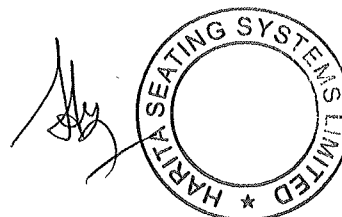


**REPORT OF THE AUDIT COMMITTEE OF HARITA SEATING SYSTEMS LIMITED
RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT OF
HARITA LIMITED ("TRANSFEROR COMPANY 1") AND HARITA VENU PRIVATE
LIMITED ("TRANSFEROR COMPANY 2") AND HARITA CHEEMA PRIVATE
LIMITED ("TRANSFEROR COMPANY 3") AND HARITA FINANCIAL SERVICES
LIMITED ("TRANSFEROR COMPANY 4") AND THE COMPANY ("TRANSFEROR
COMPANY 5") WITH MINDA INDUSTRIES LIMITED ("TRANSFeree
COMPANY") AND THEIR RESPECTIVE SHAREHOLDERS**

- Members present** : Mr H Lakshmanan, Chairman
Mr C N Prasad, Member
Mr S I Jaffar Ali, Member
- By Invitation** : Mr L Bhadri, Director
Ms Sasikala Varadachari, Director
Mr S Jagannathan, Chief Financial Officer
Mr K Gopala Desikan, special officer
- Statutory Auditors** Mr V Sathyanarayanan, Partner
M/s. Raghavan, Chaudhuri & Narayanan,
Chartered Accountants
- In attendance** : Ms N Iswarya Lakshmi, Company Secretary

1. Background

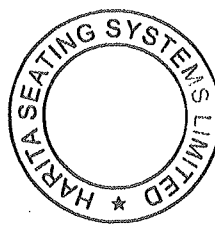
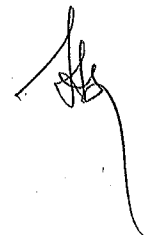
- 1.1. A meeting of the Audit Committee of the Company was held on Thursday, the 14th February 2019 at 11.30 a.m. at "Chaitanya", No.12, Khader Nawaz Khan Road, Chennai - 600 034 to consider and recommend the draft Composite Scheme of Arrangement of Harita Limited ("Transferor Company 1") and Harita Venu Private Limited ("Transferor Company 2") and Harita Cheema Private Limited ("Transferor Company 3") and Harita Financial Services Limited ("Transferor Company 4") and the Company ("Transferor Company 5") with Minda Industries Limited ("Transferee Company") and their respective shareholders ("**Scheme**") under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.
- 1.2. The Company is a listed public company incorporated under the provisions of the Companies Act, 1956.



- 1.3. The Transferee Company is also a listed public company incorporated under the provisions of the Companies Act, 1956. The equity shares of the Transferee Company are listed on BSE Limited and National Stock Exchange of India Limited.
- 1.4. The Transferor Company 1, the Transferor Company 2, the Transferor Company 3 and the Transferor Company 4 are all unlisted companies incorporated under the provisions of the Companies Act, 1956 and are promoters of the Company.
- 1.5. This report of the Audit Committee is made in order to comply with the requirements of the SEBI circular number CFD/DIL3/CIR/2017/21 dated 10 March 2017, including amendments thereto, issued under the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**").
- 1.6. The following documents were placed before the Audit Committee:
- (a) Draft Scheme, duly initialed by the Chairman of the Company for the purpose of identification;
 - (b) Joint Valuation report dated 14th February 2019 ("**Valuation Report**") issued by M/s. Bansi S. Mehta & Co, Chartered Accountants and M/s. SSPA & Co, Chartered Accountants, describing the methodology adopted by them in arriving at the fair value of shares and the share exchange ratio; and
 - (c) Fairness opinion dated 14th February 2019 ("**Fairness Opinion**") issued by JM Financial Services Limited, an Independent Category-I Merchant Banker providing an opinion on the share exchange ratio recommended in the aforesaid Valuation Report.

2. Proposed Scheme

- 2.1. The Audit Committee noted the rationale and the benefits of the Scheme which, *inter-alia*, are as follows:
- 1. Both the Company and Transferee Company are engaged in auto component business;
 - 2. The Company is a manufacturer of automotive products viz., seating systems catering to the needs of vehicle manufacturers. It has good capabilities in managerial, engineering and financial areas;
 - 3. The proposed amalgamation of the Company with the Transferee Company

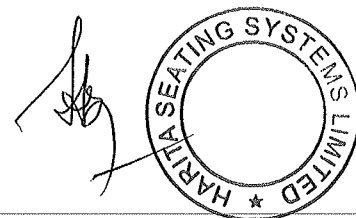


in accordance with this Scheme would enable companies to realise benefits of greater synergies between their businesses and ability to leverage financial, managerial, technical, distribution and marketing resources of each other towards maximising stakeholder value;

4. Synergy of operations will result in incremental benefits through sustained availability and better procurement terms of components, pooling of resources in manufacturing, engineering, manpower and other infrastructure, thus leading to better utilisation and avoidance of duplication;
5. The Transferee Company desires to expand its business in automotive components and this arrangement would lead to improved customer connect and enhanced market share across product segments relating to auto sector;
6. The amalgamation will help the Transferee Company in creation of platform for a new business vertical and to act as a gateway for growth and will ensure better operation management and expansion of business operations;
7. By this amalgamation and through enhanced base of product offerings, the Transferee Company would serve as One-stop solution for that range to the original equipment manufacturers (OEMs);
8. Providing opportunity to the shareholders of the Company to be part of a larger component manufacturer with wide range of products and broad customer base.
9. Improvement in competitive position of the Transferee Company as a combined entity and also achieving economies of scale including enhanced access to marketing networks/customers;
10. Opportunities for employees of the Company to grow in a wider field of business; and
11. The Scheme shall not in any manner be prejudicial to the interests of the concerned shareholders, creditors, lenders and all other stakeholders.

2.2. The salient features of the draft Scheme are as under:

- (a) amalgamation of the Transferor Company 1, the Transferor Company 2, the Transferor Company 3 and the Transferor Company 4 with the Transferee Company, and the consequent issue of equity shares or non-convertible



redeemable preference shares by the Transferee Company in the manner set out in this Scheme; and


- (b) amalgamation of the Company with the Transferee Company, and the consequent issue of equity shares or non-convertible redeemable preference shares by the Transferee Company in the manner set out in this Scheme.

The Audit Committee reviewed the Valuation Report and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the share exchange ratio mentioned in the Valuation Report is fair to the shareholders of the Company.

3. Recommendation of the Audit Committee

Taking into consideration the draft Scheme, Valuation Report and Fairness Opinion as placed, the Audit Committee recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval.

**By Order of the Audit Committee
For and on Behalf of Harita Seating Systems Limited**


H Lakshmanan
Chairman, Audit Committee

