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Telefax : 044 - 26257121
 Web : www.wheelsindia.com

WHEELS INDIA LIMITED

Corporate Identity Number : L35921TN1960PLC004175

Registered Office :
 21, Patullas Road, Chennai - 600 002.

Factory :
 Padi, Chennai - 600 050.

REPORT OF THE AUDIT COMMITTEE OF WHEELS INDIA LIMITED AT ITS MEETING HELD ON DECEMBER 07, 2021 RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF SUNDARAM HYDRAULICS LIMITED WITH WHEELS INDIA LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

Members present through video conferencing:

1. Mr. S Prasad - Chairman of the Committee
2. Mr. S Viji - Member
3. Mr. Aroon Raman - Member
4. Mr. R Raghuttama Rao - Member

Invitees present through video conferencing:

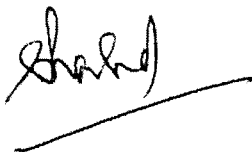
1. Mr. Srivats Ram - Managing Director
2. Mr. R Raghunathan - Chief Financial Officer

In attendance through video conferencing:

1. Ms. K V Lakshmi - Company Secretary

Background

A meeting of the Audit Committee of the Board of Directors of Wheels India Limited was held on December 07, 2021 to consider and recommend the proposed Scheme of Amalgamation (hereinafter referred as 'the Scheme') of Sundaram Hydraulics Limited ("Transferor Company") with Wheels India Limited ("Transferee Company") and their respective shareholders with effect from the appointed date i.e. October 01, 2021 in accordance with the terms of the Scheme and pursuant to Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (the Act) and the rules made thereunder, as amended from time to time, (including any statutory modification(s) or re-enactment thereof for the time being in force) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 and other relevant circulars issued by the Securities and Exchange Board of India (SEBI Circulars), as amended from time to time.





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The report of the Audit Committee is made in order to comply with the requirements of the SEBI Circular after considering the following documents:

1. The draft Scheme of Amalgamation, duly initialed by Chairman of Audit Committee for the purpose of identification;
2. A certificate dated December 6, 2021 issued by M/s. Brahmayya & Co., Chartered Accounts, Statutory Auditor of the Company to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Act;
3. Valuation report dated December 7, 2021 issued by Mr. Niranjana Kumar, Registered Valuer; and
4. Fairness opinion dated December 7, 2021 issued by M/s. Kunvarji Finstock Private Limited.

Need for Amalgamation:

With a view to diversify the product portfolio of WIL, improve the organisational capability in terms of talent, streamline the holding structure and enhance the value of the shareholders of WIL, the Company has proposed to merge the Transferor Company with itself. The amalgamation will also improve utilisation of a few production capabilities that are complimentary in nature.

Rationale of the scheme

1. The amalgamation will enable product diversification and growth to the Transferee company
2. This will facilitate expansion of the business of Transferor company by using the customer base of the Transferee company.
3. As a combined entity, the amalgamation will help in widening the product offering to the existing strategic customers of both the transferor as well as the transferee company.
4. Will help in achieving consolidation, greater integration and flexibility that will maximize overall shareholder's value and improve the competitive position and negotiating power of the combined entity.
5. Improves 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.
6. Cost savings are expected to flow from more focused operational efforts, rationalization, standardization and simplification of business processes, elimination of duplication and rationalization of administrative expenses.
7. The amalgamation will result in reduction of multiplicity of entities, thereby reducing compliance cost of multiple entities viz., statutory filings, regulatory compliances, labour law / establishment related compliances.



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Synergies

1. Enhances shareholders' value as the acquiring Company is profitable
2. Product diversification to WIL, offering growth potential
3. Use of WIL's customer base to expand SHL's business
4. Widens product offering for existing strategic customers of combined entity
5. Surface treatment capabilities are complimentary – plating & painting shop

Impact of the scheme on the shareholders:

The amalgamation will enhance the WIL's shareholders value as the acquiring Company is profitable. Under the Scheme, the Transferor Company shall amalgamate on a going concern basis into and with the Transferee Company. The WIL holds 71,50,000 shares in SHL, i.e. 16.34%. The proposed restructuring is in the interest of the shareholders, creditors, employees, and other stakeholders in each of the parties.

Cost Benefit Analysis of the Scheme:



Since the proposed Scheme involves amalgamation of SHL with WIL and issuance of shares by WIL to the shareholders of SHL pursuant to amalgamation, there is no cash consideration involved in the scheme. The cost involved for the implementation of the Scheme will include administrative cost, cost of transferring asset of SHL to WIL and cost of advisors.

From long term shareholder value creation perspective, the Scheme is expected to provide operational and strategic benefit. Further, the costs incurred for implementation of the Scheme foreshadows the long-run benefit that can be derived by achieving strategic and operational synergies envisaged under the scheme.

Recommendation of the Audit Committee

The Audit Committee, after a detailed deliberation and after taking into consideration the aforementioned documents presented to the Committee, recommended the draft Scheme for favourable consideration and approval of the Board of Directors of the Transferee Company.

For and on behalf of the Audit Committee of Wheels India Limited

S Prasad
Chairman of Audit Committee
DIN: 00063667

December 07, 2021
Chennai

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