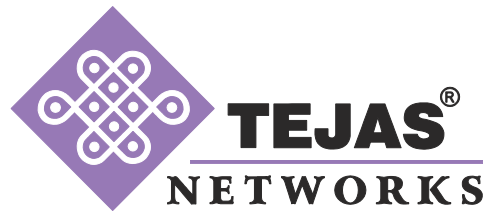


## Tejas Networks Ltd.

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### REPORT OF THE AUDIT COMMITTEE OF TEJAS NETWORKS LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF SAANKHYA LABS PRIVATE LIMITED AND SAANKHYA STRATEGIC ELECTRONICS LIMITED WITH TEJAS NETWORKS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AT ITS MEETING HELD ON THURSDAY, SEPTEMBER 29, 2022 AT 7:45 A.M.

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#### Members Present:

1. Mr. Chandrashekhar Bhaskar Bhave - Chair
2. Amb. Leela K Ponappa - Member
3. Mr. P R Ramesh - Member

#### In attendance:

1. Mr. N R Ravikrishnan - General Counsel, Chief Compliance Officer and Company Secretary

#### By invitation:

1. Mr. Sanjay Nayak - Managing Director and CEO
2. Mr. Arnob Roy - Executive Director and Chief Operating Officer
3. Mr. Venkatesh Gadiyar - Chief Financial Officer
4. Ms. Sneha V - Senior Executive Company Secretary
5. Ms. Khushboo Tanwar - Vice President, SPA Valuation Advisors Pvt Ltd. – Registered Valuer
6. Mr. Srujan Poojary - Asst. Vice –President, V. B. Desai Financial Services Limited, Merchant Banker

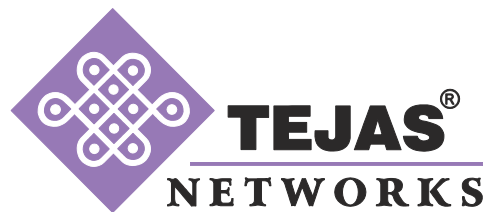
#### 1. Background

- 1.1. A meeting of the Audit Committee of Tejas Networks Limited was held on September 29, 2022 to *inter alia* consider and recommend the proposed draft Scheme of Amalgamation of Saankhya Labs Private Limited (“**Transferor Company 1**”) and **Saankhya Strategic Electronics Private Limited (“Transferor Company 2”)** with Tejas Networks Limited (“**Company**” or “**Transferee Company**”) and their respective shareholders under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“**Act**”) (“**Scheme**”).
- 1.2. The Transferee Company is a public company incorporated under the provisions of the Companies Act, 1956. The equity shares of the Transferee Company are listed on BSE Limited and the National Stock Exchange of India Limited.



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1.3. The Transferor Company 1 and Transferor Company 2 are incorporated under the provisions of the Companies Act, 1956 and Companies Act, 2013 respectively. The Transferor Company 2 is a wholly owned subsidiary of Transferor Company 1 and Transferor Company 1 is a majority owned and controlled subsidiary of Transferee Company. The Transferor Company 1 and Transferor Company 2 shall hereinafter collectively be referred to as ("**Transferor Companies**").

1.4. This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India ("**SEBI**") (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and Clause 2 (c) of Para A of Part I of the SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated 23<sup>rd</sup> November, 2021 ("**SEBI Master Circular**") and as amended from time to time.

### 1.5. Documents placed before the Audit Committee

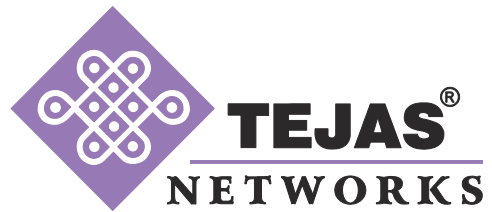
The following documents, duly initialed by the Company Secretary of the Company for the purpose of identification, were placed before the Audit Committee:

- (a) Draft Scheme;
- (b) Share Exchange Ratio Report dated September 29, 2022 issued by M/s. SPA Valuation Advisors Private Limited (Registration No. - IBBI/RV-E/05/2021/148), Registered Valuer ("**Share Exchange Ratio Report**"), describing the methodology adopted by them in arriving at the share exchange ratio;
- (c) Fairness Opinion Report dated September 29, 2022 issued by M/s. V. B. Desai Financial Services Limited (Registration No. INM 000002731), an Independent SEBI registered Category – I Merchant Banker ("**Fairness Opinion**"), providing its opinion on the fairness of share exchange ratio specified in the Share Exchange Ratio Report;
- (d) Undertaking on non-applicability of conditions specified in Paragraph 10(b) read with Paragraph 10(a) of Part I of the SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 ("**SEBI Master Circular**") and certificate issued by M/s. Price Waterhouse Chartered Accountants LLP, Chartered Accountants, Statutory Auditors of the Company certifying the said undertaking; and



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- (e) Statutory Auditor Certificate dated September 29, 2022, issued by M/s. Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/N500016), certifying that the accounting treatment specified in the Scheme is in compliance with the applicable accounting standards and regulations as specified under Section 133 of the Companies Act, 2013 as amended from time to time and other generally accepted accounting principles in India.

## 2. Salient Features of the Scheme

The Audit Committee noted the brief particulars of the Scheme as under:

- a) This Scheme (as defined herein) is presented under Sections 230 to 232, SEBI Scheme Circular and other applicable provisions of the Act read with Section 2(1B) and applicable provisions of the Income Tax Act (as defined in the Scheme) and other applicable law, if any and provides for the amalgamation of the Transferor Companies (as defined herein) with the Transferee Company and dissolution of Transferor Companies without winding up and also provides for various other matters consequent and incidental thereto or otherwise integrally connected thereto.
- b) The appointed date for the amalgamation is July 1, 2022 ("**Appointed Date**")
- c) Consideration:

### On Amalgamation of the Transferor Company 1 with the Transferee Company

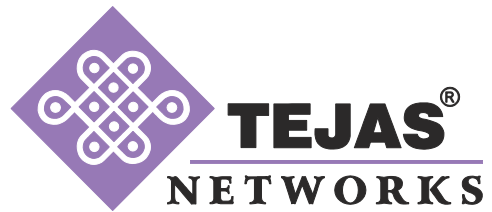
- a. Upon the Scheme coming into effect and in consideration of the amalgamation of the Transferor Company 1 with the Transferee Company, the Transferee Company shall, without any further application, act, consent, instrument or deed, issue and allot, on a proportionate basis to each shareholder of the Transferor Company 1, whose name is recorded in the register of members as member of the Transferor Company 1 as on the Effective Date, as under:

112 equity shares of INR 10 (Indian Rupees ten) each of the Transferee Company, credited as fully paid up, for every 100 fully paid-up equity shares of INR 10 (Indian Rupees ten) each of the Transferor Company 1



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### On Amalgamation of the Transferor Company 2 with the Transferee Company

- b. Since the Transferor Company 2 is wholly owned subsidiary of the Transferor Company 1, which will amalgamate with the Transferee Company pursuant to this Scheme, no consideration will be issued for the amalgamation of the Transferor Company 2 with the Transferee Company.
- d) Upon the Scheme becoming effective, Transferor Companies along with all its assets, liabilities, contracts, employees, records etc. being its integral part shall stand transferred to the Company as a going concern subject to the provisions of the Scheme.
- e) From the appointed date and upto the effective date, the Transferor Companies and Transferee Company shall carry on its business and activities with reasonable diligence and business prudence.
- f) The effectiveness of the Scheme is contingent upon certain conditions as mentioned in the Scheme.

### 3. Proposed Scheme of Amalgamation

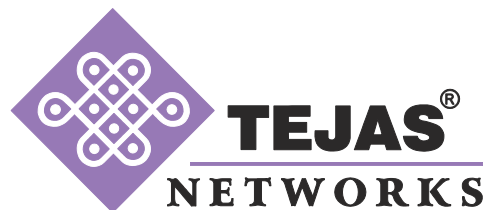
#### 3.1. Need for the amalgamation and rationale of the Scheme

- The Transferor Companies, are direct/indirect subsidiaries of the Transferee Company. It is proposed to integrate their businesses to achieve following benefits:
  - enhancement of operational, organizational and financial efficiencies, and achieve economies of scale by pooling of resources;
  - achieve synergies in revenue, costs, operations, and stronger base for future growth;
  - an integrated and coordinated approach to business will allow for a more efficient allocation of capital and cash management;
  - further expand and grow all business into the international markets;
  - reduction in the multiplicity of legal and regulatory compliances currently required to be carried out by Transferor Companies and the Transferee Company;



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- consolidation of administrative and managerial functions and elimination of multiple record-keeping, inter alia other expenditure and optimal utilization of resources;
  - adaptation of best practices and in enhancing mechanisation/ automation of various processes through latest technologies;
  - streamlining of the corporate structure; and
  - improved organizational capability and leadership, arising from the pooling of human capital that has diverse skills, talent, and vast experience to compete in an increasingly competitive industry.
- The amalgamation is in the interest of all the companies, their respective shareholders, creditors and all other stakeholders and is not prejudicial to the interests of the concerned shareholders, creditors or the public at large.

### 3.2. Synergies of business of the Companies involved in the Scheme

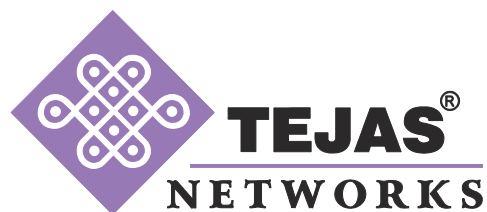
The background and information of the Transferee Company and the Transferor Companies are, *inter-alia*, as under:

- (a) The Transferee Company is a company incorporated under the provisions of the Companies Act, 1956. The Transferee Company is an optical and data networking products company that designs, develops and manufactures high-performance and future-ready products for building high-speed communication networks that carry voice, data and video traffic from fixed line, mobile and broadband networks. The Transferee Company's products are differentiated by a programmable, software defined hardware architecture that provides flexibility, multigeneration support and a seamless software-enabled network transformation to its customers. The Transferee Company's customers include telecommunications service providers, internet service providers, web-scale internet companies, utility companies, defense companies and government entities. The equity shares of the Transferee Company are listed on the BSE Limited and the National Stock Exchange of India Limited.



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- (b) The Transferor Company 1 is a company incorporated under the provisions of the Companies Act, 1956. The Transferor Company 1 is engaged in the business of wireless communication products for telecom, satcom and broadcast industries. Focus areas of the Transferor Company 1 include wireless semiconductor, telecom infrastructure, Software Defined Radio (SDR), and Cognitive Radio technologies. The Transferor Company 1 provides wireless products to telecom operators which include 5G Radio Access Network (RAN) and Network automation and management software. Broadcast radio heads and mobile receiver products of the Transferor Company 1 are designed for convergence of broadcast and telecom networks, and its satcom products include satellite IoT solutions for tracking railway locomotives and sea vessels. The Transferee Company holds 64.40% of the total outstanding equity share capital of the Transferor Company 1.
- (c) The Transferor Company 2 is a company incorporated under the provisions of the Companies Act, 2013. The Transferor Company 2 was incorporated with the main objective to develop, maintain and service all types of communication systems, electronic products, semiconductor integrated circuits/ chips, micro controllers, digital signal processors, processing algorithms, embedded software and related hardware and software. The Transferor Company 2 is a wholly owned subsidiary of the Transferor Company 1.
- (d) Upon amalgamation, the benefits and synergies as mentioned in Para 3.1 above shall be derived by the Company.

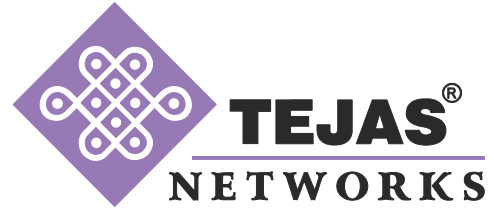
### 3.3. Impact of the Scheme on the Company and its Shareholders

- (a) In consideration for the amalgamation of the Transferor Companies with the Transferee Company, the shareholders of the Transferor Company 1, as on the Effective Date (*as defined in the Scheme*) shall receive equity shares of the Transferee Company. Further, the rights and interests of the shareholders of the Transferee Company will not be prejudicially affected by the Scheme, and there will be no change in the economic interest of the shareholders of the Transferee Company, before and after Scheme;
- (b) Upon the Scheme becoming effective, the Transferor Companies shall be dissolved without being wound up and the shareholders of the Transferor Company 1 shall become shareholders of the Transferee Company; and



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- (c) After the effectiveness of the Scheme and subject to receipt of regulatory approvals, the equity shares of the Transferee Company issued as consideration pursuant to the Scheme, shall be listed on BSE Limited and the National Stock Exchange of India Limited.

### 3.4. Cost benefit analysis of the Scheme

Although the Scheme would lead to incurring of some costs towards its implementation, however, the benefits of the Scheme over a longer period would far outweigh such costs for the stakeholders of the Company.

### 4. Recommendation of the Audit Committee

- 4.1. The Audit Committee has taken on record the Valuation report and the recommendations made therein.
- 4.2. Taking into consideration the draft Scheme, Share Exchange Ratio Report, Fairness Opinion and Certificate(s) issued by Statutory Auditors of the Company, synergies of the business of the companies, impact of the scheme on the company and its shareholders, cost benefit analysis of the Scheme and other documents placed before the Audit Committee, the Audit Committee recommends the draft Scheme for favorable consideration and approval by the Board of Directors of the Company.
- 4.3. In order for the Company to comply with the extant regulations applicable to the listed companies undertaking any Scheme of Amalgamation under the Companies Act, 2013 and SEBI Scheme Circular, this report of the Audit Committee may please be taken on record by the Board while considering the Scheme for approval and further authorisations.



**Chandrashekhar Bhaskar Bhawe**  
**Chair - Audit Committee**  
**DIN: 00059856**

**Place: Bengaluru**

**Date: September 29, 2022**