Vertoz Advertising Limited
(Formerly known as Vertoz Media Pvt. Ltd. & Vertoz Media Ltd.)
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REPORT OF THE AUDIT COMMITTEE OF VERTOZ ADVERTISING LIMITED ("COMPANY") DATED 24TH JUNE 2022 CONSIDERING THE DRAFT SCHEME OF AMALGAMATION UNDER SECTION 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 BETWEEN PAYNX TECHNOLOGIES PRIVATE LIMITED (THE FIRST TRANSFEROR COMPANY) (PTPL) AND QUALISPACE WEB SERVICES PRIVATE LIMITED (THE SECOND TRANSFEROR COMPANY) (QWSPL) WITH VERTOZ ADVERTISING LIMITED (TRANSFEREE COMPANY) (VERTOZ) (VAL) AND THEIR RESPECTIVE SHAREHOLDERS

Members Present

Mrs. Nilam Doshi	Chairperson of the Committee & Independent Director
Mr. Rohit Vaghadia	Member of the Committee & Independent Director
Mr. Hirenkumar Shah	Member of the Committee

Other invitees and advisors/ consultants were present at the meeting along with Company Secretary at the Meeting.

1. **Background of the proposed scheme of Amalgamation:**

1.1. A meeting of the Audit Committee ("Committee") was held on June 24th 2022, inter-alia, to consider and if thought fit, recommend to the Board of Directors the proposed Scheme of Amalgamation under Sections 230 to 232 of the Companies Act, 2013 (the 'Act') and other applicable Provisions of the Act, between Paynx Technologies Private Limited (hereinafter referred to as "The First Transferor Company" or "PTPL")) and Qualispace Web Services Private Limited (hereinafter referred to as "The Second Transferor Company" or "QWSPL")) with Vertoz Advertising Limited (hereinafter referred to as "The Transferee Company" or "VAL") and their respective Shareholders. The Appointed Date for the Amalgamation under the Scheme is April 1, 2022 or such other date as may be approved by the NCLT for the purpose of this Scheme and shall be operative from the Effective Date (as defined in the Scheme).

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The Scheme will be presented before the Tribunal (as defined in the Scheme) under Sections 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(1B) of the Income Tax Act, 1961 and the Master Circular No. SEBI/HO/CFD/DIII/CIR/P/2020/215 dated December 22, 2020 issued by SEBI ("Scheme Circular").

In terms of the aforesaid SEBI Circular, a Report from the Audit Committee is required recommending the draft Scheme, taking into consideration, inter alia, the Valuation Report (as defined hereinafter), and commenting on the Rationale of the Scheme, impact of the Scheme on the Shareholders, Cost Benefit Analysis of the Scheme and synergies of business of the Entities involved in the Scheme. This Report of the Committee is made in order to comply with the requirements of the Scheme Circular.

1.2. The Salient features of the Scheme:

The Committee considered and observed that the draft Scheme provide for the following:

1.2.1. This Scheme of Merger by Absorption (the Scheme) is presented under Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions of the Companies Act 2013 (including any statutory modification or re-enactment or amendment thereof), as may be applicable, for the merger of Paynx Technologies Private Limited (hereinafter referred to as "The First Transferor Company") and Qualispace Web Services Private Limited (hereinafter referred to as "The Second Transferor Company") with Vertoz Advertising Limited (hereinafter referred to as "The Transferee Company") and their respective Shareholders and in compliance with the conditions relating to "Amalgamation" as specified u/s 2(1B) of the Income Tax Act, 1961.

1.2.2. The Appointed Date for the purpose of this Scheme means 1st April 2022.

1.2.3. Upon the Scheme becoming finally effective, in consideration of the transfer and vesting of the Undertaking of the First Transferor Company and Second Transferor Company in the Transferee Company in terms of the Scheme, the Transferee Company shall subject to the provisions of the Scheme and without any further application or deed, issue and allot the following number of Equity Shares of Rs. 10/- (Rupees Ten) each, credited as fully paid-up in the Capital of the Transferee Company to all Equity Shareholders of the First Transferor Company and Second Transferor Company whose names appear in the Register of Members, on a record

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date to be fixed by the Board of the Transferee Company in the following proportion viz.:

> *"1904 (One Thousand Nine Hundred and Four only) Ordinary (Equity) Shares of the face value of Rs.10 each of VAL shall be issued and allotted as fully paid up for every 1 (One) Equity Share of the face value of Rs.10 each fully paid up held in PAYNX"* ***("Share Exchange Ratio")."***

> *"502 (Five Hundred and Two only) Ordinary (Equity) Shares of the face value of Rs.10 each of VAL shall be issued and allotted as fully paid up for every 1 (One) Equity Share of the face value of Rs.10 each fully paid up held in QWSPL"* ***("Share Exchange Ratio")."***

No fractional Shares shall be issued by the Transferee Company and the fractional Share Entitlements arising out of the allotment of shares as aforesaid, shall be paid in cash.

1.2.4. The Equity Shares proposed to be issued and allotted by the Company will be listed on NSE.

1.2.5. The effectiveness of the Scheme is conditional upon fulfilment of the actions specified in the Scheme, which include:

1.2.5.i. The requisite sanction or approval from Securities and Exchange Board of India, NSE, Registrar of Companies, Regional Director, Official Liquidator as may be applicable or as may be directed by the Tribunal.

1.2.5.ii. The approval to the Scheme by the requisite majorities of the Members and Creditors of the First Transferor Company and Second Transferor Company and of the Shareholders of the Transferee Company.

1.2.5.iii. The requisite Resolution(s) under the applicable provisions of the said Act being passed by the Shareholders of the Transferee Company for any of the matters provided for or relating to the Scheme, as may be necessary or desirable, including approval to the issue and allotment of Equity Shares in the Transferee Company to the members of the First Transferor Company and Second Transferor Company.

1.2.5.iv. The sanction of the National Company Law Tribunal (Tribunal) under the applicable provisions of the Act, in favour of the First Transferor Company and Second Transferor Company and the Transferee Company and to the necessary Order or Orders under the said Act being obtained.

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1.2.5.v. On the approval of this Scheme by the Members and Shareholders of the First Transferor Company, Second Transferor Company and the Transferee Company, if required, such Shareholders shall also be deemed to have resolved and accorded all relevant consents under the Act or otherwise to the same extent applicable in relation to the merger set out in this Scheme, related matters and this Scheme itself.

1.2.5.vi. Any other sanction or approval of the appropriate Authorities concerned, as may be considered necessary and appropriate by the respective Board of Directors of the First Transferor Company and Second Transferor Company and the Transferee Company being obtained and granted in respect of any of the matters for which such sanction or approval is required.

1.2.5.vii. The requisite consent, approval or permission of the Central Government or any other statutory or regulatory authority, which by law may be necessary for the implementation of this Scheme.

1.3. The Equity Shares of the Company are listed on the National Stock Exchange of India Limited. The Company will be filing the Scheme along with necessary information / documents with the mentioned Stock Exchange for their approval under Regulation 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

1.4. The Report of Audit Committee is made in order to comply with the requirements of the Scheme Circular, after considering the following:

1.4.1. Draft Scheme of Amalgamation, duly initialled by the Chairman of the Company for the purpose of identification;

1.4.2. Equity Share Exchange Ratio as mentioned in Valuation Report dated June 24th 2022 issued by Vishal R. Laheri - a Registered Valuer pursuant to Section 247 of the Act, stipulating inter alia the Methodology adopted and the Valuation arrived at in relation to the proposed Merger of **Paynx Technologies Private Limited ("Transferor Company " or "PTPL") and QualiSpace Web Services Private Limited ("Transferor Company " or "QWSPL")** with **Vertoz Advertising Limited ("the Transferee Company" or "Vertoz")** ("Valuation Report");

1.4.3. Fairness Opinion dated June 24th 2022 issued by Navigant Corporate Advisors Limited - a Category I Merchant Banker, a SEBI registered Merchant Banker to the Company, providing its opinion on the fairness of the Equity Share

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Exchange Ratio recommended in the Valuation Report ("Fairness Opinion").

1.4.4. Auditor's Certificate pursuant to para I(A)(S) of Annexure I of the SEBI Scheme Circular in the prescribed format to the effect that the Accounting Treatment contained in the Scheme is in compliance with all the Accounting Standards specified by the Central Government under Section 133 of the Act, read with applicable rules and / or the accounting standards and principles.

1.4.5. Pre-amalgamation Shareholding Pattern of the Transferor Companies and pre and post amalgamation shareholding pattern of the Company; and

1.4.6. Financial Statements of last 3 years of the Transferor Companies and Transferee Company.

2. Rationale of the Scheme:

- The Amalgamation will enable the Transferee Company to consolidate the businesses and lead to synergies in operation and create a stronger financial base.

- It would be advantageous to combine the activities and operations of both the Companies into a single Company driving sharper focus for smooth and efficient Management. This will be reflected in the profitability of the Transferee Company.

- This Scheme of Amalgamation would result in Merger in the nature of Pooling of Interest as per Appendix C of the Indian Accounting Standard 103 on Business Combinations and thus on consolidation of business of the First Transferor Company and Second Transferor Company with Transferee Company, all the Shareholders of the Merged Entity will be benefited by result of the Amalgamation of Business and availability of a common operating platform.

- The Amalgamation of the First Transferor Company, Second Transferor Company with the Transferee Company will also provide an opportunity to leverage combined assets and build a stronger sustainable business. Specifically, the merger will enable optimal utilization of existing resources and provide an opportunity to fully leverage strong assets, capabilities, experience and expertise of all the Companies. The Merged Entity will also have sufficient funds required for meeting its long term capital needs as provided for in the scheme.

- The Scheme of Amalgamation will result in cost saving for all the Companies as they are capitalizing on each other's core competency and resources which are expected to result in stability of operations, cost savings and higher profitability levels for the Transferee Company.

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- The consolidation of **QWSPL with Vertoz** will also result in:

  i. Rationalization of number of identified operating entities thereby reducing the legal and regulatory compliances.
  ii. The Services of Vertoz and QWSPL can easily Cross Sell across its customer base of both the entities like Customer of Vertoz are the Digital Agencies and they majorly buy the Services offered by QWSPL and similarly QWSPL Customers' needs Marketing, Advertising & Monetization Services. Through this Merger, the sales team of both the entities can cross sell the Products and Services.
  iii. QWSPL brings the expertise of IT Infrastructure internal to the Vertoz Group and helps to reduce its current operational expenses and also creates an edge over its Competitors. Current Vertoz Capabilities is to build the Technology and Platforms for the Marketing and Advertising and whereas QWSPL capabilities are to build and operate.
  iv. Conglomerates like Google (GCP) / Amazon (AWS) have built the Infrastructure Expertise to complement its core Digital Advertising Business. Similarly, Vertoz will enjoy the benefits of the Infrastructure Expertise of QWSPL. The other benefits are like 24X7X365 Operations of QWSPL helps Vertoz MADTech infrastructure Uptime, Large Scale Networking capabilities of QWSPL helps Vertoz to setup and maintain global infrastructure of Vertoz MADTech Platforms.
  v. Merger of QWSPL and Vertoz brings the backward and forward integration for both entities in terms of value chain. QWSPL can lean on Vertoz capabilities of Marketing and Advertising at a scale. Similarly, Vertoz can offer QWSPL Services to its Brands, Agencies and Publishers' Clients easily.

- The consolidation of **PayNX with Vertoz** will also result in:

i. PTPL brings 12 Direct and Indirect Entities together to the Vertoz Group. PTPL is one of the large Networks of the Companies in the Marketing, Advertising, Publishing, Infrastructure - IaaS, AdTech and PaaS business.
ii. PTPL Business offers great backward and forward integration between all the PTPL Entities and Vertoz Group all areas of respective business.
iii. Vokut Business of PTPL brings a huge volume of Digital Properties in the Vertoz's Umbrella. This will allow Vertoz to distribute some part of the Clients spends internally on Owned Properties and will greatly increase the bottom line of the combined entities.
iv. With this merger it brings great visibility in the First Party data of the audience and will greatly help Vertoz to procure additional budgets from its existing Agencies and Brands as the Third Party Cookies going away will bring great value to Vertoz with possession of First Party audience data.
v. Most of the Entities of PTPL also own the multiple Owned and Operated (O&O) Digital Properties which will also bring the similar benefits of the Vokut bringing to the Vertoz

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business as explained above.

vi. The Business of Contextual Advertising, OpenRTB, Text Ads, Video Traffic of PTPL entities brings great value to Vertoz's AdMozart Marketplace business. The cumulative volume of the merged business of Existing Vertoz Group and PTPL Business will be a record-breaking volume in the entire industry of the Digital Advertising Marketplace under one roof, this will create the dominant position in the Industry.

vii. PTPL's OwnRegistrar and US Based QualiSpace business will bring great value to QWSPL - the Parallel Entity which is also getting merged in this Scheme. .

viii. OwnRegistrar is an ICANN Accredited Domain Registrar which will bring the additional recognition in the Digital Space to Vertoz Group.

ix. The Network of the OwnRegistrar Domain Resellers can be monetized very well with the help of MADTech Services of Vertoz Group. Most of these Domain Resellers own and operate the Advertising Agency business and Vertoz's Services can be easily sold to them. Similarly, most of the Agency and Brand Clients of Vertoz can be cross sold with the Services of OwnRegistrar and QualiSpace.

x. PTPL's OwnAdTech PaaS Offerings brings the icing on the cake benefits for all the Entities as most of the Entities are using some Third-Party Platforms to deliver its Services and once all the Entities are merged they can leverage OwnAdTech PaaS Suite of Products and reduce the cost of Third-Party Platforms at a greater scale.

3. The Audit Committee reviewed and noted the Equity Share Exchange Ratio recommended in the Valuation Report and confirmed the following exchange ratio:

"1904 (One Thousand Nine Hundred and Four only) Ordinary (Equity) Shares of the face value of Rs.10 each of VAL shall be issued and allotted as fully paid up for every 1 (One) Equity Share of the face value of Rs.10 each fully paid up held in PAYNX" ***("Share Exchange Ratio")***

"502 (Five Hundred and Two only) Ordinary (Equity) Shares of the face value of Rs.10 each of VAL shall be issued and allotted as fully paid up for every 1 (One) Equity Share of the face value of Rs.10 each fully paid up held in QWSPL" ***("Share Exchange Ratio").***

4. The Audit Committee reviewed and confirmed the Accounting Treatment in the Scheme which has been certified by the Auditors of the Company. Pursuant to the Scheme, the Transferee Company shall account for amalgamation of the Transferor Companies in its books of accounts in accordance with Indian Accounting Standard (Ind AS) 103 - "Business Combination" read with Appendix C to Ind AS 103 - "Business Combinations" issued by the Institute of Chartered Accountants of India and notified by Ministry of Corporate Affairs read together with the Companies (Indian Accounting Standards) Rules, 2015 Para 11, 19 and 27 of the Scheme details out the Accounting Treatment.

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5. The Fairness Opinion confirmed that the Share Swap Ratio as recommended by the Valuer, is fair and reasonable.

6. Impact of the Scheme on the Shareholders:

The Amalgamation will enable the Transferee Company to consolidate the businesses and lead to synergies in operation and create a stronger financial base. It would be advantageous to combine the activities and operations of both the Companies into a single Company driving sharper focus for smooth and efficient Management. This will be reflected in the profitability of the Transferee Company. The Audit Committee also noted that the Scheme is subject to the majority approval of the public Shareholders of the Company. The Audit Committee was of the opinion that the Scheme is not detrimental to the interests of the Shareholders of the Company.

7. Need for the Amalgamation:

The rationale for the Scheme is set out in point 2 above.

8. Cost benefit analysis of the Scheme:

The Consideration (as defined in the Scheme) represents a fair value of the business as substantiated by the fair equity shares swap ratio recommended in the Valuation Report and Fairness Opinion obtained by the Company in relation to the amalgamation. The Scheme would entail some costs towards implementation. However, the benefits of the Scheme over a longer period are expected to far outweigh such costs for the Stakeholders of the Scheme entities.

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

- The Amalgamation of the First Transferor Company, Second Transferor Company with the Transferee Company will also provide an opportunity to leverage combined assets and build a stronger sustainable business. Specifically, the merger will enable optimal utilization of existing resources and provide an opportunity to fully leverage strong assets, capabilities, experience and expertise of all the Companies. The Merged Entity will also have sufficient funds required for meeting its long term capital needs as provided for in the scheme.
- The Scheme of Amalgamation will result in cost saving for all the Companies as they are capitalizing on each other's core competency and resources which are expected to result in stability of operations, cost savings and higher profitability levels for the Transferee Company.
- The Amalgamation will enable the Transferee Company to consolidate the businesses and lead to synergies in operation and create a stronger financial base.

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- It would be advantageous to combine the activities and operations of both the Companies into a single Company driving sharper focus for smooth and efficient Management. This will be reflected in the profitability of the Transferee Company.

10. Recommendations of the Audit Committee:

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme of Amalgamation, Equity Share Exchange Ratio / Valuation Report, Fairness Opinion, rationale of the Scheme, accounting treatment, impact of the Scheme on the Shareholders and other stakeholders and cost benefit analysis of the Scheme and the specific matters mentioned above, recommends the draft Scheme of Amalgamation for favourable consideration by the Board of Directors of the Company, the Stock Exchange(s), SEBI and other applicable regulatory authorities.

This Report of the Committee is made in order to comply with the requirements of the Scheme Circular after considering the necessary documents.

On behalf of the Audit Committee of
Vertoz Advertising Limited

Nilam S. Doshi

VERTOZ ADVERTISING LIMITED MUMBAI

Nilam Doshi
(DIN: 07848294)
Chairperson of the Audit Committee
Date: 24th June 2022
Place: Mumbai