



IN THE NATIONAL COMPANY LAW TRIBUNAL
BENGALURU BENCH, BENGALURU
(Through Physical Hearing/ VC Mode (Hybrid))

C.P. (CAA) No. 47/BB/2024

U/s. 230, 231 & 232 r/w Section 66 & other
Applicable provisions of the Companies Act, 2013
R/w Companies (Compromises, Arrangements and
Amalgamations) Rules, 2016

IN THE MATTER OF:

QUESS CORP LIMITED

Registered Office:

3/3/2, Bellandur Gate, Sarjapur Main Road,
Bangalore, Karnataka, India 560103

...Petitioner Company No. 1/ Demerged Company

DIGITIDE SOLUTIONS LIMITED

Registered Office:

3/3/2, Bellandur Gate, Sarjapur Main Road,
Bangalore, Karnataka, India 560103

...Petitioner Company No. 2/ Resulting Company No. 1

BLUSPRING ENTERPRISES LIMITED

Registered Office:

3/3/2, Bellandur Gate, Sarjapur Main Road,
Bangalore, Karnataka, India 560103

...Petitioner Company No. 3/ Resulting Company No. 2

Order delivered on: 04/03/2025

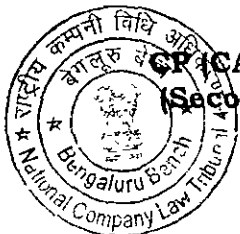
CORAM:

Hon'ble Mr. K Biswal Member (Judicial)

Hon'ble Mr. Ravichandran Ramasamy, Member (Technical)

PRESENT:

For the Petitioner : Shri. Saji. P. John



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(Second Motion)

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ORDER

1. This is a Second Motion Petition filed on 12.12.2024 by Quess Corp Limited (for brevity, the 'Petitioner Company No.1/ Demerged Company'), and Digitide Solutions Limited (for brevity, the 'Petitioner Company No.2/ Resulting Company No.1') with Bluspring Enterprises Limited (for brevity, the 'Petitioner Company No.3/ Resulting Company No.2') under Sections 230 to 232 of the Companies Act, 2013 (for short to be referred hereinafter as the 'Act') and Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 (for brevity, 'Rules') by *inter alia* seeking for the sanction of Composite Scheme of Arrangement of Petitioner Company No.1, Petitioner Company No.2 and Petitioner Company No.3 and their respective Shareholders and Creditors. The Composite Scheme of Demerger is annexed as **Annexure-A** to the Petition.
2. The Petitioner Companies filed First Motion Application under section 230-232 of the Companies Act, 2013 bearing CA (CAA) No. 36/BB/2024 before this Tribunal and vide order dated 22.10.2024 of this Tribunal, the meeting of Equity Shareholders of the Petitioner Company No.2 & Petitioner Company No. 3, Secured Creditors of the Petitioner Company No.1 are dispensed with and directed to convene the Meeting of Equity Shareholders and Unsecured Creditors of the Petitioner Company No.1. There were no Secured/ Unsecured Creditors Petitioner Company No.2 & Petitioner Company No. 3.
3. The following directions were issued by this Tribunal, vide Order dated 19.12.2024:

"4. The Petition be listed for hearing on 30.01.2025. At least 10 days before the date fixed for final hearing, the Petitioner Company shall publish the notice of final hearing of the Company Petition in two local newspapers viz. "Business Standard" in English Edition and translation thereof in "Kannada Prabha" in Kannada Edition, as per Rule 16 of the Companies (Compromises,





Arrangements and Amalgamations) Rules, 2016.

5. *Notice be also served upon the Objector(s) or their representative as contemplated under sub-section (4) of Section 230 of the Act who may have made representation and who have desired to be heard in their representation along with a copy of the Petition and the annexures filed therewith at least 15 days before the date fixed for hearing. It is to be specified in the notices that the objections, if any, to the Scheme may be filed within thirty days from the date of the receipt of the notice, failing which it will be considered that there is no objection to the approval of the Scheme on the part of the objectors.*
6. *In addition to the above public notice, each of the Petitioner Company shall serve the notice of the Petition on the following Authorities namely, (i) the Central Government through the office of the Regional Director (South East Region); (ii) Concerned Registrar of Companies; (iii) Nodal Officer of Income Tax Department - the Principal Chief Commissioner of Income Tax, Karnataka & Goa; (iv) Official Liquidator; (v) The Assessing Officer, Kormangala, Bengaluru; (vi) SEBI/BSE/NSE and (vii) other Sectoral Regulators/ Authorities if any, along with the copy of this Petition by speed post immediately and to such other Sectoral Regulator(s) who may govern the working of the respective Companies involved in the Scheme as per Rule 8 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, with a direction that they may submit their representation, if any, within 30 (thirty) days from the date of receipt of such notice, failing which it will be presumed that the said Authority has no representation to make to the Scheme."*
4. Pursuant to the aforesaid notice, the authorized signatory of the Petitioner companies has filed copies of proof of service of notice vide Diary No. 207 dated 10.01.2025 along with copies of paper publication of notice of hearing. Further, Petitioner Companies States that there are no objectors to the scheme and hence Notice to objectors are not required to be issued.



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5. The main objects, dates of Incorporation, authorized, issued and paid-up share capital, rationale of the scheme and interest of employees have been given in detail in first motion order dated 22.10.2024.
6. The Board Resolution of the Petitioner Companies approving the Scheme is submitted as **Annexure-H Series** of the Company Petition. The "Appointed Date" as defined under the scheme is **April 01st, 2024**.
7. It is further submitted that the Certificate of Statutory Auditors of the Transferee Company, stating that the accounting treatment contained in Clause 28 of Scheme is in compliance with the applicable accounting standards specified under Section 133 of the Act and other generally accepted accounting principles. The aforesaid certificate is submitted as **Annexure T- Series** to the Petition.
8. The audited financial statement as on 31.03.2024 of the Petitioner Company No.1/Demerged Company and the provisional financial statement as on 30.09.2024 of the Petitioner Company No.1/Demerged Company is submitted as **Annexures C & C1** to the Petition.
9. The Audited financial statement as on 31.03.2024 of the Petitioner Company No.2/Resulting Company No.1 and the Provisional financial statement as on 30.09.2024 of the Petitioner Company No.2/Resulting Company No.1 is submitted as **Annexures E & E1** of the Petition.
10. The Provisional financial statement as on 31.03.2024 of the Petitioner Company No.3/Resulting Company No.2 and the Provisional (Unaudited) financial statement as on 30.09.2024 of the Petitioner Company No.3/Resulting Company No.2 is submitted as **Annexures G & G1** of the Petition.



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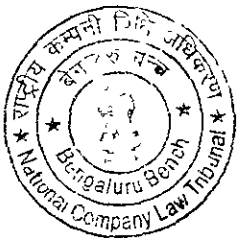


11. The Valuation Report/Share Entitlement Report obtained from a Registered Valuer for the Composite Scheme of Arrangement of the Petitioner Companies is submitted as **Annexure J** to the Petition.

12. In pursuant to the notice, the Regional Director (RD) and the Registrar of Companies (ROC) have filed their Common report vide Dairy No. 530 dated 29.01.2025. Both RD and RoC have raised observations vide para 2 of their report and are given below:

1. Digitide Solutions Limited (Resulting Company 1) and Bluspring Enterprises Limited (Resulting Company 2) are Unlisted Companies incorporated recently on 10/02/2024 and 11/02/2024 respectively and filing of financial statements in respect of the above companies are not yet due. The Demerged Company has filed its statutory returns upto 31-03-2024.
2. As per MCA records, the petitioner companies have common directors.
3. The Demerging Company is a Listed Company and the Shares of the Company are listed both on National Stock Exchange of India Limited and Bombay Stock Exchange Limited and the Petitioner Companies have submitted NOC letters dated 1-7-2024 and 1-8-2024 obtained from BSE Ltd. and NSE Ltd. In this regard, the Petitioner Companies may be directed to comply with the conditions stated in the NOC.
4. As the shares of Demerged Company are registered on stock exchanges, the Demerged Company shall comply with SEBI (Listing Obligations and Disclosure Requirements), 2015 and the Petitioner Companies may be directed to furnish an undertaking in this regard.
5. As per MCA records, the Demerging Company has huge open Charges and hence, the Company has to obtain and furnish No Objection Certificate/s from the concerned Charge holder/s to the Hon'ble NCLT before the Scheme is allowed.

Further, the Demerging Company needs to clarify as to how many





assets having registered Charges that are to be transferred to the Resulting Company 1 and 2 as part of this Scheme. The Hon'ble NCLT may be pleased to direct the petitioner companies and furnish the details and Hon'ble Tribunal may include the details of charges being transferred to the Resulting Company 1 & Resulting Company 2 in the operative part of the Order.

6. As per Clause 1.1 of Part I of the Scheme, the appointed date is 1st April 2024.

7.

i. As per MCA records, the Demerging Company was originally incorporated on 19/09/2007 with the name IRIS HUMAN CAPITAL SOLUTIONS PRIVATE LIMITED and subsequently changed its name to IKYA HUMAN CAPITAL SOLUTIONS PRIVATE LIMITED with effect from 15/10/2007.

ii. Furthermore, the Company converted into a Public Limited Company with effect from 02/07/2013.

iii. The Company again changed its name to QUESS CORP LIMITED with effect from 02/01/2015.

8. The Capital Structure of the Demerging Company as provided in Clause 4.1 of Part I of the Scheme does not match with the Capital Structure in the Master data of the company in MCA Data. Hence, Petitioner Companies may be directed to clarify the same to the Hon'ble NCLT along with details of share allotments/transfer/s if any and how their interests are protected since it appears that there is a change in the capital structure of the company as on 31-12-2024.

9. As per Para 26 of Hon'ble NCLT, Bengaluru Bench order dated 22/10/2024:

a. The meetings of the Equity Shareholders of Resulting Company 1 & 2 have been dispensed with.

b. The meeting of the Equity Shareholders of the Demerging Company was convened on 09/12/2024 and as per Scrutinizer's Report, the Scheme has been approved by the requisite majority.





- c. The meeting of the Unsecured Creditors of the Demerging Company was convened on 09/12/2024 and as per Scrutinizer's Report, the Scheme has been approved by the requisite majority.
 - d. The meeting of Secured Creditors of the Demerging Company has been dispensed with.
 - e. The Resulting Company 1 & 2 have no Secured and Unsecured Creditor; hence no meetings were convened.
10. As per the latest Audited Financial Statements for the year ending 31/03/2024, the Demerging Company is a profit-making entity.
11. The Demerging Company has certain ESOPS (Employee's Stock Option Scheme). The employees' rights shall not be adversely affected or varied in any case. Further, it is to be clarified to the Hon'ble NCLT as to what measures are being taken to protect their interests and whether the Company has received any objections to the Scheme from them. Further, the terms and conditions after the Demerger should not be detrimental to the existing ESOP holders under any circumstances. As per the Scheme, it is stated that the vested ESOPs will be transferred to the Resulting Company 1 and Resulting Company 2 and unvested ESOPs will be cancelled and fresh allotment of shares will be made subject to approval of the Scheme. Hence, the Petitioner Companies may be directed to furnish an undertaking before the Hon'ble NCLT in this regard stating that the interest of all ESOP holders will be protected after Demerger.
12. As per Note no. 22 of the Audited Financial Statements for the year ending 31/03/2024, the Demerging Company has total outstanding dues to Micro, Small and Medium Enterprises to the tune of Rs. 13.48 crores. The Company may be asked to show as to how it has complied with Micro, Small and Medium Enterprises Development Act, 2006 and may be directed to furnish an undertaking to the Hon'ble NCLT to the effect that it will settle the dues as per the said Act immediately, if not settled so far.
13. As per the Independent Auditor's Reports for the financial year ending 31/03/2024, the Demerging Company has total outstanding disputed dues towards Service Tax, Provident Fund, Goods and Services Tax and Income





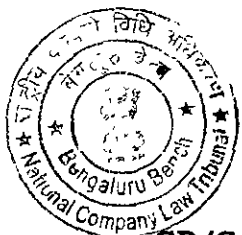
tax to the tune of Rs. 60.43 crores, Rs. 87.51 crores, Rs. 12.54 crores and Rs. 195.57 crores respectively. The Petitioner Companies may be directed to furnish an undertaking to the Hon'ble NCLT to the effect that the dues will be settled by the Petitioner Companies as and when the claim is crystallized by the statutory authorities.

14. As per Note no. 25 of the Audited Financial Statements for the year ending 31/03/2024, the Demerging Company has undisputed statutory dues to the tune of Rs. 404.08 crores. Hence, the Company may be directed to furnish an undertaking to the Hon'ble NCLT to the effect that it will settle the statutory dues immediately, if not settled so far.
15. As per the Audited Financial Statements for the year ending 31/03/2024, the Demerging Company has Foreign Exchange Transactions. The Company may be asked to submit the relevant approvals and compliances made under FEMA/ RBI Regulations before the Scheme is allowed.
16. As per Clause 14.1 of Part II and Clause 25.1 of Part III of the Scheme, the Resulting Company 1 and 2 shall issue and allot 1 equity share of Rs 10/- each to the shareholders of Demerging Company respectively for every 1 Equity share of Rs 10 each held in the Demerging Company.
17. As per Clause 11 of Part II and Clause 22 of Part III of the Scheme, all the employees of the Demerging Undertaking 1 & 2 of the Demerging Company respectively shall be absorbed into Resulting Company 1 and 2 respectively. The Petitioner Companies are required to explain before the Hon'ble NCLT as to what measures are being taken to safeguard the Interests of the employees of the Demerging Undertakings and steps taken for implementation of this Clause and also furnish an undertaking before the Hon'ble NCLT in this regard.
18. The Authorised Share Capital of the Resulting Company 1 and 2 may not be adequate to issue shares to the shareholders of the Demerging Company post sanction of the Scheme. The Resulting Companies may be asked to furnish an undertaking to the Hon'ble Tribunal to the effect that the Companies will increase their Authorised Share Capital adequately and file relevant e-forms with the Registrar of Companies.





19. As per MCA records, the Demerging Company has filed MGT-7s for the financial years 2021-22 and 2022-23 vide SRNs F34435883 dated 28/10/2022 and F69564326 dated 19/10/2023 respectively, the status of which is 'Pending for upload of investor'. However, upon verification it is found that the said e-forms have been approved through STP mode on 13-01-2025.
20. The Accounting Treatment as mentioned in the Scheme needs to be as per the prescribed Accounting Treatment in the Companies Act, 2013 and the applicable Accounting Standards issued from time to time. Hence, the Petitioner Companies may be directed to comply with the Accounting Standards as applicable u/s 133 of the Companies Act, 2013.
21. There are no open Complaints, Prosecution, Technical Scrutiny/ Inquiry, Inspection and Investigation pending in this office against the Demerging Company, Resulting Company 1 and Resulting Company 2.
22. With reference to the Directorate's letter dated 24.10.2024 issued to the Principal Commissioner of Income Tax, Bengaluru, no report/comments in the matter have been received from Income Tax Department till date with respect to the Petitioner Transferor Company. The Hon'ble Tribunal may be pleased to obtain consent/NOC from the Income Tax Department with respect to the Petitioner Company, before the scheme is allowed.
23. With reference to the Directorate's letter dated 24.10.2024 Issued to the Reserve Bank of India, Bengaluru and Mumbai, no report/comments in the matter have been received from Reserve Bank of India, Bengaluru and Mumbai till date with respect to the Petitioner Companies. The Hon'ble Tribunal may be pleased to obtain consent/NOC from the Reserve Bank of India, Bengaluru and Mumbai with respect to the Petitioner Company, if required, before the Scheme is allowed.
24. As seen from the Balance Sheet as at 31-03-2024 filed by the Demerged Company, the company has related party transactions during the last two years and the company has also given huge loans to the related parties. In this regard, the Demerged Company may be directed to show the compliance of the provisions of Section 185/186 & 188 of the Companies



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Act, 2013 and furnish an undertaking in this regard before the Hon'ble NCLT.

25. As seen from the Balance Sheet of the Demerged Company as at 31.03.2024, qualified opinion of the auditor exists. Further, upon examination of the reply furnished by the Petitioner Companies, it is observed that the qualified opinion by the auditor is attributed to the uncertainty of the outcome of a regulatory action on a Chartered Accountant who issued a certificate to the Petitioner Company 1 for the aforesaid tax matter and not on the Company nor due to any material misstatement of the Financial Statements and the conclusion is "as a result of the uncertainty in respect of the outcome in the aforesaid matter, pending ultimate resolution and acceptance by the Income Tax Authority and no comments are made as to whether any adjustments are necessary. In this regard, the Petitioner Companies may be directed to furnish clarification before the Hon'ble NCLT.

26. The Demerged Company being a listed company, the interest of the shareholders/public shall be taken care by the Petitioner Companies and shall be directed to furnish an undertaking in this regard.

13. Subsequently, the Petitioner Companies has filed a Reply affidavit to the Common Report of RD & ROC vide Diary No. 615 dated 03.02.2025, inter alia, stating as follows:-

1. **Regarding observation in Para No. 1 & 2 of the Common Report**, it is submitted that the said observations are factual and are not required to be traversed.
2. **Regarding observation in Para No. 3 & 4 of the Common Report**, it is submitted that NOC under Regulation 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, in each case, as amended from time to time has already been received from BSE Limited and National Stock Exchange of India on July 31, 2024 and August 01, 2024





respectively. Further, the Petitioner Companies are in compliance and shall ensure proper compliance with the conditions provided in the NOC letters and compliances under SEBI (Listing Obligations and Disclosure Requirements), 2015. Copy of the Compliance Reports submitted to BSE Ltd. and National Stock Exchange of India are attached and marked as **ANNEXURE 1 SERIES**.

3. **Regarding observation in Para No. 5 of the Common Report**, these charges are registered against the borrowing limits and vehicle loan of the Demerged Company. It is submitted that the Secured Creditors of the Demerged Company constituting 100% of the total secured debt as on March 31, 2024 had given their consent to the Scheme by way of Consent Affidavit and based on the same this Hon'ble Tribunal dispensed the meeting of Secured Creditors of the Demerged Company. Paragraph 12 of the First Motion Order covers the same. A copy of the CA order is available at ANNEXURE K of the Company Petition. Further, the Demerged Company's secured debt has been reduced from Rs. 202.91 crores as on March 31, 2024 to Rs. 111.83 crores as on December 31, 2024. Those open charges against unutilized borrowing limits will be modified/ satisfied upon approval of Hon'ble NCLT order and charges related to the business of Demerged Undertaking 1 and Demerged Undertaking 2 will be transferred/ modified in favor of Resulting Company 1 and Resulting Company 2 respectively. The details of charges with the outstanding status as on March 31, 2024 is produced as **ANNEXURE 2**.
4. **Regarding observation in Para No. 6 & 7 of the Common Report**, it is submitted that the said observation is true and is not required to be traversed.
5. **Regarding observation in Para No. 8 of the Common Report**, it is submitted that the paid-up capital of Demerged Company was Rs. 1,48,47,83,200 (14,84,78,320 equity shares of Rs. 10/-each) as on February 11, 2024 as mentioned in the clause 4.1 of the Scheme. However, the paid-up capital was increased on account of allotment of shares under Quess Stock Ownership Plan, 2020 ("QSOP 2020") to the eligible employees





which is mentioned in the aforesaid clause of the Scheme. As part of the QSOP 2020, employees of the Demerged Company exercise their vested options from time to time and accordingly, the Demerged Company allotted 2,09,015 equity shares of Rs. 10 each to employees, leading to increase in paid up capital from Rs. 1,48,47,83,200 (14,84,78,320 equity shares of Rs. 10/- each) to Rs. 1,48,68,73,350 (14,86,87,335 equity shares of Rs. 10 each). This change in paid up capital is already contemplated in the Composite Scheme under Clause 4.1 and also informed to the Registrar of Companies, Karnataka and Regional Director, South East Region. Therefore, paid-up share capital of the Demerged Company is increased and Return of allotment(s) filed with the Registrar of Companies, Karnataka are annexed herewith and marked as **ANNEXURE 3 SERIES**, total of which is matching with the paid up capital as per MCA master data as well.

6. **Regarding observations in Para No. 9 & 10 of the Common Report**, it is submitted that the said observations are factual and are not required to be traversed.
7. **Regarding observations in Para No. 11 of the Common Report**, it is submitted that Clause 12 and Clause 23 of the Scheme provides for necessary safeguards to ensure that the Scheme do not prejudice the rights and benefits of "Transferred Employees 1" and "Transferred Employees 2". Further, the Petitioner Companies undertake that the rights and benefits of Employees shall not be adversely affected on account of this demerger.
8. **Regarding observation in Para No. 12 of the Common Report**, it is submitted that the Demerged Company is in compliance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 ("MSME Development Act, 2006"). Without prejudice to the same, the Demerged Company undertakes to settle the dues of Micro, Small and Medium Enterprises ("MSME") Creditors as per the provisions of MSME Development Act, 2006 as and when their dues become payable.

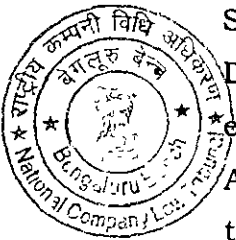
Regarding observation in Para No. 13 of the Common Report, it is submitted that once the disputed tax demands are crystalized and attains





finality, Demerged Company undertake to settle the same.

10. **Regarding observation in Para No. 14 of the Common Report**, it is submitted that the Demerged Company is having manpower exceeding 5 lacs employees including associates, the said provisions/ liabilities in the books (dues of Rs. 404.08 crores) as on March 31, 2024 were towards PF, ESI, GST, Professional Tax, TDS etc. which have already been settled in the ordinary course of business. Further, the Demerged Company undertakes to clear its statutory dues, if any.
11. **Regarding observation in Para No. 15 of the Common Report**, it is submitted that Demerged Company has complied with the applicable FEMA/RBI Regulations pertaining to the Foreign Exchange Transactions. It is further submitted that all the Foreign Exchange Transactions of Demerged Company are through AD Bank and after satisfying the necessary conditions prescribed under FEMA/RBI Regulations.
12. **Regarding observations in Para No. 16 of the Common Report**, it is submitted that the said observations are factual and are not required to be traversed.
13. **Regarding observation in Para No. 17 of the Common Report**, it is submitted that as per Clause 11 and Clause 22 of the Scheme provides for necessary safeguards to 'Transferred Employees 1' and 'Transferred Employees 2'. Further, the Petitioner Companies undertake to comply with the aforesaid Clauses of the Scheme providing adequate safeguard to employees on account of this Composite Scheme.
14. **Regarding observation in Para No. 18 of the Common Report**, it is submitted that pursuant to the sanction of the scheme by this Hon'ble Tribunal, the Resulting Company No. 1 and Resulting Company No. 2 shall increase their Authorized Share Capital as per Clause 33 of the Composite Scheme of Arrangement in order to allot shares to the Shareholders of Demerged Company. The Resulting Companies undertake to file a requisite e-forms with the Registrar of Companies to increase their respective Authorized Share Capital by complying with the applicable provisions of the Companies Act, 2013.





15. **Regarding observation in Para No. 19 of the Common Report**, it is submitted that the said observation is factual and is not required to be traversed.
16. **Regarding observation in Para No. 20 of the Common Report**, it is submitted that Composite Scheme of Arrangement complies with the applicable Accounting Standards notified by the Central Government under Section 133 of the Companies Act, 2013. A certificate from the Statutory Auditors of the Petitioner Companies in this regard is produced with the Petition as **ANNEXURE T SERIES**.
17. **Regarding observation in Para No. 21 of the Common Report**, it is submitted that the said observation is factual and is not required to be traversed.
18. **Regarding observation in Para No. 22 of the Common Report**, it is submitted that Income Tax Department has filed their Reports for the Demerged Company and the Petitioner Companies filed Reply Affidavit with undertakings to the observations in the IT Report vide Diary No. 2903111021262024 on 31/01/2025.
19. **Regarding observation in Para No. 23 of the Common Report**, it is submitted that Petitioner Companies are not regulated by RBI and thereby Consent/NOC from RBI is not required to be obtained for this Composite Scheme. The Petitioner Companies filed separate Affidavits regarding Sectorial Regulators (Available as **ANNEXURE Q SERIES** in Petition) wherein it is clearly stated that Petitioner Company No. 2 and 3 are not regulated by any sectorial regulators and Petitioner Company No. 1/Demerged Company being a listed entity is regulated by SEBI and no other regulators are involved in this Scheme.
20. **Regarding observation in Para No. 24 of the Common Report**, it is submitted that all contracts/arrangements/transactions entered by the Demerged Company with related parties are in the ordinary course of business and on an arm's length basis. All the Related Party Transactions comply with the provisions of Section 185, 186 and 188 of the Companies Act, 2013. Details of the Related Party Transactions of Demerged Company





reflected/disclosed in the Notes to Financial Statements and in Form AOC-2 of the Board's Report is hereby produced as **ANNEXURE 4 SERIES**. Further, the Demerged Company hereby undertakes that the Demerged Company has duly complied with the provisions relating to the Related Party Transactions.

21. **Regarding observation in Para No. 25 of the Common Report**, it is clarified that the Statutory Auditor of Demerged Company has issued a qualified opinion for FY 2023-24. The Audit qualification relates to the uncertainty of the outcome of the matter relating to the disallowances under section 80JJAA of the Income Tax Act. The Demerged Company has complied with section 134 of the Companies Act, 2013 under the notes to the accounts and the Board's Report. The qualified opinion by the auditor is attributed to the uncertainty of the outcome of a regulatory action on a chartered accountant who issued a certificate to Demerged Company for the aforesaid tax matter and not on the company nor due to any material misstatement of the financial statements. Basis of conclusion is reproduced below for your reference: "As a result of the uncertainty in respect of the outcome in the aforesaid matter, pending ultimate resolution and acceptance by the Income Tax Authority, we are unable to comment whether any adjustments are necessary." The Demerged Company undertakes to make the payment of Income Tax, if any in case of any adjustment of Tax on account of final adjudication of the aforesaid matter.
22. **Regarding observation in Para No. 26 of the Common Report**, it is submitted that the Composite Scheme is in best interest of all stakeholders and pursuant to the sanction of the Composite Scheme by this Hon'ble Tribunal, the Petitioner Companies further undertake to protect and safeguard the interests of their Public Shareholders.

14. Deputy Commissioner of Income Tax (IT) has filed his report vide diary No. 549 dated 29.01.2025 for the Demerged Company, stating as under:

- i. Details of Outstanding Dues is:



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Sl No.	AY	Section	Outstanding Demand	Remarks
1	2019-20	143(3)	1,12,98,12,504	Demand has been stayed by ITAT Bangalore
2	2021-22	143(3)	48,29,54,449	Assesse is an appeal before Hon'ble ITAT.

ii. The details of any proceedings under the Income Tax Act pending against the Company

Sl. No.	AY	Section	Status
1	2017-18	143(3) r.w.s 263	Assessment proceeding is pending
2	2022-23	143(3)	Assessment proceeding is pending
3	2023-24	143(3)	Assessment proceeding is pending

iii. The date of latest ROI filed by the Company:

As per E-filing portal, latest ITR has been filed by the M/s. Quess Corp Limited for AY 2024-25 on 25.10.2024.

Further, the Income Tax Department reserves its right to determine the tax implications of the Demerged Company contemplated under the scheme in accordance with the provisions of the I.T Act, 1961 and the provisions of the IT Act, 1961 shall prevail over anything contrary provided under the scheme.

In light of the above facts, **this office has no objection in the proposed Demerger Scheme.**

15. The reply affidavit to the IT have been filed by the Demerged company vide diary No.614 dated 03.02.2025, inter alia stating as under:

a. It is submitted that the Deputy Commissioner of Income Tax,

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Corporate Circle 2 (1), Bangalore has filed Report (IT Report) dated 24-1-2025 for Petitioner Company No-1/Demerged Company.

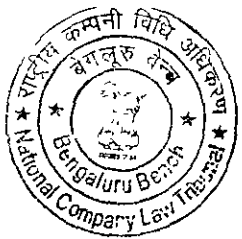
b. It is submitted that the Income Tax Reports filed for Petitioner Company No. 1/Demerged Company shows 2 (Two) outstanding dues and (3) Assessment Proceeding for Demerged Company.

c. It is submitted that with respect to the demands shown in the IT Report of Demerged Company, the response is as follows:

i.Rs. 1,12,98,12,504 for the Assessment Year 2019-20: It is submitted that the Assessing Officer (hereinafter referred as "AO"), post directions of the Dispute Resolution Panel (hereinafter referred as "DRP") passed the final assessment order dated 27 Sep 2023 determining demand of INR 300,11,53,350. Subsequently, the order was rectified by the AO vide order dated 26 Dec 2023 reducing the demand to INR 141,22,65,630. The Demerged Company has filed an appeal before Income Tax Appellate Tribunal (hereinafter referred as "ITAT") against all the grounds raised by the AO on 23 Nov 2023. Subsequently, the ITAT has granted stay against collection of demand on payment of 20% of the demand on 2 Feb 2024 which was further extended by ITAT vide order dated 9 Aug 2024. The total outstanding demand for the current year is INR 112,98,12,504, which has been stayed by the Hon'ble ITAT.

ii.Rs. 48,29,54,449 for the Assessment Year 2021-22: It is submitted that the AO, post directions of the DRP passed the final assessment order dated 25 Oct 2024 determining demand of INR 60,36,93,060. The Demerged Company has filed an appeal before ITAT against all the grounds raised by the AO on 14 Nov 2024. The AO had asked the Demerged Company to deposit 20% of the demand vide notice dated 16 Dec 2024 which was paid by the Demerged Company on 17 Dec 2024. An intimation to this effect was filed by the Demerged Company on 18 Dec 2024.

d. Regarding the Assessment proceeding u/s 143(3) of the Act for the





Assessment Year 2017-2018: It is submitted that the Assessment proceedings was completed by the AO on 12 May 2021 Subsequently, the Commissioner of Income Tax (hereinafter referred as "CIT") has passed order under section 263 of the Income Tax Act dated 22 Mar 2024 treating the original order passed by the AO as prejudicial to the interest of revenue. The Demerged Company has challenged the order before ITAT on 20 May 2024. There are no demand outstanding as on date against the order.

- e. Regarding the Assessment proceeding u/s 143(3) of the Act for the Assessment Year 2022-2023: It is submitted that the assessment proceedings for AY 2022-23 has been initiated by the AO. The matter was referred to the Transfer Pricing Officer (hereinafter referred as "TPO"), who have passed the order on 9 Jan 2025. The Demerged Company is awaiting notice from the AO seeking details for completion of Assessment proceedings.
- f. Regarding the Assessment proceeding u/s 143(3) of the Act for the Assessment Year 2023-2024: It is submitted that the assessment proceedings for AY 2023-24 has been initiated by the AO. The matter has been referred to TPO and the Demerged Company is awaiting notice from the TPO seeking details for completion of TP proceedings.
- g. Regarding para 4 of the IT Report it is submitted that the said observations are correct and are not required to be traversed.
- h. The Demerged Company submits that the following refund claims are pending from the Income Tax Department basis Income Tax return / order passed by the AO:

Sr. No.	AY	Amount in Rs.
1	2017-18	20,74,42,262
2	2018-19	8,28,96,874
3	2022-23	32,20,48,012
4	2023-24	21,00,13,833



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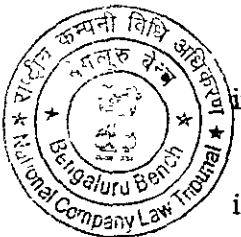
5	2024-25	41,13,25,487
	Total	123,37,26,468

- i. It is further stated that the Demerged Company is having a positive Net worth of Rs. 2,940.91 Crores and cash and equivalents Rs. 352.73 Crores as on December 31, 2024 on Standalone basis. Accordingly, the demerged Company will have sufficient funds to discharge its disputed Tax Demands after final adjudication.
- j. Further, the Demerged Company undertakes to settle its disputed Tax Demands as and when the said demands are finally adjudicated and gets crystalized.

16.Competition Commission of India has filed his report vide diary No. 6858 dated 04.12.24 for the Petitioner Company wherein it has been pointed out as under:

SN	Name of the Parties	Date of Receipt	CA. No.	CP No.
1	Quess Corp Limited and Digitide Solutions Limited and Bluspring Enterprises Limited	18.11.2024	36/BB/2024	-

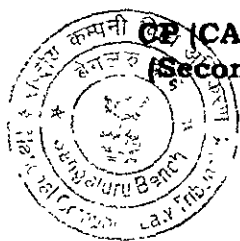
- i. In this regard, it is informed that under the provisions of the Competition Act, 2002 ("Act"), a notice for combination is to be mandatorily given to Commission subject to meeting of thresholds, in terms of Section 5 of the Act. Further, there are certain exemptions available for which notice may not be given to the Commission.
- ii. It is informed that as of date, the said matter has not been filed with the Commission.
- iii. It is requested that before passing an appropriate order, the





NCLT may seek an undertaking from the companies involved that approval of the Commission is not required for the said matter(s).

17. An affidavit undertaking regarding Competition Commission of India's report has been filed by the Petitioner company vide diary No.382 dated 21.01.2025, inter alia stating that a notice of Combination is not required to be issued to the Competition Commission of India due to the exemption provided under Notification No. S.O. 1131(E) dated March 07, 2024 and G.S.R. 549(E) dated September 09, 2024 issued by the Ministry of Corporate Affairs read with the Schedule criteria for exemption to the Competition Commission of India Competition (Criteria for Exemption of Combinations) Rules, 2024, as amended from time to time.
18. The reports of the RoC/RD, IT and CCI are taken on record. Similarly, the necessary reply and clarifications/ undertakings filed by the petitioner companies on the report of ROC/RD, IT and CCI are also taken on record.
19. On 17.02.2025 the learned counsel for the ROC submits that the reply filed by the Petitioner Companies have been served on them and submits that there are no further observations and was satisfied with the reply filed by the Petitioner Companies.
20. In view of the above discussion we conclude that the objections/observations to the Scheme received from RD, ROC, IT and CCI have been adequately replied by the petitioner companies and hence there is no impediment in approval of the Composite Scheme.
21. The Composite Scheme in question as annexed at **Annexure-A** is approved with Appointed Date, April 01st, 2024 and that Demerged Undertaking 1 of the Petitioner Company No. 1/ Demerged Company is transferred to the Petitioner Company No. 2/Resulting Company No. 1 and Demerged Undertaking 2 of the Petitioner Company No. 1/ Demerged



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Company is transferred to the Petitioner Company No. 3/ Resulting Company No. 2 with the Appointed Date, April 01st, 2024.

22. It is further declared that the Composite Scheme is to be binding on all the Shareholders and Creditors of the Petitioner Companies. While approving the Scheme, it is clarified that this order should not be construed as an order in anyway granting exemption from payment of any stamp duty, taxes, or any other charges, if any, and payment in accordance with law or in respect of any permission/compliance with any other requirement which may be specifically required under any law.

AND THIS TRIBUNAL DOES FURTHER ORDER:

- (i) That the Petitioner Companies do, within 30 days after the date of receipt of this Order, cause a certified copy of this Order to be delivered to the Registrar of Companies, Karnataka for registration; and
- (ii) That the Petitioner Companies shall deposit an amount of Rs. 75,000/- (Rupees Seventy-Five Thousand only) with the Pay & Accounts Officer, Chennai in respect of the Regional Director, South East Region, Ministry of Corporate Affairs, Hyderabad and Rs. 25,000/- (Rupees Twenty-Five Thousand only) in favour of The Prime Minister's National Relief Fund, within a period of four weeks from the date of receipt of certified copy of this Order; and
- (iii) That the Petitioner Companies are directed to make compliance to the provisions of Section 170A of the Income Tax Act, 1961 within the stipulated period of time.
- (iv) That any person interested shall be at liberty to apply this Tribunal in the above matter for any directions that may be necessary.
- (v) That the approval /sanctioning of the Scheme shall not be construed as an exemption from any of the provisions under the Income Tax Act, 1961 or the Companies Act, 2013 and that the authorities under both the





Acts, are at liberty to take appropriate action, in accordance with law, if so advised.

- (vi) That the Petitioner Companies have given various undertakings in response to observations made in ROC/RD, CCI & IT reports and they are directed to ensure compliance of the same.

23.As per the directions, in Form No.CAA-7 of Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, formal orders be issued on the Petitioner Companies on filing of the Schedule Property i.e., (i) freehold property of the Petitioner Company and (ii) leasehold property of the Petitioner Company by way of filing an Affidavit.

24.Accordingly, **C.P (CAA) No.47/BB/2024 is disposed of.** The copy of this Order be communicated to the Ld. Counsel for Petitioner Companies.

25.The Learned Counsel for the Petitioner Companies is directed to serve a copy of this Order to all the Statutory Authorities within ten days from the date of receipt of copy of this order.

-Sd-

(RAVICHANDRAN RAMASAMY)
MEMBER (TECHNICAL)

-Sd-

(K BISWAL)
MEMBER (JUDICIAL)



No. 93/2025
Date of Presentation of application for copy 12/03/2025
No. of Pages 22
Copying Fee 120
Reg. Fee 120
Total 240
Date of receipt 17/03/2025
Date of presentation of copy 17/03/2025
Date of delivery of copy 17/03/2025

Deputy/Assistant Registrar/Court Officer
National Company Law Tribunal
Bengaluru Bench

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