



R SYSTEMS INTERNATIONAL LIMITED

Corporate Identity Number : L74899DL1993PLC053579

[CMMI Level 5, PCMM Level 5, ISO 9001:2015 & ISO 27001:2013 Company]

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REPORT OF AUDIT COMMITTEE OF R SYSTEMS INTERNATIONAL LIMITED DATED SEPTEMBER 11, 2024 RECOMMENDING THE DRAFT COMPOSITE SCHEME OF AMALGAMATION OF VELOTIO TECHNOLOGIES PRIVATE LIMITED AND SCALEWORX TECHNOLOGIES PRIVATE LIMITED WITH R SYSTEMS INTERNATIONAL LIMITED

PRESENT MEMBERS:

1. Mrs. Ruchica Gupta (Non-Executive Independent Director), Chairperson of the Committee
2. Mr. Amit Dalmia (Non-Executive Director), Member of the Committee
3. Mr. Kapil Dhameja (Non-Executive Independent Director), Member of the Committee
4. Mr. Aditya Wadhwa (Non-Executive Independent Director), Member of the Committee

INVITEE:

1. Mr. Nitesh Bansal, Managing Director & Chief Executive Officer
2. Mr. Nand Sardana, Chief Financial Officer
3. Mr. Piyush Jain, Senior Manager- Compliance and Secretarial

IN ATTENDANCE:

Mr. Bhasker Dubey, Company Secretary & Compliance Officer

1. Background

- 1.1 The Company had placed before the Audit Committee at its meeting held on September 11, 2024, a draft of the proposed Composite Scheme of Amalgamation of Velotio Technologies Private Limited ("Velotio" or "Amalgamating Company 1") and Scaleworx Technologies Private Limited ("Scaleworx" or "Amalgamating Company 2") (Amalgamating Company 1 and Amalgamating Company 2 collectively referred to as "Amalgamating Companies") with R Systems International Limited ("R Systems" or "Company" or "Amalgamated Company") under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (the "Act") the rules and/ or regulations made thereunder (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) ("Scheme of Amalgamation") for consideration and recommendation of the Scheme by the Audit Committee to the Board of Directors of the Company in accordance with the requirement of the Securities and Exchange Board of India ("SEBI") Master circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 'Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957' dated June 20, 2023 ("SEBI Master Circular").
- 1.2 As per the SEBI Master Circular, the Audit Committee is required to submit a report recommending the Scheme, taking into consideration, *inter alia*, the valuation report. The report is also required to comment on the following:

- (i) Need for the merger/demerger/amalgamation/arrangement;
- (ii) Rationale of the scheme;



- (iii) Synergies of business of the entities involved in the scheme;
- (iv) Impact of the scheme on the shareholders; and
- (v) Cost benefit analysis of the scheme.

1.3 This report of the Audit Committee is made in order to comply with the requirements of the SEBI Master Circular after considering and noting *inter alia* the following necessary documents:

- (i) Draft Scheme, duly initialled for the purpose of identification;
- (ii) Share Valuation Report dated September 10, 2024 issued by KPMG Valuation Services LLP in the capacity of registered valuer;
- (iii) Fairness Opinion Report dated September 10, 2024 issued by Corporate Professionals Capital Private Limited, Merchant Banker; and
- (iv) Certificate dated September 11, 2024 issued by M/s. Deloitte Haskins & Sells LLP, confirming the accounting treatment prescribed in the Scheme is in accordance with the applicable IND AS.

2. Salient features of the Scheme

2.1 *Inter alia* the following are proposed under the Scheme:

- (a) as a first step,
 - (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 (*as defined in the Scheme*) 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;

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

- (b) as a second step (after the first step is 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;
 - (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 Act (*as defined hereinafter*) in the manner provided for in this Scheme and in compliance with the provisions of the Income Tax Act (*as defined hereinafter*), including Sections 2(1B) thereof.

2.2 The “**Appointed Date**” means open of business on April 01, 2024 or such other date as the National Company Law Tribunal, Delhi may allow.

2.3 The “**Effective Date**” means the date on which the certified copies of the order of the Tribunal approving this Scheme have been filed with the Registrar of Companies.

2.4 The Scheme shall be made effective from the Appointed Date and shall be operative from the Effective Date.

2.5 Unless otherwise decided (or waived) by the Company and the Amalgamating Companies (through their respective Boards), the coming into effect of this Scheme is conditional upon and subject to:

- (a) Stock Exchanges issuing their observation letter/ no objection letter in relation to the Scheme pursuant to Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and such observation letter not imposing any material adverse conditions on any party or any material transactions contemplated hereunder;
- (b) approval of the Scheme by the requisite majority of the public shareholders of the Amalgamated Company, shareholders of Amalgamating Companies and creditors (where applicable) of all the Companies as required under sections 230 to 232 of the Act, the SEBI Master Circular or as per directions of the Tribunal, subject to any dispensation that may be granted by the Tribunal;
- (c) the sanction or approval of the Appropriate Authorities and other sanctions and approvals (as may be required by Applicable Law) in respect of the Scheme being obtained in respect of any of the matters in respect of which such sanction or approval is required or on the expiry of any statutory time period pursuant to which such approval is deemed to have been granted;
- (d) the sanctions and orders of the Tribunal, under sections 230 to 232 of the Act being obtained by the Companies and if the sanctions and orders, are subject to certain conditions, then upon the fulfilment of the respective sanctions and orders of the Tribunal;
- (e) the certified copies of the order of the Tribunal approving this Scheme having been filed with the RoC; and
- (f) fulfilment of all other conditions precedent as agreed by the Companies in writing, in the manner so agreed between the Companies.

3. **Rationale of Proposed Composite Scheme of Amalgamation and Arrangement:**

The Audit Committee has observed that the proposed Scheme is in the interest of shareholders, creditors and employees as it would enable integration of the business activities of the Companies under a single entity and is thus expected to provide opportunities to unlock potential synergies. The amalgamations pursuant to the Scheme would, *inter alia*, have 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.

In consideration of the above mentioned rationale, the Scheme of Amalgamation is being proposed in accordance with the terms set out in this Report.

4. Need for the amalgamation

Considering the commonality of the business verticals, it is imperative to simplify the holding structure by consolidating the three entities into a single entity in order to reap benefits of improved operational and management efficiency, streamlining of business operations and the decision-making process, and greater economies of scale. The amalgamation of the entities into one listed entity will also ensure higher stakeholder accountability.

5. Synergies of business of the entities involved in the Scheme

5.1 Velotio is engaged in the business of outsourced information technology services including outsourced product development and digital product engineering services. Scaleworx is engaged in the business of information technology relating to DevOps consulting, infrastructure management, outsourced product development and digital product engineering services. R Systems is engaged in the business of digital product engineering, designing and developing chip-to-cloud software products, platforms, and digital experiences.

5.2 Since, Velotio and Scaleworx are involved in a similar line of business, the amalgamation would be synergistic to the business of R Systems. Upon the Scheme coming into effect, the synergistic benefits arising from amalgamation would result in even more effective business strategy and result in greater efficiency, integration of technologies, capabilities and cost effectiveness in functioning and operation of R Systems. Further, execution of this Scheme would result in shareholders' participation in, and them deriving benefits from, the growth and prospects of the combined business operations. The synergies created by the amalgamation



would increase operational efficiency and integrate business functions, which will ultimately create a consolidated base for future growth of R Systems.

- 5.3 The employees of Velotio and Scaleworx will be provided better opportunities to scale up their performance with a large corporate entity having large revenue base, resources, asset base and global presence, which will boost employee morale and improve corporate performance, ultimately enhancing shareholders' value.

6. Impact of the Scheme on the shareholders of the Company

- 6.1 In terms of Part II of the Scheme of Amalgamation, the equity shares of the Amalgamating Company 1 held by the Amalgamated Company and the Amalgamating Company 1 OCRPS held by the Existing Shareholders shall stand cancelled and extinguished without any further act, instrument or deed immediately upon the Scheme coming into effect.
- 6.2 In consideration of the amalgamation of the Amalgamating Company 1 into the Amalgamated Company, the Amalgamated Company shall, without any further application, act, deed, consent or instrument, issue and allot in accordance with the ratio set out in the Scheme, the OCRPS to the Existing Shareholders.
- 6.3 The OCRPS allotted to the Existing Shareholders shall convert into equity shares of the Company subject to certain vesting conditions, and shall in all respects, rank *pari passu* with other equity shares of the Amalgamated Company.
- 6.4 Further, as per the provisions of the SEBI Master Circular, the Scheme shall be acted upon only if the votes cast by the public shareholders in favour of the proposal are more than the number of votes cast by the public shareholders against it.

7. Cost Benefit Analysis of the Scheme:

Certain transaction costs will be incurred in the implementation of the Scheme including administrative, statutory levy(ies), fees payable to financial/ legal advisors etc., the benefits as stated in the above paragraphs 3, 4 and 5, are expected to outweigh the costs towards implementation of the Scheme.

8. Recommendation of Audit Committee

The Audit Committee after due deliberations and consideration of the above and the papers tabled before it, hereby approves and recommends the Scheme for favorable consideration by the Board of Directors.

For and on behalf of Audit Committee
R Systems International Limited


Ruchika Gupta
(Non-Executive Independent Director)



DIN: 06912329

Date: September 11, 2024
Place: NOIDA