

Report of the Audit Committee of Quess Corp Limited recommending the draft Scheme of Arrangement between Quess Corp Limited and Manipal Integrated Services Private Limited and their respective shareholders and creditors held on Monday, November 28, 2016 at 3.45 p.m. at Quess House, 3/3/2, Bellandur Gate, Sarjapur Main Road, Bengaluru- 560103

MEMBERS PRESENT:

- | | |
|------------------------------------|---------------------------|
| 1. Mr. Pratip Chaudhuri, Chairman | - Participated through VC |
| 2. Mr. Chandran Ratnaswami, Member | - Participated through VC |
| 3. Mr. Pravir Kumar Vohra, Member | - Participated through VC |
| 4. Ms. Revathy Ashok, Member | - Participated through VC |

IN ATTENDANCE:

1. Mr. Ajit Isaac, Chairman, MD & CEO
2. Mr. Madhavan K Menon, Director - Participated through VC
3. Mr. Sanjay Anandaram, Independent Director
4. Mr. Subrata Nag, Whole-time Director & CFO
5. Mr. Sudershan Pallap, Company Secretary

1. Background

- 1.1 Quess Corp Limited ("**Company**") is a company incorporated on September 19, 2007 under the provisions of the Companies Act, 1956, deemed to be existing under the Companies Act, 2013 and having its registered office at 3/3/2, Bellandur Gate, Sarjapur Main Road, Bangalore, Karnataka 560 103, India. The Company is engaged in the business of providing business related services organized under 4 (four) verticals namely: (i) global technology solutions, (ii) industrial asset management, (iii) integrated facility management, and (iv) people and services. The Company is a public listed company and its equity shares are listed on BSE Limited and the National Stock Exchange of India Limited.
- 1.2 Manipal Integrated Services Private Limited ("**Demerged Company**") is a private company incorporated on January 9, 2004 under the provisions of the Companies Act, 1956, deemed to be existing under the Companies Act, 2013 and having its registered office at Tower B-1, 3rd Floor, Golden Enclave, Old Airport Road, Bangalore, Karnataka 560 017, India. The Demerged Company is currently engaged in the business of providing catering services, facility management services, securities services and building, owning and renting hostels for students.
- 1.3 The draft Scheme of Arrangement between the Company and the Demerged Company and their respective shareholders and creditors under Sections 391 and Section 394 and all other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013 (to the extent notified) ("**Scheme**") was placed before the Audit Committee of the Company by the management for it to consider recommending the said draft Scheme to the Board of Directors of the Company.
- 1.4 This report of the Audit Committee is made in order to comply with the requirements of Circular CIR/CFD/CMD/16/2015 dated November 30, 2015 issued by the Securities and Exchange Board of India ("**SEBI Circular**").
- 1.5 The draft Scheme provides for the demerger of catering services business and the facility management services business ("**Demerged Undertaking**") of the Demerged Company into the Company in the manner, as more particularly set out in the draft Scheme.
- 1.6 As a result of the proposed demerger, the Company will issue shares to the shareholders of the Demerged Company. Accordingly, there will be a change in shareholding pattern of the Company.

- 1.7 The following documents were placed before the Audit Committee:
- (a) Draft Scheme, duly initialled by the Company Secretary of the Company for the purpose of identification.
 - (b) Valuation Report dated November 28, 2016 prepared by Walker Chandiook & Co LLP, Independent Chartered Accountants ("**Valuation Report**"), for the purposes of the SEBI Circular.
 - (c) Fairness Opinion dated November 28, 2016 prepared by ICICI Securities Limited, a Category-I Merchant Banker ("**Fairness Opinion**"), for the purposes of the SEBI Circular.
 - (d) Certificate from the Statutory Auditors of the Company confirming that the Scheme is in compliance with applicable accounting treatment notified under the Companies Act, 2013 and other generally accepted principles.

2. Proposed Scheme of Arrangement

2.1 The Audit Committee noted the facts, rationale and benefits of the proposed demerger, which are, *inter alia*, as follows:

- (a) Creation of value for shareholders by acquiring ready-to-use assets, including business undertakings and reducing time to market.
- (b) Consolidation of existing business undertaken by the Company on a going concern basis which will lead to synergies of operations and would increase long term value for all the stakeholders.
- (c) Allowing the expansion of the range of the products offered by the Company and its affiliates in India.
- (d) Focussed management attention to respective businesses.
- (e) The draft Scheme is presented under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013 (to the extent notified), for demerger of the Demerged Undertaking of the Demerged Company into the Company.
- (f) Accordingly, the Scheme provides for the demerger of the Demerged Undertaking of the Demerged Company into the Company.

2.2 The salient features of the draft Scheme are, *inter alia*, as under:

- (a) The draft Scheme provides for the demerger of the Demerged Undertaking of the Demerged Company into the Company.
- (b) The proposed Appointed Date for the Scheme is the opening of business on December 1, 2016.
- (c) As a result of the proposed demerger, the Company will issue shares to the shareholders of the Demerged Company. Accordingly, there will be a change in shareholding pattern of the Company.
- (d) Upon the proposed demerger becoming effective, all assets, liabilities, contracts, rights, obligations etc. of the Demerged Undertaking shall stand transferred to the Company.
- (e) The Company shall account for the demerger as per the prescribed accounting



standard.

- (f) The Scheme will become effective on obtaining all approvals as mentioned in the Scheme.

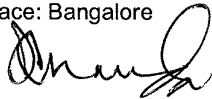
2.3 The Audit Committee reviewed the Valuation Report along with the Fairness Opinion and noted the recommendations made therein. The Audit Committee also noted the draft certificate obtained from the Statutory Auditor of the Company, on the accounting treatment prescribed in the draft Scheme, as required under the SEBI Circular.

3. Recommendation of the Audit Committee

3.1 The Audit Committee has considered and noted the aforementioned documents and the draft Scheme and recommends the draft Scheme to the Board of Directors of the Company for their favourable consideration and approval, *inter alia* taking into consideration the rationale and benefits of the draft Scheme, the Valuation Report dated November 28, 2016 prepared by Walker Chandiok & Co LLP, Independent Chartered Accountant, and the Fairness Opinion dated November 28, 2016 issued by ICICI Securities Limited, Independent Category-I Merchant Banker.

Dated: November 28, 2016

Place: Bangalore



Pratip Chaudhuri

Chairman of the Audit Committee

