



**REPORT OF THE AUDIT COMMITTEE OF M/S PALRED TECHNOLOGIES LIMITED DATED
11.02.2014**

PRESENT:

Mr.E. Srinivas Prasad - Chairman
Mr. Mohan Krishna Reddy - Member

1. BACKGROUND:

Ms.V.Haritha, Company Secretary has placed before the Audit Committee the Scheme of Arrangement relating to reduction of Capital & consolidation, amalgamation of M/s.Palred Media & Entertainment Private Limited (1st Transferor Company) and PalPremium online media private Limited (2nd Transferor Company) with Palred Technologies Limited (Transferee Company) under Sections 391 to 394, 78, 101 to 103 and other applicable provisions if any of the Companies Act, 1956 for recommendation as required under SEBI Circular No. CIR / CFD / DIL / 5 / 2013 dated 4th February 2013.

The report of the Audit Committee is made in order to comply with the requirements of the circular after considering the following:

1. Scheme of Arrangement (the Scheme)
2. Valuation Report dated 11th February 2014 from Independent Auditor
3. Fairness opinion dated 11th February 2014 from Merchant Banker

2. PROPOSED SCHEME OF ARRANGEMENT:

The Audit Committee, on the perusal of above documents, discussed the matter and was of the opinion that:

1. The reason for reduction under section 100 was logical as the Company has generated surplus cash out of sale of business of Four Soft to Kewill Group Company.
2. The Company proposes to enhance its business operation activities by way of amalgamation of two other Companies belonging to the same group with the Transferee Company.
3. The Board appointed M/s M.M.Reddy & Co., Independent Chartered Accountants to prepare a Valuation Report. The Committee hereby accepts the same which seems to be logical as per Accounting Standards.



PALRED TECHNOLOGIES LIMITED
(FORMERLY KNOWN AS FOUR SOFT LIMITED)

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4. The Board appointed M/s Karvy Investments Private Limited, a SEBI registered Merchant Banker for Fairness opinion on the report. The Committee hereby accepts the same.

Salient Features of the Scheme:

1. The Scheme provides for 50% reduction of Capital from Rs.19,51,84,850/- divided into 3,90,36,970 equity shares of Rs.5/- each to Rs.9,75,92,425/- equity shares of Re. 5 each by reducing the paid up capital to the extent of fifty percent which is in excess of requirements of the Company.
2. After reduction, the paid-up capital is to be consolidated into Rs.9,75,92,425/- divided in to 97,59,242 equity shares of Rs. 10/- each .
3. Further the Company provides for amalgamation of M/s.Palred Media & Entertainment Private Limited (1st Transferor Company) and PalPremium online media private Limited (2nd Transferor Company) with Palred Technologies Limited (Transferee Company). The rationale of the scheme is concluded as under:
 - (a) The Merger of Transferor Companies into the Transferee Company will help the Transferee Company to achieve better efficiency and streamlined management control and operation of businesses and activities, and would enable the combined entity to participate more vigorously and profitably in an increasing competitive market.
 - (b) Greater integration and flexibility for the amalgamated entity, will improve the competitive position of the combined entity.
 - (c) Improved organizational capability and leadership, arising from the pooling of human capital who have the diverse skills, talent and vast experience to compete successfully in an increasingly competitive industry.
 - (d) Cost savings are expected to flow from more focused operational efforts, rationalization, standardization and simplification of business processes, productivity improvements, improved procurement, and elimination of duplication, and rationalization of administrative expenses.
 - (e) Amalgamation will also provide an opportunity to leverage combined assets and build a stronger sustainable business. Specifically the amalgamation will enable optimal utilization of existing resources and provide an opportunity to fully leverage the assets, capabilities, experience, expertise and infrastructure of the Companies.
 - (f) The Transferee Company and as well as Transferor Companies share common fundamental management philosophies. The Companies also share common corporate values.
 - (g) This Scheme of Arrangement, if approved, will be beneficial to the companies, their shareholders, creditors, employees and all concerned and will enable these companies to achieve and fulfill their objective more efficiently and economically.



(h) The value of shares of combined entity shall enhance the shareholders value by becoming a part of strong operating entity, rationalization of inter-company transactions etc.

4. Swap/Exchange Ratio:

Four (4) equity shares of Rs.10/- each of the Company for every 10 equity shares of Rs.10/- each held by the shareholders in Palred Media & Entertainment Limited (1st Transferor Company) and Thirty Seven (37) equity shares of Rs.10/- each of the Company for every 10 equity shares of Rs.10/- each held by the shareholders in PalPremium online Media Private Limited (2nd Transferor Company)

The Committee considered each and every aspect of the scheme decided as under:

The Audit committee approved the draft scheme after interalia considering the valuation report dated 11th February issued by M/s M.M.Reddy & Co., Independent Chartered Accountants and fairness opinion report dated 11th February issued by M/s. Karvy Investments Private Limited, Merchant Bankers and hereby recommends the Scheme for favorable consideration of the Stock Exchange(s) and SEBI.

For and on behalf of the Audit Committee
Palred Technologies Limited



Chairman of Audit Committee

A handwritten signature in black ink, appearing to be "S. S. Reddy".

Place: Hyderabad

Date: 11th February 2014