special attention of the Management to seize the new opportunities which this segment offers. To be competitive and maintain its market share in domestic, it is necessary to improve operational and administrative efficiency and create the requisite infrastructure for obtaining good business. The scheme for separation of Jewellery Division of FIL will lead to better and more efficient management of its core Agricultural Commodity activity having better focus and undivided attention in the best interests of its stakeholders.



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- (f) The proposed scheme will enable AIL to undertake Jewellery business currently being carried out by FIL, under separate umbrella of management having greater focus and attention in an efficient manner. Furthermore, AIL will avoid the gestation period involved in acquiring and developing new ventures.
- (g) The proposed scheme will enable AIL to effectively raise financial resources through equity and debt capital on the basis of financial assets for better operation and greater realization of the potential of AIL Jewellery business.
- (h) In view of the aforesaid and in order to develop / restructure the business carried on a stand-alone basis without encumbering the Commodity business of FIL, it is considered desirable and expedient to reorganize and reconstruct FIL by transferring the Jewellery Division to AIL.
- (i) The scheme will have beneficial results for both the companies, their shareholders and all concerned.

2.3 The Audit Committee reviewed the reports and documents as mentioned in this Report and recommended the following:

In Consideration for the Demerger of the Jewellery Division of FIL and its vested into AIL as per the scheme and based on the Valuation Report by Vikash Goel, Registered Valuer and fairness opinion issued by M/s Finshore Management Services Limited, a SEBI registered merchant banker, Transferee Company will issue equity shares to the Shareholders of the Transferor Company in the following ratio:

"AIL will issue and allot 50 (Fifty) Equity Share of Rs.10/- each credited as fully paid up ("New AIL Equity Shares") for every 100 (Hundred) Equity Shares of Rs.10/- each credited as fully paid up held by the shareholders of FIL"

There are no shares which are being cancelled on account of cross holding.

2.4 Further, pursuant to the Scheme, the Company shall account for the said demerger division of FIL and its vested Into AIL as per the applicable accounting principles under Indian Accounting Standers (IndAS)

2.5 Further, the Fairness Opinion confirmed that the Share Entitlement / Allotment as mentioned in the Valuation Report is fair to the FIL and AIL and their respective shareholders.

2.6 The Proposed Appointed Date for the proposed demerger will be the date as referred in the Scheme or such other date as may be fixed or approved by the National Company Law Tribunal as may be applicable.



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2.7 The Equity Shares of AIL to be issued to the shareholders of the Transferor Company pursuant to the Scheme shall be listed on the Bombay Stock Exchange Limited (BSE).

3. Comment by the Audit Committee on the Scheme

The Audit Committee reviewed and provided the following comments on the scheme.

3.1 Need for the Demerger

In addition to the reasons mentioned in Sr. 2.2 above, both the Company can give focus on their particulars to achieve optimum growth and development of both the business the Jewellery and Agricultural Commodity separately and pursuant to the sanctioning of the scheme, more profitable, thereby further enhancing the overall shareholder value.

3.2 Rationale of the Scheme

The Audit Committee is of the view that the rationale of Merger as mentioned in Sr.2.2 is justifying the basis for the Demerger.

3.3 Synergies of Business of the entities involved in the Scheme.

In view of the Audit Committee, AIL is in a similar line of business of the Demerged Division (Jewellery) and then FIL can focus on remaining division thus there will be synergies of business of both the entities.

3.4 Impact of the Scheme on the Shareholders

The Scheme will result in economies of scale and opportunities will contribute to make the Transferee Company more profitable and according further enhance the overall shareholder value.

3.5 Cost benefits analysis of the Scheme.

Keeping in view synergies and cost benefits the Audit Committee is of the view that post-demerger, the company would be able to achieve synergies of business, cost reduction, increase efficiencies, productivity gains and logistical advantages, thereby contributing to future growth and enhancement of Shareholder value.



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4. Recommendation of the Audit Committee

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme, share exchange ratio, valuation report, fairness opinion and the specific points mentioned above, recommends the draft Scheme of Demerger for favourable consideration by the Board of Directors of the Company, the Stock Exchanges, SEBI and authorities.

By Order of the Audit Committee
For, Franklin Industries Limited

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Balabhai Maguda
(Chairman of Audit Committee)
DIN : 08202655

Date : 29.04.2021
Place : Ahmedabad