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REPORT OF THE AUDIT COMMITTEE OF SUBEX LIMITED ('THE COMPANY') FOR RECOMMENDING THE DRAFT SCHEME OF REDUCTION OF CAPITAL OF THE COMPANY AT ITS MEETING HELD ON FRIDAY, FEBRUARY 7, 2020 AT 12:00 NOON AT TAJ BANGALORE, NEAR KEMPEGOWDA INTERNATIONAL AIRPORT, DEVANAHALLI, BENGALURU – 560 300.

Members Present:

Mr. Anil Singhvi	Chairman
Ms. Poornima Prabhu	Member
Ms. Nisha Dutt	Member
Mr. Vinod Kumar Padmanabhan	Member

In attendance:

Mr. Venkatraman G.S.	Chief Financial Officer
Mr. G.V. Krishnakanth	Company Secretary & Compliance Officer

Background:

The Company had placed before the Audit Committee draft scheme for Reduction of Capital ('Scheme') for recommendation by the Audit Committee to the Board of Directors as required in terms of SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ('SEBI Circular') read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Scheme provides for writing off the Accumulated Losses amounting to Rs. 3,84,01,09,702 (Rupees Three Hundred and Eighty Four Crores One Lakh Nine Thousand Seven Hundred and Two Only) reflected in the unaudited standalone financial statements of the Company as on December 31, 2019, by reducing an amount of Rs. 2,81,00,14,675 from the paid-up share capital of the Company by reducing the face value of each equity share from Rs 10 to Rs 5 and reducing the balance amount of Rs 1,03,00,95,027 (Rupees One Hundred and Three Crore Ninety Five Thousand and Twenty Seven Only) from the Securities Premium Account.

This report is made in order to comply with the requirements of the SEBI Circular after considering the following:

- Draft Scheme;
- Certificate for non-applicability of the requirement of obtaining the valuation report from an independent chartered accountant, in terms of paragraph I(A)(4) of Annexure I of the SEBI Circular;
- Fairness opinion dated February 07, 2020 issued by SMC Capitals Limited, a Category-I Merchant Banker;
- Certificate from M/s. S.R. Batliboi & Associates, Statutory Auditors, with respect to non-applicability of Para (9)(a) of Annexure I of the SEBI Circular;

Subex Limited

CIN - L85110KA1994PLC016663

Registered Address: RMZ Ecoworld, Outer Ring Road, Devarabisanahalli, Bangalore - 560103, India



- e. Statutory Auditor's Certificate dated February 7, 2020 issued by M/s. S.R. Batliboi & Associates, LLP certifying that the accounting treatment under the Scheme is in compliance with all the accounting standards specified by the Central Government under the Companies Act, 2013 read with the rules framed thereunder and other generally accepted accounting principles;
- f. Pre-scheme and Post-scheme Net worth Certificate of the Company dated February 07, 2020;
- g. Pre-scheme and Post-scheme shareholding pattern of the company;
- h. Unaudited Standalone Financial Statements for the quarter ended 31 December 2019.

Proposed Capital reduction:

Salient features of the proposed scheme are as follows:

- a. To write off the Accumulated Losses amounting to Rs. 3,84,01,09,702 (Rupees Three Hundred and Eighty Four Crores One Lakh Nine Thousand Seven Hundred and Two Only) reflecting in the unaudited standalone financials of the Company as on December 31, 2019, through reduction of paid-up share capital of the Company from Rs 5,62,00,29,350 (divided into 56,20,02,935 Equity shares of Rs 10 each) to Rs 2,81,00,14,675 (divided into 56,20,02,935 Equity shares of Rs 5 each) by reducing face value of equity shares from Rs 10 to Rs 5 and by reducing the amount standing to the credit of Securities Premium Account as on December 31, 2019 from Rs 2,67,04,28,364 to Rs 1,64,03,33,337.
- b. The reduction of capital shall be on proportionate basis and thus there shall not be any change in percentage shareholding of any shareholder of the Company.
- c. The capital reduction is proposed for the benefit of the Company and its Shareholders, Creditors and all concerned, as a whole. The Capital reduction does not involve any cash outflow and therefore, would not affect the ability or liquidity of the Company to meet its obligations/ commitments in the normal course of business.

Recommendation of the Audit Committee:

The Audit Committee recommends the draft Scheme, inter-alia taking into consideration documents stated above, for favorable consideration by the Board of Directors of the Company, Stock Exchange(s) and Securities Exchange Board of India.

For and on behalf of the Audit Committee of
Board of Directors of Subex Limited.



Anil Singhvi
Chairman & Independent Director
DIN: 00239589



Date: February 7, 2020
Place: Bangalore