

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF MEDINOVA DIAGNOSTIC SERVICES LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF MEDINOVA DIAGNOSTIC SERVICES LIMITED WITH VIJAYA DIAGNOSTIC CENTRE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

The following members of the Audit Committee (“Committee”) of Medinova Diagnostic Services Limited (“Transferor Company” or the “Company”) were present at the meeting of the Committee:

1. Ravikumar Reddy Kanamatareddy – Chairman
2. P Kamalakar Rao – Member
3. Dr. S Surendranath Reddy – Member

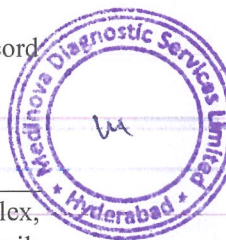
1. Background

- 1.1 A meeting of the Committee was held on June 26, 2024 to consider and recommend the proposed Scheme of Amalgamation which *inter alia* provides for the amalgamation of the Company with and into the Vijaya Diagnostic Centre Limited (“Transferee Company”) pursuant to a Scheme of Amalgamation amongst the Company, the Transferee Company and their respective shareholders and creditors (“Scheme”) under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“Companies Act”).
- 1.2 The Transferee Company is a listed public limited company, whose equity shares are listed on the BSE Limited (“BSE”) and the National Stock Exchange of India Limited.
- 1.3 The Company is a listed public limited company, whose equity shares are listed on BSE.
- 1.4 In terms of the Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 issued by the Securities and Exchange Board of India (“SEBI”) on June 20, 2023 (as amended from time to time) (“SEBI Scheme Circular”), the Committee is required to provide a report recommending the draft Scheme taking into consideration, *inter alia*, the valuation report(s). This Report of the Committee is also required to, in terms of the SEBI Scheme Circular, comment on the: (a) need for the merger/ amalgamation/ arrangement; (b) rationale of the Scheme; (c) synergies of business of the entities involved in the Scheme; (d) impact of the Scheme on the shareholders; and (e) cost benefit analysis of the Scheme.
- 1.5 The Scheme shall be filed with the National Company Law Tribunal, Hyderabad Bench as per Sections 230 to 232 of the Companies Act and has been drawn in compliance with Section 2(1B) and other applicable provisions of the Income-tax Act, 1961 and other applicable laws, including the SEBI Scheme Circular.
- 1.6 This Report is made in compliance with the SEBI Scheme Circular.

2. Documents perused by the Committee

While deliberating on the Scheme, the Committee, *inter alia*, considered and took on record the following documents:

Regd. Office: H. No. 7-1-58, Unit No. 1 / Flat No. 301, 3rd Floor, Amrutha Business Complex, Ameerpet, Hyderabad – 500016, Telangana, India, Phone- 040 - 42604250, E-mail: medicorp@medinovaindia.com, Website- www.medinovaindia.com



- (a) the draft Scheme;
- (b) the Valuation Report dated June 26, 2024 issued jointly by SSPA & Co Chartered Accountants with Registration number IBBI/RV-E/06/2020/126 and CA Prashant Ghorela with Registration Number IBBI/RV/06/2021/14003), Registered Valuers appointed by the Audit Committee of the Board of the Company and the Transferor Company (collectively referred to as the “**Valuation Report**”);
- (c) the Fairness Opinion dated June 26, 2024, issued by Fortress Capital Management Services Private Limited, SEBI registered merchant banker with registration number INM000011146 providing its opinion on the fairness of the share exchange ratio proposed in the Valuation Report (“**Fairness Opinion**”); and
- (d) the Certificate dated June 26, 2024 issued by M. Anandam & Co., the Statutory Auditors of the Company, certifying that the accounting treatment contained in the Scheme is in conformity with the accounting standards prescribed under Section 133 of the Companies Act read with the rules framed thereunder or the accounting standards issued by the Institute of Chartered Accountants of India, as applicable and other generally accepted accounting principles.

3. Salient features of the Scheme

3.1 The Scheme, amongst others, contemplates the following:

- (a) the amalgamation of the Transferor Company with and into the Transferee Company on a going concern basis in accordance with Section 2(1B) of the Income-tax Act, 1961 and the consequent issuance of equity shares by the Transferee Company to the shareholders of the Transferor Company under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and the SEBI Scheme Circular; and
- (b) various other matters incidental, consequential or otherwise integrally connected therewith.

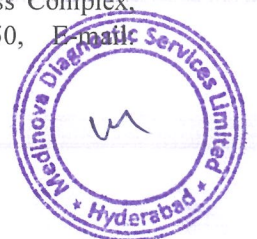
3.2 The Appointed date (*as defined in the Scheme*) of the Scheme is 01 April 2024.

3.3 The effectiveness of the Scheme is conditional upon fulfilment of certain conditions precedent as provided in Clause 29 of the Scheme.

4. Need for the Scheme, Rationale of the Scheme, and Synergies of business of the entities involved in the Scheme

- 4.1 Both the Transferor Company and Transferee Company are engaged in the business of providing diagnostic services. The proposed amalgamation will enable the Transferor Company and the Transferee Company to combine their businesses and create synergies between their businesses, including revenue synergies through sharing of consumer understanding, market insights and channel models to ensure faster reach to the market and to achieve faster growth;
- 4.2 Cost savings are expected to flow from more focused operational efforts and simplification of business processes, productivity improvements, improved procurement, usage of common resource pool like human resource, administration, finance, accounts, legal, technology and

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other related functions, leading to elimination of duplication and rationalization of administrative expenses;

- 4.3 The proposed amalgamation is expected to create enhanced value for the stakeholders of the Transferor Company and the Transferee Company;
- 4.4 Greater efficiency in cash management of the Transferee Company, pooling of cash resources and unfettered access to cash flow generated by the combined business which can be deployed more efficiently to fund growth opportunities, to maximize shareholder value; and
- 4.5 Simplification of overall group structure and creating efficiencies through amalgamation.

5. Impact of the Scheme on the shareholders

- 5.1 The Committee reviewed the Valuation Report and noted the valuation and the share exchange ratio for the proposed amalgamation as recommended by the valuers. No special valuation difficulties were reported by the valuers in their respective Valuation Report.
- 5.2 As per the Scheme, in consideration for the proposed amalgamation, the Transferee Company is required to issue and allot fully paid-up equity shares of the Transferee Company to the shareholders of the Transferor Company other than the Transferee Company or its nominees or subsidiaries, whose names are registered in the Register of Members of the Transferor Company as on the Record Date or to such of their respective heirs, executors, administrators or other legal representatives or their successors in title as may be recognised by the Board of Directors of Transferor Company in the following manner:

For every 22 Equity Shares of face value of INR 10 (INR Ten only) each fully paid up held in the Transferor Company as on the Record Date (as defined in the Scheme), the equity shareholders of the Transferor Company shall be issued 1 Equity Share of face value of INR 1 (INR One only) each fully paid up in the Transferee Company.

- 5.3 The equity shares of the Transferee Company to be issued and allotted to the shareholders of the Company as per the aforementioned share exchange ratio (which is in terms of the Valuation Report) are to rank *pari passu* in all respects with the existing equity shares of the Transferee Company.

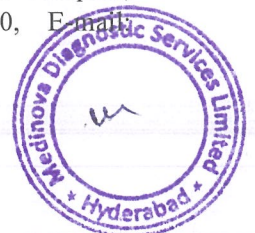
6. Cost benefit analysis of the Scheme

The Committee noted that the Scheme will provide an opportunity to improve the economic value for the shareholders of the Transferee Company and the Company. This is reflected by the proposed improved synergies that will arise pursuant to the Scheme. Although the Scheme involves certain costs such as transaction cost, implementation cost, regulatory fees, stamp duties, etc., however, the benefits of the proposed amalgamation as specified in paragraph 4 above over a long period would far outweigh such costs.

7. Recommendations of the Committee and Conclusion

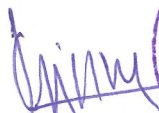

Having considered the Scheme and its rationale and benefits, the Valuation Reports, the Fairness Opinion, impact of the Scheme on its shareholders, cost benefit analysis of the Scheme, synergies of business and other documents as placed before the Committee, the

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Committee unanimously recommends the Scheme for approval by the Board of Directors of the Company, BSE, NSE, the SEBI and other statutory/ regulatory authorities including the National Company Law Tribunal, Hyderabad Bench.

For and on behalf of the **Audit Committee of Medinova Diagnostic Services Limited**



Ravikumar Reddy Kanamatareddy
Chairman - Audit Committee
DIN: 10663314
Date: June 26, 2024
Place: Hyderabad