

FAIRNESS OPINION REPORT

FOR THE COMPOSITE SCHEME OF AMALGAMATION

OF

VELOTIO TECHNOLOGIES PRIVATE LIMITED

(AMALGAMATING COMPANY 1)

AND

SCALEWORX TECHNOLOGIES PRIVATE LIMITED

(AMALGAMATING COMPANY 2)

WITH

R SYSTEMS INTERNATIONAL LIMITED

(AMALGAMATED COMPANY)

UNDER SECTION 230 TO 232 AND OTHER APPLICABLE PROVISIONS
OF THE COMPANIES ACT, 2013





**Corporate
Professionals**



Strictly Private & Confidential

Ref. No: CPC/MB/107/2024-25

SEBI Reg. No: INM000011435

To,
The Board of Directors
R Systems International Limited
GF-1-A, 6, Devika Tower, Nehru Place,
New Delhi- 110019

Dear Sir/Ma'am,

Subject: Fairness Opinion on Recommendation of Optionally Convertible Redeemable Preference Share ("OCRPS") Swap Ratio in relation to the Composite Scheme of Amalgamation of Velotio Technologies Private Limited and Scaleworx Technologies Private Limited with R Systems International Limited

We, Corporate Professionals Capital Private Limited (SEBI Registered Category I Merchant Banker), have been appointed by R Systems International Limited ("Amalgamated Company"/ "R Systems") to provide a Fairness Opinion on the Valuation report issued by KPMG Valuation Services LLP, Registered Valuer Entity, dated 10th September 2024, in connection with the Composite Scheme of Amalgamation of Velotio Technologies Private Limited ("Amalgamating Company 1") and Scaleworx Technologies Private Limited ("Amalgamating Company 2") with Amalgamated Company, under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

In terms of our engagement, we are enclosing our opinion along with this letter. All comments as contained herein must be read in conjunction with the caveats to this opinion. The opinion is confidential and has been made in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations") read with SEBI Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, it should not be used, reproduced or circulated to any other person, in whole or in part, without the prior consent of Corporate Professionals Capital Private Limited, such consent will only be given after full consideration of the circumstances at the time. We are however aware that the conclusion in this report may be used for the purpose of disclosure to be made to the stock exchanges, Securities and Exchange Board of India, Hon'ble National company Law Tribunal ("NCLT") and notices to be dispatched to the shareholders and creditors for convening the meeting pursuant to the directions of Hon'ble NCLT and we provide consent for the same.

Trust the above meets your requirements. Please feel free to contact us in case you require any additional information or clarifications.

Yours Faithfully

For Corporate Professionals Capital Private Limited



Place: New Delhi

Date: 10th September 2024

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CONTEXT AND BACKGROUND

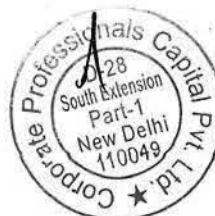
BRIEF OF THE COMPANIES INVOLVED UNDER THIS ARRANGEMENT

1. **Velotio Technologies Private Limited** (hereinafter also referred to as 'Velotio' or 'Amalgamating Company 1'), is a private limited company incorporated under the Companies Act 2013, having registration number U72100DL2016PTC434014 and having its registered office at New Delhi, India. Velotio is engaged in the business of outsourced information technology services including outsourced product development and digital product engineering services. As on 3 July 2023, R Systems has acquired 100 per cent equity shares in Velotio for a cash consideration of INR 2,694 million. Further, Velotio has issued certain Optionally Convertible and Redeemable Preference Shares ("OCRPS") to certain individuals.
2. **Scaleworx Technologies Private Limited** (hereinafter also referred to as 'Scaleworx' or 'Amalgamating Company 2'), is a private limited company incorporated under the Companies Act 2013, having registration number U72900DL2020PTC434013, and having its registered office at GF-1-A, 6, Devika Tower, Nehru Place, New Delhi- 110019, India. Scaleworx is engaged in the business of information technology relating to DevOps consulting, infrastructure management, outsourced product development and digital product engineering services and is wholly owned subsidiary of Velotio.
3. **R Systems International Limited** (hereinafter also referred to as 'R Systems' or 'Amalgamated Company'), is a public limited company incorporated on May 14, 1993, under the Companies Act, 1956, having registration number L74899DL1993PLC053579 and having its registered office at New Delhi, India. R Systems is engaged in the business of digital product engineering, designing and developing chip-to-cloud software products, platforms, and digital experiences. The equity shares of R Systems International Limited are listed on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE").

Furthermore, the Composite Scheme of Amalgamation of Amalgamating Company 1 and Amalgamating Company 2 with the Amalgamated Company ("Scheme") would result, inter-alia, in the following additional benefits:

This Scheme would result, inter-alia, in the following benefits:

- a) Greater operational and management efficiencies;
- b) Revenue and cost synergies including commonality of customers, sales and supply chain opportunities through enhanced geographical reach which will help in gaining market share, optimization of capital, operational (including promotion) expenditure, leveraging sales and distribution network and simplification of overlapping infrastructure;
- c) Streamlining of business operations and decision-making process and greater economies of scale and enhanced geographical reach, resulting in optimal and efficient utilization of capital;
- d) Dedicated and specialized management focus on the specific needs of business vertical;
- e) Unified approach on customer engagement delivering greater brand value;
- f) Unification and streamlining of management of legal and regulatory compliances;
- g) Greater economic value for the shareholders of the Amalgamated Company; and
- h) Upon the Scheme becoming effective, the authorised share capital of the Amalgamated Company shall stand increased and reclassified without any further act, instrument or deed on the part of the Amalgamated Company and the stamp duties and fees (including registration fee) paid on the authorized share capital of the Amalgamating Companies shall be utilized and applied to the increased authorized share capital of the Amalgamated Company.



As per the Scheme of Amalgamated Company 1 and Amalgamated Company 2 with the Amalgamated Company, we understand that the management of R Systems are contemplating to:

- (a) As First Step ("Proposed Transaction" or "Transaction"):
- (i) the amalgamation of the Amalgamating Company 1 into the Amalgamated Company;
 - (ii) the dissolution of the Amalgamating Company 1 without winding up or any further act, deed or thing;
 - (iii) the consequent cancellation of the equity shares of the Amalgamating Company 1 held by the Amalgamated Company and the cancellation of the Amalgamating Company 1 OCRPS ("Velotio OCRPS") held by the Existing Shareholders as defined in the Scheme;
 - (iv) issuance of optionally convertible redeemable preference shares by the Amalgamated Company ("OCRPS") to the Existing Shareholders in lieu of the Amalgamating Company 1 OCRPS; and

pursuant to the first step, the Amalgamating Company 2 will become a direct and wholly owned subsidiary of the Amalgamated Company

- (b) As Second Step (after first step being effective):
- (i) the amalgamation of Amalgamating Company 2 into the Amalgamated Company;
 - (ii) the dissolution of Amalgamating Company 2 without winding up or any further act, deed or thing; and
 - (iii) the consequent cancellation of the equity shares of Amalgamating Company 2 held by the Amalgamated Company; and
- (c) various other matters consequential and incidental thereto,

pursuant to Sections 230 to 232 and other relevant provisions of the Companies Act, in the manner provided for in the Scheme and in compliance with the provisions of the Income Tax Act.



BRIEF ABOUT COMPANIES

Velotio Technologies Private Limited (hereinafter also referred to as 'Velotio' or 'Amalgamating Company 1'), is a private limited company incorporated under the Companies Act 2013, having registration number U72100DL2016PTC434014 and having its registered office at New Delhi, India. Velotio is engaged in the business of outsourced information technology services including outsourced product development and digital product engineering services. As on 3 July 2023, R Systems has acquired 100 per cent equity shares in Velotio for a cash consideration of INR 2,694 million. Further, Velotio has issued certain Optionally Convertible and Redeemable Preference Shares ("OCRPS") to certain individuals.

Share Capital Details

As on 30 June 2024 and the report date, the paid-up equity share capital of Velotio is INR 0.1 Million consisting of 110,813 equity shares of face value of INR 1.00/- each fully paid up and Velotio OCRPS is 0.1 Million consisting of 123,850 Velotio OCRPS of face value of INR 1.00/- each fully paid up. The shareholding pattern of Velotio is as follows:

Category	No. of Equity Shares	% Shareholding	% Diluted Shareholding
R Systems International Limited	110,813	100.0	66.6
Total	118,303,445	100.00	66.6

Category	No. of Velotio OCRPS	% Velotio OCRPS	Diluted Equity Shares	% Diluted Shareholding
Kalpak Shah	55,881	45.1	25,096	15.1
Chirag Jog	55,881	45.1	25,096	15.1
Madhur Nawandar	10,527	8.5	4,728	2.8
Pranav Kulkarni	421	0.3	189	0.1
Samata Shah	570	0.5	256	0.2
Hemant Jog	570	0.5	256	0.2
Total	123,850	100.00	55,621	33.4

As per the guidance of the Management and basis the latest Share Purchase Agreement outlining the conversion terms of Velotio OCRPS, we understand that Velotio OCRPS are convertible into equity shares of Velotio as per the conversion ratio of 0.45:1. Accordingly, 123,850 Velotio OCRPS is equivalent to 55,621 equity shares of Velotio on a fully diluted basis resulting in a 33.4 per cent equity stake in Velotio.



Scaleworx Technologies Private Limited (hereinafter also referred to as 'Scaleworx' or 'Amalgamating Company 2'), is a private limited company incorporated under the Companies Act 2013, having registration number U72900DL2020PTC434013, and having its registered office at GF-1-A, 6, Devika Tower, Nehru Place, New Delhi- 110019, India. Scaleworx is engaged in the business of information technology relating to DevOps consulting, infrastructure management, outsourced product development and digital product engineering services and is wholly owned subsidiary of Velotio.

R Systems International Limited (hereinafter also referred to as 'R Systems' or 'Amalgamated Company'), is a public limited company incorporated on May 14, 1993, under the Companies Act, 1956, having registration number L74899DL1993PLC053579 and having its registered office at New Delhi, India. R Systems is engaged in the business of digital product engineering, designing and developing chip-to-cloud software products, platforms, and digital experiences.

The equity shares of R Systems International Limited are listed on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE").

Share Capital Details

As on 30 June 2024 and the report date, the paid-up equity share capital of R Systems is INR 118.3 Million consisting of 118,303,445 equity shares of face value of INR 1.00/- each fully paid up. The shareholding pattern of R Systems is as follows:

Category	No. of Equity Shares	% Shareholding
Promoters	61,433,005	51.9
Public	56,870,440	48.1
Total	118,303,445	100.0



SOURCE OF THE INFORMATION

In connection with this exercise, we have used the following information shared with us during the course of the engagement:

- Considered the draft Composite Scheme of Arrangement ("Scheme") for the Proposed Transaction;
- Considered audited consolidated financials of the R Systems for financial year ending 2021, 2022 & 2023 and limited review consolidated financials of the R Systems for the six-month period ended 30 June 2024,
- Considered standalone audited financials of Velotio for the three-month period ended 30 June 2024
- Considered consolidated audited financials of Velotio for financial year ending March 2024.
- Consolidated financial projections of Velotio for the period 01 July 2024 to 31 March 2032 and R Systems for the period 01 July 2024 to 31 December 2031, which the Management believes to be its best estimates of the future operating performance;
- Number of Restricted Stock Units ("RSUs") of R Systems as on the date of this report,
- Discussion with the Managements of the Companies in connection with the operations of the respective Companies, past and present activities, future plans and prospects, share capital and shareholding pattern of the Companies as of report date and any such information which is known and available as at the report date.
- For our analysis, we have relied on published and secondary sources of data, whether or not made available by the Companies. We have not independently verified the accuracy or timeliness of the same, and
- Other relevant information and documents for the purpose of this engagement provided through emails or during discussion.
- Received valuation data and reports to understand selection of valuation methodology, determination of exchange ratio and valuation basis for the same.
- We have also obtained the explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise from the Managements and representatives of the Companies.



APPROACH AND METHODOLOGY

Considering the valuation report issued by KPMG related to the transaction, we understand that the scheme contemplates amalgamation of Velotio into R Systems wherein equity shares held by R Systems in Velotio will get cancelled and the Velotio OCRPS currently held by certain individuals in Velotio will get exchanged in lieu of OCRPS of R systems (preferentially allotted) having similar time and performance terms, which will be convertible at 1:1 to equity shares of R Systems, R Systems shall issue its OCRPS to such shareholders under Section 247 to be read with Section 230 to Section 232 and other relevant provisions of the Companies Act, 2013 and rules issued thereunder to the extent applicable.

The three main valuation approaches are the market approach, income approach and asset approach. There are several commonly used and accepted methods within the market approach, income approach and asset approach, for determining the value of OCRPS of a company, which can be considered in the valuation exercise, to the extent relevant and applicable, to arrive at the Swap Ratio for the purpose of the Transaction, such as:

- Market Approach - Market Price Method; Comparable Companies Multiples (CCM) Method
- Income Approach - Discounted Cash Flow (DCF) Method
- Asset Approach – Net Asset Value (NAV) Method

Considering the nature of the businesses of the Companies and the fact that R Systems and Velotio has provided projected financials for their respective businesses, in our opinion, it is appropriate to apply the DCF Method under the Income Approach to arrive at the relative fair value of the OCRPS of R Systems and OCRPS of Velotio for the purpose of arriving at the Swap Ratio.

In the present case, the shares of R Systems are listed on BSE and NSE. The OCRPS of R Systems would be convertible into equity shares with a conversion of a ratio of 1:1. Thus, the price of equity shares of R Systems can be considered as a proxy for OCRPS value of R Systems.

Additionally, the management has confirmed that the terms of R System's OCRPS (to be issued pursuant to this Transaction) will carry the same conditions for vesting and exercising as the existing OCRPS for Velotio.

Further, we understand that there are regular transactions in their equity shares with reasonable volume. In the circumstances, the share price of R Systems has been considered as suggested in Regulation 164 of Chapter V of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended.

Accordingly, higher of the below two methods has been taken for determining the value of R Systems under the market price methodology:

- the volume weighted average price for 90 trading days (including the report date) from the report date,
- the volume weighted average price for 10 trading days (including the report date) from the report date,

Considering the availability of comparable listed peer set in the businesses carried out by the Velotio, it is appropriate in our opinion to consider the Comparable Companies Multiples method under the Market Approach to arrive at the value of the Velotio OCRPS for the purpose of arriving at the Swap Ratio.



In the current analysis, the amalgamation of the Companies is proceeded with on the assumption that they would merge as going concerns and an actual realization of the operating assets is not contemplated. The operating assets have therefore been considered at their book and non-operating/ surplus assets, if any at their values under the Asset Approach.

In such a going concern scenario, the earning power, as reflected under the Income/ Market approach, is of greater importance to the basis of amalgamation/ demerger, with the values arrived at on the net asset basis being of limited relevance.

Hence, in our opinion, we have considered it appropriate not to give any weightage to the values of the shares of the Businesses under the Asset Approach in case of R Systems and Velotio.



SHARE EXCHANGE RATIO FOR AMALGAMATION

SHARE EXCHANGE RATIO FOR AMALGAMATION:

SEBI Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, requires the valuation report for a Scheme of Arrangement to provide certain requisite information in a specified format.

The computation of Swap Ratio as derived is given below:

Valuation Approach	R Systems International Limited (Amalgamated)		Velotio Technologies Private Limited (Amalgamating)	
	Value per OCRPS (INR)	Weight	Value per OCRPS (INR)	Weight
Income Approach – DCF Method	509.0	50%	21,008.4	50%
Market Approach				
• Market Price Method	508.7	50%		
• Multiples Method			21,394.7	50%
Relative Value per OCRPS	508.9	100%	21,201.6	100%
Swap Ratio (Rounded off)			41.67	

RATIO:

Four Thousand One Hundred and Sixty-Seven (4,167 only) OCRPS of Amalgamated Company of INR 1.00/- each fully paid up for every One Hundred (100 Only) Amalgamating Company 1 OCRPS of INR 1.00/- each fully paid up.

Swap Ratio is based on the share capital structure of the Amalgamated Company and Amalgamating Company 1 as mentioned earlier in this report.

“Subject to the above read with the caveats as detailed later, we as a Merchant Banker hereby certify that pursuant to SEBI Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, we have reviewed the proposed Scheme, the Valuation Report dated 10th September 2024 of KPMG Valuation Services LLP, Registered Valuer Entity, with respect to the share exchange ratio aspects and consider it to be fair and reasonable”.



CAVEATS, LIMITATIONS AND DISCLAIMER

- We did not perform any valuation exercise related to the transaction. We performed detailed analysis based on information and documents received from the management and verified the rational of the calculation, decisions mentioned in valuation report.
- Our services do not represent valuation, accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.
- An opinion of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. This report is issued on the understanding that the management of the Companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion.
- We have taken into account, in our analysis, such events and circumstances occurring after the Valuation Date as disclosed to us by the Companies, to the extent considered appropriate by us based on our professional judgement. Further, we have no responsibility for any events and circumstances occurring after the date of the report.
- The recommendation(s) rendered in this report only represent our recommendation(s) based upon information received from the management till the report date and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice.
- The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this Scheme, which might be relevant in the context of the transaction and which a wider scope might uncover.
- We have no present or planned future interest in the Restructured Company/ies and the fee payable for this opinion is not contingent upon the opinion reported herein.
- Our Fairness Opinion should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.
- The Opinion contained herein is not intended to be represented at any time other than the date that is specifically stated in this Fairness Opinion Report. This opinion is issued on the understanding that the Management of the Restructured Companies under the Scheme have drawn our attention to all matters of which they are aware, which may have an impact on our opinion up to the date of signature. We have no responsibility to update this report for events and circumstances occurring after the date of this Fairness Opinion.

