



REPORT OF THE AUDIT COMMITTEE OF NARBADA GEMS AND JEWELLERY LIMITED RECOMMENDING THE DRAFT SCHEME OF REDUCTION OF SHARE CAPITAL

MEMBERS

Shri Ram Prasad Vempati(Chairman)	Independent, Non- Executive
Shri SiddharthGoel	Independent, Non- Executive
Shri Vinod Agarwal	Independent, Non- Executive

1. BACKGROUND

The Scheme of Reduction of Share Capital ('Scheme') of Narbada Gems and Jewellery Limited was placed before the Audit Committee for recommendation of the Scheme to the Board of Directors as required by the SEBI Circular No. CIR/CFD/DIL/5/2013 dated 04th February 2013 ('Circular').

In view of the above, the members of the Audit Committee of the Board of Directors of the Company have discussed the first draft scheme vide a resolution passed at its meeting held on 04th August 2015 and again on 29th September, 2015 considered and recommended the revised draft scheme to the Board. This report of the Audit Committee is made in order to comply with the requirements of the Circular and after considering the following documents:

- a) Draft Scheme of Reduction of Share Capital
- b) Valuation Report for determination of fair value of the shares of Narbada Gems and Jewellery Limited dated 21st September, 2015 issued by M/s. G S Murty & Associates, Chartered Accountants
- c) Fairness Opinion Report dated 22nd September, 2015, 2015 issued by M/s CIL Securities Limited.

- 1.1 The Audit Committee noted that the Reduction of Capital is the most practical and efficient legal option available to the Company, to be able to reflect its assets and liabilities at their real value and maximize its business value and carve a path for further augmentation of financial resources. Hence the Company has proposed to reduce the equity share capital of the Company in accordance with Section 100 of the Companies Act, 1956.
- 1.2 The Scheme provides for the reduction of the equity share capital of the Company pursuant to Section 100 to 104 and other applicable provisions, if any, of the Companies Act, 1956.
- 1.3 The Scheme also provides for various other matters consequential, supplemental and/or otherwise integrally connected herewith.



Corporate Office

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2. Salient Features of the Scheme

- i. The accumulated losses of the Company as on 31st March, 2015 which amounted to Rs. 2,49,29,648 has wiped off substantial portion of the net worth of the Company. Even though the Company has been making profits in some prior years still the carry forward losses on balance sheet is making difficult for the Company to either raise new resources for expansion and modernization nor it can share the profits of the Company with its shareholders.
- ii. The Company therefore envisages Reduction of Capital by write-off against the accumulated business loss to the extent of Rs. 2,42,64,900/- being 45% of the Paid up Capital of the Company, whereby the Paid up Capital of the Company, after the scheme, shall be Rs. 2,96,57,100/- divided into 29,65,710 equity shares of Rs. 10/- each, Fully Paid up..
- iii. The Company is unable to raise any finance either from the capital markets or financial institutions whether in the form of equity or debt, to undertake business activities on a larger scale. The proposed Scheme would enable the Company to show the actual financial position in its balance sheet to depict the representing assets value which in turn will enable it to approach for financial assistance in order to develop its business and thereby increase its net worth to enhance the stakeholders' value.

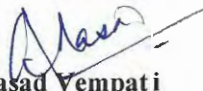
3. Recommendation of the Audit Committee:

The Audit Committee recommends the Draft Scheme, inter alia, taking into consideration the

- a) Valuation Report dated 21st September, 2015 issued by M/s. G S Murty & Associates, Chartered Accountants, Hyderabad, and
- b) Fairness Opinion Report of M/s. CIL Securities Limited dated 22nd September, 2015, for favorable consideration by the Board of Directors, Stock Exchange(s) and SEBI and other appropriate authorities.

Hence, considering the above, the committee recommends the Scheme of Arrangement with the Shareholder of the Company, to the Board for its approval and necessary action.

By and on behalf of the Audit Committee


Ram Prasad Vempati
 DIN :- 01903161
 Chairman of Audit Committee
 Dated : 29.09.2015



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Narbada
Gems & Jewellery Limited

CERTIFIED TRUE COPY OF THE RESOLUTION PASSED AT THE MEETING OF THE AUDIT COMMITTEE OF NARBADA GEMS AND JEWELLERY LIMITED HELD ON TUESDAY 29th SEPTEMBER, 2015 AT THE REGISTERED OFFICE OF THE COMPANY.

Reduction of Capital of the Company:

The Chairman of the meeting informed to the members of the audit committee that the Board of the Company in its meeting held on 04th August, 2015 considered to undertake the process for a scheme of reduction of share capital of Narbada Gems and Jewellery Limited.

He further said that the Board of the Company also considered the fact that to get a better benefit, it would be wise to restructure the capital of the Company by way of reduction of capital to wipe out the accumulated losses depicted in the books of the Company on account of past losses.

He placed before the meeting the SEBI circular bearing no. CIR/CFD/DIL/5/2013 dated 4th February, 2013 and drew the attention for the members Para 5 A of the said circular. The Circular inter alia directed the Audit committee to consider the Valuation Report obtained from an Independent Chartered Accountant and in turn report to the Board either recommending the scheme to be considered or not.

The Chairman placed before the Committee the following documents:

1. Revised Draft Scheme of Arrangement for Reduction of share capital.
2. Audited accounts for the period ended 31st March, 2015.
3. Shareholding details of the Company including Promoters and majority share holding.
4. Valuation Report given by M/s G S Murty & Associates, Chartered Accountants.
5. The fairness opinion on Valuation dated 22.09.2015 given by CIL Securities Limited, the Category-I Merchant Banker.

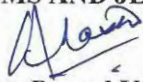
"RESOLVED THAT the Audit Committee be and hereby recommend for the consideration of the Board the Revised Scheme of Arrangement for Reduction of capital of the Company.

"RESOLVED FURTHER THAT the Audit Committee hereby recommend for the consideration of the Board the draft scheme of reduction of share capital which is fair and in the best interest of the Company and shareholders and take on record the Valuation Report dated 21st September, 2015 issued by M/s G S Murty & Associates, the Independent Chartered Accountant appointed which is in accordance with the SEBI Circular bearing No. CIR/CFD/DIL/5/2013 dated 4th February 2013."

All the members were present throughout the meeting and the Resolution was passed unanimously.

\\Certified True Copy\\

For NARBADA GEMS AND JEWELLERY LIMITED


Ram Prasad Vempati
DIN :- 01903161

Chairman of Audit Committee



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