TRANSGLOBE FOODS LIMITED

Regd. Office : 701/2, Sai Janak Classic, Near Sudhir Phadke Flyover,
Devidas Lane, Borivali - West, Mumbai 400103, Maharashtra. Phone No.: 022-65156677, Mobile No.: 8080401230
Email : transglobefoods@gmail.com Website : www.transglobefoods.com
CIN : L15400MH1986PLC255807

REPORT OF AUDIT COMMITTEE OF TRANSGLOBE FOODS LIMITED RECOMMENDIG THE SCHME OF REDUCTION OF CAPITAL

This Report of the Audit Committee is issued in terms of Para 2(c) of Annexure 1 of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ("SEBI Circular") as amended by SEBI Circular Number CFD/DIL3/CIR/2018/2 dated January 3, 2018. The requirements of the said SEBI circular, inter alia, make it mandatory for the Audit Committee to recommend the draft Scheme of Reduction of Capital.

A meeting of the Audit Committee of Transglobe Foods Limited (the Company) was held on 14th June, 2018, inter alia, to consider and recommend the Reduction of Capital and the Scheme of Reduction of Capital of Transglobe Foods Limited.

The aforesaid Audit Committee was attended by the following committee members:

1. Mr. Ganesh Shelar
2. Mr. Prabhakar Khakkhar
3. Mrs. Amisha Dani

Mr. Ganesh Shelar, Chairman of the Audit Committee chaired the aforesaid Audit Committee meeting.

The following documents were considered by the Audit Committee meeting:

a) Draft Scheme of Reduction of Capital of the Company;

b) Annual reports of the Company for the Financial Years 2015-16, 2016-17 and 2017-18;

c) Pre and Post Reduction Shareholding Pattern of the Company;

d) Certificate for Non- Applicability of the requirement of obtaining the Valuation Report from an Independent Chartered Accountant as prescribed in Para 4(a) of Annexure-1 of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10,

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2017 as amended by SEBI Circular Number CFD/DIL3/CIR/2018/2 dated January 3, 2018 in respect of proposed Reduction of Capital.

The Audit Committee reviewed the aforesaid documents. The Audit Committee considered that there was accumulated loss (debit balance of Profit & Loss Account) of Rs. 3,,15,92,769/- as against the Paid up Share Capital of Rs. 2,89,79,000/- in the Company, as per the last Audited Annual Accounts of the Company for the Financial Year ended on March 31, 2018.

The Audit Committee noted the objectives of the financial restructuring by way of Reduction of capital which are as under:

a. Continuous losses have substantially wiped off the value represented by the Capital, reserves and surplus and accordingly the financial statements do not reflect the correct picture of the health of the Company.

b. For ensuring that the financial statements of the Company reflect the real picture and the Capital, reserves and surpluses which are lost are not continued to be shown on the face of balance sheet, it is necessary to carry out reduction of capital of the Company.

c. Since writing off losses has become inevitable for growth of the Company and its shareholders, the Company is now proposing to undertake a financial restructuring exercise whereby the Company would create a "Capital Restructuring Account" from its paid up Equity Share capital whereby the Company would write off Part off its debit balance of Profit and Loss Account.

d. The reduction of share capital would cause the Balance Sheet to bring in true and fair representation of the Company by the available assets of the Company and reflect the real financial position of the Company

e. The financial restructuring will help the Company to reflect the true shareholder value which would place the company in a position to pay dividend or raise capital in future.

f. The restructuring will also not cause any prejudice to the creditors of the Company. For the sake of clarity, it is specified that the reduction in Share Capital does not involve either the diminution of any liability in respect of any unpaid capital or the payment to any shareholder of any paid-up capital nor is any call being waived. The

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Creditors of the Company are in no way affected by the proposed restructuring by way of the reduction of capital as there is no reduction in the amount payable to any of the creditors, no compromise or arrangement is contemplated with the creditors. Further, the proposed adjustment would not in any way adversely affect the ordinary operations of the Company or the ability of the Company to honour its commitments or to pay its debts in the ordinary course of business.

g. The reduction of share capital does not involve any cash out flow as the shares are getting extinguished against the debit balance of Profit and Loss Account.

h. Hence, the proposed reduction will be for the benefit of the Company and its shareholders, creditors and all concerned as a whole.

The Committee also perused the Draft Scheme of Reduction of Capital of the Company. The Equity Capital of the Company will reduced from Rs.2,89,79,000/- divided into 28,97,900 Equity Shares of Rs. 10/- (Rupees Ten only) each fully paid up to Rs. 14,48,950/- divided into 1,44,895 Equity Shares of Rs. 10/- (Rupees Ten only) each and that such reduction be effected by canceling of 27,53,005 Equity Shares of Rs. 10/- each amounting to Rs. 2,75,30,050/- in the existing paid up Equity Share Capital against debit balance in Profit and Loss account.

The Audit Committee acknowledged that since the reduction of capital shall be on proportionate basis, there is no change in the pre and post reduction shareholding pattern of the company.

After discussion and consideration, the Audit Committee recommended the Reduction of Equity Share Capital for favorable consideration by the Board of Directors of the Company.

By order of Audit Committee

For and on behalf of **Transglobe Foods Limited**

Ganesh Shelar
Chairman (Audit Committee)
Date: 14.06.2018
Place: Mumbai

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