



Gorani Industries Ltd.

CIN : L28121MP1995PLC009170
GSTIN : 23AAACG6274B1Z2

Regd. Office :

Plot No. 32-33, Sector-F, Sanwer Road, Industrial Area,
Indore-452 015 (M.P.) India

Admin. Office :

1st Floor, B-15 Pologround, Indore - 452 015 (M.P.)

Phone : 0731-2723201-3

Email : goraniindustriesltd@gmail.com

Website : www.goraniindustries.com

1st June, 2023

To,
The Chief General Manager
Listing Operation,
BSE Limited,
20th Floor, P.J. Towers,
Dalal Street,
Mumbai – 400001

Dear Sir,

Sub: Application for obtaining No Objection letter for the Scheme of Amalgamation between Blowhot Kitchen Private Limited (Transferor Company) and Gorani Industries Limited (Transferee Company) pursuant to Regulation-37 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

This is in reference to above mentioned subject, we would like to point wise clarify the following queries raised by Securities and Exchange Board of India regarding Scheme of Amalgamation between Blow Hot Kitchen Appliances Private Limited (Transferor Company) and Gorani Industries Limited (Transferee Company) :

1. Rationale of merging an unlisted promoter-controlled entity into a listed entity?

Reply: As detailed in the scheme submitted to your good-self, please note that the Transferor and Transferee Company are engaged in the similar line of business.

Transferor Company is having registered Brand “Blowhot” used since 31st January, 2002. The Transferor Company is also having marketing, distribution network, showrooms in the name of “Blowhot” and strong presence in many states.

Therefore, in 12th February 2007 the name of Transferor Company has been changed to Blow Hot Kitchen Appliances Private Limited. It would be in the best interest of both the Companies to have backward integration by merger of Transferor Company into Transferee Company.

The following rationale and benefits as envisaged in clause 3 of the scheme. The same is reproduced herein below for your ready reference:



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3 Rationale of the Scheme

- 3.1** The Transferor Company is engaged in the business of Sale and trading of Chimney, gas stove, Hobs, OTG, Electric Geyser, Gas Geyser, Range Hood, Gas Stove, Gas Water Heater, Electric Water Heater, Food Guard, & Components etc. and Manufacturing of induction cooker and infrared cooker. The Transferee Company is engaged in the business of production and sales of kitchen and home appliances since 1996. Its main products are LPG stoves, steel frames, gas geyser, range hood chimney etc.
- 3.2** The Transferor and Transferee Company are engaged in the similar line of business.
- 3.3** The Parties believe that the financial, managerial and technical resources, personnel, capabilities, skills, expertise and technologies of each of the Parties pooled in the merged entity, will lead to increased optimal utilization of resources, cost reduction and efficiencies, productivity gains and logistic advantages, thereby significantly contributing to future growth and maximizing shareholder value.
- 3.4** The proposed amalgamation would be in the best interest of the Parties and their respective shareholders, employees, creditors and other stakeholders as the proposed amalgamation will yield advantages as set out inter alia below:
- i. consolidation for the long-term sustainability of the business;
 - ii. create value for stakeholders including respective shareholders, customers,
 - iii. lenders and employees as the combined business would benefit from increased scale, innovations in technology and expanded reach with increased growth opportunities, higher cross selling opportunities to a larger base of customers, improvement in productivity and operational efficiencies, amongst others; better administration and cost optimization (including optimization in administrative and other common costs by bulk negotiations
 - iv. pooling of resources, achieving economies of scale and creating better synergies;
 - v. provide material realizable cost and revenue synergies for the benefit of the Parties;
 - vi. The merger will result in achieving greater integration and greater financial strength and flexibility and to maximize overall shareholders' value;
 - vii. The merger will result in achieving cost savings from more focused operational efforts, rationalization, standardization and simplification of business processes and productivity improvements;



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- viii. The merger will result in greater efficiency in cash management of the amalgamated entity, and unfettered access to cash flow generated by the combined businesses which can be deployed more efficiently to fund growth opportunities, to maximize shareholders value;
- ix. The merger will help in consolidating and improving the internal control systems and procedures which will bring greater management and operational efficiency due to integration of various similar functions being carried out by the entities such as human resources, finance, legal, management etc;
- x. The merger will result in a significant reduction in the multiplicity of legal and regulatory compliances required at present to be carried out by both the Transferor Company and the Transferee Company;
- xi. The merger will also enable unified accounting and auditing resulting in reduction of costs and time and efforts involved;
- xii. Greater ability of the Transferee company to raise financial resources, either as Equity or debt, based on combined financials;

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/amalgamated with the Transferee Company.

3.6 In view of the aforesaid objectives, the Board of Directors of the Transferor Company and Transferee Company have considered and proposed the amalgamation for transfer and vesting of the undertaking of the Transferor Company and business of the Transferor Company with and into the Transferee Company and other ancillary and incidental matters stated herein, with an opinion that the amalgamation and other provisions of the scheme would benefit the shareholders, employees, and other stakeholders of the Transferor Company and the Transferee company.

3.7 The Scheme has been approved and recommended by the Audit committee, Independent Directors of Transferee Company and the respective Board of Directors of the Transferor Company and the Transferee Company.



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3.8 Upon the amalgamation of the Transferor Company into the Transferee Company pursuant to the Scheme becoming effective on the Effective Date (as defined hereinafter), the Transferee Company will issue New Equity Shares and NCRPS (as defined hereinafter) to the shareholders of the Transferor Company on the Record Date (as defined hereinafter), in accordance with the Share Exchange Ratio (as defined hereinafter) approved by the Board of Directors of each of the Parties and pursuant to Sections 230 to 232, and other relevant provisions of the Act (as defined hereinafter) in the manner provided for in this Scheme and in compliance with the provisions of the Income-tax Act, 1961.

3.9 The amalgamation of the Transferor Company with the Transferee Company will combine the business, activities and operations of the Transferor Company and the Transferee Company into a single Company with effect from the Appointed Date and shall be in accordance with Section 2(1 B) of the Income-tax Act, 1961.

2. Vide letter dated May 04, 2023, the valuer has inter-alia mentioned that 'the future growth will be achieved based on additional contribution of current customers and the addition of further customers in projected period'. In this regard, the Valuer is advised to expand on the aforesaid assumption to arrive at CAGR of 20.4% in revenue of GIL.

Reply: The future revenue growth of GIL would be primarily driven by growth of additional production demand of gas hobs, gas stoves, range hoods, and gas geysers, from BHKAPL, as BHKAPL would be expanding into new geographies and addition of channel trade customers.

3. Total amount of consideration paid to the public shareholders and promoters – equity shares and NCRPS (calculated as per market price as on May 22, 2023)

Reply: In Proposed Scheme of Arrangement, BHKAPL (a promoter owned company) and GIL (a listed company) along with their respective shareholders are contemplating the proposed amalgamation / merger of BHKAPL into GIL, on a going concern basis. Considering the swap ratio determined, the listed entity would be issuing 2,732,500 equity shares of INR 10.0 each (at premium of INR 201.0 each) having a total value of INR 576.6 Mn. and 2,200,000 Non-Convertible Redeemable Preference shareholders of INR 10.0 each (at premium of INR 201.0 each) having a total value of INR 464.2 Mn., to the promoters of BHKAPL.



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4. Rationale for assuming IRR of 13% in NCRPS.

Reply: The IRR of 13.0% (rounded off) has been derived basis the summation of the following inputs as recommended by Fixed Income Money Market and Derivatives Association of India (FIMMDA):

- Risk Free Rate has been considered based on zero coupon yield curve as quoted on the website of Clearing Corporation of India Limited – 7.3%.
- Default risk premium applicable to BBB- rated bond as per FIMMDA – 4.7%
- An additional 25.0% premium was added in the current case due to the instrument being unrated – 1.2%.

5. Rationale for allotting NCRPS when consideration in the form of shares has been provided to the shareholders.

Reply:

In order to comply with the minimum public shareholding requirements as specified in the provisions of regulation 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 read with Part I, clause 3 (b) of SEBI Master Circular on (i) Scheme of Arrangement by Listed Entities referenced SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, which specifies that *'The percentage of shareholding of pre-scheme public shareholders of the listed entity and the Qualified Institutional Buyers (QIBs) of the unlisted entity, in the post scheme shareholding pattern of the "merged" company on a fully diluted basis shall not be less than 25%*', the consideration for the value of BHKAPL over and above 75% of promoter holding post-merger has been paid through NCRPS.

The consideration for merger to the shareholders of BHKAPL has been determined in accordance with the Valuation Report issued by the registered valuer namely, BDO Valuation Advisory LLP dated 7th February 2023.

6. Reason for not listing the NCRPS.

Reply: NCRPS has been allotted to Shareholders of BHKAPL (Promoters) by GIL in accordance with our reply in point 5 above. The said NCRPS have not been allotted for trading or liquidity purposes.



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I hereby confirm that the information provided in the above clarifications and enclosures is true and correct.

Thanking You

Yours faithfully

For Gorani Industries Limited

Nakul Gorani

(Holding DIN- 06543317)

(Whole-time Director)