

**REPORT OF THE INDEPENDENT DIRECTORS' COMMITTEE OF ADOR WELDING LIMITED ('THE COMPANY') RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION (MERGER BY ABSORPTION) OF ADOR FONTECH LIMITED ('ADFL') WITH ADOR WELDING LIMITED ('AWL') AND THEIR RESPECTIVE SHAREHOLDERS UNDER PROVISIONS OF SECTION 230 TO 232 OF THE COMPANIES ACT 2013**

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**PRESENT:**

Mrs. N. Dempo Mirchandani	- Chairman
Mr. P. K. Gupta	- Member
Mr. R. N. Sapru	- Member
Mr. K. D. Singh	- Member
Mr. G. M. Lalwani	- Member
Mr. N. S. Marshall	- Member

**IN ATTENDANCE:**

Mrs. N. Malkani Nagpal	- Executive Chairman
Mr. A. T. Malkani	- Managing Director
Mr. S. K. Sethia	- Chief Financial Officer
Mr. V. M. Bhide	- Company Secretary
Mr. Girish Vanvari	- Representative of Transaction Square
Mr. Vikram Naik	- Representative of Transaction Square
Mr. Bhavik Shah	- Representative of Registered Valuer

**I. BACKGROUND**

The Proposal of Amalgamation was placed before the **Independent Directors' Committee** at their meeting held on 31<sup>st</sup> May, 2022, which was considered and the recommendation had been made to the Board for approval of the Scheme of Amalgamation (Merger by Absorption) of Ador Fontech Limited ("Transferor Company" or "ADFL") with Ador Welding Limited ("Transferee Company" or "AWL") and their respective shareholders under provisions of Section 230 to 232 of the Companies Act 2013 ("the Scheme").

Ador Fontech Limited (ADFL) is a listed public limited company incorporated in India and is engaged in the business of "Life Enhancement of Industrial Components" which includes products, services and solutions for reclamation, repairs and maintenance.

Ador Welding Limited (AWL) is a listed public limited company incorporated in India and is engaged in the business of manufacturing & selling of various welding products, cutting equipment, CNC machines, welding automation products as well as welding accessories. It is also engaged in the business of Flares & Process Equipment.

This Report of **Independent Directors' Committee** is made in order to comply with the provisions of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated 23<sup>rd</sup> November, 2021, SEBI Circular dated 3<sup>rd</sup> January, 2022 and 1<sup>st</sup> February, 2022, as amended from time to time.

**ADOR WELDING LIMITED**

Regd. & Corporate Office: Ador House, 6, K. Dubash Marg, Fort, Mumbai - 400 001 - 16, Maharashtra, India.

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*ADM*



The draft Scheme was placed before the Committee of Independent Directors to consider and recommend the same to the Board of Directors of the Company after taking into account that the Scheme is not detrimental to the Shareholders of the Company along with the following draft documents:

- i. Draft Scheme, duly initialled by Managing Director / Company Secretary of the Company for the purpose of identification;
- ii. Valuation Report dated 31<sup>st</sup> May, 2022 issued by Niranjana Kumar, Registered Valuer – Securities or Financial Assets;
- iii. Fairness Opinion dated 31<sup>st</sup> May, 2022 issued by Systematix Corporate Services Limited, an Independent SEBI Registered Merchant Banker;
- iv. Draft Certificate dated 31<sup>st</sup> May, 2022 issued by the Statutory Auditors of the Company i.e., M/s. Walker & Chandok & Co. LLP Chartered Accountants, to the effect that the Scheme is in compliance with the applicable Accounting Standards as specified by the Central Government under Section 133 of the Companies Act, 2013;

## II. RATIONALE

The Independent Directors' Committee noted the rationale of the draft Scheme, which is as follows:

*"The Transferor Company and the Transferee Company are engaged in similar lines of business and complement each other. With an intent to expand the business and achieve larger product portfolio, economies of scale, efficiency, optimization of logistics and distribution network and other related economies by consolidating the business operations, the Board of Directors of the Transferor Company and the Transferee Company propose to consolidate the business of the Transferor Company with the Transferee Company. The proposed amalgamation of the Transferor Company with the Transferee Company would inter alia have the following benefits:*

1. *Enable the consolidation of the business of the Transferor Company with the Transferee Company to create one of the largest welding and cutting products manufacturers and refurbishment player in the industry.*
2. *Creation of a combined entity, hosting all products under the Transferee Company, thereby resulting in diversified portfolio of products, economies of scale, operational rationalization, efficiency of management, broader and deeper market presence and maximizing value for the shareholders.*
3. *Greater synergies between businesses and optimum use of manufacturing facilities, marketing strength, R & D facilities, optimized production, streamlining of supply chains, enhancing customer delight, brand strengthening and certifications, resulting in productivity gains, thereby maximizing value for the shareholders.*
4. *Enable greater access to different market segments in conduct of its business and addition of new products in the portfolio would improve the competitive position of the combined entity.*
5. *Optimum use of infrastructure and organizational efficiency by pooling of financial, managerial, and technical resources, personnel, capabilities, skills, expertise and technologies of the Transferor Company and the Transferee Company, thereby significantly contributing to the future growth and maximizing shareholder value.*
6. *Better financial leverage, resulting in greater efficiency in cash and debt management and unfettered access to cash flow generated by the combined business, which can be deployed more efficiently, to realize higher*

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margins for the combined entity.

7. Improved organizational capability and leadership, arising from the pooling of human capital, who have the diverse skills, talent and vast experience, to compete successfully in an increasingly competitive industry.
8. Cost savings, because of standardization and simplification of business processes, elimination of duplication and rationalization of administrative expenses.
9. Reduction in regulatory and legal compliances and avoidance of multiple records keeping.
10. Strengthening ability to face increasing competitive, regulatory, environmental and global risks; thereby resulting in sustainable and profitable long-term growth for the combined entity.

In view of the aforesaid it is proposed to amalgamate of the entire undertaking and business of the Transferor Company with the Transferee Company. Accordingly, this Scheme of Amalgamation is formulated for transferring and vesting of the entire undertaking and business of the Transferor Company within and into the Transferee Company, pursuant to the provisions of Sections 230 to 232 and other relevant provisions of the Act.

The Independent Directors' Committee is of the informed opinion that the proposed rationale of the Scheme will be beneficial for the Company and will be in the interest of its Shareholders.

### III. SALIENT FEATURES OF THE SCHEME

The Independent Directors' Committee considered and observed the following salient features in relation to the draft Scheme:

- i. The Scheme shall be effective from the start of business hours of 01<sup>st</sup> April 2022 i.e., "Appointed Date".
- ii. The Scheme will come into effect, subject to approval of the Stock Exchanges, SEBI, Hon'ble National Company Law Tribunal ("NCLT") having jurisdiction over respective Companies which are part of the Scheme, shareholders and such other statutory/ regulatory authorities, as may be required.
- iii. Pursuant to the said merger, Ador Welding Limited shall issue shares to the shareholders of the Ador Fontech Limited as follows:

#### To the shareholders of Ador Fontech Limited

*"5 (five) equity shares of AWL having face value of INR 10/- each fully paid up shall be issued for every 46 (forty six) equity shares held in ADFL having face value of INR 2/- each fully paid up"*

- iv. The Company shall account for the Scheme of Amalgamation in accordance with the applicable method of accounting prescribed under the Indian Accounting Standard (Ind AS) 103 – "Business Combination" notified under Section 133 of the Act read with the applicable rules issued thereunder and as amended from time to time.

### IV. VALUATION AND SWAP RATIO

The Independent Directors' Committee perused the following documents in relation to the Scheme:

- i. Draft Scheme of Merger

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- ii. Valuation Report dated 31<sup>st</sup> May, 2022 issued by Niranjana Kumar, Registered Valuer - Securities or Financial Assets; and
- iii. Fairness Opinion dated 31<sup>st</sup> May, 2022 issued by M/s. Systematix Corporate Services Limited, an Independent SEBI Registered Merchant Banker

The **Independent Directors' Committee** noted that the Company will issue shares to shareholders of the Transferor Company, in consideration of the amalgamation, as follows:

**To the shareholders of Ador Fontech Limited**

*"5 equity shares of AWL having face value of INR 10/- each fully paid up shall be issued for every 46 equity shares held in ADFL having face value of INR 2/- each fully paid up"*

Further, the Independent SEBI Registered Merchant Bankers i.e., Systematix Corporate Services Limited have confirmed that the swap ratio determined in the Scheme is fair and reasonable to the Shareholders and the Companies.

Based on the above, the Independent Directors' Committee is of the informed opinion that the proposed Scheme of Amalgamation (Merger by Absorption) is beneficial for the shareholders of the Transferor Company and not detrimental to the interest of the shareholders of the Transferor Company.

**V. RECOMMENDATIONS OF THE INDEPENDENT DIRECTORS' COMMITTEE**

The **Independent Directors' Committee** after due deliberations and due considerations of all the terms of the draft Scheme, Valuation Report, Fairness Opinion Report and the specific points mentioned above including interest of shareholders of the Company, recommends the draft Scheme for favourable consideration by the Board of Directors of the Company, BSE, NSE, the Securities and Exchange Board of India (SEBI) and other statutory / regulatory authorities, including Hon'ble NCLT.

**For and on behalf of Independent Directors' Committee of ADOR WELDING LIMITED**



NITA DEMPO MIRCHANDANI

**CHAIRMAN OF THE COMMITTEE OF INDEPENDENT DIRECTORS**

Date: 31<sup>st</sup> May, 2022

Place: Mumbai



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**PRESENT:**

Mr. Santosh Janakiram - Member  
Mr. Navroze Marshall - Member

**IN ATTENDANCE:**

Ms. Geetha D - Company Secretary  
Mr. Girish Vanvari - Representative of Transaction Square  
Mr. Vikram Naik - Representative of Transaction Square

**I. BACKGROUND**



The Proposal of Amalgamation was placed before the **Independent Directors' Committee** at their meeting held on 31<sup>st</sup> May, 2022, which was considered and thereafter recommendation was made to the Board for approval of the Scheme of Amalgamation (Merger by Absorption) of Ador Fontech Limited ("Transferor Company" or "ADFL") with Ador Welding Company ("Transferee Company" or "AWL") and their respective shareholders under the provisions of Section 230 to 232 of the Companies Act 2013 ("the Scheme").

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- i. Draft Scheme, duly initialled by the Managing Director / Company Secretary of the Company for the purpose of identification;
- ii. Valuation Report dated May 31, 2022 issued by Mr. Niranjana Kumar, Registered Valuer – Securities or Financial Assets;
- iii. Fairness Opinion dated May 31, 2022 issued by Fedex Securities Private Limited, an Independent SEBI Registered Merchant Banker;
- iv. Draft Certificate dated May 31, 2022 issued by the Statutory Auditors of the Company i.e., M/s. Praveen & Madan Chartered Accountants, to the effect that the Scheme is in compliance with the applicable Accounting Standards as specified by the Central Government under Section 133 of the Companies Act, 2013;

#### **I. RATIONALE**

The **Independent Directors'** Committee noted the rationale of the draft Scheme, which is as follows:

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4. *Enable greater access to different market segments in conduct of its business and addition of new products in the portfolio would improve the competitive position of the combined entity.*
5. *Optimum use of infrastructure and organizational efficiency by pooling of financial, managerial, and technical resources, personnel, capabilities, skills, expertise and technologies*



**Ador Fontech Limited**

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*of the Transferor Company and the Transferee Company, thereby significantly contributing to the future growth and maximizing shareholder value.*

6. *Better financial leverage, resulting in greater efficiency in cash and debt management and access to cash flow generated by the combined business, which can be deployed more efficiently, to realize higher profits/margins for the combined entity.*
7. *Improved organizational capability and leadership, arising from the pooling of human capital, who have diverse skills, talent and vast experience, to compete successfully in an increasingly competitive industry.*
8. *Cost savings, because of standardization and simplification of business processes, elimination of duplication and rationalization of administrative expenses.*
9. *Reduction in regulatory and legal compliances and avoidance of multiple records keeping.*
10. *Strengthening ability to face increasing competitive, regulatory, environmental and global risks; thereby resulting in sustainable and profitable long-term growth for the combined entity.*

In view of the aforesaid it is proposed to amalgamate the entire undertaking and business of the Transferor Company with the Transferee Company. Accordingly, this Scheme of Amalgamation (Merger by Absorption) is formulated for transferring and vesting of the entire undertakings and business of the Transferor Company within and into the Transferee Company, pursuant to the provisions of Sections 230 to 232 and other relevant provisions of the Act.

The **Independent Director's Committee** is of the informed opinion that the proposed rationale of the Scheme will be beneficial for the Company and will be in the interest of its Shareholders.

## **II. SALIENT FEATURES OF THE SCHEME**

The **Independent Directors'** Committee considered and observed the following salient features in relation to the draft Scheme:

- i. The Scheme shall be effective from the start of business hours of 01<sup>st</sup> April 2022 i.e., "Appointed Date".
- ii. The Scheme will come into effect, subject to approval of the Stock Exchanges, SEBI, Hon'ble National Company Law Tribunal ('NCLT') having jurisdiction over respective Companies which are part of the Scheme, Shareholders and such other statutory/regulatory authorities, as may be required.
- iii. Pursuant to the said merger, Ador Welding Limited shall issue shares to the shareholders of the Ador Fontech Limited as follows:

### **To the shareholders of Ador Fontech Limited**

*5 (Five) equity shares of Ador Welding Limited (AWL) having a face value of INR 10/- each fully paid up shall be issued for every 46 (forty-six) equity shares held in Ador Fontech Limited (ADFL) having a face value of INR 2/- each fully paid up.*






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- III. The Company shall be amalgamated with Ador Welding Limited with effect from the appointed date and shall stand dissolved without the process of winding up.

#### IV. VALUATION AND SWAP RATIO

The Independent Directors' Committee perused the following documents in relation to the Scheme:

- Draft Scheme of Merger
- Valuation Report dated May 31, 2022 issued by Niranjana Kumar, Registered Valuer; and
- Fairness Opinion dated May 31, 2022 issued by M/s. Fedex Securities Private Limited, an Independent SEBI Registered Merchant Banker

The **Independent Directors'** Committee noted that the Company will issue shares to the Shareholders of the Transferor Company, in consideration of the amalgamation, as follows:

#### To the Shareholders of Ador Fontech Limited

*5 (Five) equity shares of Ador Welding Limited (AWL) having a face value of INR 10/- each fully paid up shall be issued for every 46 (forty-six) equity shares held in Ador Fontech Limited (ADFL) having a face value of INR 2/- each fully paid up.*

Further, the Independent SEBI Registered Merchant Bankers i.e., Fedex Securities Private Limited have confirmed that the swap ratio determined in the Scheme is fair and reasonable to the Shareholders and the Companies.

Based on the above, the Independent Directors' Committee is of the informed opinion that the proposed Scheme of Amalgamation (Merger by Absorption) is beneficial for the Shareholders of the Company and not detrimental to the interest of the Shareholders of the Company.

#### V. RECOMMENDATIONS OF THE INDEPENDENT DIRECTORS' COMMITTEE

The **Independent Directors'** Committee after due deliberations and due consideration of all the terms of the draft Scheme, Valuation report, Fairness Opinion Report and the specific points mentioned above including interest of Shareholders of the Company, recommends the draft Scheme for favourable consideration by the Board of Directors of the Company, BSE, NSE, the Securities and Exchange Board of India (SEBI) and other statutory / regulatory authorities, including Hon'ble NCLT.

#### **For and on behalf of Independent Directors' Committee of Ador Fontech Limited**

**Santosh Janakiram**  
Chairman

**Date:** 31<sup>st</sup> May, 2022

**Place:** Mumbai

