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**REPORT OF THE AUDIT COMMITTEE OF GSS INFOTECH LIMITED (“COMPANY”) RECOMMENDING THE DRAFT SCHEME OF MERGER OF POLIMERAAS AGROS PRIVATE LIMITED (WHICH IS PRESENTLY POLIMERAAS AGROS LLP AND IS IN THE PROCESS OF CONVERSION INTO POLIMERAAS AGROS PRIVATE LIMITED) WITH THE COMPANY AND THEIR RESPECTIVE SHAREHOLDERS**

Present:

1. PRABHAKARA RAO ALOKAM	CHAIRMAN
2. NAGAJAYANTHI RAGHAVENDRA DAS JUTTUR	MEMBER
3. BHARGAV MAREPALLY	MEMBER

**1. Background:**

- a. A meeting of Audit Committee of the Company was held on 24th December, 2021 to inter-alia, consider and recommend the draft Scheme of Merger of Polimeraas Agros Private Limited (which is presently Polimeraas Agros LLP and is in the process of conversion into Polimeraas Agros Private Limited) (“Transferor Company”) with GSS Infotech Limited (“the Company” or “Transferee Company”) and their respective shareholders (‘the Scheme’) under Section 230 to 232 and 366 and other applicable provisions of the Companies Act, 2013 (‘the Act’).
- b. The Scheme provides for swap exchange ratio of 1: 1.95895 (i.e 1.95895 shares of GSS for every 1 share of Polimeraas Agros Private Limited (which is presently Polimeraas Agros LLP and is in the process of conversion into Polimeraas Agros Private Limited (for issue of 92,20,000 equity shares of the Transferee Company to the Shareholders of Polimeraas Agros Pvt Ltd (which is presently Polimeraas Agros LLP and is in the process of conversion into Polimeraas Agros Private Limited), as per the Valuation Report issued by the Registered Valuer. GSS will issue 1,32,61,927 Redeemable securities with a call option (at the instance of GSS) to the shareholders of Polimeraas Agro Private Limited (which is presently Polimeraas Agros LLP and is in the process of conversion into Polimeraas Agros Private Limited) for the balance consideration as per the Valuation Report issued by the Registered Valuer, which are convertible / redeemable after 12 months extendable upto 18 months.
- c. The Scheme which shall be presented before the jurisdictional bench of NCLT under Section 230 to 232 and other applicable provisions of the Act, has been drawn up to be in compliance with Section 2(IB) and other applicable provisions of Income-tax Act,

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1961 and other applicable laws including SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 read with the SEBI Master Circular No. SEBI/HO/CFD/DILI/CIR/P/2020/249 dated 22<sup>nd</sup> December 2020 ("SEBI Circular").

- d. In terms of SEBI Circular, a report from the Audit Committee is required recommending the draft Scheme, taking into consideration inter alia that, the Scheme is not detrimental to the shareholders of the listed entity. This report of Audit Committee is made in order to comply with the requirements of the SEBI Circular.

## **2. Documents perused by the Audit Committee**

2.1 The following documents were placed before the Audit Committee –

- a) The Draft Scheme;
- b) Valuation Report dated 24-12-2021 issued by an independent Registered Valuer, Mr. Anandkumar Gawade having registration number IBBI/RV/05/2019/10746 ("Valuation Report")
- c) Fairness opinion dated 24-12-2021 issued by M/s. Finshore Management Services Limited, an independent SEBI Registered (Category I) Merchant Banker (Firm Registration No. INM000012185), providing its opinion on the fairness of the share exchange ratio in the Valuation Report by Registered Valuer ("Fairness Opinion");
- d) Certificate of M/s. Rambabu & Co, Chartered Accountants, Statutory Auditors of the Company, confirming the minimum price at which shares should be allotted to the shareholders of Transferor Company in terms of pricing provisions of Chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, read with the SEBI Circular;
- e) Certificate of M/s. Rambabu & Co, Chartered Accountants, statutory auditors of the Company, confirming that the accounting treatment outlined in the Scheme is in compliance with the applicable Indian Accounting Standards prescribed under section 133 of the Act read with the rules framed thereunder and other generally accepted accounting principles;
- f) Undertaking with regard to non-applicability of requirements i.e. approval only by public shareholders, prescribed in Part I(A)(10)(b) of the SEBI Circular, and Certificate of M/s. Rambabu & CO, Chartered Accountants, statutory auditors of the Company certifying the said undertaking;

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**3. Rationale of the Proposed Scheme:**

The Audit Committee noted the rationale of the Scheme, which inter-alia is as follows:

- (i) The Business of Polimeraas Ltd is being done currently through physical stores. Post-Merger, GSS will add value by creating an Online platform resulting in considerable jump in Revenue both through Online sales and through physical stores.
- (ii) The proposed scheme whereby Polimeraas Agros LLP post conversion into Polimerass Agros Pvt Ltd will be merged with GSS, will be beneficial, advantageous and not prejudicial to the interests of the shareholders, creditors and other stakeholders of Transferee Company since the said merger will result in Polimeras Ltd becoming the wholly owned subsidiary and will be a material subsidiary of GSS.

**4. Salient Features of the Proposed Scheme:**

4.1 The Audit Committee noted the salient features of the Scheme, which inter-alia are as under:

- a) Appointed Date: 01-04-2022 or such other date as may be directed or approved by the NCLT or any other appropriate authority.
- b) The Scheme duly approved by the Stock Exchanges, SEBI, NCLT, with or without modifications, shall be effective from the Appointed Date but shall be operative from the Effective Date (date on which the NCLT order is filed with the Registrar of Companies).
- c) Upon the coming into effect of the Scheme and with effect from the Appointed Date, the Undertaking as defined in the Scheme (including all the estate, assets, liabilities, contingent liabilities, duties, obligations of every kind, rights, claims, title, interest and authorities including accretions and appurtenances, licences, permissions, incentives, registrations, exemptions, grants, subsidies, concessions, tax entitlements (including but not limited to incentives and/ or credits under applicable indirect tax laws), debtors, receivables, branches, contracts, encumbrances, employees, proceedings, etc.) and entire business of Transferor Company in India or abroad shall stand vested in or be deemed to have been vested in the Company, as a going concern without any further act,



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instrument, deed, matter or thing so as to become, as and from the Appointed Date, the undertaking of the Company by virtue of and in the manner provided in the Scheme.

- d) The Scheme provides for combining the Authorized Share Capital of Transferor with the Company.
- f) The Scheme shall be effective, subject to approvals from Stock Exchanges, SEBI, Regional Director, Registrar of Companies, Official Liquidator and NCLT.
- g) The Scheme may be subject to requisite approvals from the shareholders and creditors of the Company and Transferor Company as may be directed by NCLT, unless the same is dispensed by NCLT.
- h) In the event, any of the sanctions and approvals referred to in the Scheme is not being obtained, the Scheme shall stand cancelled and be of no effect.
- i) The Scheme is in compliance with the conditions relating to “Amalgamation” as specified under Section 2(IB) of the Income-tax Act, 1961.
- j) Dissolution of the Transferor Company without winding up.
- k) The costs, charges, expenses, taxes including duties, levies in connection with the Scheme would be borne by the Company.

4.2 Equity Shares issued by the Company to the shareholders of Transferor Company pursuant to the Scheme would be listed on BSE Limited and National Stock Exchange of India Limited.

5. Scheme not detrimental to the shareholders of the Company

The Audit Committee discussed the rationale and expected benefits of the Scheme. In view of various documents presented before the Audit Committee including Valuation Report, Fairness Opinion etc., it is observed that this merger will result in Consolidate the Synergic effect due to acquisition of Retail Trade outlets and by giving an electronic platform to increase the turnover manifold by utilizing the Electronic platforms of GSS .

Consideration shall be discharged by the Company by issuing its New equity shares

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and Redeemable Preference Shares to the shareholders of Transferor Company based on Valuation Report dated 24-12-2021 issued by Registered Valuer, Mr. Anandkumar Gawade.

Based on the above, Audit Committee is of the view that the Scheme is in the best interests of all the shareholders of the Company and not detrimental to the shareholders of the Company.

6. Cost benefit analysis of the Scheme:


The consideration proposed to be discharged by the Transferee Company represents fair value of the business of Transferor Company as substantiated by Valuation Report and Fairness Opinion obtained by the Company in relation to the valuation of the Transferor Company.

7. Recommendation of the Audit Committee

Taking into consideration the recommendation of the Committee of Independent Directors, the Scheme and its rationale and benefits, Valuation Report, Fairness Opinion, impact of the Scheme on the Company and its shareholders, cost benefit analysis of the Scheme, synergies of business and other documents, as placed, the Audit Committee recommends the Scheme for approval of the Board of Directors of the Company, the Stock Exchanges, SEBI and other appropriate authorities

This report of Audit Committee is made in order to comply with the requirement of the SEBI Circular after considering all the necessary documents.

By order of Audit Committee  
For and on behalf of  
GSS INFOTECH LIMITED

  
Name: A. Prabhakara Rao  
Designation: Chairman



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