

**REPORT OF THE AUDIT COMMITTEE OF PCS TECHNOLOGY LIMITED**

**MEMBERS**

Mr. Satish Ajmera	Chairman
Mr. G M Dave	Member
Mr. K K Barjatya	Member

**IN ATTENDANCE**

Mr. H. C. Tandon	Managing Director & CEO
Mr. Bhaskar Patel	Company Secretary
Mr. M P Jain	CFO

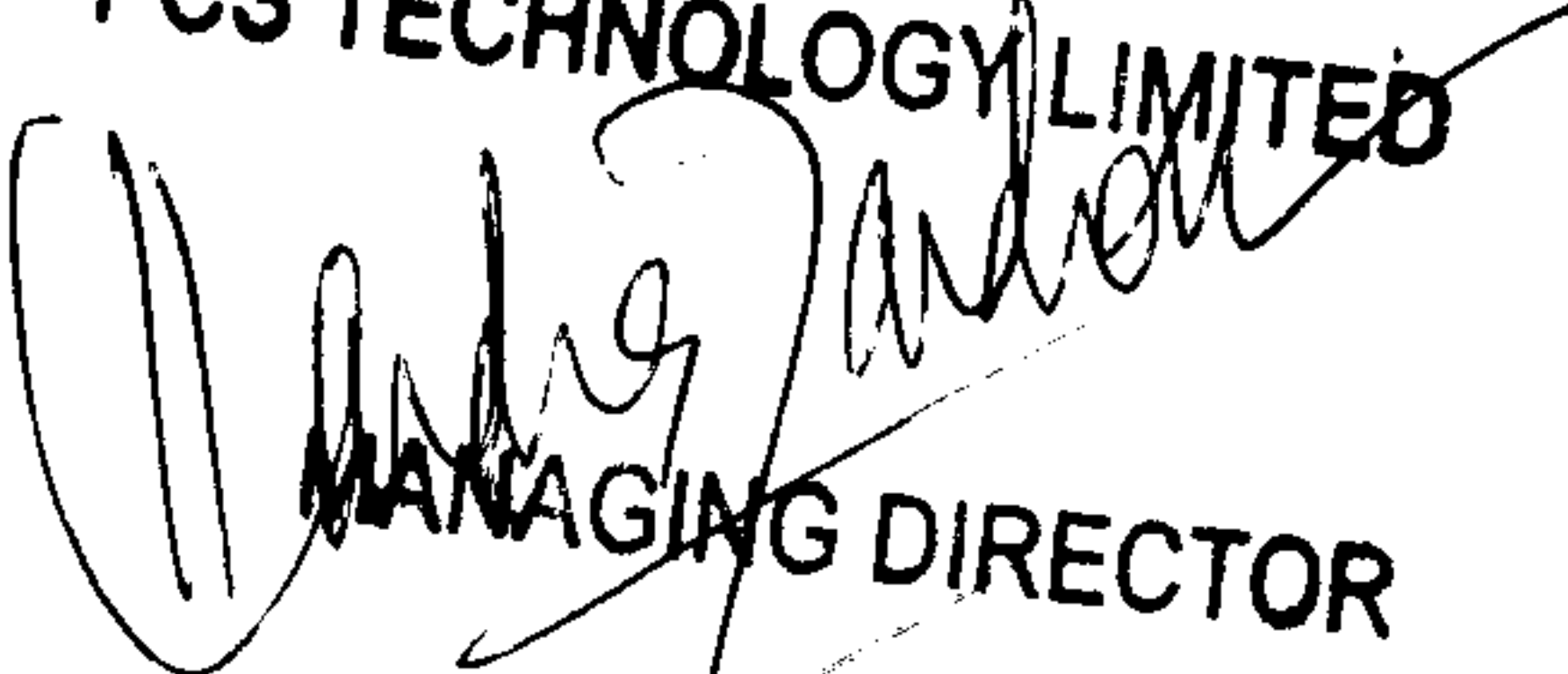
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**1. BACKGROUND**

The Company has placed before the Audit Committee, a Scheme of Amalgamation and Arrangement between its Wholly Owned Subsidiaries viz., **PCS Positioning Systems (India) Limited** (WOS - the First Transferor co.) and **PCS International Limited, Mauritius** (WOS - the Second Transferor co.) with **PCS Technology Limited** (the Transferee Co.-Listed Company). Both the Transferor Companies and Transferee Company are engaged in similar business activities i.e. Computer Hardware, IT and IT enabled services and accordingly, the Scheme has been placed before the Audit Committee for its recommendation as required vide SEBI circular No. CIR/CFD/DIL/5/2013 dated 4<sup>th</sup> February, 2013 (Circular).

This report of the Audit Committee is made in order to comply with the requirements of the circular and after considering the following necessary documents:

- a. Draft Scheme of Amalgamation and Arrangement between **PCS Positioning Systems (India) Limited** ('the first transferor company') and **PCS International Limited, Mauritius** ('the second transferor company') and **PCS Technology limited** ('the transferee company') and their respective shareholders under sections 391 to 394 read with sections 78 and 100 to 103 and other applicable provisions of the Companies Act, 1956 (the Scheme).

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PCS TECHNOLOGY LIMITED  
  
MANAGING DIRECTOR

- b. The "Fairness Opinion" obtained from SPA Capital Advisors Limited, a SEBI registered Merchant Banker
- c. Certificate in accordance with Clause 24 ( i ) of the Listing Agreement obtained from M/s. S C Bandi & Co., Chartered Accountant regarding the accounting treatment being followed in the Scheme is in compliance with all the applicable Accounting Standard as specified in Companies Act, 1956

#### **PROPOSED SCHEME OF AMALGAMATION AND ARRANGMENT**

The Audit Committee noted that the amalgamation of the First Transferor Company and the Second Transferor Company with the Transferee Company will result in simplification of corporate structure leading to elimination of duplication in administrative cost and eliminating the overlapping business or businesses which are no longer pursued by the Transferor Companies.

The proposed consolidation will, inter-alia, result in the following benefits:

- i. Better administration of the businesses;
- ii. Concentrated effort and focus by the senior management to grow the business by eliminating duplicative communication and burdensome co-ordination efforts across multiple entities and countries.

Further, the Transferee Company had initiated a financial restructuring with respect to its unproductive activities. There continues to remain certain stressed assets in respect of the said activities and accordingly the financials of the Transferee Company require restructuring. For achieving the restructuring as aforesaid, in addition to taking over the business assets and liabilities of the Transferor Companies, it is also proposed to write off some of the assets which are either unserviceable or not required for the rest of the business of the Transferor Company or may not be realizable as explained in this Scheme

#### **Some of the salient features of the Proposed Scheme are as under:-**

1. The Appointed Date of the Scheme is March 31, 2014;
2. With effect from the Appointed date, the whole of the business and the undertaking of the First Transferor and Second Transferor company including all its properties, assets and liabilities etc. are to be transferred to and vested in the Transferee Company as a going concern.

3. The Scheme does not envisage any swap or issue of shares on Amalgamation as both the Transferor companies are wholly owned subsidiaries of the Transferee Company. The equity shares held by the Transferee and its nominee in the Transferor companies shall be stand cancelled without any further act, application or deed.
4. Nothing contained in this Scheme shall affect any conduct of business of the Company.
5. Nothing contained in the Scheme shall affect the existing rights of the workers and employees of the Transferee Company neither any compromise is expected from lenders/creditors.
6. The proposed adjustment of reserves does not adversely affect the ordinary operations of the Company or the ability of the Company to honour its commitment or to pay its debts in the ordinary course of business.
7. The Scheme will be subject to the sanction of regulatory authorities such as SEBI, BSE, Bombay High Court, stakeholders as well as compliance with the laws of Mauritius.

## 2. RECOMMENDATIONS OF THE AUDIT COMMITTEE

The Audit Committee recommends the Draft Scheme for favourable consideration by the stock exchange(s) where the Company is listed and the SEBI.

Date: 14<sup>th</sup> August, 2013

Place : Mumbai



(Satish Ajmera)  
Chairman