

REPORT OF THE AUDIT COMMITTEE OF SPACENET ENTERPRISES INDIA LIMITED ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT AMONGST KLING ENTERPRISES INDIA LIMITED AND THE COMPANY AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS DATED 23rd MAY, 2019

Present

1. SATYA SRIKANTH KARATURI
2. VENKATA KRISHNAYYA NEKKANTI
3. CHUKKA LAKSHMI

1. Background

1.1. A meeting of the Audit Committee of the Company was held on 23rd May, 2019 to consider and recommend the proposed Scheme of Arrangement amongst the Company, Kling Enterprises India Limited and their respective shareholders, under Sections 230 - 232 and other applicable provisions of the Companies Act, 2013 ("Scheme")

1.2. This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI circular number CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended from time to time.

1.3. The following documents were placed before the Audit Committee:

- (a) Draft Scheme, duly initialled by the Company Secretary of the Company for the purpose of identification;
- (b) Valuation Report dated 22nd May, 2019 ("Valuation Report") prepared by CA G. Murali, IBBI Registered Valuer, describing the methodology adopted by them in arriving at the share entitlement ratio; and
- (c) Fairness opinion dated 23rd May, 2019 ("Fairness Opinion") prepared Ashika Capital Ltd, a Category-I independent Merchant Banker providing the Fairness Opinion on the share entitlement ratio as recommended by the Valuation Report.

2. Proposed Scheme of Arrangement

2.1. The Audit Committee noted the rationale and the benefits of the Scheme which, inter-alia, are as follows:

- i) The Commodity business undertaking of Transferor Company has significant potential for independent growth and is capable of attracting a separate set of investors, strategic partners, creditors and other stakeholders.



- ii) The Transferor Company has developed an integrated B2B Commodity platform (www.weflip.in) to enable trading transactions cost effective and to make value chain more efficient. This online Platform can bring in transparency in spot transactions in the commodity trade leading to efficient price discovery.
- iii) The Synergies that exist between Commodities business undertaking of the Transferor Company and the Transferee Company in terms of services and resources can be put to the best advantage of all stakeholders.
- iv) The proposed scheme involving demerge of Commodity business undertaking of Transferor Company with Transferee Company is expected to result in the following benefits:
 - v) Realignment and consolidation of Commodity business in efficient manner and building strong capability to effectively meet future challenges in the present competitive business environment.
 - vi) Synergies in operational process and creation of efficiencies as well as optimization of operation expenditure.
 - vii) Increase in competitive strength, improvement in the financial managerial and technical capabilities.

2.2.The salient features of the draft Scheme include:

- (i) demerger of the Commodity Trading Division (as defined in the Scheme) of Kling Enterprises India Limited into the Company;
- (ii) post effectiveness of the Scheme, the equity shares of the Company issued to the eligible shareholders of Kling Enterprises India Limited.

2.3.The Audit Committee reviewed the Valuation Report and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the share exchange ratio in the Valuation Report is fair to the shareholders of the Company.

The share exchange ratio recommended by the Valuation Report and confirmed by the Fairness Opinion is as follows:

“Fifty Eight (58) equity shares of Spacenet Enterprises India Ltd (SEIL) of INR 1/- each fully paid up shall be issued for every Ninety Three (93) equity shares of Kling Enterprises India Ltd (KEIL) of INR 1/- each fully paid up.”

3. Recommendation of the Audit Committee

Taking into consideration the draft Scheme, Valuation Report, Fairness Report and other documents, as placed, the Audit Committee recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval.



By Order of the Audit Committee
For and on Behalf of Spacenet Enterprises India Limited

K.S. Subrah



SATYA SRIKANTH KARATURI
Chairman
Audit Committee

Place: Hyderabad
Date: 23rd May, 2019