

**REPORT OF AUDIT COMMITTEE**  
**OF PEARL GLOBAL INDUSTRIES LIMITED**  
**ON THE DRAFT SCHEME OF ARRANGEMENT BETWEEN**  
**PEARL GLOBAL INDUSTRIES LIMITED (TRANSFEROR COMPANY) AND**  
**PDS MULTINATIONAL FASHIONS LIMITED (TRANSFEEE COMPANY)**

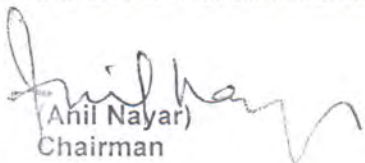
This Report of Audit Committee is issued in terms of SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 revising the existing requirements for filing the draft Scheme of Arrangement with the Stock Exchanges under Clause 24(f) of Listing Agreement for their approvals and seeking exemption from the requirement of Rule 19(2)(b) of Securities Contracts (Regulation) Rules 1957. The requirements of the said circular, *inter alia*, make it mandatory for the Audit Committee of the Transferor Company to recommend the draft Scheme of Arrangement between the Transferor and the Transferee Company.

The Audit Committee of Pearl Global Industries Limited (the Company), has examined the draft Scheme of Arrangement u/s 391 to 394 of the Companies Act 1956 between Pearl Global Industries Limited (Transferor Company) and PDS Multinational Fashions Limited (Transferee Company), a wholly owned subsidiary of the Company for demerger of the demerged undertaking of the Transferor Company, as defined in the scheme, and its subsequent amalgamation with and into the Transferee Company as approved by the Board of Directors of the Company in its meeting held on 12<sup>th</sup> November, 2012 together with draft Addendum to the said Scheme of Arrangement incorporating strictly and only the requirements in terms of aforesaid Circular of SEBI. The Committee noted that there is no adverse effect to the public shareholders of the Company with this Scheme of Arrangement.

The Audit Committee has also taken into consideration, *inter-alia*, the Valuation Report dated 12<sup>th</sup> November, 2012 issued jointly by M/s S.R. Dinodia & Co. and M/s B.R. Gupta & Co., Independent Chartered Accountants based on Net Assets Value method and the Fairness Opinion dated 19<sup>th</sup> November 2012 thereon issued pursuant to clause 24(h) of the Listing Agreement by M/s NEXGEN Financial Solutions Private Limited, Independent Merchant Banker certifying the share exchange ratio as placed before the Audit Committee.

In our opinion, the above share exchange ratio of 6:5 being 6 Equity Share of Rs. 10 each fully paid up in the Transferee Company for every 5 Equity Shares of Rs 10 each fully paid up held by the shareholders of the Transferor Company is found fair and reasonable.

The Audit Committee, therefore, based on its information, observation and the discussion do hereby unanimously recommend the said Scheme of Arrangement and draft Addendum to the Scheme for consideration of the Board of Directors.

  
(Anil Nayar)  
Chairman

Date: 14<sup>th</sup> February, 2013

Pearl Global Industries Limited  
  
Company Secretary