

SMC CAPITALS LIMITED

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February 7, 2020

To,
Board of Directors,
Subex Limited,
RMZ Ecoworld, Outer Ring Road,
Devarabisanahalli,
Bengaluru 560 103

Dear Sir(s),

Sub: Fairness Opinion in relation to the proposed Scheme of Reduction of Capital between Subex Limited and its Shareholders

It is a pleasure to attach our Fairness Opinion in relation to the proposed Scheme of Reduction of Capital between Subex Limited and its Shareholders under Section 66 read with Section 52 of the Companies Act 2013 and National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016.

May you need any further information or clarification on any part of the Fairness Opinion, please feel free to contact us.

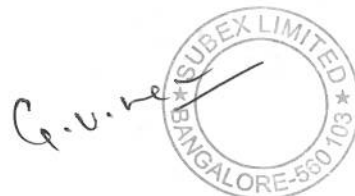
Thanking you
For SMC Capitals Limited



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1. BRIEF BACKGROUND

- 1.1. Subex Limited ("SL" or "Company"), a public limited company incorporated in 1994 listed on BSE Limited and National Stock Exchange of India Limited, is a leading global provider of Operations and Business Support Systems ("OSS/BSS") to communication service providers ("CSPs") worldwide in the Telecom industry.
- 1.2. The Authorized Share Capital and Paid Up Share Capital of the Company as on December 31, 2019 is as follows:

Particulars	No. of Shares	INR Lakhs.
Authorized Equity Share Capital	58,80,40,000	58,804
Authorized Preference Share Capital	2,00,000	196
Paid Up Equity Share Capital	56,20,02,935	56,200

- 1.3. Management of the Company is proposing to adopt a Scheme of Reduction of Capital ("the Scheme"), Rationale and Purpose of which is reproduced below:

- a) *"The Company's financial statements currently reflect Accumulated Losses (i.e. debit balance of profit and loss account) of Rs 3,84,01,09,702 (Rupees Three Hundred and Eighty-Four Crores One Lakh Nine Thousand Seven Hundred and Two Only) based on its unaudited standalone financial statements for the period ended 31 December 2019. Accumulated losses have substantially wiped off the value represented by the Share Capital. This has given rise to the need for re-adjustment of capital in its books of accounts. Accordingly, with the future prospect of growth and value addition to the Company and its Shareholders, the Company now proposes to re-align the relationship between its capital and assets.*
- b) *By article 3(2)(c) of the Articles of Association of the Company, the Company is authorized to reduce its share capital in any manner and in accordance with the provisions of the Act.*
- c) *In the above context, the Company, in accordance with Section 52 of the Companies Act, 2013 and Section 66 of the Companies Act, 2013 read with National Company Law Tribunal (Procedure for reduction of share capital of Company) Rules, 2016 and other applicable provisions of the Companies Act, 2013 (to the extent applicable), and subject to the consent of the Shareholders and the approval from NCLT and other statutory authorities as and where applicable, proposes to write-off the Accumulated Losses of 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 financial statements of the Company as on 31 December 2019, with its paid-up share capital and Securities Premium Account balance, to have a rational structure which is commensurate with its remaining business and assets.*

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- d) *The issued, subscribed and paid-up capital of the Company is Rs. 5,62,00,29,350 (Rupees Five Hundred and Sixty-Two Crores Twenty-Nine Thousand and Three Hundred and Fifty Only) comprising of 56,20,02,935 Equity Shares of Rs 10 each as on 31 December 2019.*
- e) *Under Section 52 of the Companies Act, 2013 the balance in the Securities Premium Account can only be utilized for purposes specified therein, and any utilization of Securities Premium Account for other purposes would be construed as reduction in capital and the provisions of Section 66 of the Companies Act, 2013 would accordingly be applicable in respect of such reduction.*
- f) *Hence, the Board of Directors believe that in order to present a fair position of the affairs of the Company, the most practical and economically efficient option available to the Company at present would be to utilize the paid-up share capital and balance lying in the Securities Premium Account to the extent of writing off the Accumulated Losses of the Company, subject to the confirmations/ sanctions of the requisite majority of Shareholders of the Company and the NCLT or such other appropriate authority, as may be applicable."*
- 1.4. The Board of Directors of the Company anticipate following benefits pursuant to implementation of the Scheme:
- a) *"Under this Scheme, if approved, the books of the Company would better represent its financial position which would help the Company position itself better in the market and undertake business activities efficiently. This would be value accretive to the Shareholders as well, as their holdings would yield better results.*
- b) *The proposed restructuring under the Scheme, if approved, would enable the Company to explore opportunities for the benefit of its Shareholders, including in the form of dividend payments, in terms of the applicable law.*
- c) *The Scheme, if approved, may enable the Company to avail business opportunities that it was unable to take advantage of, because of it experiencing Accumulated Losses.*
- d) *The reduction of capital in the manner proposed would enable the Company to have a rational structure which is commensurate with its remaining business and assets.*
- e) *The Scheme of reduction, after full implementation, will result in making its the Company's balance sheet leaner and downsized.*
- f) *The proposed Scheme would be for the overall benefit of the Company, its creditors, Shareholders and all other stakeholders.*



- g) *The proposed Scheme will enable the Company to use a part of the amount which is lying unutilized in the Securities Premium Account of the Company in an effective manner for the benefit of the Company.*
- h) *The Scheme, if approved, would provide greater flexibility to the Company in raising funds either from the capital market or from any Bank/Financial Institutions in the form of equity or debt, depending upon the business needs of the Company."*

1.5. Management of the Company has provided us a draft copy of the proposed Scheme which is scheduled to be considered and approved at Company's Board meeting to be held on February 7, 2020.

2. REFERENCE & CONTEXT

As the equity shares of the Company are listed on nationwide stock exchanges, it is bound by the listing agreement and the provisions thereof as amended from time to time.

In accordance with sub Para 8(b) of Para I(A) of Annexure I of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, there is a requirement of obtaining an opinion about fairness of the valuation done by the Chartered Accountant from a financial point of view.

However, sub para 4(b) of Para I(A) of Annexure I of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 provides for:

"Valuation Report is not required in cases where there is no change in the shareholding pattern of the listed entity / resultant company."

M/s. Puja Rakhecha & Associates, Chartered Accountants having their registered office at No A3, 1st Floor, Tulsi Garden Apartment, Lakshmi Road, 8th Cross, Shantinagar, Bangalore 560 027 vide their certificate dated February 7, 2020 have certified that the requirement of obtaining a valuation report mentioned as mentioned in sub para 4 of Para I(A) of Annexure I to the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ("SEBI Circular") is not applicable to the proposed Scheme since:

- (i) There is no change in the proportion of shareholding of any of the pre-scheme shareholders of the Company;
- (ii) No new shareholders are proposed to be allotted any equity shares of the Company; and
- (iii) All the pre-Scheme shareholders shall remain as the shareholder of the Company even after post Scheme in the same percentage and proportion except for the reduction of face value of each share held by them from Rs. 10 to Rs. 5.

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We are a SEBI registered Category I Merchant Banker and are not associated with the Company as merchant banker / consultant save for this fairness opinion and are not their associate.

This Opinion is expressed solely with reference to requirements under aforementioned purpose; and scope of this assignment is restricted to opine about fairness of valuation already done by the Valuer in relation to the proposed transaction.

This Opinion does not in any way constitute a recommendation by SMC to any Shareholder as to whether such shareholder should approve or reject the proposed transaction, in cases where voting by all the shareholders is warranted. We urge to read this Opinion carefully and entirely.

We have been engaged by the Company to issue an Opinion and will receive a fixed fee for rendering this Opinion, which is independent of the happening or otherwise of the proposed transaction.

This Fairness Opinion may be reproduced in the explanatory statement sent to the shareholders of the Company along with the notice of general meeting / postal ballot form, conducted to get approval for the proposed transaction of reduction of capital, so long as the form of reproduction of the Fairness Opinion in such report and any description of or reference in such report to SMC, is in a form acceptable to us.

Management of the Company has agreed to notify us in case any modifications are carried out in the proposed scheme already furnished to us.

3. BASIS OF FORMING OPINION

3.1 Documents and Information Considered

For the purpose of providing our opinion, we have reviewed:

1. Certain publicly available business and financial information relating to the Company including the Annual Report for the financial year ended March 31, 2019.
2. Unaudited standalone financials of the Company for the 9 months period ended December 31, 2019.
3. Certified draft of the proposed Scheme to be approved by the Board of Directors of the Company.
4. Pre-Transaction and Post-Transaction Shareholding pattern of the Company.
5. Certified copy of the signed certificate dated February 7, 2020 issued by M/s. Puja Rakhecha & Associates, Chartered Accountants.

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6. Performed such other reviews and analyses as SMC, in its absolute discretion, deemed appropriate.

3.2 Assumptions and Limiting Conditions

SMC has been engaged to provide standard services for the issuance of the Opinion and therefore have not performed any due diligence or audit of the information provided to us, nor have we made any independent valuation or appraisal of the assets or liabilities.

SMC has assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us by the Company or their authorized representatives or used by us, and has assumed that the same are factually correct and does not assume or accept any liability or responsibility for any independent verification or checking of such information or any independent valuation or appraisal of any of the assets, operations or liabilities of the Company.

In preparing this opinion, SMC has received specific confirmation from management of the Company that all the information the Company has provided to SMC in relation to the engagement of SMC is correct and complete and no information has been withheld that could have influenced the purport of this Opinion.

This opinion is based on the certificate issued by M/s. Puja Rakhecha & Associates, Chartered Accountants, and does not address any other issues such as the underlying business decision to recommend the transaction or its commercial merits, which are matters solely for the Boards of Directors of the Company to address and further to be confirmed by the shareholders of the Company, as may be required.

SMC's formation of fairness opinion is based on information supplied by the Company, representations and confirmations of its management on various issues and we have relied upon them as such without any independent verification and as such we do not hold ourselves liable if our opinion becomes flawed as a result of any shortcomings in such information, representations and confirmations given by the Company.

In rendering this opinion, SMC has not provided legal, regulatory, tax, accounting or actuarial advice and accordingly SMC does not assume any responsibility or liability in respect thereof. Furthermore, SMC has assumed that the proposed transaction will be consummated on the terms and conditions as proposed, without any material changes to, or waiver of, its terms or conditions.

4. VALUATION APPROACHES AND THEIR REVIEW

4.1. Overview

The formation of an opinion is generally a complex process involving careful consideration and review of valuation methods, associated financial and other analyses, performed by the Valuer.

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SMC has made a qualitative assessment of the appropriateness of the method and subsequent application.

4.2 Valuation

SMC has reviewed the certificate dated February 7, 2020 issued by M/s. Puja Rakhecha & Associates, Chartered Accountants stating that the requirement of obtaining a valuation certificate from an Independent Valuer is not required in this case; and the reasons thereof seems appropriate.

4.3 Analysis of the Valuation

While forming our opinion, we performed certain procedures and made certain enquiries with the Management of the Company. Some of the procedures / activities performed and the findings are mentioned below:

- a. Noted that all the Pre-Scheme shareholders shall remain as the shareholder of the Company in the same percentage and proportion, post Scheme.
- b. Noted that the Scheme involves only reduction of share capital and securities premium balance to the extent of writing accumulated losses of the Company.
- c. Noted that the nominal value and paid up value of each equity share shall be reduced from Rs. 10/- each to Rs. 5/- each.
- d. Noted that no new shareholders are proposed to be allotted any equity shares of the Company.
- e. Noted that requirement of obtaining a valuation report mentioned in the SEBI Circular is not applicable to the proposed Scheme for the reasons in terms of the Scheme.

5. OPINION

Based upon and subject to the foregoing, in this case of Scheme of Reduction of Capital, there will be no change in the shareholding pattern of the Company, we are of the opinion on the date hereof, that the certificate obtained in regard to requirement of valuation report as per SEBI Circular from M/s. Puja Rakhecha & Associates, Chartered Accountant and proposed Scheme of Reduction of Capital is fair and reasonable in the current scenario.

For SMC Capitals Limited



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