

Independent Auditor's Report on applicability of conditions under paragraph (A)(10)(b) of Part I to SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665

To
The Board of Directors
V-Guard Industries Limited
42/962, Vennala High School Road,
Vennala P.O., Kochi, Kerala – 682 028

Dear Sirs/Madams,

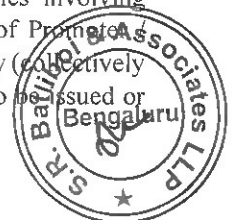
1. This report is issued in accordance with the terms of the Master Engagement Agreement (the 'MEA') dated October 12, 2017, read with various addendums thereto and service scope letter dated November 16, 2021, with V-Guard Industries Limited (hereinafter the "Company" or "Transferee Company").
2. We, the statutory auditors of the Transferee Company, have examined the management undertaking approved by the Board of Directors of the Transferee Company in its meeting held on December 20, 2021 (hereinafter referred to as the "Undertaking"), stating the reasons for non-applicability of requirements under Paragraph (A)(10)(b) of Part I to the Securities and Exchange Board of India ("SEBI") Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, as amended (the "SEBI Circular") in connection with the draft scheme of amalgamation, as approved by the Board of Directors of the Transferee Company in its meeting held on December 20, 2021, for amalgamation of Simon Electric Private Limited ("Transferor Company") into the Transferee Company and their respective shareholders and creditors in terms of provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, and other rules and regulations framed thereunder ("Scheme").

Managements' Responsibility

3. The Management of the Transferee Company is responsible for the preparation of the Undertaking and the Scheme and its compliance with Paragraph (A)(10)(b) of Part I to the SEBI Circular and other regulations issued by the SEBI from time to time. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Undertaking and applying an appropriate basis of preparation and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

4. Pursuant to the requirements of Paragraph (A)(10)(c) of Part I to the SEBI Circular, our responsibility is to provide a limited assurance as to whether the information furnished in the Undertaking is in accordance with the relevant records maintained by the Company or the information and explanations given to us.
5. A limited assurance engagement includes performing procedures to obtain sufficient appropriate evidence on the reporting criteria, mentioned in paragraph 4 above. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated with the reporting criteria. Accordingly, we have performed the following procedures in relation to the accompanying Undertaking initialled by us for identification purposes only:
 - a) Obtained and read the certified copies of the resolution passed by the Board of Directors approving the Scheme and the Undertaking which states the reasons for non-applicability of requirements under Paragraph (A)(10)(b) of Part I to the SEBI Circular;
 - b) Obtained from the management of the Transferee Company, a certified list of entities involving Promoter/ Promoter Group, Related Parties of Promoter/ Promoter Group, Associates of Promoter/ Promoter Group, Subsidiary/(ies) of Promoter / Promoter Group of the Transferee Company (collectively referred to as the "Promoter Entities") and noted that no additional shares are proposed to be issued or



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allotted to such Promoter Entities, as part of the Scheme. We have relied upon the Company's determination of Promoter Entities and have not independently verified the same;

- c) Compared the list of Promoter Entities, referred to in point (b) above, with the list of the shareholders of the Transferor Company, as certified to us by the management of the Transferee Company;
- d) Reviewed the calculation of the voting share of the pre-scheme public shareholders of the Transferee Company, in the merged entity, considering the proposed issuance of fresh equity shares envisaged in the Scheme; and
- e) Performed necessary inquiries with the management and obtained relevant representations.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

6. Our scope of work did not involve us performing any audit tests in the context of our examination. We have not performed an audit, the objective of which would be to express an opinion on the specified elements, accounts or items thereof, for the purpose of this report. Accordingly, we do not express such opinion. Further, our scope of work did not include verification of compliance with other requirements of the other circulars and notifications issued by regulatory authorities from time to time and any other laws and regulations applicable to the Transferee Company or the Transferor Company.
7. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised) issued by the Institute of Chartered Accountants of India ('ICAI'). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
8. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Conclusion

9. Based on the procedures performed by us, as stated in paragraph 5 above, and according to the information and explanations given to us and relevant records maintained by the Company, nothing has come to our attention that causes us to believe that the information furnished in the Undertaking regarding the non-applicability of requirements under Paragraph (A)(10)(b) of Part I to the SEBI Circular is misstated.




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Restriction on Use

10. This report has been issued at the request of the Company and addressed to the Board of Directors of the Company, solely for the purpose of complying with the requirements of Paragraph (A)(10)(c) of Part I to the SEBI Circular and for onward submission to the SEBI, the National Stock Exchange of India Limited, the BSE Limited and National Company Law Tribunal ("NCLT"), as may be applicable and is not to be used or referred to for any other purpose or distributed to anyone other than submission to the SEBI, the National Stock Exchange of India Limited, the BSE Limited and the NCLT. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom this report is shown or into whose hands it may come. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004


per Sandeep Karnani
Partner
Membership Number: 061207



UDIN: 21061207AAAAHB964

Place: Bengaluru
Date: December 20, 2021

UNDERTAKING IN RELATION TO NON-APPLICABILITY OF PARAGRAPH (A)(10)(b) OF PART I TO THE MASTER CIRCULAR DATED NOVEMBER 23, 2021 ISSUED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA ('SEBI') BEARING REFERENCE NO. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665, AS AMENDED FROM TIME TO TIME

1. We refer to:
 - 1.1 the proposed amalgamation of Simon Electric Private Limited ("SEPL"), an unlisted private company into V-Guard Industries Limited (the "Company"), by way of a scheme of amalgamation between SEPL, the Company and their respective Shareholders and Creditors (the "Scheme") pursuant to Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (the "Act"); and
 - 1.2 Master circular dated November 23, 2021 issued by the SEBI bearing reference no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665, as amended from time to time ("SEBI Circular").
2. Pursuant to Paragraph (A)(10)(b) of Part I to the SEBI Circular ("Relevant Paragraph"), a scheme of arrangement which falls within the parameters specified at items (i) to (v) of the Relevant Paragraph becomes effective only if the votes cast by the public shareholders in favour of such a scheme of arrangement are more than the number of votes cast by the public shareholders against it ("Majority of Minority Requirement").
3. We hereby confirm that the Majority of Minority Requirement is not applicable to the Scheme.
4. Our confirmation is based on the following:
 - 4.1 **Reason for non-applicability of Item (i) of the Relevant Paragraph**
 - (i) In terms of Item (i) of the Relevant Paragraph, the Majority of Minority Requirement is applicable "*Where additional shares have been allotted to Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary(s) of Promoter / Promoter Group of the listed entity.*"
 - (ii) In terms of the Scheme, in consideration of the transfer and vesting of the undertaking of SEPL into the Company, the Company will issue and allot shares to the shareholders of SEPL (as of a record date).
 - (iii) At the time of effectiveness of the Scheme, considering none of the parties identified in Paragraph 4.1 (i) is a shareholder of SEPL, no shares are proposed to be allotted by the Company to the categories of the persons identified in paragraph 4.1(i), and accordingly the Scheme is not subject to the Majority of Minority Requirement.
 - 4.2 **Reason for non-applicability of Item (ii) of the Relevant Paragraph**
 - (i) In terms of Item (ii) of the Relevant Paragraph, the Majority of Minority Requirement is applicable "*Where the Scheme of Arrangement involves the listed entity and any other entity involving Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary(s) of Promoter / Promoter Group.*"
 - (ii) The Scheme is between the Company and SEPL, and their respective Shareholders and Creditors, and does not involve any of the Parties identified in Paragraph 4.2 (i) and accordingly the Scheme is not subject to the Majority of Minority Requirement.
 - 4.3 **Reason for non-applicability of Item (iii) of the Relevant Paragraph**



- (i) In terms of Item (iii) of the Relevant Paragraph, the Majority of Minority Requirement is applicable *“Where the parent listed entity has acquired, either directly or indirectly, the equity shares of the subsidiary from any of the shareholders of the subsidiary who may be Promoter / Promoter Group, Related Parties of Promoter / Promoter Group, Associates of Promoter / Promoter Group, Subsidiary(s) of Promoter / Promoter Group of the parent listed entity, and if that subsidiary is being merged with the parent listed entity under the Scheme.”*
- (ii) The Company and any of the parties identified in paragraph 4.3(i) does not have any shareholding in SEPL and accordingly the Scheme is not subject to the Majority of Minority Requirement.

4.4 Reason for non-applicability of Item (iv) of the Relevant Paragraph

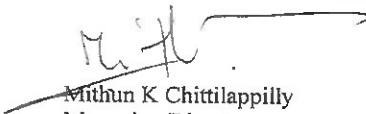
- (i) In terms of Item (iv) of the Relevant Paragraph, the Majority of Minority Approval is applicable *“Where the scheme involving merger of an unlisted entity results in reduction in the voting share of pre-scheme public shareholders of listed entity in the transferee / resulting company by more than 5% of the total capital of the merged entity.”*
- (ii) Following the effectiveness of the Scheme, the shareholders of SEPL shall be issued and allotted shares of the Company, and the same shall not result in reduction in the voting share of pre-scheme public shareholders of the Company by more than 5% of the total capital of the merged entity and accordingly the Scheme is not subject to the Majority of Minority Requirement.

4.5 Reasons for non-applicability of Item (v) of the Relevant Paragraph

- (i) In terms of Item (v) of the Relevant Paragraph, the Majority of Minority Approval is applicable *“Where the scheme involves transfer of whole or substantially the whole of the undertaking of the listed entity and the consideration for such transfer is not in the form of listed equity shares”*
- (ii) Pursuant to the Scheme, the Company will issue and allot shares to the shareholders of SEPL as consideration for the transfer of and vesting of the undertaking of SEPL in the Company. No transfer of any part of the undertaking of the Company is contemplated as a part of the Scheme, and accordingly the Scheme is not subject to the Majority of Minority Requirement.

5. This undertaking is being issued pursuant to the provisions of Paragraph (A)(10)(c) of Part I to the SEBI Circular.

For V-Guard Industries Limited


Mithun K Chittilappilly
Managing Director
DIN: 00027610

Date: 20.12.2021

