

ANNEXURE- XII

REPORT OF THE INDEPENDENT DIRECTORS OF VISAGAR POLYTEX LIMITED DATED 5TH MARCH, 2025 RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN THE COMPANY AND ITS EQUITYHOLDERS

Present Members:

- | | |
|------------------------|----------------------|
| 1. Kaushal Yadav | Independent Director |
| 2. Madhu Bala Vaishnav | Independent Director |
| 3. Kuldeep Kumar | Independent Director |

1. Introduction

With the permission of all the Directors present in the meeting, Mr. Kaushal Yadav appointed as the chairperson of the Meeting.

Thereafter Chairperson placed before the Board draft Scheme of Arrangement ("Scheme"), Valuation Report and Fairness Opinion Report. The Independent Directors of Visagar Polytex Limited ("Company") has reviewed the Scheme in accordance with the applicable laws and regulations, including the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and other relevant statutory provisions.

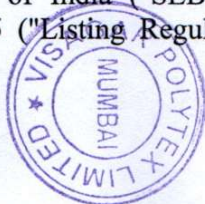
2. Background

The Company, incorporated in the year 1983 under the provisions of the Companies Act, 1956. The Equity Shares of the Company are listed and actively traded on both the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE). The Company is engaged in the business of manufacturing and trading textiles and apparels, with its manufacturing facility currently situated in Surat, Gujarat. Under the brand name 'VIVIDHA,' the Company previously operated a Pan-India retail chain and was comprehensively involved in the design, production, and distribution of women's ethnic wear, including sarees, lehengas, and suits. The Company's operations encompassed the entire value chain of manufacturing, wholesaling, and retailing, with an extensive network of branches and showrooms across the country.

The Company experienced prolonged and substantial losses driven by a combination of external market disruptions and internal operational challenges. The cascading and compounding effects of demonetization, GST implementation, and the COVID-19 pandemic, coupled with significant banking challenges and liquidity issues within the textile industry, such as prolonged debtor payment cycles and cash flow disruptions, led to sustained losses, diminishing business operations, and a substantial reduction in scale.

Accordingly, the Board of the Company by this Scheme now seeks to restructure and revive the Company.

This report of Independent Directors is made in order to comply with the requirements of the Securities and Exchange Board of India ("SEBI") (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and SEBI Master Circular No.



SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("SEBI Master Circular") including amendments thereto.

While deliberating on the Scheme, the Independent Directors, inter-alia, considered and took record of the following documents:

- (a) The draft Scheme;
- (b) Valuation Report dated 5th March, 2025 issued by CA Bhavesh Rathod, an independent registered valuer, having registration number IBBI/RV/06/2019/10708 ("Valuation Report")
- (c) Fairness opinion dated 5th March, 2025 issued by Axial Capital Private Limited, an independent merchant banker registered with the Securities and Exchange Board of India ("SEBI") with registration number INM000013226 providing fairness opinion ("Fairness Opinion")
- (d) Draft of the Compliance Report to be filed with the Stock Exchanges; and
- (e) Certificate issued by the statutory auditors of the Company, pursuant to SEBI Master Circular.

3. Salient features of the Scheme

The Independent Directors noted the brief particulars of the Scheme as under:

- This Scheme of Arrangement (hereinafter called 'Scheme') has been propounded under Section 230-232, Section 66, Section 62 read with Section 42 of the Companies Act, 2013 and any other applicable provisions, if any under the Act for arrangements between Visagar Polytex Limited and its Equity Shareholders.
- The purpose of the Scheme is to restructure the capital of Visagar Polytex Limited ("**Company**") which involves reducing the existing equity share capital which is not represented by adequate assets and by addressing the impact of Accumulated Losses (*defined under the Scheme*) and to write off its maximum Accumulated Losses against such reduction of share capital and by infusing fresh capital, the Company aims to improve its financial health, enhance its ability to meet future challenges, and regain the confidence of public shareholders and other stakeholders.
- The Scheme, if approved, may enable the Company to foresee other business initiatives that is not be seen because of existing accumulated losses.
- Further, the proposed Capital reduction would be beneficial to the shareholders and it would improve the earning per share and also will enhance the shareholders' value.
- Furthermore, the Committee has also considered that the proposed capital restructuring would not have any adverse effect on the creditors and the company would honour its commitments and meet its obligations in the ordinary course of business.

4. Need and Rationale of the Scheme



4.1 Reduction of Capital:

The Company has Accumulated Losses, which negatively affects value of its Equity Shares (*defined hereinafter*). The Company is proposing reduction of share capital to:

- (a) **Strengthen the Company's financial structure:** By realigning the relationship between capital and assets, the Company can present a more accurate and fair view of its financial health.
- (b) **No diminution or extinguishment of Company's liability:** The proposed reduction in the share capital of the Company does not involve any financial outlay/outgo on the part of the Company and is only in the nature of a book entry. Consequently, such reduction will also not cause any prejudice to the creditors of the Company. The proposed reduction of the equity share capital of the Company would not have any adverse effect on the creditors of the Company or the Company's ability to fulfil its commitments or meet its obligations in the ordinary course of business as there is no payout resulting from the proposed capital reduction. The reduction of capital will neither result in diminution of Company's liability nor extinguishment of Company's liability.
- (c) **No impact on employees/workers:** The Scheme, if approved, will not have any impact on the employees, workers, or directors of the Company except for change in the shareholding of Company's shares held by such employees, workers, or directors.

4.2 Recapitalization:

- (a) **Enhance future growth opportunities:** Recapitalization will provide Company a strong financial foundation to pursue new business opportunities, avail loan at competitive rates, and attract additional investment.
- (b) **Benefit shareholders:** Recapitalization will enhance the Company's financial stability, ultimately benefiting public shareholders through share price appreciation, increased business, better future dividends, and overall value creation.

4.3 Consolidation:

On reduction of share capital, face value of the Equity Shares of the Company will stand reduced from Re. 1 (Rupee one only) per share to Re. 0.03 (Rupees zero and paise three only) per share.

However, to maintain the face value of Equity Shares at Re. 1 (Rupee one only) per share, it is proposed that post-reduction, 100 Equity Shares having face value of Re. 0.03 (Rupees zero and paise three only) per share will be consolidated into 3 Equity Shares having face value of Re. 1 (Rupee One only) per share.

4.4 Preferential Issue:



Upon consolidation and issuance of the Equity Shares of the Company as per Part III (*Reduction of Share Capital of the Company*) of the Scheme, the Company shall, as an integral part of this Scheme issue and allot Equity Shares and Convertible Share Warrants in accordance with Applicable Laws and on a preferential basis

4.5 Mitigating risks and ensuring successful restructuring:

The Promoters intend to revitalize the Company's business through a comprehensive restructuring plan involving both capital reduction and a significant infusion of fresh equity. While these actions could be pursued independently under relevant provisions of the Companies Act, 2013, the Promoters believe that this Scheme is necessary for following reasons:

- (a) **Protection from disruptions:** The Promoters and new investors are committing significant capital to the Company's revitalization. The Scheme provides a controlled and structured process for the restructuring, minimizing the risk of any disruptions, including hostile takeovers or other unforeseen events, that could jeopardize the success of the restructuring plan and the substantial investments made.
- (b) **Enhanced Investor Confidence:** The Scheme provides a transparent and court-supervised framework for the restructuring. This transparency enhances investor confidence by ensuring fair treatment of all stakeholders and mitigating potential concerns regarding the fairness and legality of the transactions.

5. Synergies of business

The scheme provides for the restructuring of the capital and does not involve any merger/amalgamation and hence will provide more accurate and fair view of the Company's financial position by aligning its capital structure with its assets and liabilities.

6. Scheme not detrimental to shareholders of the Company

The Independent Directors of the Company noted that the Scheme will provide an opportunity to improve the economic value of the Company. This is particularly marked in the improved synergies that will arise pursuant to the Scheme. Therefore, considering the above and other documents presented, the Independent Directors of the Company are of the view that the Scheme is not detrimental to the shareholders of the Company.

7. Recommendation

After due consideration and evaluation, the Independent Directors recommend the Draft Scheme for approval by the Board of Directors and further necessary actions, subject to requisite regulatory and shareholder approvals. The Independent Directors believe that the Scheme is not detrimental to the interests of the shareholders of the Company.

8. Conclusion



In view of the above, the Independent Directors expresses its support for the Scheme and urges the Board to proceed with the necessary steps to implement it in the best interests of the Company and its stakeholders.

**For and on behalf of the Independent Directors of
VISAGAR POLYTEX LIMITED**

Kaushal
**Mr. Kaushal Yadav
Independent Director
DIN: 08484455
Date: 05-03-2025
Place: Mumbai**



Enclosures:

- Copy of the Draft Scheme
- Valuation Report
- Fairness Opinion