

**REPORT OF THE AUDIT COMMITTEE OF NAVA BHARAT VENTURES LIMITED
RECOMMENDING THE DRAFT SCHEME OF REDUCTION OF CAPITAL OF
COMPANY HELD BY NAV ENERGY PRIVATE LIMITED (TRUST) AND NAVA
BHARAT VENTURES EMPLOYEE WELFARE TRUST THROUGH ITS TRUSTEES
- BARCLAYS WEALTH TRUSTEES (INDIA) PRIVATE LIMITED AT ITS MEETING
HELD ON 08.08.2019.**

Members Present:

Dr. D. Nageswara Rao
Mr. Kode Durga Prasad
Mr. A. Indra Kumar

In attendance:

Mr. VSN Raju, Company Secretary & Vice President

Background:

The Board of directors of Nava Bharat Ventures Limited ("NBV" or the Company) is considering to undertake a Scheme for Reduction of Capital under Section 66 of the Companies Act, 2013 and other applicable Rules between the Company and its shareholders - Nav Energy Private Limited (acting as Trustee) and Nava Bharat Ventures Employee Welfare Trust.

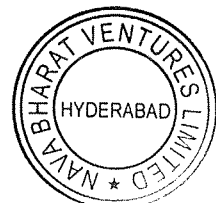
The equity shares of the Company are listed on National Stock Exchange of India and BSE Limited.

This report of Audit Committee is made in order to comply with the requirements of SEBI Circular No. CFD/DIL3/CIR/2017/21 dated 10th March, 2017 including amendments thereto, issued under the Securities and Exchange Board of India (SEBI) Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) .

In compliance with the above Circular, Members of the Audit Committee of the Company reviewed, considered and approved the proposal for Capital Reduction vide a resolution passed in the meeting dated 08.08.2019 and have made this report in compliance with the aforesaid Circular after considering the Draft Scheme of Reduction of Capital and perusing inter alia the following necessary documents ("Documents"):

Documents placed before the Audit Committee:

- a. Draft Scheme of Reduction Capital;
- b. Valuation Report dated **August 8, 2019** issued by Mr. V GANGADHARA RAO N, Chartered Accountants, Registered Valuer (securities or Financial Assets);



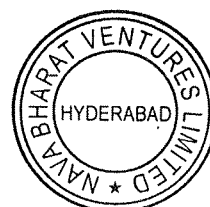
- c. Draft Fairness Opinion issued by Karvy Investor Services Limited, Hyderabad, a Category-I Merchant Banker;
- d. The Certificate from Statutory Auditors, with respect to non-applicability of Para (9) (a) & (b) of Annexure-I of SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017.
- e. Draft Certificate issued by the Statutory Auditors of the Company certifying that the accounting treatment is in compliance with all the accounting standards specified by the Central Government under the Companies Act, 2013 read with the rules framed thereunder and other generally accepted accounting principles;
- f. Other Annexures for the Draft Scheme of Reduction of Capital;
- g. Financial Statements of the Company for the quarter ended 30.06.2019;
- h. Limited review report of the Company for the 3 months period ended June 30, 2019.

Proposed Capital reduction:

The Audit Committee noted that the Draft Scheme of Reduction of Capital is for reducing the capital by 7.23%, the reason being the impact of the regulatory changes or requirement under Regulation 31 (2) (b) (ii) of The SEBI (Share Based Employee Benefits) Regulations, 2014 and also to avoid any market turbulence due to bulk sale of Treasury shares in the market.

The salient features of the proposed capital reduction are as follows:

- a. The Scheme proposes reduction of the paid up equity share capital of the Company by cancelling and extinguishing an aggregate of 1,27,47,020 fully paid equity shares of face value Rs.2/- each comprising of (i) 99,47,020 (Ninety-nine lakhs Forty-seven thousand and twenty only) equity shares of Rs.2/- each held in trust by Nav Energy Private Limited and (ii) 28,00,000 (Twenty eight lakh only) equity shares of Rs.2/- each held by Nava Bharat Ventures Employee Welfare Trust through its Trustees - Barclays Wealth Trustees (India) Private Limited.
- b. The aforesaid reduction is proposed to be effected by cancellation and extinguishment of the equity shares held by Nav Energy Private Limited and Nava Bharat Ventures Employee Welfare Trust, comprising 99,47,020 (5.64%) and 28,00,000 (1.59%) respectively.
- c. Upon the Scheme becoming effective, 1,27,47,020 Equity Shares of Rs.2/- each shall be extinguished.



Rationale of the Scheme:

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

The capital reduction will be for the benefit of the Company and its shareholders, creditors and all concerned as a whole.

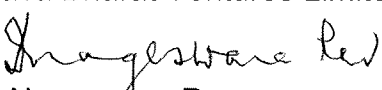
The capital reduction does not involve any cash outflow and therefore, would not affect the liability or liquidity of the Company to meet its obligations / commitments in the normal course of business.

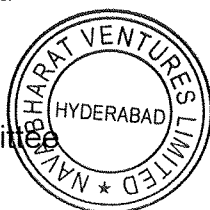
Recommendation of the Audit Committee:

After detailed deliberations, the Audit Committee approved the draft scheme after inter alia considering the facts and rationale mentioned in the scheme and hereby recommends to the Board for their review and consideration.

By Order of the Audit Committee

for and on behalf of
Nava Bharat Ventures Limited


D Nageswara Rao
Chairman of the Audit Committee



Date : 08.08.2019

Place : Hyderabad