



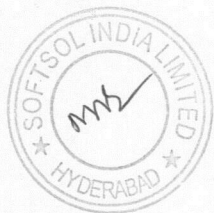
Report of the Audit Committee of SoftSol India Limited recommending the draft Scheme of Arrangement between SoftSol India Limited (the "Company" or the "Demerged Company") and Covance SoftSol Limited (the "Resulting Company") and their respective Shareholders and Creditors adopted at its Meeting held on August 14, 2023

The following members of the Audit Committee were present:

Mr. B.S.Srinivasan	Chairperson
Mr. K.Veeraghavulu	Member
Mrs. Naga Padmavalli Kilari	Member
Mr. Srinivasa Rao Madala	Member

A. Background of the proposed Scheme:

1. A draft Scheme of Arrangement under Sections 230 to 232 and other applicable provisions, if any, of the Companies Act, 2013, (the "Act") including rules made thereunder, between M/s. SoftSol India Limited (the "Company" or the "Demerged Company") and M/s. Covance SoftSol Limited (Wholly-owned Subsidiary of the Company) (the "Resulting Company") 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 August 14, 2023. Any words and expressions not defined in this report, shall have the meaning ascribed to them in the Scheme.
2. The Scheme *inter-alia* provides for the following:
 - (i) demerger, transfer and vesting of the Demerged Undertaking (as defined in the Scheme) from the Demerged Company into the Resulting Company on a going concern basis, and the consequent issue of equity shares by the Resulting Company to the shareholders of the Demerged 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 defined in the Scheme) as elaborated in Part IV of the Scheme;
 - (ii) reduction and cancellation of the entire pre-scheme share capital of the Resulting Company; and
 - (iii) various other matters consequential or otherwise integrally connected therewith.
3. The Equity Shares of the Company are listed on BSE Limited. Accordingly, the Company shall be filing the said draft Scheme along with necessary information / documents with BSE Limited.
4. The Scheme will be presented before the Hon'ble National Company Law Tribunal, Hyderabad Bench, in terms of the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder, and will also be in compliance with various SEBI Regulations including the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "SEBI Listing Regulations"), SEBI Master Circular SEBI/HO/CFD/POD-2/P/CIR/2023/93 dt. June 20, 2023 (the "SEBI Circular") and various circulars issued by the SEBI and other applicable laws.
5. Provisions of Paragraph A(2)(c) of Part-I of the SEBI Circular requires the Audit Committee to adopt a report recommending the draft Scheme by considering the following:
 - a. Draft Scheme duly initialled by the Chairman of the Committee for the purpose of identification;
 - b. Certificate issued by M/s. Pavuluri & Co., Chartered Accountants, the Statutory Auditors of the Company, as required under Section 232(3) of the Act and Paragraph A(5) of Part-I of the SEBI Circular, certifying that the accounting treatment in the Scheme is in accordance with the accounting standards and applicable law;
 - c. Draft undertaking to be given by the Company confirming that approval of majority of public shareholders as prescribed under Paragraph (A)(10)(b) of Part-I of the SEBI Circular is not applicable to the Scheme along with draft certificate of the Statutory Auditors of the Company, certifying the said undertaking;



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d. Report on recommendation of Share Entitlement Ratio issued by Ms. Kavitha Padmini Sirigina, Independent Registered Valuer and Fairness Opinion issued by M/s. Akasam Consulting Private Limited, Independent SEBI Registered Merchant Banker; and

e. All other relevant documents, undertakings, reports etc. as placed before the Committee.

This report of the Audit Committee is accordingly being made in pursuance to the requirements of Paragraph A(2)(c) of the SEBI Circular.

B. Salient feature of the Scheme are:

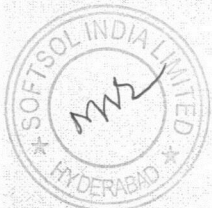
1. The Scheme of Arrangement is for demerger of the Software Business (the "Demerged Undertaking") of M/s. Softsol India Limited (Demerged Company), and vesting of the same into M/s. Covance SoftSol Limited (Resulting Company) on a going concern basis, in compliance with the provisions of Section 2(19AA) of the Income Tax Act, 1961 and as per the terms and conditions mentioned in the Scheme.
2. Appointed Date in the Scheme is April 01, 2023.
3. Effective Date in the Scheme is as specified in Clause 1.2.9 of the Scheme.
4. The Equity Shares to be issued by the Resulting Company in terms of the Scheme shall be issued in dematerialised form and shall be listed on BSE Limited in compliance with the SEBI Circular and other relevant provisions as may be applicable.
5. The Scheme is subject to necessary statutory/ regulatory approvals under applicable laws including approvals of respective shareholders and creditors, approval of BSE Limited, Securities and Exchange Board of India, the Hon'ble National Company Law Tribunal, Hyderabad Bench, and all other regulators / authorities as may be required.
6. The Resulting Company shall issue consideration to the shareholders of the Company as on Record Date (as defined in the Scheme) in the following manner:

"For every 1 (one) equity share of the Demerged Company of face value of Rs.10/- each held in the Demerged Company, every equity shareholder of the Demerged Company, shall without any application, act or deed, be entitled to receive 1 (one) equity share of face value Rs.10/- each of the Resulting Company, credited as fully paid up on the same terms and conditions of issue as prevalent in the Resulting Company".

C. Comments by the Audit Committee on the Scheme

After consideration of the aforesaid documents and salient feature of the Scheme, as placed before the Committee and after due deliberation on certain matters with the management on the draft Scheme of Arrangement, the Committee hereby reports that:

1. Need for the Demerger:
The business presently undertaken by the Company comprise of software business and infrastructure business, both of which have different requirements and are operated independent of each other as separate business divisions. The requirements of each business, including in terms of capital, operations, knowledge, nature of risk, competitive advantages and strategies, and regulatory compliances are very distinct when compared with the other. Each of these business divisions have a distinct attractiveness to divergent set of investors, strategic partners and other stakeholders. To unlock the potential value of each business vertical, it is proposed through this Scheme, to demerge the software business of the Company and vesting of the same into the Resulting Company. The demerger of software business, transfer and vesting into the Resulting Company is recommended to exploit growth potential of the software business. This Scheme will result in providing flexibility to the Company to develop the infrastructure business and thereby unlock the value.



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2. Rationale of the Scheme:

The demerger, transfer and vesting of the Demerged Undertaking into the Resulting 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) *At present, the Demerged Company has two distinct categories of assets and operations – (a) IT and software technology related business, and (b) Tangible assets and holdings including income generating real estate and investments. Both the businesses of the Company 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 Demerged Undertaking into the Resulting 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) *The Demerger will enable dedicated management focus, resources and skill set allocation to each business, enhance business operations by streamlining operations more efficient management control and outlining independent growth strategies.*
- (iii) *Further, as the two businesses have separate growth trajectories, risk profile and capital requirement, the segregation of the Demerged Undertaking and the Infrastructure Business will enable independent value discovery and lead to unlocking of economic value for each business and result in shareholder value maximization.*

The Scheme is in the interests of all stakeholders of the Demerged Company and the Resulting Company.

The Audit Committee was of view that the rationale of the Scheme justifies the proposed demerger.

3. Synergies of business of the entities involved in the Scheme:

The Committee noted that the Scheme does not involve merger of business of the Company but provides for demerger of the software division of the Company.

As detailed above regarding the need and rationale for the draft Scheme, the software business and infrastructure business have different market segments and growth. Accordingly, the proposed Scheme is being undertaken with a view to achieve dedicated management focus on their respective business segments, facilitate strategic opportunities, increase efficiencies and enhance ability to attract different types of investors.

4. Impact of the Scheme on the Shareholders:

Impact of the Scheme on the equity shareholders (promoter and non-promoter) of the Company are as follows:

- a. In consideration for the demerger, transfer and vesting of the Demerged Undertaking from the Company into the Resulting Company on a going concern basis, the shareholders of the Company, as on the Record Date shall receive equity shares of the Resulting Company. As on the Record Date, both, the promoter and non-promoter shareholders of the Company will receive the equity shares of the Resulting Company.
- b. Upon the Scheme becoming effective, all equity shares of the Resulting Company held by the Company (directly and/ or through nominees), shall stand reduced and cancelled without any further application, act or deed.
- c. After the effectiveness of the Scheme and subject to receipt of regulatory approvals, the equity shares of the Resulting Company, shall be listed on BSE Limited.
- d. There will be no change in the shareholding pattern of the Company.
- e. There will be no adverse effect of the Scheme on the equity shareholders of the Demerged Company.



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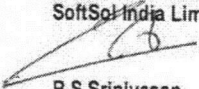
5. Cost benefit analysis of the Scheme:

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

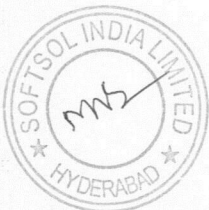
D. Recommendation of the Audit Committee:

The Audit Committee, after due deliberation and due consideration of all terms of the draft Scheme, certificates, confirmations and undertaking and 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 and on behalf of the Audit Committee
SoftSol India Limited


B.S. Srinivasan
Chairman of the Committee
DIN: 00482513

Place: Hyderabad
Date: August 14, 2023



SEL-CMMI
LEVEL 3
Company

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