

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF TRANSCORP INTERNATIONAL LIMITED RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT BETWEEN TRANSCORP INTERNATIONAL LIMITED, TRANSCORP ESTATES PRIVATE LIMITED, TRANSWIRE FOREX LIMITED AND TRANSCORP PAYMENTS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS UNDER SECTIONS 230 TO 232 READ WITH SECTIONS 52 AND 66 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 READ WITH COMPANIES (COMPROMISES, ARRANGEMENTS AND AMALGAMATIONS) RULES, 2016 AT ITS MEETING HELD ON JUNE 24, 2022.

PRESENT:		
1.	Mr. Purushottam Agarwal	Chairman of the Committee
2.	Mr. Hemant Kaul	Member
3.	Mr. Sujan Sinha	Member
4.	Mr Vedant Kanoi	Member

1. Background:

- 1.1. A meeting of the Audit Committee of the Directors of Transcorp International Limited was held on June 24, 2022 to consider and, if thought fit, to recommend to the Board of Directors of the Company, the proposed Composite Scheme of Arrangement ("**Scheme**") for the amalgamation of Transcorp Estates Private Limited ("**Amalgamating Company**") with the Transcorp International Limited ("**Amalgamated Company**") as per **Section I of the Scheme**; and for the demerger and vesting of Foreign Exchange Undertaking (licensed by Reserve Bank of India as Authorised Dealer Category II), of Transcorp International Limited ("**Demerged Company**"), as a going concern into Transwire Forex Limited ("**Resulting Company 1**") as per **Section II of the Scheme**; and for the demerger and vesting of Payment Systems Undertaking (PPI business under license given by Reserve Bank of India) of Transcorp International Limited ("**Demerged Company**"), as a going concern into Transcorp Payments Limited ("**Resulting Company 2**") as per **Section III of the Scheme**; and their respective shareholders and creditors, pursuant to the provisions of Sections 230 to 232 read with Sections 52 and 66 and other applicable provisions of the Companies Act, 2013 (including any statutory modifications or re-enactments or amendments thereof) and rules made thereunder for *inter alia* (a) to consider the Scheme and (b) various other matters incidental, consequential or otherwise integrally connected herewith. The Committee has, in its said meeting, considered the proposed Scheme.
- 1.2. The Company is incorporated under the provisions of the Companies Act, 1956. The equity shares of the company are listed on BSE Limited ("**BSE**" / "**Stock Exchange**").
- 1.3. The Scheme will be filed with the National Company Law Tribunal, New Delhi Bench ("**NCLT**") under Sections 230 to 232 and Sections 52 and 66 and other applicable provisions of the Companies Act, 2013 and the rules and regulations issued thereunder.

- 1.4. The Scheme is subject to receipt of approvals of board of directors, shareholders of companies involved and approval of other regulatory authorities as may be required, including those of Stock Exchange, Securities and Exchange Board of India and the NCLT.
- 1.5. This Report of the Audit Committee of the Directors is made to comply with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 and the Master circular SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 issued by SEBI ("**SEBI Circulars**"), after considering the following document which were placed before the Committee:
- a) Draft of the proposed Scheme;
 - b) Certificate from M/s June 24, 2022, Chartered Accountants, Statutory Auditor of the Company, confirming the accounting treatment mentioned in the scheme is in compliance with the applicable Ind AS notified under the Companies Act 2013, and other generally accepted accounting principles;
 - c) Share Entitlement Ratio Report dated June 24, 2022 issued by Mr. Abhinav Aggarwal (IBBI Registration No. IBBI/RV/06/2019/12564), ("Registered Valuer - Securities or Financial Assets") inter-alia, recommending the Fair Share Exchange Ratio(s) (hereinafter referred to as "Valuation Report") on the Scheme;
 - d) Fairness opinion dated June 24, 2022 issued by Shreni Shares Private Limited, SEBI Registered Category I Merchant Banker (SEBI Registration No. INM000012759) on the fair equity share exchange ratios recommended in the Valuation Report for the purpose of the Scheme;
 - e) Audited financial statements of the Amalgamating Company and Amalgamated Company for the period ended March 31, 2022;

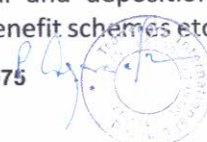
The Committee also noted that the Resulting Company 1 and Resulting Company 2 are newly incorporated and yet to commence operations, so no financial statements are available.

2. Proposed Scheme of Arrangement:

2.1 Need and Rationale of the Scheme:

The Audit Committee noted the need and rationale of the Scheme of Arrangement as provided in the draft Scheme is as under:

The Company, also referred as Amalgamated Company under Section I of the Scheme and Demerged Company under Section II and II of the Scheme, is engaged in various businesses including, (i) buying and selling of foreign exchange, money changing and various permissible outward remittance activities as Authorised Dealer Category II licensed by Reserve Bank of India, (ii) issuing and operating payment system for pre-paid payment instruments in India under Prepaid Payment Instruments ("PPI") license granted to it by Reserve Bank of India, (iii) Financial Inclusion services as National Business Correspondent of State Bank of India and providing services such as Domestic Money Transfer, cash withdrawal and deposition, opening of non-frill accounts, participating in various Govt. incentive and benefit schemes etc.



The above business(es) are regulated and of which registration as Authorised Dealer (Category II) and issue of Prepaid Payment Instruments also have requirements of maintaining net owned funds / net worth requirements as per applicable provisions of law.

This Scheme envisages to separately identify the assets and liabilities for each of the above regulated businesses being undertaken by the Amalgamated Company so as to achieve greater transparency in each of the business operations undertaken by the Amalgamated Company and to de-risk each of the regulated business with the uncertainties / risks and having independent management focus on each of such businesses.

The Composite Scheme of Arrangement is expected to achieve the following benefits / purpose:

- (a) Consolidation of funds and resources of Amalgamating Company will lead to optimisation of working capital utilisation and stronger financial leverage given the simplified capital structure, improved balance sheet and optimised management structure with direct control over the assets being held by the Amalgamating Company;
- (b) Demerger of Foreign Exchange Undertaking and Payment Systems Undertaking (both, as defined hereinafter) will help segregation of assets and liabilities of each of such undertaking and achieve greater transparency in the business operations of the Company. The said demerger will also de-risk each of the regulated business with the uncertainties / risks related to Foreign Exchange Undertaking and Payment Systems Undertaking inter-se and of other business;
- (c) Foreign Exchange Undertaking and Payment Systems Undertaking have separate potential for growth. The nature of risk, competition, challenges, opportunities, business operations, management, process and regulatory compliances of the Foreign Exchange Undertaking and Payment Systems Undertaking are separate and distinct. Thus, the Scheme, envisages demerger of Foreign Exchange Undertaking and Payment Systems Undertaking into two separate companies, which would enable this business to innovate, scale up and run independently to pursue growth opportunities in a more focused manner;
- (d) As part of Resulting Company 1 and Resulting Company 2, the Foreign Exchange Undertaking and Payment Systems Undertaking, respectively shall be amenable to benchmarking and be in a position to attract the right set of investors, strategic partners, employees and other relevant stakeholders and providing scope of independent collaboration and expansion.
- (e) There would be enhanced focus on the operations of the Foreign Exchange Undertaking and Payment Systems Undertaking under dedicated management team of Resulting Company 1 and Resulting Company 2, respectively, who can chart out and pursue an independent strategy to maximize value creation for stakeholders. Likewise, there would

be greater management focus on the Remaining Business (hereinafter defined) of Amalgamated Company.

- (f) The listing of shares of Resulting Company 1 and Resulting Company 2 on the Stock Exchange, would enable independent bench-marking of Foreign Exchange Undertaking and Payment Systems Undertaking and give distinct identities to the Foreign Exchange Undertaking and Payment Systems Undertaking, individually, which are independent and accountable to the interest of all stakeholders and thus, is expected to provide enhanced liquidity to the investors of Amalgamated Company.

2.2 Salient Features of the Scheme:

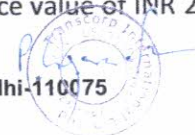
- 2.2.1 The Scheme of Arrangement seeks amalgamation of the Amalgamating Company (wholly owned subsidiary) with the Amalgamated Company under Section I of the Scheme and demerger of the two-business undertakings of the Demerged company, that is, Foreign Exchange Undertaking and Payment Systems Undertaking in to two resulting companies, i.e. Transwire Forex Limited and Transcorp Payments Limited, under Section II and III of the Scheme, and their respective shareholders and creditors, pursuant to Sections 230 to 232 and Sections 52 and 66 and other applicable provisions of the Companies Act, 2013.
- 2.2.2 The Appointed Date for the purpose of Scheme means opening of business hours on April 01, 2022, or such other date as may be decided by the Board of Directors and allowed by the Appropriate Authority for respective Sections of the Scheme.
- 2.2.3 Under Section I of the Scheme, there will be no issue and allotment of shares by the Amalgamated Company in consideration of amalgamation of the Amalgamating Company with the Amalgamated Company as the Amalgamating Company is a wholly owned subsidiary of the Amalgamated Company. The recommendation of the Registered Valuer in this regard reads as under:

"Since the Amalgamating Company is a wholly owned subsidiary of the Amalgamated Company, no equity shares are proposed to be issued by the Amalgamated Company upon amalgamation."

In consideration of the demerger of Demerged Undertaking, the Resulting Company 1 and the Resulting Company 2 should issue its equity shares to the equity shareholders of the Demerged Company in such manner so as to achieve a minimum required paid up capital of Rs. 3,00,00,000 for listing purpose on BSE Limited.

Under Section II of the Scheme, in consideration of the demerger of Foreign Exchange Undertaking and vesting of the same with the Resulting Company 1, as defined under the Scheme, the Resulting Company 1 shall, without any further act or deed and without any further payment, basis the Share Entitlement Report, issue and allot to the shareholders of the Demerged Company (whose name is recorded in the register of members of the Demerged Company as on the Record Date) equity shares of the face value of INR 2 (Rupees Two only) each in the following manner:

Regd Office: Plot No. 3, HAF Pocket, Sector 18A, Dwarka, New Delhi-110075



"For every 2 (two) equity shares of face value Rs. 2 (Rupees two only) each held in the Demerged Company as on the Record Date 1, the equity shareholders of the Demerged Company shall be issued 1 (one) equity share of face value Rs. 2 (Rupees two only) each as fully paid-up in the Resulting Company 1"

Under Section III of the Scheme, in consideration of the demerger of Payment Systems Undertaking and vesting of the same with the Resulting Company, as defined under the Scheme, the Resulting Company 1 shall, without any further act or deed and without any further payment, basis the Share Entitlement Report, issue and allot to the shareholders of the Demerged Company (whose name is recorded in the register of members of the Demerged Company as on the Record Date) equity shares of the face value of INR 2 (Rupees Two only) each in the following manner:

"For every 2 (two) equity shares of face value Rs. 2 (Rupees two only) each held in the Demerged Company as on the Record Date 2, the equity shareholders of the Demerged Company shall be issued 1 (one) equity share of face value Rs. 2 (Rupees two only) each as fully paid-up in the Resulting Company 2"

- 2.2.4 The Equity Shares of Resulting Company 1 and Resulting Company 2 issued in terms of Clause 14.3 of Section II of the Scheme and Clause 14.3 of Section III of the Scheme, respectively will be listed on BSE in accordance with the SEBI Circulars.
- 2.2.5 The Scheme, in no way, is a Scheme of compromise or arrangement with the creditors of any of the companies and the Scheme is not affecting the rights of the creditors as all the creditors will be paid / satisfied in full, as and when their respective amounts fall due in the usual course of business. The Scheme is not a Scheme of Corporate Debt Restructuring as envisaged under Section 230(2)(c) of the Act.
- 2.2.6 The Scheme will not adversely affect the rights and interest of any Shareholder of the Company and Creditor in any manner whatsoever.
- 2.2.7 Effectiveness of the Scheme of Arrangement is subject to the following approvals:
- (i) The Scheme being approved by the respective requisite majorities in value of such class of person including members and / or Creditors, of the Amalgamated Company / Demerged Company, the Amalgamating Company, the Resulting Company 1 and the Resulting Company 2 and requisite Order or Orders being obtained.
 - (ii) receipt of no-objection letter by the Demerged Company from the Stock Exchange and SEBI in accordance with the SEBI Scheme Circular and LODR Regulations in respect of the Scheme (prior to filing the Scheme with the NCLT), which shall be in form and substance acceptable to the Demerged Company, acting reasonably and in good faith
 - (iii) The sanctions of the Hon'ble NCLT being obtained, under Sections 230 to 232 and Section 52 and 66 of the Act and other applicable provisions, if any, of the Act in favour of The



Amalgamated Company / Demerged Company, the Amalgamating Company, the Resulting Company 1 and the Resulting Company 2 and certified true copies of the Order sanctioning the Scheme passed by the Hon'ble NCLT being filed with the Registrar of Companies and all other sanctions and approvals as may be required by law in respect of this Scheme being obtained.

- (iv) Certified copies of the orders of the NCLT sanctioning this Scheme being filed with the Registrar of Companies by the respective companies.
- (v) The receipt of other requisite governmental or sectoral regulatory approvals and consents if any, in respect to the implementation of the Scheme.
- (vi) In the event of this Scheme failing to take effect finally, this Scheme become null and void and in that event no rights and liabilities whatsoever shall accrue to or be incurred inter se by the parties or their shareholders or creditors or employees or any other person. In such case each Company shall bear its own cost or as may be mutually agreed.

2.3 Synergies and Cost-benefit Analysis of the Scheme:

As stated in the rationale of the Scheme, the proposed Consolidation of funds and resources of Amalgamating Company will lead to optimisation of working capital utilisation and stronger financial leverage given the simplified capital structure, improved balance sheet and optimised management structure with direct control over the assets being held by the Amalgamating Company.

Further, Demerger of Foreign Exchange Undertaking and Payment Systems Undertaking (both, as defined under the Scheme) will help segregation of assets and liabilities of each of such undertaking and achieve greater transparency in the business operations of the Company. The said demerger will also de-risk each of the regulated business with the uncertainties / risks related to other business. There would be enhanced focus on the operations of the Foreign Exchange Undertaking and Payment Systems Undertaking under dedicated management team of the Resulting Company 1 and Resulting Company 2, who can chart out and pursue an independent strategy to maximize value creation for stakeholders. Likewise, there would be greater management focus on the Remaining Business (hereinafter defined) of Amalgamated Company.

Except the cost of implementation of the Scheme, there are no additional costs involved for the proposed scheme. The Committee is of the opinion that the expected synergies and benefits in pursuance of the proposed scheme would result in achieving benefits as enumerated under Para 2.1 of this recommendation and shall be amenable to benchmarking and be in a position to attract the right set of investors, strategic partners, employees and other relevant stakeholders and providing scope of independent collaboration and expansion to the Resulting Company 1 and the Resulting Company 2 which would offset the impact of costs of implementation of the Scheme.

2.4 Valuation methods evaluated for Share Exchange Ratio:

Regd Office: Plot No. 3, HAF Pocket, Sector 18A, Dwarka, New Delhi-110075

The members of the Audit Committee noted that Mr. Abhinav Aggarwal (IBBI Registration No. IBBI/RV/06/2019/12564, have been appointed as registered valuer inter-alia, to recommend the fair equity share entitlement ratios for the proposed Scheme. The Committee took note of the following rationale provided in the Share Entitlement Ratio Report of the Registered Valuer:

"Consequent to this Composite Scheme of Arrangement, the economic beneficial interest of the shareholders of the Demerged Company shall remain the same in the Demerged Company, Resulting Company 1 and Resulting Company 2. Also, post scheme, the shareholding pattern of the shareholders of the Demerged Company in the Resulting Company 1 and Resulting Company 2 and also the Demerged Company would be identical / mirror shareholding as compared to their shareholding in the Demerged Company as on the respective record date decided for allotment of shares by the Resulting Company 1 and Resulting Company 2 as envisaged in the Scheme. Hence, this is a value neutral demerger. Therefore, valuation as per the above methods is not required to be undertaken."

Accordingly, the Committee noted that due to mirror / identical shareholding of the Resulting Company 1 and the Resulting Company 2 vis-à-vis the Demerged Company, no valuation method is required to be adopted.

The summary for the valuation methods as prescribed by BSE for the purposes of issuance of this report in pursuance of SEBI Circular No. CFD/DIL3/CIR/2017/21, dated March 10, 2017, as amended from time to time and provided by the Registered Valuer in his report is also reproduced as under:

(a) Amalgamation of Amalgamating Company into Amalgamated Company

Valuation Approach	Transcorp International Limited		Transcorp Estates Private Limited	
	Value per Share	Weight	Value per Share	Weight
Asset Approach	NA	NA	NA	NA
Income Approach	NA	NA	NA	NA
Market Approach	NA	NA	NA	NA
Relative Value per Share	NA		NA	

(b) Demerged of Foreign Exchange Undertaking of Demerged Company into Resulting Company 1

Valuation Approach	Transcorp International Limited		Transwire Forex Limited	
	Value per Share	Weight	Value per Share	Weight
Asset Approach	NA	NA	NA	NA
Income Approach	NA	NA	NA	NA
Market Approach	NA	NA	NA	NA
Relative Value per Share	NA		NA	

(c) Demerged of Payment Systems Undertaking of Demerged Company into Resulting Company 2

Valuation Approach	Transcorp International Limited		Transcorp Payments Limited	
	Value per Share	Weight	Value per Share	Weight
Asset Approach	NA	NA	NA	NA
Income Approach	NA	NA	NA	NA
Market Approach	NA	NA	NA	NA
Relative Value per Share	NA		NA	

The Audit Committee noted that that the Valuation Report issued by Mr. Abhinav Aggarwal (IBBI Registration No. IBBI/RV/06/2019/12564, Registered Valuers have recommended the Fair Share Exchange Ratios for the proposed Scheme.

2.5 Analysis of provisions pertaining to related party transactions:

The Amalgamating Company and the Amalgamated Company are part of the same group wherein the Amalgamated Company (directly and through its nominees) owns 100% of the share capital of the Amalgamated Company. The demerger of the two-business undertaking that is, Foreign Exchange Undertaking and Payment Systems Undertaking, of the Demerged company (parent listed company), in to two resulting companies i.e., Resulting Company 1 and Resulting Company 2 (public limited companies) will be helpful in pursuing independent growth opportunities in a more focused manner.

The consideration as set forth in the Scheme will be discharged on "arm's length basis". The share entitlement ratio for the shares to be allotted by the Resulting Company 1 and Resulting Company 2 respectively, to the shareholders of Demerged Company are based on Valuation Report issued by Mr. Abhinav Aggarwal, Registered Valuer.

Shreni Shares Private Limited, SEBI Registered Category I Merchant Banker (SEBI Registration No. INM000012759), have provided fairness opinions on the above-mentioned the Share Entitlement Ratio. Shreni Shares Private Limited has opined that the Share Entitlement Ratio, as recommended by the Registered Valuer in relation to the proposed Scheme, is fair and reasonable. The aforementioned Valuation Report and Fairness Opinion have duly been considered by the Audit Committee.

Further, M/s Anand Jain & Co., Chartered Accountants, Statutory Auditor of the Company have confirmed that the accounting treatment mentioned in the Scheme is in compliance with the applicable Ind AS notified under the Companies Act 2013, and other generally accepted accounting principles.

2.6 Impact of the Scheme on the shareholders of the Company are as under:

Upon the Scheme becoming effective,

(a) the Amalgamating Company shall be automatically dissolved without being wound up and

- (b) the Resulting Company 1 and Resulting Company 2 would be listed on the BSE Limited pursuant to the SEBI Circulars.

Therefore, the scheme is not determinantal to the shareholders of the Amalgamated Company / Demerged Company.

- The proposed Scheme is in the interest of the shareholders on account of benefits as enumerated in para 2.1 above which may also potentially unlock long term value.
- The shareholders of Demerged Company as on the Record Date will be entitled to equity shares in Resulting Company 1 and Resulting Company 2 on the basis of the share entitlement ratio determined by Registered Valuer in his Valuation Report submitted to this Committee.
- Fairness opinion by Shreni Shares Private Limited on the Share Entitlement Ratio have also been obtained by the Company.
- The Amalgamating Company shall stand dissolved without being wound up upon this Scheme;
- The Demerged Equity Shares of the Resulting Company 1 and Resulting Company 2 issued in terms of Clause 14.3 of Section II of the Scheme and Clause 14.3 of Section III, of the Scheme, respectively, will be listed and / or admitted to trading on the Stock Exchange where the shares of the Demerged Company are listed and / or admitted to trading subject to necessary approvals under SEBI Regulations and from the Stock Exchange and all necessary applications and compliances being made in this respect by the Demerged Company.

3. Recommendation of the Audit Committee of Directors:

Taking into consideration of the draft Scheme, Valuation Report, Fairness Opinion Report and other documents as placed, the Audit Committee recommends the draft Composite Scheme of Arrangement to the Board of Directors of the Company for their consideration and approval.

**By order of the Audit Committee
for Transcorp International Limited**



Purushottam Agarwal
Chairman of the Audit Committee
DIN: 00272598

Place: Jaipur
Date: June 24, 2022