REPORT OF THE AUDIT COMMITTEE OF ONTIC FINSERVE LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGMENT BETWEEN THE COMPANY AND ITS SHAREHOLDERS DATED 08TH MAY, 2024

To,

Ontic Finserve Limited
UL/8, Ankur Complex,
B/h Town Hall, Opp. X-Ray House,
Ellisbridge, Ahmedabad 380006

1. BACKGROUND

I. The meeting of Audit Committee of the Company was held on 8th May, 2024 to consider and recommend the proposed Scheme of Arrangement (Reduction of Capital) between the Company and Shareholders, under the provision of section 66(1)(b)(i), 230-232 of the Companies Act, 2013,(including any Statutory modification(s) or re-enactment thereof for the time being in force) and rule made there under (the Act) Regulation 37of SEBI LODR Regulation, 2015 and specifically the Hon'ble National Company Law Tribunal (Procedure for Reduction of Capital of the Company) Rule 2016 (Reduction Rules), which permits the Company to undertake a reduction of its equity share capital.

II. This report of the Audit Committee is made to comply with the requirements of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations. 2015 and SEBI Circular No. CFD/DIL3/CIR/2017 /21 dated March 10, 2017 and as amended from time to time read with SEBI Circular No. CFD/DIL1/CIR/P/2020/215 dated November 03, 2020.

III. The following documents were placed before the Audit Committee:

(a) Draft Scheme, by the Company Secretary of the Company for identification;

(b) Independent Auditor's Certificate in terms of Para (I) (A) (5) of Annexure I of the SEBI Circular No. CFD/DIL3/CIR/2017 /21 dated March 10, 2017 as amended from time to time, if any ("Accounting Treatment Certificate") issued by M/s. K M Chauhan & Associates Chartered Accountants (Firm Registration No. 125924W

(c) Undertaking by the Company along with Auditor's certificate with respect to non-applicability of Para I (A) (9) (a) and Para I (A) (9) (b) of Annexure I of SEBI Circular No. CFD/DIL3/CIR//2017/21 dated March 10, 2017 as amended from time to time; and

ONTIC FINSERVE LIMITED

(d) Fairness opinion dated 6th May, 2024 ("Fairness Opinion") prepared by M/s. Swaraj Shares & Securities Private Limited Independent Merchant Banker (SEBI Regn. No. INM000012980) providing the Fairness Opinion on the Scheme; and

(e) Undertaking by the Company regarding non-applicability of valuation report.

2. THE SALIENT FEATURES OF THE DRAFT SCHEME ARE AS UNDER:

i. Reduction of share capital of the Company on the Record Date (as defined in the Scheme) Such reduction shall be affected by reducing the paid-up capital of the Company from Rs. 9,00,03,000/- (Rupees Nine Crores Three Thousand only) divided into 9,00,03,000 equity shares of face value of Rs. 1/- each to Rs. 1,80,00,600 /- (Rupee One Crore Eighty Lakh Six Hundred only) divided into 1,80,00,600 equity shares of face value Rs. 1/- each by cancelling and extinguishing, in aggregate, 80% of the total paid-up equity share capital of the Company, comprising Rs. 7,20,02,400/- Rupees Seven Crores Twenty Lakhs Two Thousand Four Hundred Only) equity shares of face value Rs. 1/- each held by the shareholders of the Company.

The capital so reduced will be utilized to write off the accumulated losses of the Company.

ii. The Audit Committee reviewed the Fairness Opinion and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the Scheme is fair to the shareholders of the Company.

iii. Further, the Audit Committee reviewed the Accounting Treatment Certificate and noted that that the accounting treatment in the Scheme is in line with generally accepted accounting principles.

iv. Further this Scheme will help to achieve a rational structure which is commensurate with its remaining business and assets.

3. DISCLOSURE UNDER SEBI CIRCULAR

Disclosure under in terms of Para (I)(A)(2) of Annexure I of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with SEBI Circular No. CFD/DIL1/CIR/2020/215 dated November 03, 2020:

ONE FINSERVE LIMITED

PROPOSED SCHEME

1. Need for the reduction of Share capital

(a) The Company has suffered substantial losses and has not been able to scale its business and unleash its full potential for growth and profitability.

(b) As per the audited financial statements for the year ended March 31, 2024, the Company has accumulated losses amounting to Rs. 7,20,02,400/- (Rupees Seven Crores Twenty Lakhs Two Thousand Four Hundred Only). These accumulated losses have been wiping off the value represented by the share capital. Thus, the financial statements of the Company are not reflective of the financial position of the Company.

(c) Due to huge accumulated losses of the prior years, the financial statements do not reflect the turnaround in the business of the Company. Thus, with a view to ensure that (i) the financial statements of the Company reflect its true and fair financial health/ position; and (ii) to obliterate the share capital being lost and not represented by available assets of the Company, it is necessary to carry out reduction of share capital of the Company.

(d) The reduction of share capital in the manner proposed herein would enable the Company to rationalise its capital structure and present a true and fair financial position of the Company which commensurate with its business and assets.

2. Rationale of the scheme

(a) The reduction of share capital in the manner proposed herein would enable the Company to rationalise its capital structure and present a true and fair financial position of the Company which commensurate with its business and assets.

(b) It will allow company to serve its equity shareholder in better way with revised structure.

(c) Capital reduction will allow the elimination of accumulated losses, which would otherwise prevent the payment of dividends, to create distributable reserves

(d) It will improve the Debt-to-Equity Ratio of the Company.

(e) It will scale up P.E. ratio of the Company.

OMEGA FINSERVE LIMITED

3. **Synergies of business of the entities involved in the scheme**

(a) The Scheme, if approved, may enable the Company to avail business opportunities that it was unable to take advantage because of its huge Accumulated Losses.

(b) The reduction of capital in the manner proposed would enable the Company to have a rational structure which is commensurate with its remaining business and assets.

(c) The Scheme of reduction, after full implementation, will result in making the Company's balance sheet leaner, downsized and attractive to Investors and stakeholder at large.

(d) The proposed Scheme would be for the overall benefit of the Company, its creditors, Shareholders and all other stakeholders.

(e) The proposed Scheme will enable the Company to use a part of the amount which is lying unutilized in the Securities Premium Account of the Company in an effective manner for the benefit of the Company.

(f) The Scheme, if approved, would provide greater flexibility to the Company in raising funds either from the capital market or for many Bank/ Financial Institutions in the form of equity or debt, depending upon the business needs of the Company.

4. **Impact of the Scheme on the Shareholders**

(a) As it can be read and seen from the reasoning mentioned in Rationale and Purpose involved in proposed scheme, the proposed reduction of share capital is in the best interest of the Company and its shareholders, creditors and all concerned.

(b) The only impact of the scheme would be as follows:
By the virtue of the proposed scheme the post reduction, paid-up capital of the Company shall stand reduced from 9,00,03,000/- (Rupees Nine Crores Three Thousand only) divided into 9,00,03,000 equity shares of face value of Rs. 1/- each to Rs. 1,80,00,600 /- (Rupee One Crore Eighty Lakh Six Hundred only) divided into 1,80,00,600 equity shares of face value Rs. 1/- each by cancelling and extinguishing, in aggregate, 80% of the total paid-up equity share capital of the Company, comprising Rs. 7,20,02,400/- Rupees Seven

ONTI FINSERVE LIMITED

Crores Twenty Lakhs Two Thousand Four Hundred Only) equity shares of face value Rs. 1/- each held by the members of the Company.

Therefore, upon the Capital Reduction being confirmed by the NCLT and becoming effective and operative Rs. 7,20,02,400/- Rupees Seven Crores Twenty Lakhs Two Thousand Four Hundred Only) equity shares of face value Rs. 1/- each of the Company held by the Shareholders shall stand cancelled and extinguished and rendered invalid and the Shareholders of the Company appearing as registered equity shareholders of the Company as on the date to be determined by the Board of Directors (the "Board") (the "Record Date"), shall be paid sum for fraction entitlement on proportionate basis for the equity shares held by them, if any, and which are to be extinguished.

(c) There would be no change in the proportionate shareholding of any of the existing shareholder.

5. Cost Benefit analysis of the Scheme

(a) The financial restructuring will help the Company to reflect the true shareholder value which would place the Company in a position to raise funds in fuel future growth of the Company.

(b) The Scheme of Capital Reduction does not involve any direct cost to the company as there is no payment/ pay-out involved to any of the shareholder or other stakeholders apart from paying fractional entitlements.

4. VALUATION REPORT

The conditions prescribed in of Para(I)(A)(4) of Annexure I of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with SEBI Circular No. CFD/DIL1/CIR/2020/215 dated November 03, 2020 are not applicable to the proposed Scheme of Reduction of Capital of the Company for the following reasons:

(a) Point 4 (C) of the Circular envisage that all listed entities are required to submit a valuation report from a Registered Valuer except where there is no change in shareholding pattern of the listed entity.

(b) The Change in shareholding pattern is defined as-

For the limited purpose of this Circular, 'change in the shareholding pattern' shall mean-

Sr. No.	Clause	Remarks
(i)	change in the proportion of shareholding of any of the existing shareholders of the listed entity in the resultant company; or	The proposed scheme does not envisage any change in the proportion of shareholding of any existing shareholder of the Company in the resultant company.
(ii)	new shareholder being allotted equity shares of the resultant company; or	The proposed scheme does not envisage any equity shares being allotted to any new shareholder in the resultant company.
(iii)	existing shareholder exiting the company pursuant to the Scheme of Arrangement	The proposed scheme does not envisage exiting of any existing shareholder of the Company pursuant to Scheme of Arrangement.

As explained above that the proposed scheme for reduction of capital neither involves issue of any new shares to anyone nor will cause any change to the holding of the any existing shareholder.

5. RECOMMENDATION OF THE AUDIT COMMITTEE

Taking into consideration the draft Scheme, Fairness Opinion and Accounting Treatment Certificate as placed before the Audit Committee and also the need, rationale, synergies impact and the cost benefit analysis as stated above, the Audit Committee:

(a) confirms that the proposed scheme is not detrimental to its shareholders and is in the best interest of the Company and its shareholders, creditors and all concerned and

(b) recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee

For and on behalf of Ontic Finserve Limited

Name: Mrs. Anjanaben Makwana
Chairperson - Audit Committee
Place: Ahmedabad