Vakrangee
सशक्त परिवर्तन

Vakrangee Limited "Vakrangee Corporate House", Plot No.93,
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REPORT OF THE AUDIT COMMITTEE OF VAKRANGEE LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT FOR DEMERGER OF E-GOVERNANCE & IT/ITES DIVISION (DEMERGED UNDERTAKING) OF VAKRANGEE LIMITED INTO VL E-GOVERNANCE & IT SOLUTIONS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS.

MEMBERS PRESENT IN THE MEETING:

1. Shri B.L. Meena	Chairman
2. Shri Avinash Vyas	Member
3. Shri Ramesh Joshi	Member

IN ATTENDANCE:

1. Shri Sachin Khandekar	Company Secretary

BY INVITATION:

1. Shri Dinesh Nandwana	Managing Director & Group CEO

BACKGROUND:

1. A meeting of the Audit Committee of Vakrangee Limited ("VL/ The Demerged Company") was held on 12.11.2021, to consider and recommend the proposed Scheme of Arrangement for Demerger of E-Governance & IT/ITES Division (Demerged undertaking) of VAKRANGEE LIMITED into VL E-GOVERNANCE & IT SOLUTIONS LIMITED and their respective shareholders under Section 230 to 232 read with Section 66 of the Companies Act, 2013. ("the Act").

2. This report of the Audit Committee is made in order to comply with the requirements of the circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 issued by the Securities and Exchange Board of India (SEBI).

3. The following documents were placed before the Audit Committee:

i) Draft Scheme of Arrangement duly initialed by the Company Secretary of the Company for the purpose of identification;

ii) Valuation Report dated 11th November, 2021 issued by Mr. Lait Kumar Dangi, Registered Valuer, Mumbai, describing inter alia the methodology adopted by them in arriving at the share valuation including the share entitlement ratio and setting out the details of computation of fair entitlement ratios for the proposed arrangement ("Valuation Report");

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iii) Fairness Opinion dated 12th November, 2021 issued by M/s. Ashika Capital Limited a SEBI Registered Merchant Banker, providing its opinion on the fairness of the Valuation Report and the Share Entitlement Ratio;

iv) Certificate dated 12th November, 2021 from M/s. A.P. Sanzgiri & Co., Chartered Accountants, the Statutory Auditors of the Company confirming that the accounting treatment in the draft Scheme is in accordance with the applicable accounting standards under the Companies Act, 2013 and other accounting principles generally in India.

v) Undertaking certified by M/s. A.P. Sanzgiri & Co.., Statutory Auditors of the company to the effect that part I(A)(10)(c) of SEBI Circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 requirements of Part 1(A) (10) (a) and part (1A) (10)(b) shall not be applicable (i.e. the approval only by public shareholders) since no allotment is proposed to be made to any of the persons mentioned in part I(A)(10)(c) of SEBI Circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 requirements of Part 1(A) (10) (a) and part (1A) (10)(b) of said circular pursuant to the proposed Scheme of Arrangement.

NEED FOR THE DEMERGER & RATIONALE OF THE SCHEME

The demerger of E-Governance & IT/ITES division undertaking of the Demerged Company into Resulting Company would *inter alia* have the following benefits:

Since Inception, Vakrangee has been One of India's largest e-Governance player functioning as a systems integrator and end-to-end service provider for various e-Governance projects. The Company has an experience of over two decades in delivering systems integration and other IT/ITES services for India's e-Governance plan. We have a strong track record of successfully implementing various timebound Mission Mode Projects (MMPs) under the government's National e-Governance Plan. Some of these MMPs are: computerisation of Election Commission, UIDAI Aadhaar Enrolment services, Ministry of Corporate Affairs Project (MCA21), Rashtriya Swasthya Bima Yojana (RSBY), Common Service Centres (CSC), smart-card based Public Distribution System (PDS), computerisation of registration department in Maharashtra, and passport Services, among others.

Over the years, the Company has evolved into a technology-enabled company focussed around building India's largest network of last-mile physical retail outlets to deliver services to the unserved and the underserved rural, semi-urban and urban population of the country. The Assisted Digital Convenience stores are called as Nextgen Vakrangee Kendras, which act as the 'One Stop Shop' for availing multiple products and services. The Company offer an extensive array of services across various sectors by providing BFSI, ATM, Assisted E-Commerce, Telemedicine, Online Pharmacy & Logistics Services. Vakrangee has emerged as a well diversified distribution platform offering various goods and services under one roof to citizens at affordable prices, same time and same quality.

The Company currently has two Business divisions which are as follows –

1.1 Vakrangee Kendra Business
1.2 E-Governance & IT/ITES Business

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The details for the both the Businesses are provided below: -

1.1 Vakrangee Kendra Business:

Vakrangee is a technology-driven company focussed around building India's largest network of last-mile physical retail outlets to deliver services to the unserved and the underserved rural, semi-urban and urban population of the country. The Assisted Digital Convenience stores are called as Nextgen Vakrangee Kendras, which act as the 'One Stop Shop' for availing multiple products and services. The Company offer an extensive array of services across various sectors by providing BFSI, ATM, Assisted E-Commerce, Telemedicine, Online Pharmacy & Logistics Services. Vakrangee has emerged as a well-diversified distribution platform offering various goods and services under one roof to citizens at affordable prices, same time and same quality with Brick & Mortar exclusive touch points designed by L&H (Lewis & Hickey).

Vakrangee Kendra is an asset Light Franchisee based Business model. The model is Highly Scalable as well as has Strong Operating leverage in built into it. Vakrangee has emerged as one of the largest Financial Inclusion player (Banking business correspondent) in the country and has also emerged the fourth largest ATM operator in Rural India with Pan India presence. Vakrangee has developed Strong on-ground execution skills with deep rural presence. Vakrangee currently has 11,900+ (as on 30th June 2021) operational Exclusive Branded outlets and is well placed to achieve its March-2022 target of 25,000 operational outlets across the country. Vakrangee's growth plan is well defined with a long term target of 75,000 kendra outlets by 2025 and to emerge as the Largest Rural Distribution platform in India.

Vakrangee has recently launched an online digital platform to enable seamless services for the consumer at the comfort of their homes. Through this, company has evolved into the unique O2O (Online to Offline) platform, whereby there is Assistance available through the Physical Kendra network along with Digital Online Services The company has Initiated this Unique Hybrid proposition with launch of first Digital service of Telemedicine services The company plans to make many more services live through this platform. The Company is also launching a Mobile Super App based business platform.

The Company would be providing various services digitally through its Mobile app platform such as :

- o Online Shopping
- o Total Healthcare services (Doctor consultation, Home Blood Test facility, Covid Care packages)
- o Online Pharmacy
- o Money Transfer
- o Insurance
- o Loan products / Financial products
- o Mutual funds / Credit Cards
- o All type of Bill payments
- o Mobile / DTH recharges
- o Travel services (Bus / Train / Flights / Hotel Bookings)
- o Movie Tickets / Entertainment
- o Online Education
- o Online Agri Products – Seeds & Pesticides
- o Courier Booking

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Strategy 2.0: Next 5 Year Growth Strategy

- Our vision is now set to create the world's largest franchisee based distribution channel in India with a strong focus on Rural India. We are confident of delivering strong growth momentum over the next 5 years as our network would grow from 11,900+ to 25,000+ outlets by March 2022 and to 75,000 outlets by March 2026. We estimate that our Gross Transaction value would cross US$50 Billion on an annualised basis over the next 5 years, while the number of transactions would cross a billion transactions annually. This would result into significant growth in revenues and profitability, especially as we will continue to take advantage of our asset-light franchisee-based model with strong operating leverage. Our Cash Adjusted Return on Capital would improve significantly.

Sustainable Competitive Advantage

- One of India's largest e-Governance player with about two decades of experience
- One of the leading systems integrator for key government projects :
  - ISO/IEC 27001:2013 Certified: Information Security Management System (ISMS)
  - ISO/IEC 20000-1:2011 Certified: Information Technology service management system (ITSMS)
- Strong expertise from data digitisation to technology management
- Strong track record of delivering time-bound mission critical projects
- Efficient back-end for assimilating and processing data related to G2C and B2C services
- Participation in Mission Mode Projects – MCA 21, RSBY, Passport Seva Kendra, UIDAI

SYNERGIES OF BUSINESS ENTITIES INVOLVED IN THE SCHEME.

In view of long-term benefits and looking at synergy in operations of businesses of both the Companies, cost saving and other strategic benefits, it is now considered expedient to demerge the E-Governance & IT/ITES Business (Demerged undertaking) of Vakrangee Limited (Demerged Company) and merge the same into VL E-Governance & IT Solutions Limited, the Resulting Company.

The Demerger of Demerged Undertaking and vesting of the same with Resulting Company would enable the Resulting Company to enhance Operational efficiencies, ensuring synergies through pooling of the financial, managerial, personnel capabilities, skills and expertise and the management is of the view that segregation of the Demerged Undertaking would lead to the following benefits;

- The transfer and vesting of the Demerged Undertaking of the Demerged Company to the Resulting Company through this Scheme is with a view to unlock the economic value of both the divisions.
- The Demerger is likely to enable the business and activities comprised in the demerged undertaking and remaining business and activities of VL to be pursued and carried on with greater focus and attention through two separate companies each having its own administrative set up. Independent management of each of the undertakings will ensure required depth and focus on each of the businesses and adoption of strategies necessary for the growth of respective businesses. The structure provides independence to the management in decisions regarding the use of their respective cash flows for dividends, capital expenditure or other reinvestment in their business.

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- Vakrangee Kendra Business is Retail centric Consumer facing business whereby we are building the last mile physical distribution platform as well as a B2C E-Commerce focussed Mobile Super app Digital platform.
- Vakrangee Kendra Business (Physical as well as Digital) is an asset light, high return on Capital business and thereby will get proper representation post Demerger.
- E-Governance & IT/ITES Business is a capital intensive B2B business. It is Capex Heavy as well as Working capital Intensive. The E-Governance & IT/ITES Business segment requires different skill sets and focused approach towards time bound project execution capabilities as well as dedicated efforts on collection of Debtors / Receivables, Vendor management and procurement of IT equipment's.
- The focus is on enhancing strategic flexibility to build a viable platform solely focusing on each of these businesses (Vakrangee Kendra business as well as E Governance / IT & ITES).
- The Demerger will enable both the Companies to enhance business operations by streamlining operations more efficient management control and outlining independent growth strategies.
- Enable dedicated management focus, resources and skill set allocation to each business, which will in turn accelerate growth and unlock value for the shareholders.
- Each undertaking will be able to target and attract new customers corresponding to their own business.
- The demerger will unlock value of both business and result in shareholder value maximization.
- Pursuant to the scheme, the equity shares issued by the Resulting Company would be listed on BSE and NSE and will unlock the value of E-Governance and IT/ITES business for the shareholders of the Demerged Company. Further the existing Shareholders of the Demerged Company would hold the shares of two listed entities after the scheme becoming effective; giving them flexibility in managing their investments in the two businesses having differential dynamics.
- The Scheme shall be in the beneficial interest of the shareholders of the companies. The Scheme shall not be in any manner prejudicial to the interest of the concerned members, creditors, employees or general public at large.

IMPACT OF THE SCHEME ON THE SHAREHOLDERS

Upon this scheme coming into effect, every member of the Demerged Company holding fully paid up equity shares in the Demerged Company and whose names appear in the Register of Members of the Demerged Company on the record date will receive;

In respect of every Ten (10) Equity Shares of the face value of Re.1/- each fully paid up held by him / her / it in the Demerged Company, One (1) new Equity share of the Resulting Campany of the face value of Rs. 10/- each fully paid up;

The equity shares issued by the Resulting Company would be listed on BSE and NSE and will unlock the value of the Demerged Undertaking, for the shareholders of the Demerged Company.

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Further the existing Shareholders of the Demerged Company would hold the shares of two listed entities after the scheme becoming effective; giving them flexibility in managing their investments in the two businesses having differential dynamics.

COST BENEFIT ANALYSIS OF THE SCHEME

There are no social and environment impact of the proposed restructuring. Except the transaction cost, there are no additional costs involved for the proposed re-structuring. The Committee is of the opinion that the expected synergies and benefits in pursuance of the restructuring would offset the impact of such costs for the Company.

RECOMMENDATION OF THE AUDIT COMMITTEE:

The Committee reviewed the aforesaid documents and after consideration of the same and due deliberations thereon by the members of the Audit Committee, the Committee relying upon the opinions contained in the said documents, unanimously decided to accept the Valuation and the proposed Share Swap Ratio of

"Every Ten (10) Equity Shares of the face value of Re.1/- each fully paid up held by him / her / it in the Demerged Company, One (1) new Equity share of the Resulting Company of the face value of Rs. 10/- each fully paid up."

The Audit Committee unanimously agreed to recommend the Scheme of Arrangement for Demerger of E-Governance & IT/ITES (Demerged undertaking) of VAKRANGEE LIMITED into VL E-GOVERNANCE & IT SOLUTIONS LIMITED and their respective shareholders to the Board of Directors of the Company for further consideration, inter alia, in pursuant to the requirements of Stock Exchanges, SEBI and other Regulatory Authorities including National Company Law Tribunal.

The Committee authorized the Chairman of the Committee to forward this report and recommendation to the Board of Directors of the Company.

By order of the Audit Committee
For Vakrangee Limited

B. L. Meena
(Chairman)
Audit Committee
Date: November 12, 2021
Place: Jaipur

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