

REPORT OF THE AUDIT COMMITTEE OF ADOR WELDING LIMITED ('THE COMPANY') FOR RECOMMENDING THE 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.

PRESENT:

Mr. Navroze S. Marshall	- Chairman
Mr. P. K. Gupta	- Member
Mr. R.A. Mirchandani	- Member
Mr. R. N. Sapru	-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. Vijay Jain	- Representative of Statutory Auditors
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 Audit Committee at their Meeting held on 31st May 2022 which was considered and recommended to the Board of Directors for the approval of 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 Audit 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 23rd November, 2021 and SEBI Circulars dated 3rd January, 2022 and 1st February, 2022, as amended from time to time.

ADOR WELDING LIMITED

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The draft Scheme was placed before the Audit Committee to consider and recommend the same to the Board of Directors of the Company, after taking into account the following necessary draft documents:

- i. Draft Scheme, duly initialled by the Managing Director of the Company for the purpose of identification;
- ii. Independent Valuation Report dated 31st May, 2022 issued by Mr. Niranjana Kumar, Registered Valuer – Securities or Financial Assets;
- iii. Fairness Opinion dated 31st May, 2022 issued by Systematix Corporate Services Limited, an Independent SEBI Registered Merchant Banker;
- iv. Draft Certificate dated 31st May, 2022 issued by the Statutory Auditors of the Company i.e., M/s. Walker Chandiook & 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. NEED FOR THE MERGER / AMALGAMATION

The Transferor Company and the Transferee Company are, inter alia, engaged in similar line of business. The consolidation of the Welding business of both the companies would be in the best interest of the Companies as well as their shareholders and stakeholders.

The proposed consolidation of Welding business through this merger will not only improve business efficiencies with consolidation of activities of the Transferor Company with Transferee Company but also would lead to pooling of all the resources under one entity, which would enable the company to enhance operational efficiency and in ensuring synergies through pooling of financial, managerial, and technical resources, personnel capabilities, skill, capabilities, and technology.

Further, the Scheme would consolidate the value of the Welding business of Ador Fontech Limited and Ador Welding Limited, thereby increasing the shareholders' value.

III. RATIONALE

The Audit 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 proposed 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 Welding business of the Transferor Company with the Transferee Company to create one of the largest welding and cutting product manufacturer and refurbishment player in the industry.*
2. *Creation of a combined entity, hosting all products under the Transferee Company, thereby*

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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 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 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 the entire undertaking and business of the Transferor Company with the Transferee Company. Accordingly, this Scheme of Amalgamation is formulated for the transfer 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 Audit Committee is of the informed opinion that the proposed rationale of the Scheme is beneficial to the Company and in the best interest of its shareholders / stakeholders.

IV. SYNERGIES OF BUSINESS OF THE ENTITIES INVOLVED IN THE SCHEME

The Committee reviewed the Scheme and noted that the merger would result in achieving efficiency and greater access to different market segments in conduct of its business and the addition of new products in the portfolio would improve the competitive position of the combined entity as a whole.

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The proposed merger of business would result in enhanced development and growth of the business of the company, hosting all products under the name of 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.

Further, the synergies arising out of consolidation of business will lead to enhancement of net worth of the combined business and enhancement in earnings and cash flow would optimize the value of the combined business and enhance the shareholders' value.

V. IMPACT OF THE SCHEME ON THE SHAREHOLDERS

The issuance of shares to the shareholders of Transferor Company (including Promoter Group) would be based on valuation report of the Transferor Company and Transferee Company carried out by Mr. Niranjana Kumar, Registered Valuer - Securities or Financial Assets. Thus, the issuance of shares would not be adversarial to the shareholders of the Transferor Company.

In fact, the synergies arising out of the consolidation of businesses, will lead to enhancement of the Net-Worth of the combined business and enhancement in earnings and cash flow should enhance the shareholders' value post amalgamation.

The scheme will not adversely affect the rights or interest of any shareholder or creditor, in any manner, whatsoever.

The valuation report of the Transferor Company and Transferee Company issued by Mr. Niranjana Kumar, Registered Valuer - Securities or Financial Assets has proposed / confirmed the following Share Swap Ratio:

"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"

VI. OBSERVATIONS OF THE AUDIT COMMITTEE – COST-BENEFIT ANALYSIS

The proposed Scheme will result in consolidation of the businesses in one entity and would strengthen the position of the combined entity in a long run, by enabling it to harness and optimise the synergies. Accordingly, the Scheme would be in the best interest of both the Companies and beneficial to their respective shareholders.

The Scheme will also result in operational efficiencies due to optimal utilisation of resources of the Companies, greater economies of scale, and reduction in administrative cost. Improved organizational capability and leadership, arising from the pooling of human capital, who have the diverse skills, talent and vast experience would enable the resulting entity "Ador Welding Limited" to compete successfully in an increasingly competitive industry.

Implementation of the proposed Scheme will also lead to umbrella offerings, quality dealer network, more industrial approvals, stronger brand positioning, cross-selling opportunities, domestic & global reaches, larger connect with opinion leaders, combined stronger R&D, etc.

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Ador Welding Limited would issue equity shares as consideration to the shareholders of the Transferor Company i.e. Ador Fontech Limited, as consideration and there will be no cash outflow of resources from Ador Welding Limited. Apart from the cost of implementation of the Scheme, there are no additional costs involved for the purposed scheme.

The proposed merger will also benefits the shareholders directly, as the costs incurred towards the implementation of the Scheme foreshadows the long-run benefit, to be derived by the shareholders, that can be derived by achieving strategic & operational synergies.

Further, there are no social or environmental impact of the proposed restructuring. The Committee is of the opinion that the expected synergies and benefits, pursuant of the restructuring, would offset the impact of such cost.

VII. RECOMMENDATIONS OF THE AUDIT COMMITTEE

The Audit Committee, after due deliberations & considerations of all the terms of the draft Scheme, Valuation Report, Fairness Opinion Report, Certificate from the Statutory Auditors and the specific points mentioned above, recommends the draft Scheme for favourable consideration and approval by the Board of Directors of the Company, BSE, NSE, the Securities and Exchange Board of India (SEBI) and other statutory / regulatory authorities including NCLT.

For and on behalf of the Audit Committee of ADOR WELDING LIMITED


NAVROZE S. MARSHALL
CHAIRMAN OF THE AUDIT COMMITTEE



Date: 31st May, 2022

Place: Mumbai

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PRESENT:

Mr. Santosh Janakiram - Member
Mr. Navroze Marshall - Member
Mrs. N Malkani Nagpal - Member

IN ATTENDANCE:

Mr. A.T. Malkani - Chairman
Mr. H P Ledwani - Managing Director
Ms. Geetha D - Company Secretary
Mr. Girish Vanvari - Representative of Transaction Square
Mr. Vikram Naik - Representative of Transaction Square

BACKGROUND

The Proposal of Amalgamation was placed before the Audit Committee at their Meeting held on 31st May 2022 which was considered and thereafter recommended to the Board of Directors for the approval of 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 and domiciled in India 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 Audit 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 23rd November 2021 and SEBI Circulars dated 3rd January, 2022 and 1st February, 2022, as amended from time to time.



Ador Fontech Limited

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The draft Scheme was placed before the Audit Committee to consider and recommend the same to the Board of Directors of the Company, after taking into account the following necessary draft documents:

- i. Draft Scheme, duly initialled by the Managing Director of the Company for the purpose of identification;
- ii. Independent Valuation Report dated 31st May, 2022 issued by Mr. Niranjana Kumar, Registered valuer – Securities or Financial Assets;
- iii. Fairness Opinion dated 31st May, 2022 issued by Fedex Securities Private Limited, an Independent SEBI Registered Merchant Banker;
- iv. Draft Certificate dated 31st May, 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;

NEED FOR THE MERGER / AMALGAMATION

The Transferor Company and the Transferee Companies are, inter alia, engaged in similar lines of business which are complimentary in nature. The consolidation of Welding business of both the companies would be in the best interest of the Company as well as their shareholders and stakeholders.

The proposed consolidation of Welding business through this merger will not only improve business efficiencies with consolidation of activities of the Transferor Company with the Transferee Company, but also would lead to pooling of all the resources under one entity, which would enable the company to enhance operational efficiency and in ensuring synergies through pooling of financial, managerial, and technical resources, skill, capabilities, and technology.

Further, the Scheme would consolidate the value of the Welding business of Ador Fontech Limited and Ador Welding Limited, thereby increasing the shareholders' value.

I. RATIONALE

The Audit 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, distribution network and other related economies by consolidating the business operations, the Board of Directors of the Transferor Company and the Transferee Company proposed 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:





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1. *Enable the consolidation of the Welding business of the Transferor Company with the Transferee Company to create one of the largest Welding & Cutting product manufacturer 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 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 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 the entire undertaking and business of the Transferor Company with the Transferee Company. Accordingly, this Scheme of Amalgamation (Merger by Absorption) is formulated for the transfer 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 Audit Committee is of the informed opinion that the proposed rationale of the Scheme is beneficial to the Company and in the best interest of its shareholders / stakeholders.



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II. SYNERGIES OF BUSINESS OF THE ENTITIES INVOLVED IN THE SCHEME

The Committee reviewed the Scheme and noted that the merger would result in achieving efficiency and greater access to different market segments in conduct of its business and the addition of new products in the portfolio would improve the competitive position of the combined entity as a whole.

The proposed merger of business would result in enhanced development and growth of the business of the company, hosting all products under the name of 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.

Further, the synergies arising out of consolidation of business will lead to enhancement of net worth, enhancement in earnings, operating margins and cash flow would optimize the value of the combined business and enhance the Shareholders value.

III. IMPACT OF THE SCHEME ON THE SHAREHOLDERS

The issuance of shares to the shareholders of Transferor Company (including Promoter Group) would be based on valuation report of the Transferor Company and Transferee Company carried out by Mr. Niranjana Kumar, Registered Valuer – Securities or Financial Assets.

In fact, the synergies arising out of the consolidation of businesses, will lead to enhancement of the Net-Worth of the combined business and enhancement in earnings and cash flow should enhance the shareholders' value post amalgamation.

The scheme will not adversely affect the rights or interest of any shareholder or creditor, in any manner, whatsoever.

IV. OBSERVATIONS OF THE AUDIT COMMITTEE – COST-BENEFIT ANALYSIS

The proposed Scheme will result in consolidation of the businesses in one entity and would strengthen the position of the combined entity in a long run, by enabling it to harness and optimise the synergies. Accordingly, the Scheme would be in the best interest of both the Companies and beneficial to their respective Shareholders.

The Scheme will also result in operational efficiencies due to optimal utilisation of resources of the Companies, greater economies of scale, and reduction in administrative cost. Improved organizational capability and leadership, arising from the pooling of human capital, who have the diverse skills, talent and vast experience would enable the resulting entity "Ador Welding Limited" to compete successfully in an increasingly competitive industry.

Implementation of the proposed Scheme will also lead to Umbrella offerings, quality dealer network, more industrial approvals, stronger brand positioning, cross-selling opportunities, domestic & global reaches, larger connect with opinion leaders, combined stronger R&D, etc.

Ador Welding Limited would issue equity shares as consideration to the Shareholders of the Transferor Company i.e. Ador Fontech Limited, as consideration and there will be no cash outflow of resources from Ador Welding Limited. Apart from the cost of implementation of the Scheme, there are no additional costs involved for the proposed scheme.





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The proposed merger will also benefit the shareholders directly, as the costs incurred towards the implementation of the Scheme foreshadows the long-run benefit, to be derived by the Shareholders, that can be derived by achieving strategic & operational synergies.

Further, there are no social or environmental impact of the proposed restructuring. The Committee is of the opinion that the expected synergies and benefits, pursuant to the restructuring, would offset the impact of such cost

V. **VALUATION AND SWAP RATIO**

The Audit 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 (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.

RECOMMENDATIONS OF THE AUDIT COMMITTEE

The Audit Committee, after due deliberations & consideration of all the terms of the draft Scheme, Valuation report, Fairness Opinion Report, Certificate from the Statutory Auditors and the specific points mentioned above, recommends the draft Scheme for favourable consideration and approval by the Board of Directors of the Company, BSE, NSE, the Securities and Exchange Board of India (SEBI) and other statutory / regulatory authorities including NCLT.

For and on behalf of the Audit Committee of ADOR FONTECH LIMITED



Santosh Janakiram
CHAIRMAN OF THE AUDIT COMMITTEE

Date: 31st May, 2022

Place: Mumbai

