

REPORT OF AUDIT COMMITTEE OF THE COMPANY RECOMMENDING THE AMALGAMATION OF ADI BPO SERVICES LIMITED (POST DEMERGER OF ITS INFRASTRUCTURE MANAGEMENT BUSINESS UNDERTAKING INTO ADI MEDIA PRIVATE LIMITED) WITH THE COMPANY

1. Background

A Meeting of the Audit Committee of the Company was held on January 22, 2018 to consider and if thought fit to recommend the proposed amalgamation of ADI BPO Services Limited ("Transferor Company") (post demerger of its Infrastructure Management Business Undertaking) with the Company ('Transferee Company') in terms of proposed scheme of amalgamation as envisaged in Chapter-2 of the Scheme ('defined hereunder').

This report of the Audit Committee is made in compliance with the requirements of the Securities and Exchange Board of India vide its Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, which amongst other requirements, requires the Audit Committee to submit to the Board of Directors recommending the proposed Scheme of amalgamation.

The following documents were placed before the Audit Committee and initialed by the Chairman for the purposes of identification:

- Draft Scheme of Amalgamation in Chapter 2 of the Scheme;
- Report on share entitlement ratio for amalgamation in terms of Chapter-2 of the Scheme ('Valuation Report') dated January 21, 2018 of M/s. SS Kothari Mehta & Co., Independent Chartered Accountants;
- Fairness Opinion dated January 22, 2018 issued by Emkay Global Financial Services Limited, Category – I Merchant Banker, on the share entitlement ratio recommended in the Valuation Report;
- Certificate dated January 22, 2018 from M/s. BSR & Co LLP, the Statutory Auditors of the Company, certifying that the accounting treatment in respect of the proposed amalgamation in terms of Chapter-2 of the Scheme is in accordance with the accounting standards and applicable law;
- Pre & Post Shareholding Pattern of the Transferor Company;
- Audited Financials of the Transferor Company for the last three years and Provisional Financials for the nine months ended 31st December, 2017;
- Detailed Compliance Report as per the format specified in SEBI Circular CFD/DIL3/CIR/2017/21 dated 10th March 2017 duly certified by the Company Secretary & Chief Financial Officer and the Whole time Director, confirming compliance with various regulatory requirements specified for schemes of arrangement and all accounting standards.



2. Rationale of Proposed Scheme of Amalgamation

The Audit Committee was informed by Mr. Sunit Malhotra, Chief Financial Officer and Company Secretary that the Transferee Company is actively considering opportunities to acquire Indian entities with a view to expand its business, operations and revenue. Currently, Transferee Company is the one layer subsidiary of Transferor Company. Any acquisition(s) by Transferee Company involving more than one layer of Indian subsidiaries would be impermissible having regard to the provisions of Section 2(87) of the Companies Act, 2013, read with Companies (Restriction on number of layers) Rules, 2017. That being so, the Transferee Company is prevented from acquiring an Indian subsidiary company which has its own Indian subsidiary, should such an opportunity arise. The absence of this proposed structure could result in loss of business opportunities available to the Transferee Company, its growth and future revenues. Flexibility to the Transferee Company in structuring its affairs is desirable to enable it to consider suitable opportunity (ies) for acquisition of an Indian entity which has an existing Indian subsidiary of its own and/ or for the Transferee Company to set up a step-down subsidiary (ies), should it so require. This would enable the Transferee Company to enhance its growth and revenues which would be clearly to the advantage of and in the interest of all its shareholders. To this end, the current structure is proposed to be rationalized by eliminating the existing one layer (i.e. Transferor Company).

Mr. Malhotra informed the Audit Committee that it is proposed to amalgamate ADI BPO Services Limited (post demerger of its Infrastructure Management Business Undertaking) with the Company in terms of Chapter 2 of the Scheme tabled before it and initialed by the Chairman of the Audit Committee for identification.

The Scheme that was tabled at the Audit Committee Meeting, ("the Scheme") contains two separate Chapters viz. Chapter 1 and Chapter 2. Chapter 1 of the Scheme deals with the proposed demerger of the Infrastructure Management Business Undertaking of the Transferor Company into ADI Media Private Limited. The Transferee Company is not a party to the proposed Scheme of Demerger in Chapter 1 and is in no way involved or concerned therewith. The Transferee Company is only involved or concerned with Chapter 2 of the Scheme which deals with the proposed amalgamation of the Transferor Company (post demerger of its Infrastructure Management Business Undertaking) with the Transferee Company.

Upon the amalgamation taking full effect in accordance with the terms of Chapter 2 of the Scheme, the Transferor Company will stand dissolved without winding up.

The proposed Scheme of amalgamation in Chapter 2 of the Scheme would be to the advantage of the Transferee Company for the above reasons and hence be in the interest of its stakeholders including public shareholders. It would enhance the future growth of the Transferee Company's business operations and help grow its revenues. The proposed amalgamation would not in any way change the current share capital of the Transferee Company and the current shareholding of the minority public shareholders in the Transferee Company. The proposed amalgamation will also not impact the creditors of the Transferee Company adversely.



2.1 The Audit Committee reviewed the draft Scheme of amalgamation in Chapter 2 of the Scheme and other documents tabled before it. Mr. Pranav Pullani, representing SS Kothari Mehta & Co., Mr. Rajesh Rajan from Emkay Global Financial Services Limited, Mr. Shashank Agarwal and Mr. Ravi Thakur from BSR & Co. LLP, Statutory Auditors, also had been requested to attend the Audit Committee Meeting and were present. They provided the clarifications and explanations desired by the Audit Committee in the context of the proposed amalgamation, the valuation of the shares, share entitlement ratio and the accounting treatment and related issues.

2.2 The Audit Committee discussed and noted the following:

- a) The Appointed Date for the proposed amalgamation in Chapter 2 will be April 1, 2017.
- b) In consideration of the proposed amalgamation in terms of Chapter 2 of the Scheme based on the above Valuation Report issued by SS Kothari Mehta & Co, and the above Fairness Opinion issued by Emkay Global Financial Services Limited, the Transferee Company will, following the cancellation of 12,616,996 shares of the Company held by the Transferor Company in the Transferee Company issue new equity shares to the shareholders of the Transferor Company in the following ratio :
 - i. 1,07,41,183 (One crore seven lakhs forty one thousand one hundred eighty three) equity shares of face value Rs.10 per share of the Transferee Company for every 1,00,00,000(One crore) equity shares of face value of Rs 1 per share held in the Transferor Company
- c) The proposed amalgamation will not result in any reduction of the current minority public shareholding in the Transferee Company and will not impact the creditors of the Transferee Company adversely.
- d) The proposed amalgamation in Chapter 2 will, on it taking full effect as per its terms, provide the Transferee Company the desired flexibility to grow its business, operations and revenues, which would be in its best interests and would benefit the entire body of its shareholders.
- e) The proposed amalgamation in Chapter 2 of the Scheme will be subject to the requisite approvals of the Securities and Exchange Board of India and Stock Exchanges, the shareholders and creditors of the Company and sanction by the Hon'ble National Company Law Tribunal, Chennai.
- f) The proposed amalgamation in Chapter 2 of the Scheme is contingent upon the Scheme of Demerger (involving Demerger of Infrastructure Management Business Undertaking of the Transferor Company into ADI Media Private Limited) in Chapter 1 of the Scheme becoming legally effective in all respects in accordance with its terms.



3. Recommendation of the Audit Committee

Having regard to all of the foregoing, the Audit Committee recommends the proposed amalgamation in Chapter 2 of the Scheme to the Board of Directors for its favorable consideration.

For and on behalf of Audit Committee of the Company



A handwritten signature in blue ink, appearing to be "Vijay Sood", written over the stamp.

Vijay Sood, Chairman of Audit Committee
22nd January , 2018