

REPORT OF THE AUDIT COMMITTEE OF THE HARDWYN INDIA LIMITED

THE FOLLOWING MEMBERS WERE PRESENT IN THE MEETING OF THE AUDIT COMMITTEE OF HARDWYN INDIA LIMITED HELD ON THURSDAY, 29TH JUNE 2023 AT 11:00 AM AT REGISTERED OFFICE B-101, PHASE-1, MAYAPURI, NEW DELHI-110064

Members Present:

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| 1. | Ms. Shikha Chawla | Chairman & Member |
| 2. | Mr. Kulmeet Singh | Member |
| 3. | Mr. Manjeet Singh | Member |

1. Background:

We have been informed that the Board of Directors of The Hardwyn India Limited (“**Transferee Company**”/“**HIL**”) is proposing to consider the Scheme of Amalgamation of FIBA Hardwyn Locks Limited (“**Transferor Company**”/“**FHLL**”), with the Company in its meeting to be held on as per the terms and conditions mentioned in the draft Scheme of Amalgamation. (**Scheme**).

Pursuant to the requirements of Regulation 37 of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015 and SEBI Master Circular SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, it is mandatory for all Companies to file the Scheme along with other necessary documents/information with the BSE Limited & National Stock Exchange of India Limited, consequent to the approval of the Board and obtain their approval before the Scheme is presented to the NCLT for its approval.

Further SEBI has vide their Master Circular SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (Circulars) inter-alia, sought a report from the Audit Committee of the listed entity recommending the draft Scheme of Amalgamation.

In the light of the above circulars, the Audit Committee at its meeting held on approved the draft Scheme and have made this report, after perusing the following documents:

- Draft Composite Scheme of Amalgamation;
- Valuation Report dated 29.06.2023 issued by CA Sangita Kumari Gupta, a registered Valuer with IBBI Registration Number: **IBBI/RV/06/2020/13238**.
- Fairness Opinion dated 29.06.2023, issued by Fast Track Finsec Private Limited, a Category I Merchant Banker registered with SEBI, having registration no. **MB/INM000012500**. (“Merchant Banker”);
- Certificates obtained from the Statutory Auditors of the Company on the accounting treatment prescribed in the Scheme.

For Hardwyn India Limited



Director

After careful consideration of the aforesaid documents and considering the views of the management of Company, the Committee would like to comment as follows:

2. Need for merger/demerger/amalgamation/amalgamation:

Transferor and Transferee company are engaged in the same activity of manufacturer, trading and distribution of hardware and allied products. This Scheme of Amalgamation of FHLL and HIL, will result in consolidation of the business in one entity and Strengthening the position of the merged entity, by enabling it to harness and optimize the synergies of the two companies. Accordingly, the amalgamation of FHLL with HIL would be in the best interest of the Transferor Company and the Transferee Company and their respective shareholders, Creditors, Customers and Employees.

Transferor Company's business shall be integrated and consolidated with business in relation to generic products carried out by the Transferee Company resulting in strengthening of the business, synergistic benefits, economies of scale, faster decision making, integration of supply chain, reduction in operating costs, strengthening the focus, enhancing the ability to deal with regulatory challenges, long-term growth, increasing profitability, higher market share, better customer service, increased ability to face the competitive regulatory environment, risks and policies and consolidating the financial, management and operational resources. In view of focused management time and operation attention and to manage the business more effectively.

The proposed amalgamation shall enable the Transferee Company to better focus, strategize and grow the businesses, will also help retain and increase the competitive strength thereby directly and indirectly strengthening the reputation, goodwill, customer service, customer recall, distribution network, overall economies of scale for the respective businesses of the Transferor Company and the Transferee Company.

3. Rationale of the Scheme:

The Amalgamation of the Transferor Company into Transferee Company would *inter alia* have the following benefits:

- a) The Transferor Company's business shall be integrated and consolidated with business in relation to generic products carried out by the Transferee Company resulting in strengthening of the business, synergistic benefits, economies of scale, faster decision making, integration of supply chain, reduction in operating costs, strengthening the focus, enhancing the ability to deal with regulatory challenges, long-term growth, increasing profitability, higher market share, better customer service, increased ability to face the competitive regulatory environment, risks and policies and consolidating the financial, management and operational resources. In view of focused management time and operation attention and to manage the business more effectively.

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Director

- b) In view of focused management time and operation attention and to manage the business more effectively.
- c) The proposed Scheme shall also enable the Transferor's Company to address the competitive regulatory environment, risks and policies, better management of supply chain, better product profiling, greater differentiation, ability to strategize the business for long term growth, consolidation and creation of shareholder value.
- d) The proposed Amalgamation shall enable the Transferee Company to better focus, strategize and grow the businesses, will also help retain and increase the competitive strength thereby directly and indirectly strengthening the reputation, goodwill, customer service, customer recall, distribution network, overall economies of scale for the respective businesses of the Transferor Company and the Transferee Company.
- e) The proposed Amalgamation to the Transferee Company to retain, enhance and grow the goodwill and the reputation of the Company thereby directly and indirectly supporting the growth of the business and further diluting any adverse competitive pressures.
- f) The proposed Amalgamation shall most likely allow a focused strategy in operations with faster decision making, economy of scale which would be in the best interests of the Transferor Company and Transferee Companies and their respective shareholders and other stakeholders.
- g) The proposed Amalgamation will result in cost saving for both the Companies as they are engaged in related activities which is expected to result in higher profitability levels through faster and effective decision making and avoiding duplication of efforts for both the Companies. It is believed that the faster decision making of the Companies would be in the best interests of the shareholders, employees and other stakeholders of both the Companies.
- h) The Transferee Company would be in a position to consolidate operations including the integration of supply chain through optimum utilization of its resources and avoidance of duplication. The Transferee Company would be in a position to achieve cost efficiencies in manpower and other costs in relation to the business.
- i) The Boards of Transferor Company's as well as Transferee Company believe that the proposed amalgamation will contribute to smooth integration of relevant undertakings of both the Companies and would benefit the shareholders, employees and other stakeholders of the Transferor Company's and the Transferee Company.

4. Synergies of business of the entities involved in the scheme:

Transferor Company is Primarily engaged in the business of Manufacturer of other fabricators, cutters molder to deal in hardware products and activities.

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Transferee Company is Primarily engaged in the business of manufacturing, importing, exporting, trading of all type of goods including but not limited to not hardware goods kitchen equipment's including modular kitchen home finishers & to all types of metal and metals compounds.

Thus, both companies are involved in the same line of business, and therefore, the proposed amalgamation would help the merged entity achieve synergies in operation and operational efficiencies.

5. Impact of the Scheme on the Shareholders:

As per the Valuation Report placed before the Committee, the shareholders of Transferor Company would be entitled to receive 50 fully paid equity shares of Transferee Company for every 01 equity shares of FHLL held by them.

The shareholders of Transferor Company would be benefitted by the rationalization of costs and efficiencies of scale that the merged entity would be able to achieve as a result of the proposed amalgamation.

Considering the benefits as discussed above, the proposed Scheme of Amalgamation would be in the best interests of the shareholders of both Transferor and Transferee Companies.

6. Cost benefit analysis of the Scheme:

Considering the long-term benefits of the scheme as discussed above, the scheme is beneficial to the shareholders, creditors and other stakeholders of both the Companies as it would help the merged entities to rationalize operational, financial and compliance costs

CONCLUSION

Considering the benefits as discussed above, we recommend that the Scheme of Amalgamation as placed before the Committee, be approved by the Board of Directors, subject to such changes as it may deem fit, and subject to such regulatory approvals as prescribed by the Companies Act, 2013 read with the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015.

**On behalf of the Audit Committee of
Hardwyn India Limited**

For Hardwyn India Limited



Director

Shikha Chawla
Chairman of Audit Committee
DIN: 09523645