

REPORT OF THE AUDIT COMMITTEE OF VIRINCHI LIMITED (FORMERLY KNOWN AS VIRINCHI TECHNOLOGIES LIMITED) BEARING CIN: L72200TG1990PLC011104 ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION BETWEEN VIRINCHI LIMITED (FORMERLY KNOWN AS VIRINCHI TECHNOLOGIES LIMITED) AND BRISTLECONE HOSPITALS PRIVATE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS, ISSUED CONSEQUENT TO THE MEETING OF THE AUDIT COMMITTEE OF THE COMPANY HELD ON WEDNESDAY, THE 27TH DAY OF JANUARY, 2016, AT THE REGISTERED OFFICE OF THE COMPANY SITUATED AT 10, SRK COLONY, WEST MAREDPALLY, SECUNDERABAD-500026 TELANGANA.

Members Present:

Shri M. Ramam	- Chairman
Shri K Sri Kalyan	- Member
Shri K. Krishna	- Member




In Attendance:

Shri K. Ravindranath Tagore	- Company Secretary
Smt. M. Santhi Priya	- Whole Time Director

1. BACKGROUND

- 1.1** A meeting of the members of the Audit Committee of the Company was held on 27th day of January, 2016, to consider and to recommend to the Board for its consideration and approval, the proposed **Scheme of Amalgamation between Virinchi Limited (Formerly Known as Virinchi Technologies Limited) and Bristlecone Hospitals Private Limited and their respective Shareholders and Creditors** ("Scheme") providing for the amalgamation of Bristlecone Hospitals Private Limited (Transferor Company) with Virinchi Limited (Transferee Company) on a going concern basis with effect from 01.04.2016 (First Day of April, Two Thousand and Sixteen) being the appointed date and presented under the provisions of Section 391 to 394 of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, and of the Companies Act, 2013, including any statutory modifications, amendments, re-enactments thereof for the time being in force, relevant clauses of the Listing Agreement, applicable Regulations of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 [**SEBI (LODR) Regulations**], the provisions of SEBI Circular No. CIR/CFD/CMD/16/2015, dated 30th November, 2015, and relevant rules of the Companies (Court) Rules, 1959.
- 1.2** This report of the Audit Committee is being made in order to comply with the requirements of SEBI Circular No. CIR/CFD/CMD/16/2015, dated 30th November, 2015, issued by the Securities and Exchange Board of India ("**SEBI**").
- 1.3** The Draft Scheme duly initialed by the Company Secretary of the Company for the purpose of identification, was placed before the members of the Audit Committee.

2. PROPOSED SCHEME OF AMALGAMATION

2.1 The members of the Audit Committee noted the rationale and the benefits of the Scheme which are as follows:

a) Rationale:

- i. Virinchi Limited (Virinchi) has transcended from being an information technology solution provider to a Business Solution provider in Retail lending, Healthcare & Life Sciences verticals in India while it continues to be Software Products & Services focused Company, for the developed markets.
- ii. In order to actualize a part of this vision, Virinchi is in the process of setting up a Green Field super specialty hospital in a prime location in Hyderabad.
- iii. For the success of the Green Field project in the competitive environment of Hyderabad market, the Virinchi Board found it imperative to have deep relations with a battery Doctors, Satisfied Patient pool and hence decided to approve the merger with Bristlecone Hospitals Private Limited (BCH), Hyderabad.
- iv. With the proposed merger of BCH with Virinchi, Virinchi will become a conglomerate with interests in healthcare and information technology, enhancing the value of Virinchi shareholders.

b) Benefits:

- i. Well trained 250 plus employees in Healthcare delivery Industry.
- ii. Patient pool of over 65,000 satisfied out-patients with validated and sanitized electronic medical records.
- iii. A track record of having completed 5000 plus successful in-patient surgeries.
- iv. Immediate Elevation to a 'Chain of hospitals' status vis a visa 'Single location Hospital'.
- v. Relationships with several hundreds of Senior Surgeons and Physicians across 30 plus medical specialties.
- vi. Strong Relations with Large and Medium Pharma Industry with multiple pharmacies in operation.
- vii. Well-oiled medical systems and health care delivery processes.
- viii. Relations with over 100 health Insurance providers, state government insurance, CGHS, Arogyasree.
- ix. NABH accreditation in near future as BCH Hayathnagar has completed satisfactory pre-assessment for NABH certification.
- x. Economies of scale on branding advertisement and marketing.
- xi. 1000 plus Physician referral pool.
- xii. Long standing relations with health care industry vendors and service providers.




2.2 The Audit Committee also took note of the following documents:

- a) **Valuation Report**, dated 22nd day of January, 2016, prepared and issued by the independent valuers, M. Anandam & Co., Chartered Accountants, Hyderabad, determining and recommending the fair Share Exchange Ratio (571 equity shares in Virinchi Limited for every 100 equity shares held in Bristlecone Hospitals Private Limited) as mentioned in the Scheme for the purpose of the proposed amalgamation.
- b) **Fairness Opinion Certificate**, dated 22nd day of January, 2016, issued by the independent Merchant Banker, Mark Corporate Advisors Private Limited, Mumbai, certifying that the valuation made by the M. Anandam & Co., Chartered Accountants, Hyderabad, is fair and reasonable for the proposed Share Exchange Ratio.
- c) **Networth Certificate** pre and post Scheme of Amalgamation, issued by the Statutory Auditors of the Company.
- d) **Certificate** issued by the Statutory Auditors of the Company in terms of provisions of SEBI Circular No. CIR/CFD/CMD/16/2015, dated 30th November, 2015, confirming the proposed accounting treatment as contemplated under clause 11 of Scheme of Amalgamation between Virinchi Limited and Bristlecone Hospitals Private Limited and their respective Shareholders and Creditors with reference to its compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 and the Circulars issued thereunder and all the applicable Accounting Standards notified under the Companies Act, 1956 and /or 2013 and Other Generally Accepted Accounting Principles

3. RECOMMENDATION OF THE AUDIT COMMITTEE

Taking into consideration the rationale and benefits of the Scheme of Amalgamation between Virinchi Limited and Bristlecone Hospitals Private Limited and their respective Shareholders and Creditors, the Valuation Report and the Fairness Opinion Certificate, the Audit Committee do hereby recommends the draft Scheme to the Board of Directors of the Company for favorable consideration and approval.

**BY THE ORDER OF THE AUDIT COMMITTEE
FOR VIRINCHI LIMITED**


M. RAMAM
CHAIRMAN



Place: Hyderabad
Date: 27.01.2016