REPORT OF THE AUDIT COMMITTEE OF ADROIT INFOTECH LIMITED ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF REDUCTION OF SHARE CAPITAL BETWEEN THE COMPANY AND ITS SHAREHOLDERS

To
The Board of Directors
Adroit Infotech Limited
Plot No. 7A, MLA Colony,
Road No. 12, Banjara Hills
Hyderabad- 500034, Telangana, India

1. BACKGROUND

i. The meeting of the Audit Committee of the Company was held on June 23, 2021 to consider and submit its report recommending the revised draft Scheme of Reduction of Capital ("**Scheme**") between the Company and its shareholders, under the provisions of Section 52 and Section 66 of the Companies Act, 2013, (including any statutory modification(s) or re-enactment thereof for the time being in force and the rules made there under (the "**Act**"), Regulation 37 of SEBI (LODR) Regulation, 2015 and specifically the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 ("**Reduction Rules**"), which permits the Company to undertake a reduction of its share capital.

ii. This report of the Audit Committee is made to comply with the requirements of SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020, issued under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, in order to submit the same to the Stock Exchange/SEBI for obtaining their Observation / No Objection Letter to the Scheme pursuant to Regulation 37 of the SEBI (LODR) Regulations, 2015, as amended from time to time.

iii. The following documents were placed before the Audit Committee:
   (a) Revised Draft Scheme of Reduction of Capital; and

   (b) Certificate from M/s. Niranjan & Narayan, Chartered Accountants, the Statutory Auditor of the Company dated April 14, 2021, with respect to non-applicability of submission of Valuation report, pursuant to exemption provided in Sub-para 4(b) of Para I(A) of SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020.

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(c) Fairness Opinion dated June 7, 2021, issued by Navigant Corporate Advisors Limited, SEBI registered Merchant Banker ("Fairness Opinion");

(d) Auditor's Certificate dated June 2, 2021, issued by the Statutory Auditor, pursuant to Paras 5 of Part I A of SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020, confirming that the accounting treatment in the Scheme is in Compliance;

(e) Undertaking duly certified by the Auditor dated June 2, 2021, regarding non-applicability of sub paras 10(a) and (b) of Part I A of SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020;

(f) Other Annexures for the draft Scheme of Reduction of Capital.

2. SALIENT FEATURES OF THE DRAFT SCHEME

i. As per the provisions of section 52 and section 66 of Companies Act 2013 read with National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 and other applicable provisions if any, Upon the Scheme coming into effect from the Appointed Date, by the Effective Date and after securing necessary approvals and permissions, the accumulated losses of Rs. 14,85,58,000 (Rupees Fourteen Crores, Eighty Five Lacs, Fifty Eight Lacs):

   a. To be set off against the Securities Premium Account to the extent of Rs.2,40,00,000 (Rupees Two Crore Forty Lakhs); and
   b. To be set off against the Share Warrant Forfeiture Account to the extent of Rs.50,00,000 (Rupees Fifty Lacs); and
   c. The Share Capital shall stand cancelled to the extent of Rs.11,95,58,000 (Rupees Eleven Crores Ninety-Five Lacs and Fifty Eight Thousand).

ii. The Scheme seeks to reduce or otherwise alter the issued, subscribed and paid up share capital of the Company and the same will therefore remain reduced as a result of the Scheme, on the Effective Date and after securing necessary approvals and permissions the Company shall reduce its fully paid up equity share capital from Rs.18,26,73,720 (Rupees Eighteen Crore Twenty Six Lakhs Seventy Three Thousand Seven Hundred Twenty) divided into 1,82,67,372 (One Crore Eighty Two Lakhs Sixty Seven Thousand Three Hundred and Seventy Two) Equity Shares of Rs. 10 (Rupees Ten) each to Rs.6,31,15,720 (Rupees Six

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Crore Thirty One Lakhs Fifteen Thousand Seven Hundred Twenty) divided into 63,11,572 (Sixty Three Lakhs Eleven Thousand Five Hundred Seventy Two) Equity Shares of Rs. 10 (Rupees Ten) each.

iii. The capital so reduced will be utilized to write off the accumulated losses of the Company.

iv. The Audit Committee reviewed the Fairness Opinion and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the Scheme is fair to the shareholders of the Company.

v. Further, the Audit Committee reviewed the Accounting Treatment Certificate and noted that that the accounting treatment in the Scheme is in line with Generally Accepted Accounting Principles.

vi. Further this Scheme will help to achieve a rational structure which is commensurate with its remaining business and assets.

3. PROPOSED SCHEME

The Audit Committee reviewed and considered the proposed Scheme on the following grounds:

1. **Need and Rationale for the reduction of share capital**

   i. The Company has suffered substantial losses since FY 2017-18 and has not been able to scale its business and unleash its full potential for growth and profitability.

   ii. As per the audited financial statements for the year ended March 31, 2020, the Company has accumulated losses amounting to Rs. 14,85,58,000 (Rupees Fourteen Crores, Eighty Five Lacs, Fifty Eight Thousand)excluding Share Premium and Share Warrant Forfeiture. These accumulated losses have been wiping off the value represented by the share capital. Thus, the financial statements of the Company are not reflecting of the true financial position of the Company.

   iii. Due to huge accumulated losses of the prior years, the financial statements do not reflect the turnaround in the business of the Company. Thus, with a view to ensure that:

   (a) The financial statements of the Company reflect its true and fair financial position; and

   (b) To obliterate the share capital being lost and not represented by available assets of the Company, it is necessary to carry out reduction of share capital of the Company.

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(c) The proposed reduction of share capital in the manner proposed herein would enable the Company to rationalize its capital structure and present a true and fair financial position of the Company, commensurate with its business and assets.

(d) The proposed restructuring under the Scheme, if approved, would enable the Company to explore opportunities for the benefit of its Shareholders, including in the form of dividend payments in terms of the applicable law.

(e) The Scheme, if approved may enable the Company to avail business opportunities that it was unable to take advantage of, because of it experiencing Accumulated Losses.

(f) The proposed Scheme will enable the Company to use amount which is lying unutilized in the Securities Premium Account of the Company in an effective manner for the benefit of the Company.

(g) The Scheme if approved would provide greater flexibility to the Company in raising funds either from the Capital Market or from any Bank/Financial Institutions in the form of Equity or Debt, depending upon the business needs of the Company.

Hence, the proposed reduction of share capital is in the interest of the Company and its shareholders, creditors and all other stakeholders.

2. Synergies of business of the entities involved in the scheme

i. The scheme, if approved, shall enable the Company to avail business opportunities that it was unable to take advantage because of its huge Accumulated Losses.

ii. The proposed scheme would be for the overall benefit of the Company, its creditors, Shareholders and all other stakeholders.

iii. The scheme, if approved, would provide greater flexibility to the Company in raising funds either from the capital market or through Bank/ Financial Institutions in the form of equity or debt.

3. Impact of the Scheme on the shareholders

i. Upon confirmation of Reduction of Capital by NCLT and the approval of the aforesaid authorities becoming effective and operative, 1,19,55,800 (One Crore Nineteen Lakhs Fifty Five Thousand Eight Hundred) Equity Shares of Rs. 10/- (Rupees Ten) each of the Company held by all its members shall stand cancelled, extinguished and rendered invalid.

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ii. There is no detrimental impact on the shareholders and this reduction shall further allow the creation of distributable reserves for dividend which are held up due to accumulated losses.

4. Cost Benefit analysis of the Scheme

i. The financial restructuring will help the Company to reflect the true shareholder value which would place the Company in a position to pay dividend or raise capital in future at lower interest cost.

ii. The Scheme of Capital Reduction does not involve any direct cost to the company as there is no payment/ pay-out involved to any of the shareholder or other stakeholders apart from paying fractional entitlements.

4. RECOMMENDATION OF THE AUDIT COMMITTEE

Taking into consideration the proposed Scheme, Fairness Opinion made, Accounting Treatment Certificate, needs, rationale and impact of the Scheme and cost benefits analysis, the Audit Committee confirms that the proposed Scheme is not detrimental to the shareholders of the Company and is in the best interest of the Company and its shareholders, creditors and all stakeholders. Thus, the Audit Committee hereby recommends the proposed Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee
for and on behalf of Adroit Infotech Limited

Sunder Raj Nyayapathi
Chairman of the Audit Committee
DIN:

Date: 23/06/2021
Place: Hyderabad