

REVISED REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF MEGASOFT LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF SIGMA ADVANCED SYSTEMS PRIVATE LIMITED WITH MEGASOFT LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS APPROVED VIDE CIRCULAR RESOLUTION DATED DECEMBER 20, 2024

The following members of the Audit Committee (“**Committee**”) of Megasoft Limited (“**Transferee Company**”) approved the revised Audit Report vide circulation:

1. Mr. Kalyan Vijay Sivalenka - Independent Director
2. Mr. Anish Mathew - Independent Director
3. Ms. Leona Ambuja - Non-Executive – Non-Independent Director

Chairman: The Committee unanimously elected Mr. Kalyan Vijay Sivalenka - Independent Director as the Chairman for this meeting.

1. Background

- 1.1 A circular resolution of the Committee was passed on December 20, 2024 in context of certain queries raised by the BSE and NSE (hereinafter defined), to reconsider and recommend the proposed Scheme of Amalgamation which *inter alia* provides for the amalgamation of Sigma Advanced Systems Private Limited (“**Transferor Company**”) with and into the Transferee Company pursuant to a Scheme of Amalgamation amongst the Transferee Company, the Transferor Company and their respective shareholders and creditors (“**Scheme**”) under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“**Companies Act**”) which was earlier recommended by the Committee in its meeting held on 18th October, 2024.
- 1.2 The Transferee Company is a listed public limited company, whose equity shares are listed on the BSE Limited (“**BSE**”) and the National Stock Exchange of India Limited (“**NSE**”).
- 1.3 The Transferor Company is a private limited company.
- 1.4 The Transferor Company and the Transferee Company are being considered as ‘related parties’.
- 1.5 In terms of the Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 issued by the Securities and Exchange Board of India (“**SEBI**”) on June 20, 2023 (as amended from time to time) (“**SEBI Scheme Circular**”), the Committee is required to provide a report recommending the draft Scheme taking into consideration, *inter alia*, that the draft Scheme is not detrimental to the shareholders of the listed entity. This Report of the Committee is also required to, in terms of the SEBI Scheme Circular, comment on the: (a) need for the merger/amalgamation/arrangement; (b) rationale of the Scheme; (c) synergies of business of the entities involved in the Scheme; (d) impact of the Scheme on the shareholders; and (e) cost benefit analysis of the Scheme.
- 1.6 The Scheme shall be filed with the National Company Law Tribunal (“**NCLT**”), Chennai Bench, as per Sections 230 to 232 of the Companies Act and has been drawn in compliance with Section 2(1B) and other applicable provisions of the Income-tax Act, 1961 and other applicable laws, including the SEBI Scheme Circular.

1.7 This revised Report is made in compliance with the SEBI Scheme Circular and supersedes the report made by the Committee at its meeting held on 18th October 2024.

2. Documents perused by the Committee

While deliberating on the Scheme, the Committee, *inter alia*, considered and took on record the following documents:

2.1 The draft Scheme placed before the Committee;

2.2 The Revised/Updated Report on Fair Share Swap Ratio in relation to the Proposed Scheme of Amalgamation dated December 19, 2024 issued by BDO Valuation Advisory LLP, Registered Valuer bearing IBBI Registration no. IBBI/RV-E/02/2019/103 recommending the share entitlement ratios under the draft Scheme (“**Valuation Report**”);

2.3 The Revised/Updated Fairness Opinion dated December 19, 2024, issued by Sumedha Fiscal Services Limited, a SEBI registered merchant banker with registration number INM000008753 providing its opinion on the fairness of the share entitlement ratio proposed in the Valuation Report (“**Fairness Opinion**”); and

2.4 The Certificate dated December 4, 2024 issued by N.C Rajagopal & Co., the Statutory Auditors of the Transferee Company, certifying that the accounting treatment contained in the Scheme is in conformity with the accounting standards prescribed under Section 133 of the Companies Act read with the rules framed thereunder or the accounting standards issued by the Institute of Chartered Accountants of India, as applicable and other generally accepted accounting principles.

3. Salient Features of the Scheme

3.1 The Scheme, amongst others, contemplates the following:

(a) the amalgamation of the Transferor Company with and into the Transferee Company on a going concern basis in accordance with Section 2(1B) of the Income-tax Act, 1961 and the consequent issuance of equity shares by the Transferee Company to the shareholders of the Transferor Company under Sections 230 to 232 and other applicable provisions of the Companies Act and the SEBI Scheme Circular.

(b) The appointed date for the Scheme shall be April 01, 2024 or such other date as may be fixed or approved by the NCLT or such other competent authority;

(c) various other matters incidental, consequential or otherwise integrally connected therewith.

(d) The effectiveness of the Scheme is conditional upon fulfilment of certain conditions precedent as provided below:

(i) the Stock Exchanges having issued their observation/ no-objection letters as required under the SEBI Listing Regulations read with the SEBI Scheme Circular;

(ii) this Scheme being approved by the requisite majorities of the various classes of members and/ or creditors (where applicable) of the respective Companies, in

accordance with the Act and the SEBI Scheme Circular or dispensation having received from the NCLT in relation to obtaining such approval from the members and/ or creditors or any Applicable Law permitting the respective Companies not to convene the meetings of its members and/or its creditors;

- (iii) the Scheme being approved by requisite of majority public shareholders of the Transferee Company (by way of e-voting) as required under SEBI Scheme Circular and under applicable provision of SEBI Listing Regulations.
- (iv) sanctions and orders under the provisions of Sections 230 to 232 of the Act being obtained from the NCLT;
- (v) the certified copies of the orders of the NCLT approving this Scheme having been filed with the RoC; and
- (vi) the receipt or waiver (where permissible) of any approvals of the governmental authority as may be required under applicable law.

4. Need for the Merger

Megasoft has commenced focusing, amongst others, in the Aerospace and Defence Sector and is in the process of evaluating a few companies for a potential acquisition and intends to provide centralized corporate, technology, finance and leadership/ management support services to such companies.

The need for merger of Sigma into Megasoft is as follows:

For Megasoft:

- Ready access to Sigma's Defence Business & Technology thereby reducing gestation period of entering into the profitable and high growth defence sector
- Acquiring a company with a well-established brand & track record with inherent experience and resources in the defence space
- A steady revenue stream from operations would provide a better market acceptance. Also, an existing line of business in the defence area, will provide Megasoft with fundamentals required to go in for future acquisitions in the defence and Aerospace sector.
- This acquisition, while bringing in operational revenues, also bringing in the required platform to move forward with identifying niche technological areas in the defence sector for fresh acquisitions towards diversification and growth.

For Sigma:

- Sigma, while growing steadily, has not been able to take advantage of the boom in the defence sector. Through this merger Sigma can leverage to reach new markets including new geographies.
- The liquidity that Megasoft brings will support Sigma to access new technology areas and talent pool that will enhance its R&D and manufacturing capabilities.
- This merger shall unlock the value for its shareholders.
- Sigma shall have access to a wider and experienced Leadership talent.

5. Rationale of the Scheme

The proposed amalgamation would be in the best interest of the Parties and their respective shareholders, employees, creditors and other stakeholders as the proposed amalgamation will yield advantages as set out inter alia below:

- (i) While Sigma proposes to leverage its position as a recognized design, development and manufacturing house and an approved company in Aerospace and Defence industry, to provide world-class products and services for national and international clients; Megasoft has commenced focusing, amongst others, in the Aerospace and Defence Sector and is in the process of evaluating a few companies for a potential acquisition and intends to provide centralized corporate, technology, finance and leadership/ management support services to such companies. Considering the objective of Megasoft to focus in the Aerospace and Defence sector, this amalgamation is being planned and the Scheme is anticipated to generate synergistic benefits, with both companies gaining from their pooled resources, experience, and skills.
- (ii) Combination of Sigma and Megasoft is entirely complementary to, and enhances the value proposition of Megasoft.
- (iii) The amalgamation is based on leveraging the significant complementarities that exist amongst Sigma and Megasoft. The amalgamation would create meaningful value for various stakeholders including respective shareholders, customers, employees, as the combined business would benefit from increased scale, maximize resource utilization, improve management, and reduction in costs and the ability to drive synergies across revenue opportunities and operating efficiencies amongst others
- (iv) The amalgamation is anticipated to generate synergistic benefits set out at para 6 below, with both Sigma and Megasoft gaining from their pooled resources, experiences, and skills.

6. Synergies of Business to Megasoft & Sigma

The amalgamation is anticipated to generate following synergistic benefits, with both Sigma and Megasoft gaining from their pooled resources, experiences, and skills.

For Megasoft:

- Ready access to Sigma's Defence Business & Technology thereby reducing gestation period of entering into the profitable and high growth defence sector
- Acquiring a company with a well-established brand & track record with inherent experience and resources in the defence space
- A steady revenue stream from operations would provide a better market acceptance. Also, an existing line of business in the defence area will provide Megasoft with the fundamentals required to go in for future acquisitions in the defence and Aerospace sector.

- This acquisition, while bringing in operational revenues, also brings in the required platform to move forward with identifying niche technological areas in the defence sector for fresh acquisitions, thereby promoting towards diversification and growth.

For Sigma:

- Sigma, while growing steadily, has not been able to take advantage of the boom in the defence sector. Through this merger, Sigma can leverage to reach new markets including new geographies.
- The liquidity that Megasoft brings will support Sigma to access new technology areas and talent pool that will enhance its R&D and manufacturing capabilities.
- This merger shall unlock the value for its shareholders.
- Sigma shall have access to a wider and experienced Leadership talent

7. Impact of Scheme on Shareholders

The amalgamation of Sigma into Megasoft would be immensely value accretive to the shareholders and various stakeholders of Megasoft, including its shareholders, customers, and employees, as the combined business would benefit from: (i) ready access to Sigma's Defence Business & Technology thereby reducing gestation period of entering into the profitable and high growth defence sector; increased scale; (ii) plug and play of a company with well-established brand & track record with inherent experience and resources in the defence space; and (iii) A steady revenue stream from operations and an existing line of business in the defence area, will provide Megasoft with fundamentals required to go in for future acquisitions in the defence and Aerospace sector,

8. Cost Benefit Analysis of Scheme

The benefits to Megasoft and its shareholders of amalgamation of Sigma into Megasoft which are detailed in para 4 to 7 above far exceed and out way the cost to Megasoft and its shareholders in terms of dilution of the stake of existing shareholders of Megasoft in Megasoft, as they would benefit immensely over time from the accretion in the overall shareholder value of the Megasoft stemming from the synergies and benefits detailed at paras 4 to 7 above.

9. Valuation Methods Evaluated for the Share Entitlement Ratios

9.1 As per the Scheme, in consideration for the proposed amalgamation, the Transferee Company shall issue and allot to the Eligible Member (*as defined in the Scheme*) on the Record Date (*as defined in the Scheme*) (or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognised by the Board of the Transferee Company), except where the Sigma Shares (*as defined in the Scheme*) are held by the Transferee Company, if any, 316 Megasoft Shares (*as defined in the Scheme*), credited as fully paid-up, for every 100 Sigma Shares each fully paid-up held by such Eligible Member. The share entitlement ratio is determined as per the Valuation Report which is duly certified by the Fairness Report.

9.2 The equity shares of the Transferee Company to be issued and allotted to the shareholders of the Transferor Company as per the aforementioned share entitlement

ratio (which is in terms of the Valuation Report) are to rank *pari passu* in all respects with the existing equity shares of the Transferee Company.

9.3 Further, N.C Rajagopal & Co., Statutory Auditors of the Company, vide their certificate dated December 4, 2024 have confirmed that the accounting treatment as specified in the draft Scheme is in accordance with the applicable Indian Accounting Standards issued by the Institute of Chartered Accountants of India and as notified by MCA, read together with Section 133 of the Companies Act and the Companies (Indian Accounting Standards) Rules, 2015.

10. Review of the Committee

- 10.1 The Transferor Company and the Transferee Company are being considered as 'related parties'.
- 10.2 In terms of the Scheme, equity shares of the Transferee Company are proposed to be issued and allotted to the shareholders of the Transferee Company.
- 10.3 In terms of paragraphs 10(b) of the SEBI Scheme Circular, the Scheme shall be acted upon only if the votes cast by the public shareholders of the Transferee Company in favour of the Scheme are more than the number of votes cast by the public shareholders against it.
- 10.4 The consideration as set forth in the draft Scheme will be discharged on an 'arm's length basis'. The share entitlement ratios for the shares to be allotted pursuant to the Scheme are based on the Valuation Report and the Fairness Opinion. The aforementioned Valuation Report and Fairness Opinion have duly been considered by the Committee.

11. Recommendations of the Committee and Conclusion

- 11.1 In view of the above and taking into consideration the documents presented to the Committee, after due deliberations and due consideration of all the terms of the Scheme, in particular fact that the Scheme is not detrimental to the shareholders of the Company, the Committee unanimously recommends the Scheme for approval by the Board of Directors of the Company, BSE, NSE, the SEBI and other statutory regulatory authorities including the NCLT, Hyderabad Bench.
- 11.2 In the opinion of the members of the Committee present at the meeting, the draft Scheme is in the best interest of all the stakeholders of the Transferee Company including shareholders, customers, lenders and employees and the share exchange ratio as mentioned in the Valuation Report is fair and reasonable.

For and on Behalf of the Audit Committee of MEGASOFT LIMITED



Kalyan Vijay Sivalenka
Chairman of the Audit Committee
DIN: 06404449
Date: December 20, 2024
Place: Hyderabad