

REPORT ON RECOMMENDATIONS OF THE AUDIT COMMITTEE OF HLE GLASCOAT LIMITED ON THE DRAFT SCHEME OF AMALGAMATION BETWEEN HLE GLASCOAT LIMITED AND KINAM ENTERPRISE PRIVATE LIMITED ADOPTED AT THE MEETING HELD ON FEBRUARY 13, 2024 AT H-106, A18 RD, PHASE -IV, GIDC, VITTHAL UDYOGNAGAR, ANAND, GUJARAT 388121

PRESENT

Yatish Parekh	Chairman
Sandeep Randery	Member
Jayesh Shah	Member
Aalap Patel	Member

In Attendance

Mr. Naveen Kandpal	Chief Financial Officer
Mr. Achal Thakkar	Company Secretary & Compliance Officer

Background

A meeting of Audit Committee of HLE Glascoat Limited was held on 13th February, 2024 to consider and recommend to the Board of Directors the Scheme of Amalgamation between HLE Glascoat Limited (Transferee Company) and Kinam Enterprise Private Limited (Transferor Company) (hereinafter referred to as "Scheme") to be implemented under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and other applicable laws.

The proposed Scheme is likely to result in the following benefits:

1. consolidation as a single entity shall provide several benefits like reducing the number of legal entities, reducing the multiplicity of legal and regulatory compliances and reduction of costs, which would be beneficial for all stakeholders;
2. simplification of the shareholding structure and reduction in the shareholding tiers;
3. synergies that exist between the Transferor Company and the Transferee Company will ensure better cash flows and better business efficiency, avoid duplication of work and efforts and reduce managerial overlaps towards their common advantage; and
4. enhance shareholder value accruing from consolidation of business, thus contributing to the overall growth prospects of the Transferee Company.
5. The amalgamation is in the interest of the Transferor Company and the Transferee Company and their respective shareholders, creditors and all other stakeholders and is not prejudicial to the interests of the concerned shareholders, creditors or the public at large.

* The salient features of the Scheme are as under:

1. The appointed date fixed for the purpose of the Scheme was August 7, 2023;
2. Upon the Scheme becoming effective and with effect from the Appointed Date, the Transferor Company shall stand amalgamated with and be vested in the Transferee

Company, pursuant to Sections 230 to 232 read with other relevant provisions of the Act and Section 2(1B) of the Income Tax Act, such that all the properties, assets, rights, contracts, permits, claims, title, interest, benefits, authorities, investments, liabilities, duties and obligations comprised in the Transferor Company immediately before the amalgamation shall automatically, and without any further act, instrument, deed, matter or thing, shall stand transferred to and vested in and/ or deemed to be transferred to and vested in the Transferee Company, on a 'going concern' basis for the consideration as set out hereinafter by virtue of operation of law and in the manner provided in this Scheme;

3. Upon the Scheme becoming effective and upon the amalgamation of the Transferor Company with the Transferee Company in terms of this Scheme the investment in equity shares of the Transferor Company held by the Transferee Company shall stand cancelled in the books of the Transferee Company;
 4. the Transferee Company shall, without any further act, deed, issue and allot on a proportionate basis to each shareholder of the Transferor Company (except Transferee Company itself), whose name is recorded in the register of members on the Effective Date, in accordance with the terms of the Scheme and without any further application, act, deed, payment, consent, instrument or deed issue 100 (One Hundred) fully paid up equity shares of Rs.2 each of the Transferee Company ("**Transferee Company New Equity Shares**"), credited as fully paid up for every 559 (Five Hundred Fifty Nine) fully paid equity shares of Rs.10 each held by such shareholder or his/ her/ its heirs, executors, administrators or successors in the Transferor Company ("**Share Entitlement Ratio**");
 5. Consequent to the amalgamation and as an integral part of the Scheme, upon the Scheme becoming effective, the Authorized Share Capital of the Transferor Company of Rs 7,00,00,000 (Rupees Seven Crore Only) will be reclassified, altered and combined with the authorised share capital of the Transferee Company and shall stand increased without any further act, instrument or deed and without payment of any fees to Registrar of Companies, stamp duty, etc. pursuant to the provisions of the Act;
 6. With effect from the Effective Date, all inter-se contracts solely between the Parties (i.e., not having any other third Person other than the Parties) shall stand cancelled and cease to operate, and appropriate effect shall be given to such cancellation and cessation in the books of accounts and records of the Transferee Company. With effect from the Effective Date, there will be no accrual of income or expenses on account of any transactions in the nature of sale or transfer of any goods, material or services, between the Transferor Company and the Transferee Company. For avoidance of doubt, it is hereby clarified that with effect from the Effective Date, there will be no accrual of interest or other charges in respect of any inter-se loans, deposits or balances between the Transferor Company and the Transferee Company;
- On this Scheme becoming effective, the Transferor Company shall stand dissolved without winding up and the Board of Directors and any committees thereof of the Transferor Company shall without any further act, instrument or deed be and stand discharged. On and from the Effective Date, the name of the Transferor Company shall be struck off from the records of the concerned Registrar of Companies;



The report of Audit Committee is made in order to comply with the requirements of the Para (A)(2)(c) of Part I of SEBI Master Circular dated 20th June, 2023 issued by the Securities and Exchange Board of India ("SEBI") as amended from time to time, after considering the following documents:

1. Draft Scheme of Arrangement;
2. Valuation Report dated 13th February, 2024 issued by M/s. **RBSA Valuation Advisors LLP** ("**Registered Valuer**");
3. Fairness Opinion dated 13th February, 2024 issued by Navigant Corporate Services Private Limited, Category I Merchant Banker providing the Fairness Opinion on the Valuation Report ("**Fairness Opinion**");
4. Certificate from the Statutory Auditors of the Company i.e. M/s. M. M. Nissim & Co., Chartered Accountants confirming that the Scheme is in compliance with applicable accounting treatment notified under Companies Act, 2013 and other generally accepted principles;
5. Audited financials statements of Kinam Enterprise Private Limited for the period ended 31st December, 2023;
6. Audited financial statements of HLE Glascoat Limited for the preceding three financial years (FY2020-21, FY2021-22 and FY2022-23).
7. Standalone and consolidated Financial Results for the half year ended September 30, 2023 and December 31, 2023 of HLE Glascoat Limited, subjected to limited review by the Statutory Auditors.

Recommendation of the Audit Committee

Having considered the Valuation Report, Fairness Opinion as well as the Scheme, the Audit Committee do hereby unanimously recommend the Draft Scheme, for favorable consideration by the Board of Directors of the Company, BSE Limited, National Stock Exchange of India Limited, the SEBI, NCLT, the shareholders and creditors of the Company and all other authorities/ agencies as may be required.

For and on Behalf of the Audit Committee of HLE Glascoat Limited


Yatish Parekh
Chairman - Audit Committee

DIN: 00168488

Place: Anand

Date: February 13, 2024

