

REPORT OF THE AUDIT COMMITTEE OF EXPLEO SOLUTIONS LIMITED DATED JULY 09, 2021 CONSIDERING THE DRAFT SCHEME OF AMALGAMATION UNDER SECTION 230 to 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 BETWEEN EXPLEO INDIA INFOSYSTEMS PRIVATE LIMITED ("EIPL"), EXPLEO TECHNOLOGIES INDIA PRIVATE LIMITED ("ETIPL"), EXPLEO ENGINEERING INDIA PRIVATE LIMITED ("EEIPL"), SILVER SOFTWARE DEVELOPMENT CENTRE PRIVATE LIMITED ("SSDCPL") AND EXPLEO SOLUTIONS LIMITED ("the COMPANY") AND THEIR RESPECTIVE SHAREHOLDERS.

Present – Directors / Members

- | | | |
|-------------------------|---|--------------------------------|
| 1. Prof. K. Kumar | - | Chairperson of Audit Committee |
| 2. Prof. S. Rajagopalan | - | Member of Audit Committee |
| 3. Mr. Rajiv Kuchhal | - | Member of Audit Committee |

Other invitees and advisors / consultants were present at the meeting along with Company Secretary at the meeting.

1. Background of the proposed scheme of Amalgamation:

- 1.1. A meeting of the Audit Committee ("**Committee**") was held on July 09, 2021, inter-alia, to consider and if thought fit, recommend to the Board of Directors the proposed Scheme of Amalgamation under Sections 230 to 232 of the Companies Act, 2013 (the 'Act') and other applicable provisions of the Act, between (1) Expleo India Infosystems Private Limited ("Transferor Company 1"), Expleo Technologies India Private Limited ("Transferor Company 2"), Expleo Engineering India Private Limited ("Transferor Company 3"), Silver Software Development Centre Private Limited ("Transferor Company 4"), collectively referred to as "Transferor Companies", with Expleo Solutions Limited ("Transferee Company") and their respective shareholders under the provisions of the Act (the 'Scheme'). The Appointed Date for the Amalgamation under the Scheme is April 1, 2022 or such other date as may be approved by the NCLT for the purpose of this Scheme and shall be operative from the Effective Date (as defined in the Scheme).

The Scheme will be presented before the Tribunal (as defined in the Scheme) under Sections 230 to 232 and other applicable provisions of the Act, the rules and regulations made thereunder, and will also be in compliance with Section 2(1B) of the Income Tax Act, 1961 and the Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated December 22, 2020 issued by SEBI ("**Scheme Circular**").

In terms of the Scheme Circular, a report from the Audit Committee is required recommending the draft Scheme, taking into consideration, inter alia, the Valuation Report (as defined hereinafter), and commenting on the rationale of the Scheme, impact of the Scheme on the Shareholders, cost benefit analysis of the Scheme and synergies of business of the entities involved in the Scheme. This report of the Committee is made in order to comply with the requirements of the Scheme Circular.

1.2. The Salient features of the Scheme:

The Scheme inter-alia provides for:

- (a) Amalgamation of Expleo India Infosystems Private Limited (“EI IPL”) with the Company and consequent issue of equity shares by the Company to the shareholders of EI IPL;
- (b) Amalgamation of Expleo Technologies India Private Limited (“ETI PL”) and Expleo Engineering India Private Limited (“EEI PL”) with the Company. Upon completion of (a) above, ETI PL and EEI PL shall become wholly-owned subsidiaries of the Company. Since, the entire issued, subscribed and paid-up share capital of ETI PL and EEI PL would be held by the Company, no consideration shall be payable pursuant to the amalgamation; and
- (c) Amalgamation of Silver Software Development Centre Private Limited (“SSDCPL”) with the Company. Upon completion of (a) and (b) above SSDCPL shall become a wholly-owned subsidiary of the Company. Since the entire issued, subscribed and paid-up share capital of SSDCPL would be held by the Company, no consideration shall be payable pursuant to the amalgamation.
- (d) The Appointed Date for the Amalgamation under the Scheme is April 1, 2022 or such other date as may be approved by the NCLT for the purpose of this Scheme.
- (e) The Scheme is subject to various conditions precedent specified in the Scheme, including:
 - (i) approval of the Scheme by the requisite majorities of Shareholders and / or creditors of each of the Transferor Company and the Transferee Company as required under Sections 230 to 232 of the Act;
 - (ii) approval of the Scheme by the BSE Limited and National Stock Exchange of India Limited (“Stock Exchanges”) and the Securities Exchange Board of India (“SEBI”), pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) and Scheme Circular;
 - (iii) The approval by the public shareholders of the Transferee Company by e-voting in terms of paragraph 10(a) and (b) of Part 1 of the Scheme Circular and the Scheme shall be acted upon only if the votes cast by the public shareholders in favor of the Scheme are more than the number of votes cast by the public shareholders against it. The term ‘public’ shall carry the same meaning as defined under Rule 2 of Securities Contracts (Regulation) Rules, 1957;
 - (iv) the Scheme being sanctioned by each jurisdiction Tribunal (as defined in the Scheme) in terms of Sections 230 to 232 of the Act;
 - (v) The requisite Governmental Approval if any required to implement the Scheme;
 - (vi) the certified true copies of the Tribunal Order(s) (as defined in the Scheme) sanctioning this Scheme being filed with the respective jurisdictional Registrar of Companies by the Transferor Company and the Transferee Company.



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- 1.3. The Equity Shares of the Company are listed on BSE Limited and National Stock Exchange of India Limited. The Company will be filing the Scheme along with necessary information / documents with both the mentioned Stock Exchanges for their approval under Regulation 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 1.4. The report of Audit Committee is made in order to comply with the requirements of the Scheme Circular, after considering the following:
 - a) Draft Scheme of Amalgamation, duly initialled by the Chairman/Company Secretary of the Company for the purpose of identification;
 - b) Equity Share Exchange Ratio as mentioned in valuation report dated July 9, 2021 issued by M/s BDO Valuation Advisory LLP, Mumbai – a registered valuer pursuant to Section 247 of the Act, stipulating inter alia the methodology adopted and the valuation arrived at in relation to amalgamation of EIPL with the Company (“**Valuation Report**”);
 - c) Fairness Opinion dated July 9, 2021 issued by M/s. IDBI Capital Markets & Securities Limited - a Category I Merchant Banker, a SEBI registered Merchant Banker, to the Company, providing its opinion on the fairness of the Equity Share Exchange Ratio recommended in the Valuation Report (“**Fairness Opinion**”).
 - d) Auditor’s Certificate pursuant to para I(A)(5) of Annexure I of the SEBI Scheme Circular in the prescribed format to the effect that the accounting treatment contained in the Scheme is in compliance with all the Accounting Standards specified by the Central Government under Section 133 of the Act, read with applicable rules and / or the accounting standards and principles.
 - e) Pre-amalgamation shareholding pattern of the Transferor Companies and pre and post amalgamation shareholding pattern of the Company; and
 - f) Financial statements of last 3 years of the Transferor Companies and Transferee Company.

2. Rationale of the Scheme:

To consolidate all the Indian businesses of Group in a Single entity to enhance business focus, improve synergies and focus on long term value creation, and to simplify the Corporate Structure. The amalgamation of the Transferor Companies with the Transferee Company would inter alia have the following benefits:

- a) The Transferor Companies and the Transferee Company are part of the Expleo Group. Expleo Technology Germany, GmbH holds 56.17% the shares of the Transferee Company. The business of the Transferor Companies is synergistic to the business of the Transferee Company. Upon the Scheme coming into effect, the synergistic benefits arising from the amalgamation of the Transferor Companies into the Transferee Company would result in even more effective business strategy for the Transferee Company and shall result in greater efficiency, integration of technologies, capabilities and cost effectiveness in the functioning and operation of the Transferee Company. Further, the Scheme will result in the entire business of the Transferor Companies being transferred to the Transferee Company, thereby resulting in the

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shareholders of the Transferor Companies and the Transferee Company having participation in, and deriving benefits from, the growth and prospects of the combined business operations of the Transferor Companies and the Transferee Company.

- b) The Scheme will make available assets, financial, managerial and technical resources, personnel, capabilities, skills, expertise and technologies of the Transferor Companies to the Transferee Company leading to synergistic benefits, enhancement of future business potential, cost reduction and enhance efficiencies, productivity gains and logistical advantages, thereby contributing to future growth and enhancement of shareholder value.
 - c) The Scheme will result in economies of scale and consolidation of opportunities offered by the Scheme, which will contribute to make the Transferee Company, pursuant to the sanctioning of the Scheme, more profitable, thereby further enhancing the overall shareholder value.
 - d) The amalgamation would motivate employees of the Transferor Companies by providing better opportunities to scale up their performance with a larger corporate entity having large revenue base, resources, asset base etc. which will boost employee morale and provide better corporate performance ultimately enhancing shareholder value.
3. The Audit Committee reviewed and noted the Equity Share Exchange Ratio recommended in the Valuation Report and confirmed the following exchange ratio:

The Company will issue 459 (Four Hundred and Fifty Nine) fully paid up equity shares of Rs. 10/- each of the Company to the equity shareholders of EIPL for every 10 (Ten) fully paid up equity share of Rs. 10/- each of EIPL.

4. The Audit committee reviewed and confirmed the accounting treatment in the Scheme which has been certified by the Auditors of the Company. Pursuant to the Scheme, the Transferee Company shall account for amalgamation of the Transferor Companies in its books of accounts in accordance with Indian Accounting Standard (Ind AS) 103- "Business Combination" read with Appendix C to Ind AS 103 – "Business Combinations" issued by the Institute of Chartered Accountants of India and notified by Ministry of Corporate Affairs read together with the Companies (Indian Accounting Standards) Rules, 2015 Para 11, 19 and 27 of the Scheme details out the accounting treatment.
5. The Fairness Opinion confirmed that the Share Swap Ratio as recommended by the valuer, is fair and reasonable.
6. **Impact of the Scheme on the Shareholders:**

The proposed Scheme is expected to consolidate all the Indian businesses of Group in a Single Listed entity to enhance business focus, improve synergies and focus on long term value creation, and to simplify the Corporate Structure. The Audit Committee also noted that the Scheme is subject to the majority approval of the public shareholders of the Company. The Audit Committee was of the opinion that the Scheme is not detrimental to the interests of the shareholders of the Company.

6.1 Need for the Amalgamation:

The rationale for the Scheme is set out in point 2 above.

6.2 Cost benefit analysis of the Scheme:

The Consideration (as defined in the Scheme) represents a fair value of the business as substantiated by the fair equity shares swap ratio recommended in the Valuation Report and Fairness Opinion obtained by the Company in relation to the amalgamation. The Scheme would entail some costs towards implementation. However, the benefits of the Scheme over a longer period are expected to far outweigh such costs for the stakeholders of the Scheme entities.

6.3 Synergies of business of the entities involved in the Scheme:

The synergies of business of the entities involved in the Scheme are set out in point 2(b) above.

7. Recommendations of the Audit Committee:

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme of Amalgamation, Equity Share Exchange Ratio / Valuation Report, Fairness Opinion, rationale of the Scheme, accounting treatment, impact of the Scheme on the Shareholders and other stakeholders and cost benefit analysis of the Scheme and the specific matters mentioned above, recommends the draft Scheme of Amalgamation for favourable consideration by the Board of Directors of the Company, the Stock Exchange(s), SEBI and other applicable regulatory authorities.

This report of the Committee is made in order to comply with the requirements of the Scheme Circular after considering the necessary documents.

By Order of the Audit Committee of Expleo Solutions Limited



Prof. K. Kumar
Chairperson of the Audit Committee
DIN: 02343860

Date: July 15, 2021

Place: Bengaluru