

**REPORT OF THE INDEPENDENT DIRECTORS COMMITTEE OF THE COMPANY ION EXCHANGE (INDIA) LIMITED FOR RECOMMENDING THE DRAFT AMENDED SCHEME OF AMALGAMATION OF ION EXCHANGE PROJECTS AND ENGINEERING LIMITED WITH ION EXCHANGE (INDIA) LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AT ITS MEETING HELD ON WEDNESDAY, JUNE 14, 2023 AT THE REGISTERED OFFICE OF THE COMPANY SITUATED AT ION HOUSE, DR. E. MOSES ROAD, MAHALAXMI, MUMBAI – 400011, MAHARASHTRA AT 03.40 P.M.**

**MEMBERS PRESENT:**

- |    |                     |                                     |
|----|---------------------|-------------------------------------|
| 1. | Ms. K.J. Udeshi     | - DIN 01344073 (Present Through VC) |
| 2. | Dr. V.N.Gupchup     | - DIN 00042936 (Present Through VC) |
| 3. | Mr. T.M.M.Nambiar   | - DIN 00046857                      |
| 4. | Mr. Abhiram Seth    | - DIN 00176144 (Present Through VC) |
| 5. | Mr. Shishir Tamotia | - DIN 00428930 (Present Through VC) |
| 6. | Mr. P.Sampathkumar  | - DIN 01087396(Present Through VC)  |
| 7. | Mr. David Rasquinha | - DIN 01172654(Present Through VC)  |

**In Attendance of**

Mr. Milind Puranik (Company Secretary)

**1. Background**

- 1.1. The Proposal to consider and recommend draft Amended Scheme of Amalgamation in the nature of merger / amalgamation between Ion Exchange Projects and Engineering Limited ("Transferor Company" / "IEPEL") and Ion Exchange (India) Limited ("Transferee Company" / "IEIL") and their respective shareholders under Sections 230 to 232 of the Companies Act, 2013 read with applicable rules made thereunder ("Amended Scheme") was placed before and considered by members of the Independent directors committee at its meeting held on June 14, 2023.
- 1.2. The Equity Shares of IEIL are listed on BSE Limited ("BSE") and NSE Limited ("NSE"). The Company will be filing the Amended Scheme along with the necessary documents / information with the BSE for their No Objection or No Observation Letter pursuant to Regulation 37 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") and applicable statutory provisions.
- 1.3. The Report of the Independent directors Committee is made to comply with the requirements of SEBI LODR Regulations and master circular in relation to scheme of arrangement issued by SEBI having No. SEBI/HO/CFD/DILI/CIR/P/2021/0000000665 dated November 23, 2021 covering all circulars issued by SEBI in relation to scheme of arrangement including any amendments or modifications thereof, and any other circular issued pursuant to

Regulations 11, 37 and 94 of SEBI LODR Regulations ("SEBI Master Circular")' considering following:

- a. Revised Valuation Report dated June 14, 2023 issued by GT Valuation Advisors Private Limited, an Independent Registered Valuer (Registration No. IBBI/RV-E/05/2020/134) ("Registered Valuer") appointed for recommending the revised fair share exchange ratio for the purpose of this Amended Scheme;
- b. Revised Fairness Opinion Report dated June 14, 2023 issued by Choice Capital Advisors Private Limited, Category I SEBI Registered Merchant Banker (Registration No. INM000011872) providing fairness opinion ("Fairness Opinion") on the revised share exchange ratio recommended in the revised Valuation Report issued by Registered Valuer and
- c. Certificate to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in pursuance to Section 133 of the Companies Act, 2013, read with applicable rules and/ or the accounting standards and principles, received from Statutory Auditors of the Transferee Company i.e., B S R & Co. LLP, Chartered Accountants (Firm's Registration No. 101248W/W-100022).

## **2. Proposed Amended Scheme:**

2.1. The Amended Scheme, inter-alia, provides the following:

- a. Amalgamation of Ion Exchange Projects and Engineering Limited with Ion Exchange (India) Limited and
- b. Various other matters consequential or otherwise integrally connected herewith.

2.2. Appointed Date of the Amended Scheme is 1<sup>st</sup> April 2023.

2.3. The Effective Date for the Amended Scheme means the day on which last of the conditions specified in Clause 20 of the Amended Scheme are complied with.

2.4. The Amended Scheme would be subject to the sanction or approval of the National Company Law Tribunal, SEBI, Stock Exchanges, Shareholders, Creditors and other Appropriate Authorities (as defined in the Amended Scheme).

## **3. Need for the Merger, Rationale of the Amended Scheme and Synergies of business of the entities involved**

3.1. The Transferor Company is engaged in the business of designing, engineering and executing customised water and wastewater treatment projects. Through concept to commissioning capabilities, management expertise and operational implementation via turnkey execution, IEPEL serves customers across sectors i.e. infrastructure, industrial, municipal and communities.



- 3.2. The Transferee Company is engaged in the business of providing total water and environment management solutions for water, wastewater management, solid waste management and waste to energy. The Company's comprehensive solutions extend from influent water through potable and process water; process separation, purification catalysis; effluent treatment, water reuse and zero discharge and waste to energy. The Company's facilities manufacture world class ion exchange resins for water and non-water specialty applications, membranes, water treatment chemicals and specialty process chemicals. Through comprehensive technologies, products and services, the Company's multidisciplinary teams of experts cater to industries, institutions, municipalities, communities – both rural and urban homes.
- 3.3. The Independent directors noted the need for proposed amalgamation of Ion Exchange Projects and Engineering Limited with Ion Exchange (India) Limited in light of the various synergies and value creation on account of multiple factors as outlined in the Amended Scheme. Further, it was noted that merger by way of a Amended Scheme approved by NCLT under provisions of the Companies Act, 2013 would be the most efficient mechanism for consolidation of the businesses.
- 3.4. The Transferor Company and the Transferee Company are part of the same group. The rationale for the Amended Scheme is as under:
- (a) Economies of scale, greater integration, greater flexibility, most effective network and greater market reach for the amalgamated entity and will improve the competitive position of the combined entity;
  - (b) Operational synergies to the amalgamated entity which can be put to the best advantage of the stakeholders. The amalgamation will be value accretive through a realization of business synergies;
  - (c) Reduce managerial overlaps which are necessarily involved in running multiple entities;
  - (d) Achieve simplified corporate structure, by way of reducing the number of entities in the group;
  - (e) Elimination of duplication of administrative expenses and enabling cost savings;
  - (f) Carrying on and conducting the business more efficiently and advantageously, ensuring more productive and optimum utilization of various resources.
- 3.5. Thus, with the intent to achieve aforesaid objectives and further in order to consolidate, streamline and effectively merge the Transferor Company and Transferee Company in a single entity it is intended that the Transferor Company be merged with the Transferee Company.

#### **4. Impact of the Amended Scheme on the shareholders of the Company**

- 4.1 Pursuant to the Amended Scheme, shares of the Transferee Company are proposed to be issued to the shareholders of the Transferor Company on the basis of revised share exchange ratio, as recommended by the Registered Valuer. Further, the revised Fairness Opinion report from Merchant Banker has confirmed that the share exchange

ratio as recommended by the Registered Valuer is fair for both the Companies and their respective shareholders.

- 4.2 The proposed merger will create value for stakeholders including respective shareholders, customers, lenders and employees as the combined business would benefit from increased scale, product diversification and expanded reach with increased ability to growth opportunities, higher cross selling opportunities to a larger base of customers, improvement in productivity and operational efficiencies amongst others;
- 4.3 Greater efficiency in cash management and unfettered access to cash flow generated by the combined business, which can be deployed more efficiently, to maximise shareholder value;
- 4.4 The Amended Scheme has been drafted keeping in mind the provisions of section 2(1B) of the Income Tax Act, 1961 and therefore it may not have any adverse tax implications.
- 4.5 The Amended Scheme is expected to be beneficial to the Companies and its shareholders and all other stakeholders in large and is not detrimental to any of the shareholders of the Company.

## **5. Cost benefit analysis of the Amended Scheme**

Although the Amended Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Amended Scheme over a longer period would far outweigh such costs for the stakeholders of the Company. Further, keeping in view of synergies and the cost benefits expected, the Independent Directors Committee is of the view that the proposed Amended Scheme of Amalgamation will provide reduction of cost in the long term.

## **6. Recommendations of the Independent Director Committee**

6.1 Pursuant to the above, the Independent Directors Committee has perused the following documents:

- (a) Draft Amended Scheme of Amalgamation between Ion Exchange Projects and Engineering Limited ("Transferor Company" / "IEPEL") and Ion Exchange (India) Limited ("Transferee Company" / "IEIL") and their respective shareholders and creditors.
- (b) Revised Valuation Report dated June 14, 2023 issued by GT Valuation Advisors Private Limited.
- (c) Revised Fairness Opinion recommended to the Board that the revised Share Exchange Ratio is fair to the shareholders (including the minority shareholders) of IEIL, June 14, 2023 issued by Choice Capital Advisors Private Limited.



(d) A certificate issued by B S R & Co. LLP, the Statutory Auditors dated April 28, 2023, to the effect that the accounting treatment contained in the Scheme is in compliance with all Accounting Standards.

6.2 The Independent Directors Committee having considered and noted the above, recommends the draft Amended Scheme to the Board, in its present form for favourable consideration by the Board, Stock Exchanges, National Company Law Tribunal, SEBI and such other regulatory authorities, as may be applicable;

6.3 In the opinion of the members of the Independent Directors Committee present at the Meeting, draft Amended Scheme is in the best interest of all the stakeholders of IEIL including shareholders, customers, lenders and employees and the revised Share Exchange Ratio as mentioned in the revised Valuation Report is fair and reasonable.

By Order of the Independent Directors Committee

**For Ion Exchange (India) Limited**



**T.M.M.Nambiar**  
Independent Director  
DIN: 00046857

Place: Mumbai  
Date: June 14, 2023