



**ACQUISITION OF CONTROLLING INTEREST
IN
KINAM ENGINEERING INDUSTRIES**

HLE Glascoat Limited

August 2023



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Kinam Engineering Industries - Overview



Cumulative for FY19 to FY22

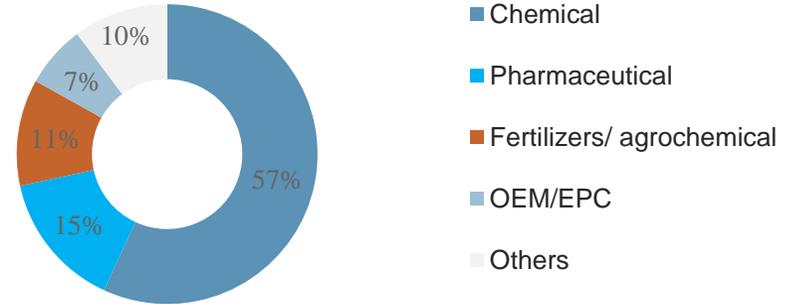
Kinam Engineering Industries (Partnership Firm) is engaged in the business of manufacturing heat exchangers for the chemical and pharmaceutical industries. Kinam specializes in the manufacturing of shell and tube and corrugated heat exchangers of up to 4,000m2. Kinam believes in innovation and is presently working on multiple new products launches (spiral and plate heat exchangers)

Kinam was started by Mr. Kirit Mehta in 1981 to undertake general fabrication including vessels and heat exchangers. In 2001, his son Mr. Mehul Mehta joined the business, and they shifted focus and decided to specialize in the manufacture of different types of Heat Exchangers. Over the years, Kinam made several developments in the area of Heat Exchangers, most notably the innovative corrugated tube heat exchangers.

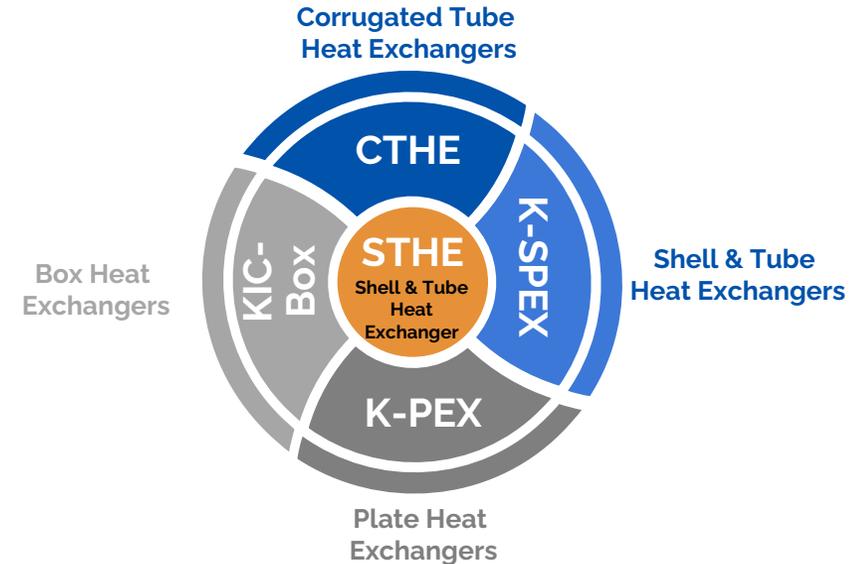
Kinam specializes in handling exotic metals, has robust designing capabilities and is also a member of Heat Transfer Research Inc. With the capability to design and manufacture multiple types of heat exchangers, Kinam is the only true one-stop-shop for heat exchange solutions in India today.

Manufacturing unit in India with exports to several countries including Germany, Netherlands, Israel, Malaysia, Egypt, South America, Kazakhstan, Poland and Turkey

Chemicals and pharmaceutical sectors account for 60 – 70% of revenues



The Firm is now increasing penetration in OEM/ EPC, fertilizers/ agrochemical and petrochemical sectors



Widest Product Range in the Industry



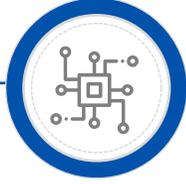
| | Shell & Tube Heat Exchanger | Corrugated Tube Heat Exchanger | Spiral Heat Exchanger | Box Heat Exchanger |
|----------------------|--|--|--|---|
| Brand & product |  |  |  |  |
| Description | <ul style="list-style-type: none"> Consists of a shell with a bundle of tubes inside it | <ul style="list-style-type: none"> Similar to conventional tubular heat exchangers Manufactured by indenting tubes in a spiral pattern | <ul style="list-style-type: none"> Comprises of circular units containing two concentric spiral flow channels, one for each fluid | <ul style="list-style-type: none"> Integrated with KICC corrugated tube technology Primary and secondary condensers are replaced by a single box-type unit |
| Specifications | <ul style="list-style-type: none"> Heat transfer area: Up to 3,000 m² Weight: Up to 100 tons Pressure: Up to 180 bar | <ul style="list-style-type: none"> Heat transfer area: Up to 1,500 m² Weight: Up to 100 tons Pressure: Up to 50 bar | <ul style="list-style-type: none"> Heat transfer area: Up to 200 m² Weight: Up to 100 tons Pressure: Up to 15 bar | <ul style="list-style-type: none"> Heat transfer area: Up to 50 m² Pressure: Up to 10 bar |
| Key Target Markets | <ul style="list-style-type: none"> Includes chemical, pharmaceutical, fertilizer, petrochemical, paints, food flavors, steel, paper & textile | <ul style="list-style-type: none"> Chemical & pharmaceutical | <ul style="list-style-type: none"> Includes chemical, pharmaceutical, fertilizer, petrochemical, paints, food flavors, steel, paper & textile | <ul style="list-style-type: none"> Specifically designed for the pharmaceutical industry |
| Distinctive Benefits | <ul style="list-style-type: none"> Capability to manufacture in special alloys and materials including Titanium, Hastelloy and Cu-Ni- alloys | <ul style="list-style-type: none"> 30% - 50% enhanced heat transfer 20 - 30% lower capital investment Compact and low maintenance Reduced fouling & better condensation Even temperature distribution | <ul style="list-style-type: none"> Self-cleaning Higher heat transfer and recovery rate Suitable for high-vacuum applications & highly viscous fluids | <ul style="list-style-type: none"> 30% - 40% more compact design Savings in piping cost Fully drainable Higher condensation efficiency More easily cleanable |



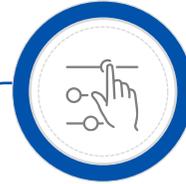
Dedicated and experienced engineering, design & proposal teams



Specialists in heat exchangers - knowledge base developed over four decades



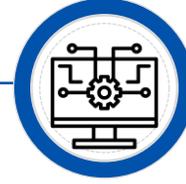
Pioneer among Indian players on multiple technologies and solutions for heat transfer



Supports project specific customised solution requirements



Team led by professionals and experienced specialists in the field



State-of-the-art software capability for designing, planning and execution

Manufacturing Facility



The Manufacturing Facility is situated at Ambarnath (near Mumbai), with a total area of 1,10,000 sq fts, area under cranes ~ 70,000 sq ft. in a leased premises

It is well equipped with state-of-the-art equipment, a single EOT crane of 50T capacity

The Facility is capable to manufacture ~ 3000 units per annum in a single shift format and employs ~300 people (payroll + contractual). The Facility is equipped to work with different metals like stainless steel, carbon steel, titanium, nickel-based alloys (Hastelloy, Inconel) and other materials

Manufacturing Capabilities

| | |
|----------------------|---|
| Shell Diameter | : 4000 mm |
| Tube-sheet Thickness | : 400 mm |
| Overall Length | : Up to 25 mtr. |
| Design Pressure | : 200 Kg/cm ² |
| Max Equipment weight | : 100 MT |
| Heat Transfer Area | : 1m ² to 4000m ² |

Accreditations

- ISO 9001-2015
- ISO 14001-2015
- ISO 45001-2018
- IBR
- U-Stamp (*Applied*)

Firm's relationships with Marquee Customers



Chemicals



Fertilizers & Agro chemical



Pharmaceuticals



Paints, Steel, Paper, Oil & others



EPC



Petrochemical



Financials and Valuation Parameters



| | FY 2020-21 | FY 2021-21 | FY 2022-23 |
|----------|------------|------------|------------|
| Revenue | 56.17 Cr | 103.87 Cr | 122.07 Cr |
| EBIDTA | 10.47 Cr | 26.09 Cr | 29.94 Cr |
| EBIDTA % | 18.64 % | 25.12 % | 24.03 % |
| PBT | 6.75 Cr | 21.72 Cr | 24.86 Cr |

Valuation Parameters based on FY23
Audited Financials

EV/ EBITDA Multiple – 8.29 %

PBT Multiple – 9.05 %

Synergies from Kinam Engineering



The Products manufactured by Kinam are complementary to HLE Glascoat's product lines, and there is likely to be very good synergy between the operations of the two entities. The acquisition will enhance efficiencies and combine similar business interests for both entities, resulting in operational synergies, streamlining and optimization of the business.



It would also lead to administrative efficiency and optimal utilization of various resources being in a similar line of business and provide a common leadership vision for the consolidated global business, besides consolidation of the financials, economies of scale, and integration of processes, thus contributing to the overall growth prospects of both HLE Glascoat and Kinam.



HLE Glascoat intends to provide its expertise and management capabilities to ensure the growth of Kinam primarily through (a) increased focus on expanding territorial coverage, (b) improving competitiveness, (c) Increase the customer network, and (d) greater penetration of the European and American markets.



Both entities can make use of each other's marketing and post-sales network to promote and market complementary products.



There is a good overlap of customers and vendors between the two entities and this can bring adjacencies and economies of scale for both the entities.

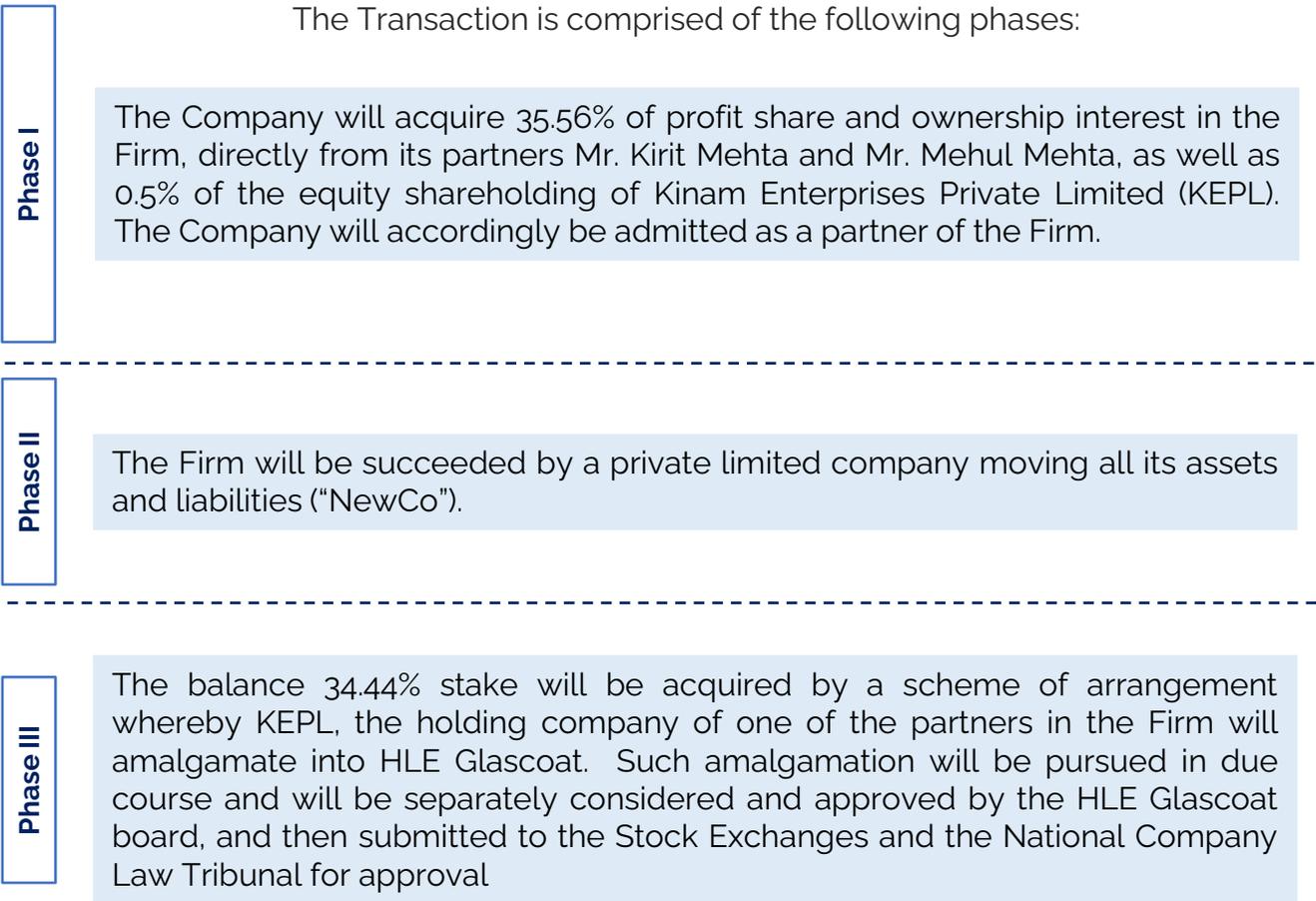


The combination of HLE Glascoat and Kinam would also result in overall value accretion to all the stakeholders.

Transaction Structure

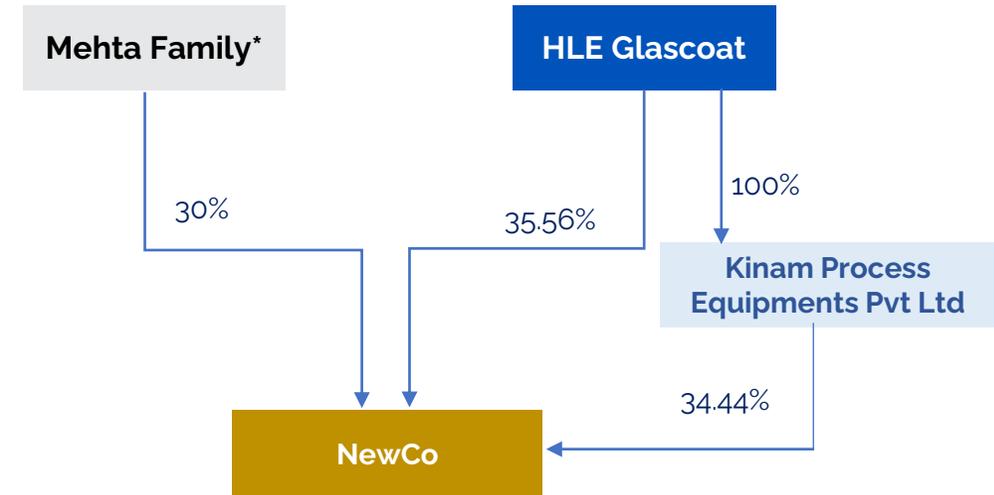


The Transaction is comprised of the following phases:



On the completion of the abovementioned phases, the Company will have acquired 70% of the interest in the NewCo.

Resultant Structure*



HLE Glascoat will acquire 35.56% partnership share in the Target Firm from the Partners/ Sellers for a consideration of Rs. 79.97 crores

On completion of Phase III, the Sellers receive shares of HLE Glascoat equivalent to Rs. 77.50 crores.

**Subject to the approval of the Audit Committee, Board of Directors and other necessary approvals from time to time*

Thank You

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