

The Board of Directors,  
Kitex Garments Limited,  
P.B No.5, Kizhakkambalam  
Cochin, Kerala 683562

**Independent Auditor's Certificate on the proposed accounting treatment contained in the Draft Scheme of Arrangement between Kitex Childrenswear Limited ("Demerged Company") with Kitex Garments Limited ("Resulting Company") and their respective shareholders and creditors under sections 230 to 232 read with other applicable provisions of the Companies Act, 2013 and rules framed thereunder.**

1. This Certificate is issued in terms of our mandate letter dated February 17, 2025.
2. The accompanying Annexure contains details of the accounting treatment as reproduced by the Resulting Company from clause 14 of the Proposed draft scheme of arrangement between the Resulting Company and Demerged Company (hereinafter referred as "Annexure"). The Proposed draft scheme of arrangement has been prepared pursuant to the requirements prescribed under section 230 to 232 and other applicable provisions of the Companies Act, 2013 ('the Act') and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI Master Circular on Scheme of Arrangement by Listed entities dated 20 June 2023 ('SEBI Master Circular') to the extent applicable.
3. The Annexure has been duly authenticated on behalf of the Resulting Company and is initialled by us for the identification purposes only.

#### **Management's Responsibility**

4. The responsibility for the preparation of the Proposed draft scheme of arrangement and its compliance with the provisions of the Companies Act, 2013 including applicable Accounting Standards prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015, MCA General Circular 9/2029 dated 21 August 2019 ('MCA Circular') and Other Generally Accepted Accounting Principles and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 read with SEBI Master Circular, is that of the management of the Resulting Company. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Proposed draft scheme of arrangement and the Annexure and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
5. The Management is also responsible for providing all relevant information to Hon'ble National Company Law Tribunal, stock exchanges and other regulatory authority in connection with the Proposed draft scheme of arrangement.

#### **Auditor's Responsibility**

6. Pursuant to the requirements of proviso to section 232(3)(j) of the Act read with Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, SEBI Master Circular, it is our responsibility to express reasonable assurance in the form of an opinion based on our examination and according to information and explanations given to us as to whether the:
  - i) Proposed accounting treatment as contained in Annexure is in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and circulars issued thereunder and all the applicable accounting standards notified by the Central Government under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 and Other Generally Accepted Accounting Principles and MCA Circular.
7. Nothing contained in this certificate, nor anything said or done in the course of, or in connection with the services that are subject to this certificate, will extend any duty of care that we may have in our capacity of the statutory auditors of any financial statements of the Resulting Company.



# MSKA & Associates

Chartered Accountants

8. We audited the standalone and consolidated financial statements of the Resulting Company as of and for the financial year ended March 31, 2024, on which we issued a qualified audit opinion and unmodified audit opinion respectively, vide our reports dated July 15, 2024. Our audit of these financial statements was conducted in accordance with the Standards on Auditing, as specified under section 143(10) of the Act and other authoritative pronouncements issued by the Institute of Chartered Accountants of India (ICAI) to the extent applicable. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
9. We conducted our examination of the Annexure in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) (the 'Guidance Note') issued by the ICAI. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
10. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements issued by ICAI.
11. A reasonable assurance engagement includes performing procedures to obtain sufficient appropriate evidence on the applicable criteria as mentioned in the Annexure. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated with the applicable criteria. Accordingly, our procedures include the following in relation to the Annexure:
  - a) Obtained and read the Proposed draft scheme of arrangement and the accounting treatment proposed therein;
  - b) Obtained certified true copy of the board resolution approving the proposed arrangement;
  - c) Examined whether the proposed accounting treatment is in compliance with the accounting treatment as prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 and MCA Circular.
  - d) Performed necessary inquiries with the management and obtained written representation from the Management of the Resulting Company in this regard.

## Opinion

12. Based on our examination and procedures performed by us as described in paragraph 11 above, read with para 13 below and according to the information and explanations given to us in our opinion the Proposed accounting treatment as contained in Annexure is in conformity with SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and circulars issued thereunder and all the applicable accounting standards notified by the Central Government under Section 133 of the Act read with Companies (Accounting Standards) Rules, 2021 and Other Generally Accepted Accounting Principles.
13. The accounting treatment mentioned in clause 14 of the Proposed draft scheme of arrangement thereunder relating to reduction of securities premium to the extent of debit balance in business reconstruction reserve may be done only subject to approval by the competent authority i.e. the National Company Law Tribunal (NCLT). In absence of specific accounting standards dealing with reduction of securities premium, if confirmed by and approved by NCLT, the said adjustment as specified in clause 14 of the Proposed draft scheme of arrangement would be considered in compliance with Generally Accepted Accounting Principles in India.

An extract of the accounting treatment specified in clause 14 of the Proposed draft scheme of arrangement is reproduced in "Annexure" duly authenticated on behalf of the Resulting Company is attached to this certificate as initialed by us only for the purpose of identification



# MSKA & Associates

Chartered Accountants

## Restriction on Use

14. The Certificate is addressed to the Board of Directors of the Resulting Company solely for the purpose of enabling it to comply with the requirements of section 230 to section 232 to the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI Master Circular to the extent applicable and for onward submission to the National Company Law Tribunal and other regulatory authority in connection with the Proposed draft scheme of arrangement. This Certificate should not be used by any other person or for any other purpose. M S K A & Associates shall not be liable to the Resulting Company, NCLT or to any other concerned for any claims, liabilities or expenses relating to this assignment.. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this Certificate is shown or into whose hands it may come without our prior consent in writing.

**For M S K A & Associates**

**Chartered Accountants**

ICAI Firm Registration No. 105047W



Geetha Jeyakumar

Partner

Membership No. 029409

UDIN: 25029409BMMILU3914



Place: Chennai

Date : March 04, 2025



**Kitex Garments Limited**

(CIN:L18101KL1992PLC006528)

P. B. No. 5, Kizhakkambalam, Alwaye,  
Kochi-683562, Kerala, India.

Phone: 91 484 4142000, Fax: 91 484 2680604

Email: [sect@kitexgarments.com](mailto:sect@kitexgarments.com)

[www.kitexgarments.com](http://www.kitexgarments.com)

**ANNEXURE : EXTRACT OF ACCOUNTING TREATMENT FROM DRAFT SCHEME OF ARRANGEMENT  
BETWEEN KITEX GARMENTS LIMITED ("RESULTING COMPANY") AND KITEX CHILDRENSWEAR  
LIMITED ("DEMERGED COMPANY") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS  
(UNDER SECTION 230 - 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT,  
2013)**

**14. ACCOUNTING TREATMENT IN THE BOOKS OF THE COMPANIES**

**14.2 Accounting treatment in the books of the Resulting Company:**

- 14.2.1 Notwithstanding anything to the contrary contained in any other clause in the Scheme, Resulting Company shall give effect to the Scheme in its books of account in accordance with the accounting standards specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 and the generally accepted accounting principles in India.
- 14.2.2 Upon the Scheme becoming effective, Resulting Company in accordance with Appendix C to Ind AS 103 - Business Combinations, shall record all the assets and liabilities pertaining to "Demerged Undertaking" vested in it pursuant to this Scheme, at their respective carrying values as appearing in the books of the Demerged Company. Resulting Company shall credit to its equity share capital, the aggregate of the face value of the New Equity Shares issued and allotted by it pursuant to the Scheme and excess, if any, of the fair value of the equity shares issued over the face value of the equity shares issued shall be classified as securities premium under the head "Other Equity". The difference between the value of New Equity Shares issued by Resulting Company to the shareholders of the Demerged Company as consideration and the book value of the assets and liabilities of the Demerged Undertaking received from the Demerged Company will be credited or debited, as the case may be, to equity and classified as capital reserve in case of a credit or business reconstruction reserve, respectively in case of a debit under the head "other equity".
- 14.2.3 Post giving effect to the demerger as per clause 14.2.2 above, the debit balance of "business reconstruction reserve", if any, under the head "other equity" arising in terms of clause 14.2.2

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**KITEX**

**Kitex Garments Limited**

(CIN:L18101KL1992PLC006528)

P. B. No. 5, Kizhakkambalam, Alwaye,

Kochi-683562, Kerala, India.

Phone: 91 484 4142000, Fax: 91 484 2680604

Email: [sect@kitexgarments.com](mailto:sect@kitexgarments.com)

[www.kitexgarments.com](http://www.kitexgarments.com)

shall be adjusted against the corresponding credit balance of Securities Premium Account arising in terms of clause 14.2.2, in the books of resulting company

14.2.4 The financial statements of Resulting Company for prior periods will be restated to give effect to the Scheme from the Appointed Date.

14.2.5 In case of any differences in accounting policies applied to the Demerged ~~the~~ accounting policies, as may be directed by the Board of Resulting Company will prevail and the difference will be accounted for in accordance with the applicable accounting standards. Any matter not dealt with in Clause hereinabove shall be dealt with in accordance with the Indian Accounting Standards and Generally Accepted Accounting Principles applicable to the Resulting Company.

For Kitex Garments Limited

Authorised Signatory



Date: March 4, 2025



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The Board of Directors,  
Kitex Childrenswear Limited  
P.B No. 5, Kizhakkambalam, 683562  
Kochi, Kerala, India

**Independent Auditor's Certificate on the accounting treatment contained in the Proposed Draft Scheme of Arrangement between Kitex Childrenswear Limited ("Demerged Company") and Kitex Garments Limited ("Resulting Company") and their respective shareholders and creditors under sections 230 to 232 read with other applicable provisions of the Companies Act, 2013 and rules framed thereunder**

1. This Certificate is issued in terms of our mandate letter dated February 17, 2025.
2. The accompanying Annexure contains details of the accounting treatment as reproduced by the Demerged Company from clause 14 of the Proposed draft scheme of arrangement between the Demerged Company and the Resulting Company (hereinafter referred as "Annexure"). The Proposed draft scheme of arrangement has been prepared pursuant to the requirements prescribed under section 230 to 232 and other applicable provisions of the Companies Act, 2013 ("the Act") to the extent applicable.
3. The Annexure has been duly authenticated on behalf of the Demerged Company and is initialled by us for the identification purposes only.

#### **Management's Responsibility**

4. The responsibility for the preparation of the Proposed draft scheme of arrangement and its compliance with the provisions of the Companies Act, 2013 including applicable Accounting Standards prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015, MCA General Circular 9/2029 dated 21 August 2019 ('MCA Circular') and Other Generally Accepted Accounting Principles, is that of the management of the Demerged Company. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Proposed draft scheme of arrangement and the Annexure and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
5. The Management is also responsible for providing all relevant information to Hon'ble National Company Law Tribunal and other regulatory authority in connection with the Proposed draft scheme of arrangement.

#### **Auditor's Responsibility**

6. Pursuant to the requirements of proviso to section 232(3)(j) of the Act read with Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, it is our responsibility to express reasonable assurance in the form of an opinion based on our examination and according to information and explanations given to us as to whether the proposed accounting treatment as described in the Annexure is in conformity with the accounting standards prescribed under section 133 Act read with Companies (Indian Accounting Standards) Rules, 2015 and MCA Circular.
7. Nothing contained in this Certificate, nor anything said or done in the course of, or in connection with the services that are subject to this Certificate, will extend any duty of care that we may have in our capacity of the statutory auditors of any financial statements of the Demerged Company.
8. We audited the standalone and consolidated financial statements of the Demerged Company as of and for the financial year ended March 31, 2024, on which we issued a qualified audit opinion and unmodified opinion respectively vide our reports dated September 28, 2024. Our audit of these financial statements were conducted in accordance with the Standards on Auditing, as specified under section 143(10) of the Act and other authoritative pronouncements issued by the Institute of Chartered Accountants of India (ICAI) to the extent applicable. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



# MSKA & Associates

Chartered Accountants

9. We conducted our examination of the Annexure in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) (the 'Guidance Note') issued by the ICAI. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
10. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements issued by ICAI.
11. A reasonable assurance engagement includes performing procedures to obtain sufficient appropriate evidence on the applicable criteria as mentioned in the Annexure. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated with the applicable criteria. Accordingly, our procedures include the following in relation to the Annexure:
  - a) Obtained and read the Proposed draft scheme of arrangement and the accounting treatment proposed therein;
  - b) Obtained certified true copy of the board resolution approving the proposed arrangement;
  - c) Examined whether the proposed accounting treatment is in compliance with the accounting treatment as prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 and MCA Circular.
  - d) Performed necessary inquiries with the management and obtained written representation from the Management of the Demerged Company in this regard.

## Opinion

12. Based on our examination and procedures performed by us as described in paragraph 11 above, and according to the information and explanations given to us in our opinion the proposed accounting treatment as described in the Annexure is in conformity with the accounting standards prescribed under section 133 Act read with Companies (Indian Accounting Standards) Rules, 2015.

An extract of the accounting treatment specified in clause 14 of the Proposed draft scheme of arrangement is reproduced in "Annexure" duly authenticated on behalf of the Demerged Company is attached to this certificate as initialed by us only for the purpose of identification.

## Restriction on Use

13. The Certificate is addressed to the Board of Directors of the Demerged Company solely for the purpose of enabling it to comply with the requirements of section 230 to section 232 to the Companies Act, to the extent applicable and for onward submission to the National Company Law Tribunal and other regulatory authority in connection with the Proposed draft scheme of arrangement.
14. This Certificate should not be used by any other person or for any other purpose. M S K A & Associates shall not be liable to the Demerged Company, NCLT or to any other concerned for any claims, liabilities or expenses relating to this assignment. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this Certificate is shown or into whose hands it may come without our prior consent in writing.

**For M S K A & Associates**

**Chartered Accountants**

ICAI Firm Registration No. 105047W



Geetha Jeyakumar  
Partner

Membership No. 029409  
UDIN: 25029409BMMILV8795



Date : March 04, 2025

Place: Chennai

**ANNEXURE : EXTRACT OF ACCOUNTING TREATMENT FROM DRAFT SCHEME OF ARRANGEMENT BETWEEN KITEX GARMENTS LIMITED ("RESULTING COMPANY") AND KITEX CHILDRENSWEAR LIMITED ("DEMERGED COMPANY") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS (UNDER SECTION 230 - 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013)**

**14. ACCOUNTING TREATMENT IN THE BOOKS OF THE COMPANIES**

**14.1 Accounting treatment in the books of the Demerged Company:**

- 14.1.1 Notwithstanding anything to the contrary contained in any other clause in the Scheme, the Demerged Company shall give effect to the Scheme in its books of accounts in accordance with the accounting standards specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 and the generally accepted accounting principles in India.
- 14.1.2 Upon the Scheme becoming effective and from the Appointed Date, the Demerged Company shall reduce the carrying value of all the assets and liabilities pertaining to the Demerged Undertaking as appearing in the books of accounts of the Demerged Company, being transferred to and vested in the Resulting Company from the respective book value of assets and liabilities of the Demerged Company. Any matter not dealt with in clause hereinabove shall be dealt with in accordance with the Indian Accounting Standards and Generally Accepted Accounting Principles applicable to the Demerged Company.
- 14.1.3 The difference, being excess of carrying value of assets over the carrying value of liabilities of the Demerged Undertaking, if any will be adjusted against Retained earnings under the head "Other Equity". If, the difference is arising due to excess of carrying value of liabilities over the carrying value of assets of the Demerged Undertaking it shall be credited to capital reserve account.

For Kitex Childrenswear Limited



Authorised Signatory

Date: March 4, 2025



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