

April 6, 2024

To,
National Stock Exchange of India Limited,
Exchange Plaza C-1, Blocl – G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400051

Kind Attn.: Pranali Honrao

Respected Ma'am,

Sub: Requirements for in principle approval for draft Scheme of Amalgamation of Kinam Enterprise Private Limited (“Transferor Company”) with HLE Glascoat Limited (“Transferee Company”) and their respective shareholders under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

Ref: Your Letter no. NSE/LIST/40414, dated - March 07, 2024

We refer to your aforesaid letter and would like to provide the required point-wise documents / information, as under:

1. In Valuation Report, kindly clarify the following-
 - a. In sources of Information, it has been observed that Limited Reviewed Financial statements for KEI and KEPL for the period December 31, 2023, are disclosed. Kindly clarify how is the Company complying with circular NSE/CML/2023/70 dated September 29, 2023.
 - b. Kindly provide workings for the valuation methods adopted including the comparable companies taken in CCM method.
 - c. Rationale for not adopting Income approach for HLE Glascoat and KEPL and Market Approach for KEPL.

Our Response:

Enclosed herewith as Annexure 1, are the clarifications/ responses received from RBSA Valuation Advisors LLP, Registered Valuer, in this regard for your consideration.

2. In the Report from the Committee of Independent Directors recommending the draft scheme all the points as per Master Circular are not covered. Kindly include all the points and provide revised.

Our Response:

The Report from the Committee of Independent Directors dated 13 February 2024 recommending the draft scheme covers all the points in terms of the Master Circular. Enclosed herewith as Annexure 2 is the abovementioned report for your reference.

3. With respect to Shareholding pattern, kindly provide the following-
 - a. Kindly provide shareholding pattern in accordance with Regulation 31 (1) of the SEBI (LODR) Regulations, 2015 including all the tables, further, also provide shareholding pattern (With and without PAN) of Kinam Enterprise Private Limited.
 - b. Kindly provide a Separate Shareholding pattern for Preference Shares.

Our Response:

- 3(a)** The shareholding pattern (With & Without PAN) in the requisite format for HGL and KEPL is attached at Annexure 3A to 3D
 - 3(b)** The shareholding pattern for preference shares (With & Without PAN) for HLE Glascoat Limited is attached again at Annexure 4A to 4B. Further, Kinam Enterprise Private Limited does not have Preference shares, hence, separate shareholding pattern for preference shareholders is not applicable.
4. Kindly provide Audited financials for the last 3 years (Audited financials not being more than 6 months old) of Kinam Enterprise Private Limited.

Our Response:

Kinam Enterprise Private Limited has been incorporated on June 26, 2023 only and hence, Audited financials for the last 3 years are not applicable. We have already shared the audited financials of Kinam Enterprise Private Limited for the period ended December 31, 2023. Enclosed herewith as Annexure 5 is the audited financials of Kinam Enterprise Private Limited for the period ended December 31, 2023 for your reference.

5. It has been observed that clause w.r.t approval from the public shareholders through e-voting, as required under Para (A)(10)(b) of Part I of SEBI Master Circular is not mentioned in draft scheme, kindly provide rationale for the same.

Our Response:

The Company will comply with the provisions of the SEBI Master Circular with respect to seeking approval of the shareholders through e-voting, as required under Paragraph 10(a) of Part I of the SEBI Master Circular.

Further, the requirement under the SEBI Master Circular pertaining to obtaining approval of the majority of the public shareholders of the Company to the Scheme is not applicable to the Company. Enclosed herewith as Annexure 6 is the certificate obtained from the Statutory Auditors of the Company viz., M/s. M. M. Nissim & Co. LLP (ICAI Firm Registration No. 107122W/W100672), certifying the non-applicability of requirements stated in Paragraph 10(b) read with Paragraph 10(a) of Part I of the SEBI Master Circular.

6. Kindly provide No Objection Certificate (NOC) from the lending scheduled commercial banks/financial institutions/ debenture trustees.

Our Response:

The Undertaking that the Company has already initiated the process of obtaining NOC has been submitted along with the application letter. We will submit the NOC as soon as the same are received.

7. Kindly provide Pricing certificate from the PCA/ PCS/ Statutory Auditor of the listed company as per Chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Enclosed herewith as Annexure 7 is the pricing certificate from the Statutory Auditor of the Company, as per Chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

8. Kindly provide the documents/undertaking as per Annexure I.

Our Response:

Enclosed herewith as Annexure 8 are the requisite documents / undertaking as per Annexure I of NSE checklist.

9. Kindly provide confirmation in case NoC/ Clearance from the respective sectorial regulators is not applicable.

Our Response:

In the present case, the NoC/ Clearance from the respective sectorial regulators is not applicable, and hence, the Undertaking in this regard is enclosed herewith as Annexure 9.

10. It has been observed that the Company has not submitted additional requirements (Annexure M) as per the NSE Checklist. Kindly provide the same.

Our Response:

Additional requirements as per Annexure M of the NSE Checklist is enclosed herewith as Annexure 10.

11. Since NSE is DSE, kindly provide the documents/undertaking as per Annexure I.

Our Response:

In our case, the BSE Limited is DSE. The certified true copy of the Board Resolution in this regard is enclosed herewith as Annexure 11.

12. Kindly provide reasons for the increase in reserves and net worth from FY21 to FY22.

Our Response:

The Reserves and Surplus as at 31st March, 2021 was Rs. 151.48 crores and Net Worth stood at Rs. 164.55 crores.

(Rs Crores)

Particulars	FY2020-21	FY2021-22
Share Capital	13.07	13.65
Reserves and Surplus	151.48	267.67
General Reserve	35.40	55.40
Security Premium	19.50	98.93
Retained Earnings	63.49	99.49
Other Reserves	33.09	13.85
Net Worth	164.55	281.32

The Company had issued Equity Shares and warrants through a preferential allotment to two entities, Malabar India Fund Limited, a Category One Foreign Portfolio Investor, and Malabar Value Fund Scheme launched in the Malabar Investment Trust, a SEBI registered AIF Category III Trust. The total funds raised was Rs. 100 Crores. The Company received Rs. 40 crores towards allotment of equity shares (1,44,404 equity shares of Rs. 10 each issued at a premium of Rs. 1,375 per share aggregating to Rs. 20 crores) and warrants (5,77,616 Warrants of Rs. 10 each issued at a premium of Rs. 1,375 per warrant for which 25% of the total issue price aggregating to Rs. 20 crores) during FY2020-21. The Company received the balance Rs. 60 crores (75% of the total issue price/ balance consideration aggregating to Rs. 60 crores) during FY2021-22.

13. It has been observed in financial statements of HLE Glascoat Limited, that there is continuous increase in loans for the last years and period ended December 31, 2023. Kindly provide the reasons for the same.

Our Response:

The Company is a growing company. During 2021-22 the Company acquired 100% shares of Thaletec GmbH along with its wholly owned subsidiary in the USA.

Thaletec is a reputed and experienced customized glass lined equipment manufacturer in Germany. Thaletec offers sophisticated customized and innovative technical solutions with glass lining equipment and services in chemical, pharmaceutical or environmental process industry and is one of the most reputed companies in the process manufacturing equipment segment in Europe.

The total consideration that was paid for the said acquisition is Euro 12 million (Around Rs. 104 crores) this was part financed by term loan (Rs. 72 crores/ Euro 8 million).

During FY2Y22 and FY23 the Company expanded capacity at its Anand (Gujarat) unit (which manufactures Glass Lines Equipment) and Maroli (Gujarat) (which manufactures Filtration and Drying Equipment) total project cost was around 25 crores which was part finance by term loan of Rs. 16 crores. The Company also implemented a greenfield state of the art project at Silvassa (to manufactures standardized Filtration and Drying Equipment and other process equipment) which had a total project cost of Rs. 45 crores which was part finance by term loan of Rs. 27.50 crores.

In the current year (August 2023), the Company entered into a definitive agreement with Mr. Kirit Mehta and Mr. Mehul Mehta, to acquire 70% ownership interest and profit share in the partnership firm, Kinam Engineering Industries (“Kinam”), subject to fulfillment of certain obligations and conditions. The agreed consideration for the said transaction was Rs. 157.50 crores for 70% stake which was to be discharged in two parts Rs. 80 crores in cash and balance by issue of shares of the Company to Mr. Kirit Mehta and Mr. Mehul Mehta (through the Scheme of Arrangement for which the said application under Regulation 37 is filed). The Company borrowed Rs. 82 crores during the year to fund the said acquisition.

Kinam is one of the reputed designers, innovators, and manufacturers of Shell and Tube Heat Exchangers, Corrugated Tube Heat Exchangers, Spiral Heat Exchangers, Plate Type Heat Exchangers, Pressure Vessels and Process Equipment. Its clients include leading players in the chemical, petrochemical, fertilizers, refineries, power plants, pharmaceutical, biotech, cosmetics and textile industries. Operating from a well-equipped manufacturing unit (at Ambernath, near Mumbai

HLE Glascoat Limited – Standalone

(Rs Crores)

Particulars	FY2020-21	FY2021-22	FY2022-23	YTD Dec 2023
Revenue from Operations	420.71	508.49	649.46	425.11
EBITDA	89.29	101.37	106.33	61.20
PAT	52.34	61.76	54.42	23.37
Total Bank Borrowings	91.48	201.58	240.93	358.77

HLE Glascoat Limited – Consolidated

(Rs Crores)

Particulars	FY2020-21	FY2021-22*	FY2022-23	YTD Dec 2023**
Revenue from Operations	484.49	652.21	931.52	661.08
EBITDA	95.59	117.76	145.07	82.42
PAT	53.37	58.23	69.80	26.08
Total Bank Borrowings	93.23	207.09	247.09	376.84

* Thaletec GmbH financial numbers included in the consolidated financials of HLE Glascoat with effect from 17th December, 2021.

** Kinam Engineering Industries financial numbers included in the consolidated financials of HLE Glascoat with effect from 26th September, 2023.

You will observe that while the debt level has increased there is corresponding increase in revenues and profitability of the Company both on a standalone and consolidated level. Both the acquisitions have proved to be value accretive for the Company.

14. It has been observed that in the consolidated financial statements of HLE Glascoat Limited, the net worth of the Company is less as compared to on standalone basis. Kindly provide reasons for the same.

Our Response:

As stated above the Company holds 100% shares of Thaletec GmbH along with its wholly owned subsidiary in the USA, 99% ownership interest in HL Equipments (renamed as Thaletec India) and 70% (currently 35.56%) ownership interest in Kinam Engineering Industries these investments will get eliminated on consolidation and hence the consolidated Net Worth appears lesser than the standalone basis.

HLE Glascoat Limited – Consolidated

Particulars	(Rs Crores)		
	FY2020-21	FY2021-22*	FY2022-23
Net Worth (Standalone)	164.55	281.32	328.93
Net Worth (Consolidated)	134.81	253.61	326.83

* Thaletec GmbH financial numbers included in the consolidated financials of HLE Glascoat with effect from 17th December, 2021.

** Kinam Engineering Industries financial numbers included in the consolidated financials of HLE Glascoat with effect from 26th September, 2023.

15. It has been observed that in standalone financial statements, there is no non-controlling interest, however, in consolidated financial statements of HLE Glascoat Limited, the non-controlling interest exists which is continuously increasing during the last three years. Kindly provide the reasons for the same.

Our Response:

Standalone Financial Statement does not consider financials of subsidiary/ associate. For that matter under accounting standards standalone financials statement will never have non-controlling interest. Non-controlling interest is the ownership stake in a company that is not owned by the parent company and it will always appear only in the consolidated financials of the company.

16. Kindly provide Confirmation by the Company as per format enclosed as Annexure F.

Our Response:

The Confirmation as per the format is enclosed herewith as Annexure 11.

17. On internal check, we have observed that similar names as that of Directors/Promoters/Promoter Group of the issuer are appearing in the below regulatory actions. Kindly confirm whether below named persons are related to the Issuer. If so, kindly provide the status of the below mentioned respective regulatory actions.

Our Response:

The names of the Directors/ Promoters/ Promoter Group as appearing in the table provided in your letter are not the persons related to the Issuer (i.e. HLE Glascoat Limited).

Yours faithfully,

For HLE Glascoat Limited

Achal Thakkar
Company Secretary
PAN: AGKPT7146G