



REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF VERTOZ ADVERTISING LIMITED ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF PAYNX TECHNOLOGIES PRIVATE LIMITED (THE FIRST TRANSFEROR COMPANY) AND QUALISPACE WEB SERVICES PRIVATE LIMITED (THE SECOND TRANSFEROR COMPANY) WITH VERTOZ ADVERTISING LIMITED (TRANSFeree COMPANY) AND THEIR RESPECTIVE SHAREHOLDERS

Members Present

Mrs. Nilam Doshi	Independent Director and Chairperson of the Committee
Mr. Rohit Vaghadia	Independent Director and Member of the Committee

1. Background:

- 1.1. A Meeting of the Committee of Independent Directors ("**Committee**") of Vertoz Advertising Limited was held on June 24th 2022, to consider and, if thought fit, recommend to the Board of Directors of the Company, the proposed of 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" 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 "Vertoz" or "VAL") 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. Company is incorporated under the provisions of the Companies Act, 1956. The Equity Shares of the Company are listed on NSE.
- 1.3. The Scheme will be filed with the National Company Law Tribunal, Mumbai Bench ("NCLT") under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and the Rules and Regulations issued thereunder and in compliance with provisions of Section 2(1B) of the Income -tax Act, 1961.
- 1.4. The Scheme is subject to receipt of approvals of Board of Directors, Shareholders and Creditors of Companies involved and approval of other Regulatory Authorities as may be required, including those of National Stock Exchange of India Limited, Securities and Exchange Board of India and the NCLT.
- 1.5. This report of the Committee is made in order to comply with the requirements of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 including





Circular CFD/DIL3/CFR/20 I 7/21 dated March 10, 2017 issued by SEBI [as amended from time to time via Circular CFD/DI L3/CIR/20 I 7 /26 dated March 23, 2017, circular no CFD/DIL3/CTR/2017/105 dated Sep 21, 2017, circular no. CFD/DIL3/CIR/2018/2 dated January 3, 2018 and circular no. SEBI/ HO/CFD/DIL1/CIR/P/2020/215 dated November 3, 2020 and the Master Circular being Circular SEBI/HO/CFD/DILI/CIR/P/2020/249 issued by SEBI on December 22, 2020; ("SEBI Circulars") and after considering the following documents that were placed before the Committee:

- a. Draft Scheme of Amalgamation;
 - b. Certificate from Mittal & Associates, Statutory Auditor of the Company, confirming the Accounting Treatment mentioned in the Scheme is in compliance with the applicable Ind-AS notified under the Companies Act 2013, and other Generally Accepted Accounting Principles;
 - c. Valuation Report dated June 24th 2022, issued by Vishal R. Laheri (IBBI Registration No. IBBI/RV/05/2019/11283), ("Registered Valuer") inter-alia, recommending the Fair Equity Share Exchange Ratios (hereinafter referred to as "Valuation Report") on the Scheme;
 - d. Fairness Opinion dated June 24th 2022, issued by Navigant Corporate Advisors Limited, SEBI Registered Category I Merchant Banker (SEBI Registration No. INM000012243) recommended in the Valuation Report for the purpose of the Scheme;
 - e. Certificate dated June 24th 2022, issued by Umashankar Hegde, Practising Company Secretary certifying the minimum price as prescribed under Chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 for the purpose of the Scheme.
2. The Committee noted the rationale and need for amalgamation of Transferor Companies with the Company, as provided in the draft Scheme as under:
- 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.
- 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 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. Salient features of the Scheme:

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

- 3.1 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.





- 3.2 The Appointed Date for the purpose of this Scheme means 1st April 2022.
- 3.3 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 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.

- 3.4 The Equity Shares proposed to be issued and allotted by the Company will be listed on NSE.
- 3.5 The effectiveness of the Scheme is conditional upon fulfilment of the actions specified in the Scheme, which include:
- 3.5.1. 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.
- 3.5.2. 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.
- 3.5.3. 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.
- 3.5.4. 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.

- 3.5.5. 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.
- 3.5.6. 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.
- 3.5.7. 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.

4. Valuation Methods evaluated for the Fair Equity Share Exchange Ratios:

The Members of the Committee noted that Vishal R. Laheri has been appointed as the Registered Valuer to recommend the Fair Equity Share Exchange Ratios for the proposed Scheme.

The Committee noted that the Valuation Report issued by Vishal R. Laheri, inter-alia, recommended the Fair Equity Share Exchange Ratios for the proposed Scheme.

The members of the Committee noted that Vishal R. Laheri have independently applied approaches/ methods, as considered appropriate while arriving at the assessment of the relative values per equity share of the Companies.

The Committee further noted that Vishal R. Laheri has assigned following weights to different valuation approaches as discussed above to arrive at the Fair Equity Share Exchange Ratios for the Scheme:





- PTPL

Valuation Approach	Equity Shares of PTPL (A)		Equity shares of Vertoz (B)	
	Value per Share	Weights	Value per Share	Weights
Asset Approach	1,79,668.04	100%	N.A	-
Income Approach	N.A	-	N.A	-
Market Approach (Market Price Method)	N.A	-	94.33	100%
Relative Value per share	1,79,668.04		94.33	
Exchange Ratio (A/B)			1,904	

N.A = Not Adopted / Not Applicable

i. COMPUTATION OF FAIR SHARE ENTITLEMENT RATIO:

1. The Asset Approach is used for PTPL since it is an Investment Company having Investments in Wholly owned Subsidiaries and Step-down Subsidiaries.
2. DCF Approach is widely used for valuation under 'Going Concern' basis therefore in case of Wholly owned Subsidiaries and Step-down Subsidiaries of PTPL we have used the financial Projections as provided by the Management of PTPL for the Valuation of Wholly owned Subsidiaries and Step-down Subsidiaries under DCF method. For Vertoz, DCF method is not approved by ICDR regulations by SEBI.
3. The Shares of PTPL are not listed; therefore Market Price Method cannot be used for its Valuation. As a mandatory requirement by law, the Shares of Listed Entity Vertoz are required to be valued as per the Pricing Guidelines issued by SEBI. We have given due consideration to this requirement.

ii. SHARE ENTITLEMENT RATIO:

1,904 (One Thousand Nine Hundred and Four) Equity Shares of Rs. 10/- each of Vertoz for every 1 (One) fully Paid-up Equity Share of Rs. 10/- each held in PTPL.

- QWSPL:

i. THE COMPUTATION OF FAIR SHARE ENTITLEMENT RATIO:

Valuation Approach	Equity Shares of QWSPL (A)		Equity shares of Vertoz (B)	
	Value per Share	Weights	Value per Share	Weights
Asset Approach	N.A	-	N.A	-
Income Approach	47,379.46	100%	N.A	-
Market Approach (Market Price Method)	N.A	-	94.33	100%
Relative Value per share	47,379.46		94.33	
Exchange Ratio (A/B)			502	

N.A = Not Adopted / Not Applicable





1. The Asset Approach is not used as in the present case, both the Companies i.e. QWSPL and Vertoz in the process of Amalgamation are Going Concerns and an actual realization of their Operating Assets is not contemplated.
2. DCF Approach is widely used for Valuation under 'Going Concern' basis therefore in case of QWSPL, we have used the Financial Projections as provided by the management of QWSPL for the Valuation of QWSPL under DCF Method. For Vertoz DCF Method is not approved by ICDR Regulations by SEBI.
3. The Shares of QWSPL are not listed; therefore Market Price Method cannot be used for its Valuation. As a mandatory requirement by law the Shares of listed Entity, i.e. Vertoz are required to be Valued as per the Pricing Guidelines issued by SEBI. We have given due consideration to this requirement.

ii. SHARE ENTITLEMENT RATIO:

502 (Five Hundred and Two) Equity Shares of Rs. 10/- each of Vertoz for every 1 (One) Fully Paid up Equity Share of Rs. 10/- each held in QWSPL.

The Committee further considered the fairness opinion provided by Navigant Corporate Advisors Limited, SEBI registered Category-I Merchant Bankers on the abovementioned Fair Equity Share Exchange Ratios confirming that the Fair Equity Share Exchange Ratio as recommended by the Registered Valuer in relation to the proposed Scheme is fair and reasonable, and not prejudicial to the interests of the Minority Shareholders.

5. Scheme not detrimental to the Shareholders of the Company:

This Scheme will result in consolidation of businesses of the Transferor Companies and get housed in the Transferee Company. The consolidated entity will have an increased capability for running these businesses and pursue growth opportunities.

The Scheme will result in consolidation of Financial Resources and Optimization of Working Capital utilization thereby resulting in stronger financial leverage required not only to sustain such businesses in the long run but also to facilitate their organic and inorganic expansion.

The Scheme would also result in simplified group structure by amalgamation of multiple entities. This in turn is expected to result in achieving synergies benefits under a single flagship Listed Entity in the following manner:

- pooling of resources in terms of manpower, administration, and other common resources, thereby resulting in savings in operational & administrative costs;
- achievement of operational synergies due to consolidation of complementary resources and strengths and
- an optimum & efficient utilisation of available capital and other resources.

The Committee Members discussed and deliberated upon the rationale and salient features of the Scheme. In light of the above discussions, Valuation Report, Fairness Opinion and other





Documents presented before the Committee, the Committee is of the informed opinion that the proposed Scheme is not detrimental to the interests of all the Shareholders of the Company including Minority Shareholders.

6. Recommendation of the Committee:

In view of the above, the Committee recommends the draft Scheme to the Board of Directors of the Company for their approval.

**On behalf of the Committee of Independent Directors of
Vertoz Advertising Limited**

Nilam S. Doshi
Nilam Doshi

(DIN: 07848294)

Chairperson of the Independent Directors

Date: 24th June 2022

Place: Mumbai

