

NIIT LIMITED

REPORT OF THE AUDIT COMMITTEE OF NIIT LIMITED RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT BETWEEN NIIT LIMITED ('THE TRANSFEROR COMPANY' OR 'NIIT' OR 'THE COMPANY') AND NIIT LEARNING SYSTEMS LIMITED ('THE TRANSFEREE COMPANY' OR 'NLSL') AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Members Present

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| 1. Ms. Geeta Mathur, Independent Director | : Chairperson |
| 2. Mr. Anand Sudarshan, Independent Director | : Member |
| 3. Mr. Ravinder Singh, Independent Director | : Member |
| 4. Mr. Vijay Kumar Thadani, Vice Chairman & Managing Director | : Member |

In attendance

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|----------------------|---------------------------|
| 1. Mr. Sanjay Mal | : Chief Financial Officer |
| 2. Mr. Deepak Bansal | : Company Secretary |

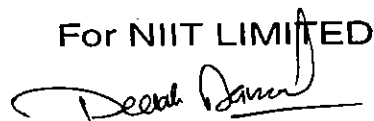
1. Background of the proposed scheme:

1.1 A draft Composite Scheme of Arrangement under Section 230 to 232 and other applicable provisions, if any, of the Companies Act, 2013, ("the Act") including rules made thereunder, between NIIT Limited ('the Transferor Company' or 'NIIT' or 'the Company') and NIIT Learning Systems Limited (formerly known as Mindchampion Learning Systems Limited), a wholly owned subsidiary of the Company ('the Transferee Company' or 'NLSL') and their respective shareholders and creditors ('the Scheme') has been placed before the Audit Committee, by the management for it to consider recommending the said draft scheme to the Board of Directors, at the meeting held on January 28, 2022. Words and expressions, used in capitalized form but not defined in this report, shall have the meaning ascribed to them in the Scheme.

1.2 The Scheme, inter-alia provides for the following:

- a. Reduction of the existing paid up share capital and the securities premium against the accumulated losses of the Transferee Company without any further act and deed, with the approval of the NCLT in terms of Section 66 of the Act as elaborated in Part III of the Scheme;
- b. the transfer and vesting of the CLG Business Undertaking of the Transferor Company to the Transferee Company and the consequent issue of equity shares by the Transferee Company to the shareholders of the Transferor Company pursuant to Sections 230 to 232 and other relevant provisions of the Act in the manner provided for in the Scheme and in compliance with Section 2(19AA) of IT Act as elaborated in Part IV of the Scheme;
- c. re-organization of the authorized share capital of the Transferee Company as elaborated in Part V of the Scheme; and

For NIIT LIMITED


Deepak Bansal
Company Secretary



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d. listing of the share capital of the Transferee Company, consisting of the fully paid-up equity shares of the Transferee Company issued as consideration in terms of Clause 7 of this Scheme to the shareholders of the Transferor Company, on the National Stock Exchange of India Limited and the BSE Limited (Stock Exchanges) after the Scheme becomes effective post approval by NCLT and filing with the RoC [Registrar of Companies], in accordance with the provisions of the SEBI Circular, as elaborated in Part VI of the Scheme; and

e. various other matters consequential or otherwise integrally connected therewith.

1.3 The Equity shares of the NIIT are listed on the Stock Exchanges. Accordingly, NIIT will be filing the said Scheme along with necessary information / documents with the Stock Exchanges.

1.4 The Scheme will also be presented before the NCLT in terms of the provisions of section 230 to 232 and other applicable provisions of the Act, the rules and regulations made thereunder, and will also be in compliance with Section 2(19AA) of the Income Tax Act, 1961 and the Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 ("SEBI Circular") issued by Securities and Exchange Board of India ("SEBI") and other applicable laws.

2. The report of the Audit Committee is made in order to comply with the requirements of the SEBI Circular read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 after considering the following:

a) Draft Composite Scheme, duly initialled by the Chairperson of the Audit Committee for the purpose of identification;

b) The Valuation Report containing the Share Entitlement Ratio dated January 28, 2022 from Ms. Drushti R. Desai, Bansi S. Mehta & Co, Registered Valuer having Registration Number: IBBI/RV/06/2019/10666 ("Valuation Report");

c) The Fairness Opinion Report dated January 28, 2022 issued by Corporate Professionals Capital Private Limited, a SEBI Registered Merchant Banker, providing its opinion on the fairness of the share entitlement ratio as recommended in the Valuation Report ("Fairness Opinion Report");

d) The Certificate dated January 28, 2022 from Ms/ S.R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W/E300004), the Statutory Auditor of the Company ("Statutory Auditor"), certifying that the accounting treatment proposed in the Scheme is in compliance with the accounting standards prescribed under the Act; and

e) The Certificate dated January 28, 2022 from Ms/ S.R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W/E300004),



Statutory Auditor, certifying the non-applicability of clause 10(b) read with clause 10(a) of SEBI Circular.

3. Need and Rationale of the Scheme and synergies involved therein:

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

(a) The transfer and vesting of the CLG Business Undertaking into the Transferee Company pursuant to this Scheme shall be in the interest of all concerned stakeholders including shareholders, customers, creditors, employees and general public, in the following ways:

(i) The CLG Business and the Residual Business (all undertakings, businesses, activities and operations of the Transferor Company other than the CLG Business Undertaking, including but not limited to the SNC Business) address different market segments with unique opportunities and dynamics in terms of business strategy, customer set, geographic focus, competition, capabilities set, talent needs and distinct capital requirements. The transfer of the CLG Business Undertaking into the Transferee Company will enable each business to sharpen their focus and organize their activities and resources to improve their offerings to their respective customers. This would help to improve their competitiveness, operational efficiency, agility and strengthen their position in relevant markets resulting in more sustainable growth and competitive advantage.

(ii) Both businesses have attained a significant size, scale and have a large headroom for growth in their respective markets. As both these businesses are entering the next phase of growth, the transfer and vesting of the CLG Business Undertaking into the Transferee Company pursuant to this Scheme would result in focused management attention and efficient administration to maximize their respective potential.

(iii) Further, as the two businesses have separate growth trajectories, risk profile and capital requirement, the segregation of the CLG Business Undertaking and the Residual Business will enable independent value discovery and lead to unlocking of value for each business.

(iv) The Transferee Company is the existing wholly owned subsidiary of Transferor Company that provides managed training solutions which predominantly include technology-based solutions to customers. Housing the CLG Business Undertaking in the Transferee Company is expected to be synergistic and will leverage the experience and expertise available in the Transferee Company of providing IP driven solutions including content, tools and platforms to customers in the education sector.

(b) As on January 28, 2022, the Transferee Company has an existing paid up equity share capital of INR. 115,56,40,720 (Rupees One hundred and Fifteen Crore Fifty Six Lakh Forty Thousand Seven Hundred and Twenty only). However, ongoing and accumulated losses have substantially wiped off the value represented by the paid up equity share capital. Accordingly, the restructuring of the equity share capital and securities premium of the



Transferee Company by way of reduction of paid up equity share capital and securities premium will rationalise its capital structure.

4. Valuation Report containing the Share Entitlement Ratio and confirmation on Accounting Treatment :-

- a) The Audit Committee took note of the Valuation Report which, *inter-alia*, recommended the following Share Entitlement Ratio for the proposed transfer of CLG Business Undertaking from Transferor Company to Transferee Company :

"For every 1 (one) equity share of the Transferor Company of face value of INR. 2 each held in the Transferor Company, every equity shareholder of the Transferor Company, shall without any application, act or deed, be entitled to receive 1 (one) equity share of face value INR. 2 each of the Transferee Company, credited as fully paid up on the same terms and conditions of issue as prevalent in the Transferor Company".

- b) The Fairness Opinion Report confirmed that the share Entitlement Ratio as set out in the Valuation Report is fair to the Company and their respective shareholders.
- c) Ms/ S.R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W/E300004), the Statutory Auditors of the Company have confirmed that the accounting treatment as specified in the Scheme is in accordance with applicable Accounting Standards specified by the Central Government in Section 133 of the Act..
- d) Ms/ S.R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W/E300004), the Statutory Auditors of the Company have confirmed the non-applicability of clause 10(b) read with Clause 10(u) of SEBI Circular.

5. Salient Features of the Scheme

The Audit Committee considered and took note of the salient features of Scheme, which *inter-alia* are as under:

- a) The proposed Appointed Date of the Scheme will be April 01, 2022;
- b) "Effective Date" means the date on which the Scheme shall become effective pursuant to Clause 12 of the Scheme. Any references in this Scheme to "upon this Scheme becoming effective" or "effectiveness of this Scheme" or "after this Scheme becomes effective" means and refers to the Effective Date;
- c) The Scheme shall be deemed to be effective from the Appointed Date but shall be operative only from the Effective Date;
- d) The coming into effect of the Scheme is conditional upon and subject to:
- i. The approval by the requisite majorities of the classes of persons, including shareholders, creditors of the Transferor Company and the Transferee Company as may be directed by the NCLT under Sections 230- 232 of the Act;



- ii. The sanctioning of this Scheme by the NCLT, whether with any modifications or amendments as NCLT may deem fit or otherwise;
 - iii. The filing of the certified copies of the orders of the NCLT with the concerned Registrar of Companies, by the Transferor Company and the Transferee Company, as the case may be;
 - iv. Any other sanctions and orders as may be directed by the NCLT in respect of the Scheme; and
 - v. Any other condition as mentioned in the Scheme.
- e. Upon effectiveness of the Scheme:
- i. The Transferee Company shall issue and allot fully paid equity shares to the shareholders of the Transferor Company as per the Share Entitlement Ratio as specified in the Scheme;
 - ii. The equity shares of the Transferee Company issued in terms of the Scheme will be listed and/ or admitted to trading on the Stock Exchanges where the shares of the Transferor Company are listed on the Effective Date and;
 - iii. The Transferee Company shall apply to all the Stock Exchanges (where the shares of the Transferor Company are listed) and SEBI for listing and admission to trading of all its equity shares issued to the shareholders of the Transferor Company pursuant to this Scheme in terms of the SEBI Circular read with any other Applicable Laws.

6. Cost Benefit Analysis

As specified in the rationale of the Scheme, it is expected to lead to improved competitiveness, operational efficiency and agility for both the Transferor and Transferee Company. This would strengthen competitive advantage in the long run and is expected to offset the cost due to implementation of the Scheme.

7. Impact of the Scheme on the Shareholders

The Audit Committee discussed and deliberated upon the rationale and expected benefits of the Scheme. The Committee also noted that upon the Scheme becoming effective, pursuant to the transfer and vesting of CLG Business undertaking of the Transferor Company into Transferee Company, and in consideration for the said transfer, the shareholders of the Transferor Company shall be issued and allotted fully paid up equity shares in the Transferee Company as per the Share Entitlement Ratio. Accordingly, the overall economic interest of the equity shareholders of the Transferor Company shall remain same in both the Transferor and the Transferee Company. Further, there is no proposed change in the shareholding pattern of the Company pursuant to the said Scheme.

The equity shares of Transferee Company so issued and allotted as provided above shall be listed on the Stock Exchanges.

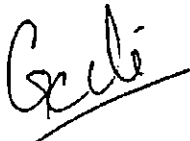
In light of the above discussions, Valuation Report, Fairness Opinion Report, other documents presented before the Audit Committee and rationale of the Scheme, the Committee was of the opinion that the proposed Scheme is expected to be beneficial to the Company and its shareholders and all other stakeholders at large and is not detrimental to any of the shareholders of the Company.



8. Recommendation of the Audit Committee:

The Audit Committee, after due deliberation and due consideration of all terms of the draft Scheme, Valuation Report, Fairness Opinion Report, Certificates, confirmations and undertaking from Statutory Auditors, other presentations, reports, documents and information made to/furnished before the Audit Committee in relation to the said Scheme and the specific points mentioned above, recommends the draft Scheme for favourable consideration by the Board, Stock Exchange(s), SEBI, NCLT and other regulatory authorities, as may be applicable.

**By order of the Audit Committee
For and on behalf of NIIT Limited**



**Geeta Mathur
Chairperson, Audit Committee**

Date: January 28, 2022

Place: New Delhi

