



# NAMBURU & ASSOCIATES

## CHARTERED ACCOUNTANTS

27<sup>th</sup> November, 2014

To,  
The Board of Directors  
Palred Technologies Limited,  
Plot No.2, 82-703/2/B,  
Road No.12, Banjara Hills,  
Hyderabad- 500034.

Dear Sir,

We have been informed by Palred Technologies Limited (the Company) that there is a proposal under consideration for reduction of paid-up equity share capital/ paid-up equity shares of the Company by 60% on a proportionate basis and that 60% of the portion of paid-up equity share capital would be repaid to all the equity shareholders, pursuant to such reduction and on obtaining interalia, the approval of the stock Exchanges and the Hon'ble High Court of Telanagana and Andhra Pradesh under the provisions of Clause 24(f) of the Listing Agreement and Sections 100 to 104 read with Section 52 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 1956.

We have further been informed by the Company that the rationales for proposing the 'Capital Reduction' is as under:

1. M/s. Palred Technologies Limited (Formerly known as Four Soft Limited) was originally incorporated under the name and style of M/s. Four Soft Private Limited on 24.12.1999. Subsequently the Company was converted into a Public Limited Company and the name of the Company was changed to Four Soft Limited and consequent upon change of name on conversion to Public limited company, the Company obtained a Fresh Certificate of Incorporation from the Registrar of Companies, Andhra Pradesh on 23.04.2003 after complying with the relevant provisions under the Companies Act, 1956. Further the name of the Company was changed from Four Soft Limited to Palred Technologies Limited and consequent upon change of name the Company obtained a Fresh Certificate of Incorporation from the Registrar of Companies, Andhra Pradesh on 09.12.2013 after complying with the relevant provisions under the Companies Act, 1956. (The Corporate Identification Number of the Company is L72200TG1999PLC033131)
2. The Registered Office of the Company is situated at H. No. 8-2-703/2/B, Plot. No. 2, Road No.12, Banjara Hills, Hyderabad – 500034 Telangana. Palred is a Listed Company having its shares listed on BSE Limited (formerly known as Bombay Stock Exchange Ltd.) and National Stock Exchange Ltd. The Company was into business of providing software solutions for Logistics companies.





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3. The Company in the Month of October, 2013, sold its entire business undertaking by way of slump sale by obtaining the approval of shareholders in terms of Section 293 (1) (a) by way of postal ballot dated 18<sup>th</sup> September, 2013 for a consideration of Rs. 251,65,90,355/- (Rupees Two Hundred and Fifty One Crores Sixty Five Lakhs Ninety Thousand Three Hundred and Fifty Five only).
4. After the sale of business, the Board of Directors of the Company has decided to pay an interim dividend to the shareholders of the Company and accordingly an interim dividend of Rs. 29/- (Rupees Twenty Nine) per equity share of Rs. 5/- (Rupees Five Only) was paid to the shareholders on 3,90,36,970 (Three Crores Ninety Lakhs Thirty Six Thousand Nine Hundred and Seventy Only) equity shares aggregating to Rs. 113,20,72,130/- (Rupees One Hundred and Thirteen Crores Twenty Lakhs Seventy Two Thousand One Hundred and Thirty Only).
5. After payment of Dividend and income taxes, the Company still has excess cash which cannot be deployed effectively in the business and after factoring the cash required for future business and investing activities, the cash available is more than actually required. Hence, after evaluating various alternatives, the Board of Directors of the Company decided to reduce 60% of the paid up equity share capital by cancelling and extinguishing 60% of the equity shares of the Company of face value of Rs. 5/- each and by returning to the shareholders an amount of Rs. 16.50/- (Sixteen Rupees and Fifty Paise only) per share i.e face value Rs. 5/- and a premium of Rs. 11.50/- totalling to Rs.38,64,66,003/-.
6. The Capital Reduction proposal would return surplus cash to all shareholders uniformly and equitably by the Company and the benefits thereof would be available to all the members uniformly;
7. The Capital Reduction will not in any manner adversely affect or prejudice the interest of its shareholders, creditors or public at large.
8. The Capital reduction would not affect the Company's ability to fund its future growth plans as it would continue to have a strong balance sheet with adequate cash surplus.

Further we have also been informed that the reasons why the Company is not proposing buy-back of shares instead are as under:-

- a) Under the Capital Reduction, the Company can pay the amounts in excess of its requirements without any restriction as is applicable to buy-back under Section 68 of the Companies Act, 2013.





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b) In a buy-back the shareholders have an option to tender their shares, which may lead to change in the shareholding.

We have been provided with the audited financial statements of the Company as on 31<sup>st</sup> March, 2014 and reviewed financial statements as at 30<sup>th</sup> September, 2014.

Having been so informed, we have been asked to report on the valuation of equity shares of the Company for the purpose of the proposed reduction of capital as is required under the SEBI Circular no. CIR/CFD/DIL/5/2013 dated February 4, 2013.

As stated above, under the proposed capital reduction, the Company intends to return a fixed portion of the amount paid up per share, to all the shareholders. As the amount to be returned is a fixed number, no share valuation for this specific purpose, in our opinion, is possible. Based on our verification of the said statements and based on explanations and representations made to us by the Company, we confirm as under:-

1. The Authorized Equity Capital of the Company is Rs.28,03,88,000/- crores comprising 56,077,600 equity shares of Rs.5/- each.
2. The issued, subscribed and paid up equity capital of the Company is Rs.19,51,84,850/- comprising of 3,90,36,970 equity shares of Rs.5/- each, fully paid up.
3. The balance available in the Securities Premium Account of the Company is Rs.65,12,90,186/-.

We are informed that according to the scheme of Capital Reduction, 60% of the Paid-up equity share capital will be reduced and this would result in a reduction of the net worth of the Company as under:

Net worth of the Company pre- reduction of capital – Rs. 87,66,93,929/-

Net Worth of the Company post – reduction of capital – Rs. 49,02,27,926/-

This certificate has been issued at the specific request of the Company. We undertake no further responsibility to update this certificate for new information subsequent to the date of this certificate.

Place: Hyderabad

Date: 27.11.2014

For Namburu & Associates  
Chartered Accountants

*N. Narasimha Rao*

N.Narasimha Rao

Proprietor

M. No: 212495

