MONARCH
NETWORTH CAPITAL
wealthcare redefined

REPORT OF AUDIT COMMITTEE OF MONARCH NETWORTH CAPITAL LIMITED (THE COMPANY) RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION

Background:

1. A meeting of the Audit Committee was held on 14th February, 2018 at 10.00 a.m. , to consider and recommend to the Board of Directors of the Company, the proposed Scheme of Amalgamation between the companies as stated below and their respective shareholders and creditors under Section 230 to 232 and applicable provision of the Companies Act, 2013.

2. (a) **Monarch Networth Capital Limited (herein after referred to as 'MNCL' or 'Transferee Company' or Company),** is a Company incorporated under Companies Act, 1956 and at present, the Registered Office of the Transferee Company, is situated at Office no.901/902, 9th Floor, Atlanta Centre, Opp.Udyog Bhavan, Sonawala Road, Goregaon (East), Mumbai MH 400063. The equity shares of the Company are listed on BSE Ltd. The Company is engaged in business of stock broking and member of Bombay Stock Exchange ("BSE"), National Stock Exchange of India Ltd. ("NSE") and Metropolitan Stock Exchange of India Limited ("MSEI"). It is also registered as Comtrack Participant with NCDEX, Depository Participants registered with CDSL and NSDL and also registered in Securities and Exchange Board of India ("SEBI") as a Category 1 Merchant Banker and Research Analyst and have submitted application in SEBI for providing Portfolio Management Services ("PMS") and consultancy in the field of finance and capital market.

   (b) **Networth Insurance Broking Private Limited (herein after referred to as 'NIBPL' or 'Transferor Company No. 1'),** is a Company incorporated under Companies Act, 1956 and at present, the Registered Office, is situated at Office no.901/902, 9th Floor, Atlanta Centre, Opp.Udyog Bhavan, Sonawala Road, Goregaon (East), Mumbai MH 400063.The Transferor Company No. 1 is a 100% Subsidiary of the Transferee Company and is engaged in business of insurance broking.

   (c) **Networth SoftTech Limited (herein after referred to as 'NSL' or 'Transferor Company No 2'),** is a Company incorporated under Companies Act, 1956 and at present, the Registered Office, is situated at Office no.901/902, 9th Floor, Atlanta Centre, Opp.Udyog Bhavan, Sonawala Road, Goregaon (East), Mumbai MH 400063.The Transferee Company holds 20.91 % of Issued, Subscribed and fully paid up Capital of

NSL. NSL is into Application Development & maintenance Building & Implementation of packaged software across various functions within the Financial Services Industry. It also provides data center services which include hosting of websites applications & related services. It combines a unique delivery model infused by a distinct culture of customer satisfaction.

(d) <u>Networth Wealth Solutions Limited</u> **(herein after referred to as 'NWSL' or 'Transferor Company no. 3),** is a Company incorporated under Companies Act, 1956 and at present, the Registered Office is situated at Office no.901/902, 9th Floor, Atlanta Centre, Opp.Udyog Bhavan, Sonawala Road, Goregaon (East), Mumbai MH 400063. NWSL is a 100% Subsidiary of the Transferee Company. 'Transferor Company no. 3 is engaged in Distribution of Third Party Product.

(e) <u>MONARCH NETWORTH COMTRADE LIMITED</u> **(herein after referred to as 'MNCTL' or 'Transferor Company No. 4'),** is a Company incorporated under Companies Act, 1956 and at present, the Registered Office is situated at Office no.901/902, 9th Floor, Atlanta Centre, Opp.Udyog Bhavan, Sonawala Road, Goregaon (East), Mumbai MH 400063. The Transferee Company holds 99.96 % of Issued, Subscribed and fully paid up Capital of MNCTL. MNCTL is engaged in business of Commodity Broking.

3. SEBI Circular No.CIR/CFD/CMD/16/2015 dated November 30, 2015, inter-alia provides "Report from Audit Committee recommending Draft Scheme, taking into consideration, inter-alia, the valuation Report. The Valuation Report is required to be placed before the Audit Committee of the listed entity."

4. **In the light of the above, Audit Committee considered the following documents:**

a) Proposed Scheme of Amalgamation
b) Valuation Report received from M/s Uday Pasad & Associates, Chartered Accountant (An Independent Chartered Accountant)
c) Fairness Opinion received from Merchant Banker -
d) Certificate received from Statutory Auditor- M/s. Parekh Shah & Lodha, confirming the accounting treatment contained in the scheme is in compliance with the Applicable Accounting norms.

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5. **Proposed Scheme of Amalgamation:**

The Committee reviewed the draft scheme, Valuation Report and Fairness Opinion, the Audit Committee also noted the rationale and benefits of the Scheme, which inter-alia includes the following:

All the companies are a part of the same group. The Group believes that the restructuring would benefit the companies and its stakeholders on account of the following reasons:

- The Transferee Company - MNCL, is a widely held listed company and its shares are actively traded on BSE Limited. The major business activities of Transferee Company is Stock Broking and is registered as Stock Broker with Bombay Stock Exchange ("BSE"), National Stock Exchange ("NSE") and Metropolitan Stock Exchange of India Limited ("MSEI") . It is also registered as Comtrack Participant with NCDEX , Depository Participants registered with CDSL and NSDL and also registered in Securities and Exchange Board of India ("SEBI") as a Category 1 Merchant Banker and Research Analyst and have submitted application in SEBI for providing Portfolio Management Services ("PMS") and consultancy in the field of finance and capital market.

- On the other side, the Transferor Companies are engaged in the business of commodity market, insurance broking, software technology and distribution of third party product.

- The amalgamation of the companies shall lead to consolidation of the Transferor Companies with the Transferee Company, thereby providing greater efficiency in operations and administrative affairs of the Company and a consolidated business opportunity to the Transferee Company, thus optimizing the valuation of the consolidated company and its shareholders. The amalgamation shall also add to the financial strength of the Transferee Company. The consolidation of Transferor Company's business with MNCL would at one hand strengthen the financials of the listed entity for the benefit of all its stakeholders and on the other hand help Transferor Company's business in getting future contracts and raising funds for expansion due to the listed status.

- Apart from above, this scheme of amalgamation shall result in following benefits -

  - Financial strength and flexibility for the Transferee Company, which would result in maximizing overall shareholder value.
  - Achieve greater efficiencies in operations with optimum utilization of resources, better administration and reduced cost.
  - Cost savings are expected to flow from more focused operational efforts, rationalization, standardization and simplification of business processes, productivity improvements, and the elimination of duplication, and optimum rationalization of administrative expenses and utilization of human resources.

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- Greater efficiency in cash management of the amalgamated entity and pooling of cash flow generated by the combined entities which can be deployed more efficiently to fund organic and inorganic growth opportunities, to maximize shareholder value
- Improved organizational capability and leadership arising from pooling of financial, managerial and technical resources.
- Effective Margin Management to the clients of the Transferor and the Transferee Company.

6. **The Committee reviewed and noted the Valuation Report, including the following recommendations:**

- The scheme provides for merger of Networth Insurance Broking Private Limited, Networth SoftTech Limited, Networth Wealth Solutions Limited and Monarch Networth Comtrade Limited with the Company.
- "Appointed Date" is 01st April, 2017.
- Nature Of Consideration: In case of amalgamation of Transferor Companies with the Transferee Company, all the shares held by the Transferee Company in the Transferor Companies, shall be cancelled and against the remaining shares, equity shares, would be issued to the shareholders (other than shares held by the Transferee Company) of the Transferor Companies, in accordance with the following share exchange ratio -Transferee Company, without further application, act or deed, shall issue and allot to each of the shareholders of "Transferor Companies" (other than the shares already held therein immediately before the amalgamation by Transferee Company, its Nominee or Subsidiary Company), shares in proportion of

a) Nil Equity shares of face value ofRs.10/- (Rupees Ten) each in Transferee Company for every 100 (One Hundred) Equity shares of face value ofRs.10/- (Rupee Ten) each held by them in ' NIBPL Transferor Companies No. 1' Because it is 100 .% Subsidiary of Transferee Co pursuant to this Scheme of Amalgamation.

b) 13 (Thirteen) Equity shares of face value ofRs.10/- (Rupees Ten) each in Transferee Company for every 100 (One Hundred) Equity shares of face value ofRs.10/- (Rupee Ten) each held by them in ' NSL Transferor Companies No. 2' pursuant to this Scheme of Amalgamation.

c) Nil Equity shares of face value ofRs.10/- (Rupees Ten) each in Transferee Company for every 100 (One Hundred) Equity shares of face value ofRs.10/- (Rupee Ten) each held by them in ' NWSL Transferor Companies No. 3' Because it is 100 % Subsidiary of Transferee Co pursuant to this Scheme of Amalgamation.

d) 28 (Twenty Eight) Equity shares of face value ofRs.10/- (Rupees Ten) each in Transferee Company for every 100 (One Hundred) Equity shares of face value ofRs.10/- (Rupee

Ten) each held by them in ' MNCTL Transferor Companies No. 4' pursuant to this Scheme of Amalgamation.

- Upon the proposed merger becoming effective, all assets, liabilities, contracts, rights, obligations etc of Transferor Companies as at the effective date shall stand transferred to MNCL and;
- Upon scheme coming into effect, NIBPL, NSL, NWSL & MNCTL shall stand dissolved without any further act or deed.
- Further the fairness opinion confirmed that interim shareholding and proposed shareholding are fair to the shareholders of the Company from a financial point of view.

7. **Recommendation of the Audit Committee:**

The Audit Committee recommends the draft scheme of amalgamation for favorable consideration to the Board of Directors of the Company, the Stock Exchanges' and , SEBI and any other Regulatory Authorities.

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Date:
Place:

Mayukh Pandya
Chairman, Audit Committee