

Report of the Independent Directors of Mercantile Ventures Limited recommending the Draft Scheme of Amalgamation of India Radiators Limited ("Transferor Company") with and into Mercantile Ventures Limited ("Transferee Company" or "Company") and their respective Shareholders and Creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 considered and approved at their meeting held via video conferencing on Tuesday, April 08, 2025 at 2.30 P.M. (IST) at No.88, Mount Road, Guindy, Chennai – 600032, Tamil Nadu, India.

Members Present Physically:

Mr. B Narendran - Chairperson

Members Present through Video Conferencing:

Mr. M S Niranjhan - Member

Ms. Rita Chandrasekar - Member

Mr. G D Sharma - Member

1. Background:

- 1.1. A meeting of the Independent Directors of Mercantile Ventures Limited ("**Transferee Company**" or "**Company**") was held on April 08, 2025 to inter-alia, consider and recommend the draft Scheme of Amalgamation of India Radiators Limited ("**Transferor Company**") with and into the Transferee Company and their respective shareholders and creditors under Section 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") and other applicable provisions, if any, other applicable law ("**Scheme**").
- 1.2. The Transferee Company was incorporated under the provisions of the Companies Act, 1956. The equity shares of the Transferee Company are listed on BSE Limited ("**BSE**")
- 1.3. The Transferor Company was incorporated under the provisions of the Companies Act, 1913. The equity shares of the Transferor Company are listed on BSE. The Transferor Company is a subsidiary of the Transferee Company pursuant to section 47 (2) of the Companies Act, 2013. The Transferee Company is entitled to 95.58% of the voting rights of the Transferor Company due to non-payment of dividend on preference shares for more than two years. In this manner, the Transferee Company is the holding company of Transferor Company. However, the Transferee Company holds 38.74% of the Equity Share Capital of the Transferor Company.
- 1.4. The Scheme, inter alia, provides for the amalgamation of the Transferor Company with and into the Transferee Company and dissolution of the Transferor Company without winding-up and consequent issuance of shares of Transferee Company to the shareholders of the Transferor Company (other than the Company) as consideration of arrangement in accordance with the share exchange ratio as stipulated in Clause 8 of the Scheme. The swap ratio as recommended in the joint share exchange ratio report is for every 36 (Thirty Six) equity shares held by the shareholders in the Transferor Company, 10 (Ten) equity share of the Transferee Company will be issued.
- 1.5. The Appointed Date for the purpose of this Scheme and for Income Tax Act, 1961 ("**IT Act**"), means January 01, 2025 or such other date as may be approved by the Hon'ble National Company Law Tribunal ("**Tribunal**").



- 1.6. This report of Independent Directors is made in order to comply with the requirements of the Securities and Exchange Board of India ("**SEBI**") (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("**SEBI Master Circular**") including amendments thereto.
- 1.7. While deliberating on the Scheme, the Independent Directors, inter-alia, considered and took record of the following documents:
- Draft Scheme
 - Joint Share exchange ratio report ("**Valuation Report**") dated March 31, 2025 issued by Mr. Kalyanam Bhaskar, (Registration No. IBBI/RV/06/2020/12959) and Mr. V.G.Hareesh, (Registration No. IBBI/RV/03/2021/14465), both registered valuers appointed by the Transferee Company and the Transferor Company, respectively, describing the methodology adopted by them in determining the consideration;
 - Fairness Opinions dated March 31, 2025 issued by Saffron Capital Advisors Private Limited and Khandwala Securities Limited, Independent SEBI registered merchant bankers ("**Fairness Opinion**"), appointed by the Transferee Company and the Transferor Company, respectively, providing an opinion on the fairness of the consideration specified in the reports of the registered valuers;
 - Certificate dated April 08, 2025, issued by M/s. Venkatesh & Co (Firm Registration No. 004636S), the Statutory Auditors of the Transferee Company, confirming the accounting treatment stated in the Scheme is in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and circulars issued thereunder and all the applicable accounting standards notified by the Central Government under section 133 of the Act read with relevant rules thereunder and other Generally Accepted Accounting Principles and MCA circular and
 - Other presentations, reports, documents and information furnished before the Independent Directors.

2. Salient Features of the Scheme:

The Independent Directors noted the brief particulars of the Scheme as under:

- This Scheme is presented inter alia under Sections 230 to 232 and other applicable provisions of the Act, SEBI Master Circular read with Section 2(1B) and other applicable provisions of the IT Act and other applicable law, if any. The Scheme provides for the amalgamation of the Transferor Company with the Transferee Company and dissolution of the Transferor Company without winding up and also provides for various other matters consequent and incidental thereto or otherwise integrally connected thereto.





- b) The Appointed Date for the amalgamation is January 01, 2025. Pursuant to the sanction of the Scheme by the Tribunal and upon the fulfilment of conditions for the Scheme, the Scheme shall become effective from the last of the dates on which the conditions specified in Clause 16 of the Scheme are satisfied or complied with or the requirement of which has been waived (i.e. “**Effective Date**”)
- c) With effect from the Appointed Date and upon the Scheme becoming effective, the Transferor Company along with all its assets, liabilities, contracts, employees, records etc. being its integral part shall stand transferred to the Transferee Company as a going concern subject to the provisions of the Scheme.
- d) From the Appointed Date and up to the Effective Date (as defined in the Scheme), the Transferor Company shall carry on its business activities with proper prudence and diligence and shall not, without prior written consent of the Transferee Company, alienate, charge or otherwise deal with or dispose off any of their business undertaking(s) or any part thereof including plant and machinery and other fixed assets (except in the ordinary course of business or pursuant to any pre-existing obligations undertaken by the Transferor Company prior to the Appointed Date).
- e) The entire paid-up share capital of the Transferor Company including the shares held by the Transferee Company in the Transferor Company shall stand cancelled in its entirety without any further act or deed upon the Scheme becoming effective.
- f) Allotment of equity shares of the Transferee Company to the shareholders of the Transferor Company (other than the Transferee Company) in accordance with the share exchange ratio, as set out in Valuation Report. No shares shall be issued and allotted by the Transferee Company in respect of the shares held by the Company itself in the Transferor Company.
- g) The Equity Shares/ Preference Shares of the Transferor Company held by the Transferee Company, if any, on the Effective Date, such Equity/ Preference Shares held by the Transferee Company in the Transferor Company shall stand cancelled without any further act or deed and consequentially there shall be no allotment of New Equity/ Preference Shares for such shareholding and to that extent the Transferee Company is required to issue less number of shares. As regards the preference shares of the Transferor Company held by the Transferee Company or vice versa on the Effective Date such shares shall stand cancelled and the Transferee Company shall have no claims in respect of arrears of dividend.
- h) Transfer of the authorized share capital of the Transferor Company to the Transferee Company and consequential increase in the authorized share capital of the Transferee Company as provided in the Scheme.
- i) The Transferor Company shall stand dissolved without being wound up.
- j) The effectiveness of the Scheme is contingent upon certain conditions as mentioned in the Scheme, which inter alia include:
 - (i) The sanction or approval under any law of the Central Government, State Government(s), or any other agency, department or authorities concerned being obtained and granted in respect of any of the matters in respect of which such sanction or approval is required;



- (ii) The Scheme being agreed to by the respective requisite majority of the shareholders and/or creditors of the Transferor Company and the Transferee Company if a meeting of the shareholders or creditors of the Transferor and Transferee Company is convened by the Tribunal or if dispensation from conducting the meeting of the shareholders or creditors of the Transferor Company and the Transferee Company is obtained from the Tribunal, and the sanction of the Tribunal being accorded to the Scheme.
- (iii) Approval of the Scheme by the members of the Transferor and Transferee Company in accordance with the provisions of the Regulations and Circulars issued by the Securities and Exchange Board of India (as amended from time to time) to the extent considered applicable.
- (iv) The sanction by the Court under Sections 230 to 232 and other applicable provisions of the Act being obtained by the Transferor Company and the Transferee Company.
- (v) The filing with the Registrar of Companies, Chennai, of certified copies of all necessary orders, sanctions and approvals mentioned above by the respective Company.

3. The proposed Scheme of Amalgamation

3.1. Need for the amalgamation and rationale of the scheme:

With a view to rationalize and consolidate the business activities, the Board of Directors of the Transferor Company have decided to amalgamate the Transferor Company with the Transferee Company in order to ensure better management of the Company as a single entity. The Board of Directors of the Transferor Company are of the opinion that the proposed amalgamation of the Transferor Company with the Transferee Company will be for the benefit of both the Transferor Company and the Transferee Company in the following manner:

- a) By this amalgamation, it is expected that the administrative and operational costs will be considerably reduced and the Transferee Company will be able to operate and run the business/operations more effectively and economically resulting in better turnover and profits.
- b) It is expected that the proposed Scheme of Amalgamation will benefit the Transferee Company in the usual economies of a centralized and a large company including elimination of duplication of work, reduction in overheads, better and more productive utilization of human and other resource and enhancement of overall business efficiency and will bring in synergies for the Transferee Company post amalgamation. It will help the Transferee Company to use the combined managerial and operating strength, to build a wider capital and financial base and to promote and secure overall growth of the business, thereby it will make available to the Transferee Company, the benefit of technical and marketing expertise of both the companies.
- c) The said Scheme of Amalgamation will contribute in fulfilling and furthering the objects of these companies. It will strengthen, consolidate and stabilize the business of these companies and will facilitate further expansion and growth of their business.
- d) The Transferee Company will have the benefit of the combined assets, cash flows and manpower of both the companies. These combined resources will enhance its capability to expand and improve its efficiency of operations.



Accordingly, the Scheme is commercially and economically viable, feasible, fair and reasonable and would be in the interest of the Transferor Company and the Transferee Company, and their respective shareholders, creditors and all other stakeholders concerned (including employees) and will not be prejudicial to the interests of any concerned shareholders or creditors or general public at large

3.2. Synergies of business of the companies involved in the scheme

The proposed Scheme would result in following synergies:

- (i) **Market Expansion:** The combined entity i.e. the Transferee Company can leverage the geographical strengths of each company to gain access to new markets and customers. This can lead to an increased customer base and market share.
- (ii) **Cross-Selling Opportunities:** With complementary industry verticals, there is an opportunity to cross-sell products/ services to the existing customer base of each company, potentially increasing revenue streams.
- (iii) **Operational Efficiencies:** The arrangement may lead to the consolidation of operations, such as shared services or centralized administration, which can reduce costs and improve operational efficiency.
- (iv) **Technology and Innovation:** The pooling of technological resources and talent can accelerate innovation, leading to the development of new products/ services. This can also improve the competitive position of the combined entity.
- (v) **Talent and Knowledge Sharing:** The arrangement can lead to a richer talent pool with diverse skills and experiences. Knowledge sharing between teams can foster innovation and best practice adoption.

3.3. Impact of the scheme on the transferee company and each class of shareholders (promoter/ non-promoter shareholders)

- (i) The Scheme is expected to be beneficial to the shareholders of the Transferee Company leading to opportunity for growth and value creation in the long run and maximizing the value and returns to the shareholders, achieving cost and operational efficiencies. The equity shares that will be issued by the Transferee Company on account of the Scheme will result in miniscule dilution of the existing shareholding in the Transferee Company by 0.10% of the total issued equity shares fully paid up and the shareholders of the Transferee Company in turn will benefit on account of: (a) synergies which are expected to accrue to the Transferee Company; and (b) operational efficiencies;
- (ii) In consideration for the amalgamation of the Transferor Company with the Transferee Company, the shareholders of the Transferor Company, as on the Record Date (as defined in the Scheme) shall receive equity shares of the Transferee Company (as per Clause 8 of the Scheme). Further, the rights and interests of the shareholders of the Transferee Company will not be prejudicially affected by the Scheme, and there will be no change in the economic interest of the shareholders of the Transferee Company, before and after the Scheme. The equity shares to be issued by the Transferee Company to the shareholders of the Transferor Company pursuant to the Scheme shall rank pari-passu in





all respects with the existing equity shares of the Transferee Company. The Fairness Opinion issued above opines that the share exchange ratio, as proposed by the registered valuers, is fair to the shareholders of the Transferee Company from a financial point of view;

- (iii) Upon the Scheme becoming effective, the Transferor Company shall be dissolved without being wound 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 dissolved; and

3.4. Effect of the scheme on Directors and Key Managerial Person ("KMP") of the transferee Company

There shall be no change or effect of the Scheme on the directors and KMPs of the Transferee Company. However, their role(s)/function(s)/ responsibilities may undergo change pursuant to business and organization requirements /needs. The effect of the Scheme on the interests of the directors and KMPs and their relatives holding shares in the Company, is not different from the effect of the Scheme on other shareholders of the Company. It is clarified that there shall no change in the management of the Transferee Company by virtue of the Scheme coming into effect.

3.5. Effect on the creditors

Under the Scheme, no arrangement or compromise is being proposed with the creditors (secured or unsecured, including debenture holders) of the Transferee Company. The liability of the creditors of the Transferee Company, under the Scheme, is neither being reduced nor being extinguished.

3.6. Effect of the scheme on staff or employees

Under the Scheme, no rights of the staff and employees (who are on payroll) of the Transferee Company are being affected. The services of the staff and employees of the Transferee Company shall continue on the same terms and conditions applicable prior to the proposed Scheme.

Further, upon the Scheme becoming effective, the employees of the Transferor Company ("**Employees**") will be deemed to have become employees of the Transferee Company pursuant to the Scheme with effect from the Effective Date.

All such Employees shall be deemed to have become employees of the Transferee Company, without any break in their service and on the basis of continuity of service, and the terms and conditions of their employment with the Transferee Company, shall not be less favourable than those applicable to them with reference to their employment in the Transferor Company as on the Effective Date.

4. SCHEME NOT DETRIMENTAL TO THE SHAREHOLDERS OF THE TRANSFEE COMPANY

The Independent Directors discussed the rationale, salient features and expected benefits of the Scheme and noted that on account of the aforesaid, the proposed Scheme is in the best interest of the shareholders of the Transferee Company and is not detrimental to the shareholders of the Transferee Company.





5. COST BENEFIT ANALYSIS OF THE SCHEME:

Although the Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Transferee Company and lead to operational efficiency and cost savings through rationalization / consolidation of support functions and business processes.

6. VALUATION REPORT

The Independent Directors noted that the share exchange ratio is as recommended in the Valuation Report. No special valuation difficulties were identified.

7. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

The Independent Directors after due deliberations and detailed discussions, and, inter alia, taking into consideration the draft Scheme, Valuation Report, Fairness Opinion and certificates issued by the Statutory Auditors of the Transferee Company, have noted the rationale, benefits and the impact of the Scheme on shareholders and others concerned. and have noted that the Scheme is not detrimental to the shareholders of the Company. Accordingly, the Independent Directors hereby recommends the Scheme to the Board of Directors of the Transferee Company for its consideration, approval and for favorable considerations by BSE, SEBI and other appropriate authorities.

For and behalf of Independent Directors of Mercantile Ventures Limited

Name: B Narendran
* Designation: Chairperson
DIN: 01159394
Date: April 08, 2025

