

REPORT OF COMMITTEE OF INDEPENDENT DIRECTORS OF SBEC SYSTEMS (INDIA) LIMITED ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF SELECTIVE REDUCTION OF CAPITAL OF THE COMPANY AT ITS MEETING HELD ON 26TH JUNE, 2023 AT 1400, MODI TOWER, 98 NEHRU PLACE, NEW DELHI-110019.

Members Present:

1. Mr. J.C. Chawla
2. Mr. Salil Seth
3. Mrs. Asha Agarwal

1. BACKGROUND

A meeting of the Committee of Independent Directors ("**Committee**") of the Company was held on 26-06-2023, to inter alia, consider and recommend the draft scheme of selective reduction of 20,40,000 (Twenty Lakhs Forty Thousand) fully paid-up equity shares of Rs. 10/- (Rupees Ten) per equity share of the Company held by SBEC Systems Limited (UK) from the share capital of the Company, without payment of any consideration to SBEC Systems Limited (UK) and making corresponding adjustment by way of debit to: (i) the paid-up equity share capital for Rupees 2,04,00,000 and (ii) the securities premium account of the Company for Rs. 51,00,000 (Rupees Fifty-One Lacs Only) and corresponding credit to reserve and surplus account in compliance with the generally accepted accounting principles in India, to be implemented under section 66 read with Section 52 of the Companies Act, 2013 ("Act") and other applicable provisions of the Act and the rules thereof, including any amendments thereof, as applicable.

This Report of the Committee made in compliance with the requirement of the Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 on scheme of arrangements by listed entities ("**SEBI Circular**") issued by Securities and Exchange Board of India ("**SEBI**").

The following documents were placed before the Committee:

1. Draft Scheme of capital reduction, duly initialed by the Company Secretary of the Company for the purpose of identification.
2. Valuation Report dated 26th June 2023 prepared and issued by Mr. Sunny Jain a registered valuer- Sec or Financial Assets, (Reg. No. IBBI/RV/06/2022/15115); Address: 121, Tribhuvan Complex, Ishwar Nagar, Mathura Road, New Delhi-110065 (the Valuation Report"),

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3. Fairness opinion dated 26th June 2023 prepared by Expert Global Consultants Private Limited, SEBI Registered Category-I Merchant Bankers (SEBI Registration Number - INM000012874), providing an opinion on the fairness of the Valuation Report("Fairness opinion"); and
4. A Statutory Auditor's certificate dated 26-06-2023 issued by M/s K. K. Jain & Co., Chartered Accountants, certifying that the proposed accounting treatment in the books of the Company relating to selective reduction of capital of the Company as set out in Clause 8 of the draft scheme is in conformity of the applicable accounting standards and generally accepted accounting principles in India ("Auditors' Certificate").

2. SALIENT FEATURES OF THE SCHEME ARE AS FOLLOWS:

- The Scheme provides for-
 - a. Cancellation and extinguishment of 20,40,000 (Twenty Lakhs Forty thousand) fully paid-up equity shares of Rs. 10 (Rupees Ten) each of the Company held by SBEC Systems Limited (UK) for the sole benefit of the Company without payment of any consideration to SBEC Systems Limited (UK).
 - b. Upon the Scheme becoming effective, share capital representing 20,40,000 (Twenty Lacs Forty Thousand) equity shares of the Company held by Dissolved Promoter i.e Rs. 2,04,00,000/- (Rupees Two crores Four Lacs only) shall be cancelled, with adjustments by way of debit to: (i) the paid-up equity share capital for Rupees 2,04,00,000 and (ii) the securities premium account of the Company for Rs. 51,00,000 (Rupees Fifty-One Lacs Only) and corresponding credit to reserve and surplus account in compliance with the generally accepted accounting principles in India.

The Scheme shall be effective from the date on which the certified copy of the order passed by the NCLT sanctioning the scheme and minute of reduction is filed with the Registrar of Companies, National Capital Territory of Delhi and Haryana ("ROC").

- This Scheme is and shall be conditional upon and subject to: -
 - a. The approval by the Board and the members of the Company through special resolution and provided that the votes cast by the public shareholders in favour of the Scheme are more than the number of votes cast by the public shareholders against it through e-voting in terms of the SEBI Circular;

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- b. The approval of the creditors of the Company as prescribed under the Act and/or as may be directed by NCLT and/or any other appropriate authority as may be applicable;
- c. The Company obtaining the observation letter/no-objection letter from the relevant stock exchange i.e The BSE Limited for the implementation of the Scheme;
- d. sanction by the NCLT, under Section 66 and any other applicable provisions of the Act;
- e. Certified copy of the order of the NCLT sanctioning the Scheme and the minute of reduction being filed with the Registrar of Companies, National Capital Territory of Delhi and Haryana ("RoC") by the Company; and
- f. The requisite, consent, approval or permission of the Central Government or any other statutory or regulatory authority, if any, which by law may be necessary for the implementation of the Scheme.

In terms of the SEBI Circular, a report from the Committee is required, recommending the draft scheme, taking into consideration, inter alia that the draft scheme is not detrimental to the shareholders of the Company.

3. RATIONALE OF THE PROPOSED SCHEME OF REDUCTION OF CAPITAL:

- b) The Company has paid-up share Capital of Rs. 10,00,00,000/- (Rupees Ten crores only) consisting of 1,00,00,000 (One Crore) equity shares of Rs. 10/- (Rupees Ten) each in which one of the promoter shareholders namely SBEC Systems Limited (UK) holds 20.40% of the total paid-up share Capital of the Company i.e Rs. 2,04,00,000/- (Two Crore Four Lakhs only) consisting of 20,40,000 (Twenty lacs Forty Thousand) equity shares of Rs. 10/-each.
- c) The name of the SBEC Systems Limited (UK) was struck off from the Register of Registrar of Companies on October 2, 2001 and stand dissolved by notice in the London Gazette dated October 9, 2001 and its legal existence is terminated.
- d) The Company came to know about the dissolution status of the SBEC Systems Limited (UK) in 2018, wherein the Company has approached them for the lock-in certificate required for the purpose of revocation of suspension in trading of securities of the Company.

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- e) The Dissolved Promoter Company has not attended any AGM/EGM for the last 10 years in spite of giving regular notices as required under the Companies Act, 2013 at the address available with the Company. The Company is still showing it as a shareholder in its records whereas legal existence of SBEC Systems Limited (UK) has been terminated.
- f) To show the true and fair value of the accounts of the Company, considering the future prospects of growth and value addition to the shareholders, it is proposed to re-align the relationship between its capital and assets in accordance with the provisions of the Companies Act, the Board of Directors has examined and analyzed various options available with them and after detailed deliberations came to the conclusion that reduction of equity share capital in accordance with Section 66 of the Act read with National Company Law Tribunal (Procedure for Reduction of Share Capital of the Company) Rules 2016 and other applicable laws would be the most appropriate option in the present facts and circumstances of the case.
- g) The proposed reduction of the equity share capital of the Company is being undertaken in accordance with the provisions of Section 66 read with section 52 of the Act and the rules made thereunder and specifically the Rules, which permit a Company to undertake a reduction of share capital in any manner, read with the Listing Regulations (as defined hereinafter) and the SEBI Circular (as defined hereinafter)
- h) In light of above facts, the draft scheme is being produced before Board of Directors for approving cancellation of 20,40,000 (Twenty lacs Forty Thousand) equity shares of Rs. 10/-each held by dissolved promoter SBEC Systems Limited (UK) without payment of any consideration.
- i) The proposed reduction of equity share capital of the company would not have any adverse effect on the creditors of the company or the Company's ability to fulfil its commitments or meet its obligations in the ordinary course of business as there is no payout resulting from the proposed capital reduction. Further, the proposed capital reduction shall result in an increase in proportionate shareholding of other shareholders of the Company, including public shareholders.

- **The Committee reviewed and noted that-**

- a. The Fairness Opinion confirmed the fairness of the Valuation Report;

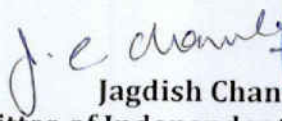
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- b. The Scheme does not envisage any payment to SBEC Systems Limited (UK) against cancellation of their fully paid-up equity shares in the Company.
 - c. Upon effectiveness of the Scheme, the paid-up equity share capital of the Company shall become Rs. 7,96,00,000/- (Seven Crores Ninety six Lakhs only) divided into 79,60,000 (Seventy Nine Lakhs Sixty Thousand) equity shares of Rs. 10/- (Rupees Ten) each.
 - d. The proposed accounting treatment in the books of the Company relating to the reduction of share capital as set out in Clause 8 of the draft scheme is outside the purview of the applicable accounting standards specified under section 133 of the Companies Act, 2013.
 - e. The selective capital reduction will not cause any prejudice to the creditors of the Company as there will not be any reduction in the amount payable to the respective creditors.
- After an independent assessment of the draft Scheme and taking into consideration the Valuation report, Fairness Opinion and Auditor's Certificate, the members of the Committee formed an opinion that the implementation of the proposed scheme is in the interest of the Company and its shareholders, creditors and other stakeholders.

4. Recommendation of the Committee

The Committee hereby approves and recommends the Scheme for favorable consideration by the Board, Stock Exchange(s) and other appropriate authorities.

For and on behalf of Independent Director's
Committee of SBEC Systems (India) Limited


Jagdish Chander Chawla
(Chairman of Committee of Independent Directors)

Date: 26-06-2023

Place: New Delhi