

**REPORT OF THE AUDIT COMMITTEE OF TRIGYN TECHNOLOGIES LIMITED ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF REDUCTION OF CAPITAL BETWEEN THE COMPANY AND ITS SHAREHOLDERS ISSUED CONSEQUENT TO THE MEETING OF THE AUDIT COMMITTEE OF THE COMPANY HELD ON SATURDAY, JULY 9, 2016 AT THE BOARD ROOM OF UNITED TELECOMS LIMITED, #18A/19, DODDANEKUNDI INDUSTRIAL AREA, II PHASE, MAHADEVAPURA POST, BENGALURU - 560048**

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**MEMBERS PRESENT:**

1. Mr. A.R. Ansari - Independent Director
2. Mr. V. V. Prasad - Independent Director
3. Mr. R. Ganapathi - Chairman of the Company and Executive Director
4. Ms. P. Bhavana Rao - Executive Director

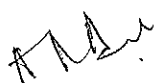
**IN ATTENDANCE:**

1. Mr. Amin Bhojani - Chief Financial officer
2. Mr. Parthasarathy Iyengar - Company Secretary
3. Mr. Mohan Narayanan - Independent Director

**A. BACKGROUND**

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1. A meeting of the members of the Audit Committee of the Company was held on July 9, 2016 to consider and to recommend to the Board of Directors for its consideration and approval, the proposed "**Scheme of Reduction of Capital between Trigyn Technologies Limited and its shareholders**" (hereinafter referred to as "**Scheme**") providing for *inter alia* reduction of the Securities Premium Account of the Company amounting to Rs. 661,02,27,115 /- (Rupees Six Hundred and Sixty one Crore Two Lakhs Twenty Seven Thousand One Hundred and Fifteen only), in such manner that such reduction be effected by writing off the accumulated losses in full amounting to Rs. 528,25,91,328 /- (Rupee Five Hundred and Twenty Eight Crore Twenty Five lakhs Ninety one Thousand Three Hundred and Twenty Eight only) to give true and fair view of books of accounts of the Company, and presented under the provisions of Section 100 to 104 of the Companies Act, 1956 read with Section 52 and other applicable provisions, if any, of the Companies Act, 2013, and Articles of Association of the Company, relevant rules of the Companies (Court) Rules, 1959, or as the case may be, the National Company Law Tribunal rules and subjected to confirmation of the Hon'ble High Court of Bombay or the National Company Law Tribunal, as the case may be, concerned stock exchanges and the Securities and Exchange Board of India ("**SEBI**") or such other competent authority under the SEBI Circular (CIR/CFD/CMD/16/2015) dated November 30, 2015 issued by SEBI read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
2. The report of this Audit Committee is made in order to comply with the requirements of SEBI Circular (CIR/CFD/CMD/16/2015) dated November 30, 2015 issued by SEBI read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
3. The draft Scheme duly initialed by Atiqur Rahman Ansari, Member, Audit Committee for the purpose of identification, was placed before the members of the Audit Committee.



## **B. PROPOSED SCHEME**

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The members of the Audit Committee noted the justification, rationale and the benefits of the Scheme as follows:

### **I. Justification of the Scheme**

- (a) The Company has accumulated losses reflecting in the books of the Company, from the previous years, primarily, due to diminution in value of investments made in the year 2000. As on 31 March 2016 as per the audited financial results of the Company, the Accumulated Losses amounts to ₹ 528,25,91,328/- represented as 'Deficit in Statement of Profit & Loss' in the Reserves & Surplus Account. Further the Company also has balance in Securities Premium Account amounting to ₹ 661,02,27,115/- as on 31 March 2016.
- (b) The Board of Directors of the Company, in accordance with the provision of Section 100 to 104 of the Companies Act, 1956 read with Section 52 of the Companies Act, 2013, and other applicable provisions, if any of the Companies Act, 2013 read with the applicable rules therein, and subject to the consent of the shareholders and the approval from the Court and other statutory authorities as and where applicable, proposes to write-off the Accumulated Losses amounting to ₹ 528,25,91,328/- reflecting in the book of the Company, by reducing the amount standing to the credit of the Securities Premium Account from ₹ 661,02,27,115/- to ₹ 132,76,35,787/-.
- (c) Further the Articles of Association of the Company authorizes the Company to reduce its share capital in any manner and in accordance with the provision of the Companies Act, 1956 and/or Companies Act, 2013.
- (d) Under Section 52 of the Companies Act, 2013, the balance in the Securities Premium Account can only be utilized for purpose specified therein and any utilization of Securities Premium Account for other purpose would be construed as reduction in capital and provision of Sections 100 to 104 of the Companies Act, 1956 will be applicable.
- (e) Hence, the Board of Directors believe that in order to present fair financial position of the Company and after an analysis of the various options available to the Company, the Board of Directors felt that it would be prudent to utilize the balance lying in the Securities Premium Account of the Company to the extent of writing off the accumulated losses of the Company which is the most practical and economically efficient option available to the Company in the present scenario.

### **II. Objects/ Benefits arising out of the Scheme**

- (a) Under this Scheme, if approved, the Company will represent true financial position which would benefit both shareholders as their holding will yield better results and value and also enable the Company to explore opportunities to benefit of the shareholders of the Company including in the form of dividend payment as per the applicable provisions of the Act.
- (b) The adjustment/set off, of the Securities Premium Account would not have any impact on the shareholding pattern, and the capital structure of the Company.

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- (c) The Scheme does not involve any financial outlay / outgo and therefore, would not affect the ability or liquidity of the Company to meet its obligations/ commitments in the normal course of business. Further, this Scheme would also not in any way adversely affect the ordinary operations of the Company.
  - (d) The Scheme, if approved, may enable the Company to foresee business opportunity that it may be unable to take advantage because of it experiencing Accumulated Losses.
  - (e) The proposed Scheme will enable the Company to use 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) Once the Scheme is sanctioned it would enable the Company to share its future profits with its shareholders; and
  - (g) The true financial statement of the Company would ensure the Company to expand & smoothen the business activity and to attract new source of avenue and in turn enhancement of its shareholders' value.
- III. Upon the Scheme becoming effective and after obtaining the necessary approvals, consents, permissions, etc. the Securities Premium Account of the Company amounting to ₹ 661,02,27,115 /- be reduced in part and such reduction be effected by writing off the Accumulated Losses amounting to ₹ 528,25,91,328 /-.
- IV. The reduction of the paid-up share capital of the Company by way of writing off the accumulated losses against the amount lying in the Securities Premium Account of the Company does not involve reduction in the issued, subscribed, paid-up share capital of the Company, any payment of the paid up share capital to the shareholders of the Company nor does it result in extinguishment of any liability or diminution of any liability.
- V. The Scheme does not require any shareholders, bankers, creditors, direct or indirect taxes authorities or any third party to make any compromise or sacrifice with respect to their claims against the Company and hence, does not impact their interests.
- VI. The Scheme is merely a reduction in the Securities Premium Account of the Company prepared in terms of Section 100 to 104 of the Companies Act, 1956 read with Section 52 of the Companies Act, 2013, and does not envisage transfer or vesting of any of the properties and/or liabilities of the Company to any person or entity. The Scheme also does not involve any conveyance or transfer of any property of the Company and consequently the order of the Bombay approving the scheme will not attract any stamp duty in this regard under the applicable provisions of the Maharashtra Stamp Act, 1958.
- VII. The consent of the members of the Company to this Scheme of reduction of capital of the Company shall be taken through a resolution under the provisions of Section 100 to 104 of the Companies Act, 1956 and any other applicable provisions.
- VIII. The Audit Committee also took note of the following documents:

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- a) Draft Scheme;
- b) Certificate issued by Ford, Rhodes, Parks & Co. LLP dated July 8, 2016 certifying that there is no change in shareholding pattern of the Company pursuant to the Scheme, therefore, the Valuation Report as mentioned in paragraph I(A)(4) of Annexure I of the aforementioned SEBI Circular (CIR/CFD/CMD/16/2015) dated November 30, 2015 is not required;
- c) Statutory Auditor's certificate as required under paragraph I(A)(5) of Annexure I of the SEBI Circular (CIR/CFD/CMD/16/2015) dated November 30, 2015 issued by the SEBI read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as placed before the Board be accepted and is taken on record;
- d) Fairness opinion issued by IL&FS Capital Advisors Limited dated July 8, 2016;
- e) Net-worth Certificate given by the Ford, Rhodes, Parks & Co. LLP dated July 8, 2016;
- f) Certificate stating compliance with Regulation 17 to 27 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as required under the SEBI Circular (CIR/CFD/CMD/16/2015) dated November 30, 2015 issued by the SEBI read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
- g) Undertaking certified by Auditor Ford, Rhodes, Parks & Co. LLP dated July 8, 2016 stating the reasons for non-applicability of paragraph I(A)(9)(a) of Annexure I of the SEBI Circular (CIR/CFD/CMD/16/2015) dated November 30, 2015 issued by the Securities and Exchange Board of India read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### **C. RECOMMENDATION OF THE AUDIT COMMITTEE**

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Taking into consideration the benefits of the Scheme of Reduction of Capital of the Company, the documents mentioned at paragraph above, the Audit Committee do hereby recommends the draft Scheme to the Board of Directors of the Company for its approval and for favourable consideration by the concerned stock exchange(s) and SEBI.

**BY THE ORDER OF THE AUDIT COMMITTEE**

**FOR TRIGYN TECHNOLOGIES LIMITED**

**Director**

**Place: Mumbai**

**Date: July 9, 2016**

