

# FSL FRONTLINE SECURITIES LIMITED

CIN: L74899DL1994PLC058837

Registered Office: M-6, II<sup>nd</sup> Floor, M Block Market, Greater Kailash-II, New Delhi-110048.

Corporate Office/Correspondence Address: B-22, Sector-4, Noida-201301

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## FOR THE ATTENTION OF ELIGIBLE SHAREHOLDERS OF FRONTLINE SECURITIES LIMITED FOR BUY BACK OF EQUITY SHARES THROUGH TENDER OFFER UNDER THE SECURITIES AND EXCHANGE BOARD OF INDIA (BUY BACK OF SECURITIES) REGULATIONS, 1998, INCLUDING ANY AMENDMENTS, STATUTORY MODIFICATION(S) OR RE-ENACTMENT(S) FOR THE TIME BEING IN FORCE

This Public Announcement ("Public Announcement") is being made pursuant to the provisions of Regulation 8(1) of the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 ("Buy Back Regulations"), including any amendments, statutory modification(s) or re-enactment(s) for the time being in force and contains the disclosures as specified in Part A of Schedule II to the Buy Back Regulations.

CASH OFFER TO BUY BACK UP TO 12,77,866 (TWELVE LAKHS SEVENTY SEVEN THOUSAND EIGHT HUNDRED SIXTY SIX ONLY) FULLY PAID-UP EQUITY SHARES OF FACE VALUE OF RS.10 EACH ("EQUITY SHARES" OR "SHARES"), AT A PRICE OF RS. 62/- (RUPEES SIXTY TWO ONLY) PER EQUITY SHARE ("BUY BACK PRICE") PAYABLE IN CASH FOR AN AGGREGATE AMOUNT OF RS. 7,92,27,692/- (RUPEES SEVEN CRORES NINETY TWO LAKHS TWENTY SEVEN THOUSAND SIX HUNDRED NINETY TWO ONLY) ("BUY BACK SIZE") WHICH REPRESENTS 24.99% OF THE AGGREGATE OF COMPANY'S SHARE CAPITAL AND FREE RESERVES AS ON MARCH 31, 2017, THROUGH THE TENDER OFFER ROUTE, ON A PROPORTIONATE BASIS ("BUY BACK OFFER" OR "OFFER" OR "BUY BACK"). THE MAXIMUM NUMBER OF EQUITY SHARES CONSTITUTES 17.78% OF ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARE CAPITAL OF THE COMPANY.

### 1. DETAILS OF THE BUY BACK OFFER AND OFFER PRICE

- The Board of Directors of Frontline Securities Limited ("Company"), at their meeting held on October 20, 2017, has, in accordance with Article 134 of the Articles of Association of the Company and the provisions of Sections 68, 69, 70 and 110 and all other applicable provisions of the Companies Act, 2013 ("Act"), the Companies (Share Capital and Debentures) Rules, 2014 ("Share Capital Rules"), the Companies (Management and Administration) Rules, 2014 ("Management Rules"), including any amendments, statutory modifications or re-enactments thereof, for the time being in force and in compliance with the Buy Back Regulations, approved the proposal to Buy Back the Company's Equity Shares, subject to such other approvals, permissions and sanctions as may be necessary and subject to any modifications and conditions, if any, as may be prescribed by the appropriate authorities which may be agreed by the Board of Directors (the "Board", which expression shall include any committee constituted by the Board to exercise its powers), and subject to such conditions and modifications as may be prescribed or imposed by such government, regulatory, statutory or appropriate authorities.
- The Company sought approval of its shareholders for the said Buy Back, by a special resolution, through the Postal Ballot Notice dated October 20, 2017. The shareholders approved the said proposal of Buy Back of Equity Shares and the results of the postal ballot were announced on December 08, 2017. The Company was thus authorized to Buy Back a number of Equity Shares not exceeding 12,77,866, from all the existing shareholders/beneficial owners of Equity Shares as on the Record Date ("Eligible Shareholders"), for an amount not exceeding Rs. 7,92,27,692/- (Rupees Seven Crores Ninety Two Lakhs Twenty Seven Thousand Six Hundred Ninety Two only) ("Buy Back Size").
- The Buy Back Size does not include any expenses incurred or to be incurred in relation to the Buy Back viz. brokerage, applicable taxes such as securities transaction tax, goods and service tax, stamp duty and other incidental and related expenses.
- The Buy Back Size is 24.99% of the total paid-up equity share capital and free reserves of the Company as per the audited Balance Sheet as on March 31, 2017.
- The Buy Back Offer will comprise a purchase of up to 12,77,866 Equity Shares, aggregating up to 17.78% of the paid-up equity shares of the Company as on March 31, 2017 at a price of Rs. 62/- (Rupees Sixty Two only) per Equity Share ("Buy Back Price") on a proportionate basis through the "Tender Offer" route, in accordance and consonance with the provisions contained in the Buy Back Regulations, the Act, Share Capital Rules and Management Rules, as amended.
- The Equity Shares of the Company are currently listed on BSE Limited ("BSE").
- The Buy Back shall be undertaken on a proportionate basis from the Eligible Shareholders through the Tender Offer process prescribed under Regulation 4(1)(a) of the Buy Back Regulations. Additionally, the Buy Back shall be implemented by the Company using the "Mechanism for acquisition of shares through stock exchange" as notified by the Securities and Exchange Board of India ("SEBI") vide circular bearing number CIR/CFD/POLICYCELL/1/2015 dated April 13, 2015 read with circular bearing number CFD/DCR2/CIR/P/2016/131 dated December 09, 2016, including any amendments thereof ("SEBI Circulars"). In this regard, the Company will request BSE to provide a separate acquisition window to facilitate placing of sell orders by the Eligible Shareholders who wish to tender Equity Shares in the Buy Back. Once the Buy Back is concluded, all Equity Shares purchased by the Company in the Buy Back will be extinguished.
- Participation in the Buy Back by Eligible Shareholders may trigger capital gains taxation in India and in their country of residence. The transaction of Buy Back would also be chargeable to securities transaction tax in India. In due course, the Eligible Shareholders will receive a letter of offer, which will contain a more detailed note on taxation. However, in view of the particularized nature of tax consequences, the Eligible Shareholders are advised to consult their own legal, financial and tax advisors prior to participating in the Buy Back.
- A copy of this Public Announcement is available on the website of the Company at www.fslindia.com and is expected to be available on the website of the SEBI at www.sebi.gov.in during the period of Buy Back and on the website of BSE at www.bseindia.com.

### 2. NECESSITY OF THE BUYBACK

The Buy Back is being proposed by the Company to return surplus funds to the shareholders, which are over and above its ordinary capital requirements and in excess of any current investment plans, in an expedient, efficient and cost effective manner. Additionally, the Company's management strives to increase shareholder's value and the Buy Back would result in the following benefits, amongst other things:

- The Buy Back will improve the Earnings Per Share (EPS), Return on Capital Employed (ROCE) and Return on Equity (ROE);
- The Buy Back will help in achieving an optimal capital structure;
- The Buy Back will help the Company to distribute surplus cash to its Members holding Equity Shares broadly in proportion to their shareholding, thereby, enhancing the overall return to Members;
- The Buy Back, which is being implemented through the Tender Offer route as prescribed under the Buy back Regulations, would involve allocation of higher number of shares as per their entitlement or 15% of the outlay to small shareholders. The Company believes that this reservation for small shareholders would benefit a large number of public shareholders, who would get classified as "small shareholder";
- The Buy Back gives an option to the Members holding Equity Shares of the Company, to either (i) choose to participate and get cash in lieu of Equity Shares to be accepted under the Buy Back Offer or (ii) choose to not participate and enjoy a resultant increase in their percentage shareholding, post the Buy Back Offer, without additional investment.

### 3. MAXIMUM NUMBER OF SECURITIES THAT THE COMPANY PROPOSES TO BUYBACK

The Company proposes to Buy Back up to 12,77,866 (Twelve Lakh Seventy Seven Thousand Eight Hundred Sixty Six only) Equity Shares of face value of Rs. 10/- each of the Company.

### 4. BUYBACK PRICE AND BASIS OF DETERMINING THE PRICE OF THE BUYBACK

- The Buy Back Price of Rs. 62/- per Equity Share has been arrived at after considering various factors including, but not limited to the trends in the volume weighted average prices of the Equity Shares on the BSE, where the Equity Shares are listed, Book Value of Shares, the Net Worth of the Company, Price Earnings Ratio, impact on other financial parameters and the possible impact of Buy Back on the earnings per share. The Buy Back Price offers a premium of 6.90% over the closing price of the Equity Shares i.e. Rs 58/- on BSE Limited, as on October 12, 2017, being the trading day prior to the date on which the Company intimated BSE Limited of the date of the meeting of the Board of Directors, wherein the proposal of the Buy Back was considered.

- The closing market price of the Equity Shares as on October 12, 2017, being last trading day prior to the date of intimation to the BSE for the Board Meeting for considering the Buy Back, was Rs. 58/- on BSE.

- The Buy Back Price is at premium of about 40.56% to the Company's book value per equity share, which pre Buy Back, as on March 31, 2017 is Rs. 44.11.

- The Earning Per Share (EPS) of the Company pre-Buy Back as on March 31, 2017 was Rs. 6.26 which will increase to Rs. 7.62 post Buy Back. The Post-Buy Back EPS is calculated by deducting the Maximum Number of Equity Shares proposed to be bought back (assuming full acceptance under the Buy Back) from the outstanding Equity Shares of the Company as at March 31, 2017, without factoring in any impact in the Statement of Profit and Loss due to reduction in cash.

- The Return of Net-worth of the Company pre Buy Back as on March 31, 2017 was 14.19% which will increase to 18.92% post Buy Back. The post Buy Back numbers are calculated by reducing the net worth of the Company by the proposed Buy Back Size, assuming full acceptance under the Buy Back, without factoring in any impact in the Statement of Profit and Loss due to the reduction in cash.

### 5. MAXIMUM AMOUNT OF FUNDS REQUIRED FOR BUY BACK, BUY BACK AMOUNT AS A PERCENTAGE OF THE TOTAL PAID UP CAPITAL AND FREE RESERVES AND SOURCE OF FUNDS FROM WHICH BUY BACK WOULD BE FINANCED

- The maximum amount proposed to be utilized for the Buy Back Offer is Rs. 7,92,27,692/- (Rupees Seven Crores Ninety Two Lakhs Twenty Seven Thousand Six Hundred Ninety Two only), excluding any expenses incurred or to be incurred in relation to the Buy Back viz. brokerage, applicable taxes such as securities transaction tax, goods and service tax, stamp duty and other incidental and related expenses. The aggregate paid-up share capital and free reserves of the Company as per the audited Balance Sheet as on March 31, 2017 is Rs. 31,70,37,635. The Buy Back Size is 24.99% of the total paid-up equity share capital and free reserves of the Company as per the audited Balance Sheet as on March 31, 2017.

- The funds for Buy Back will be financed out of Company's current balances of cash and cash equivalents and other current investments and/or internal accruals of the Company.

- The Company does not intend to raise additional debt for the explicit purposes of the Buyback. Borrowed funds will not be used for the Buy Back.

### 6. DETAILS OF SHAREHOLDING AND TRANSACTIONS IN THE SHARES OF THE COMPANY

- The Shareholding of a) the Promoter(s) / Promoter Group being individuals and the companies/entities forming part of the Promoter Group and Persons in Control; b) the Directors of Hope Consultants Limited (Company forming part of Promoters' Promoter Group); and c) the Directors and Key Managerial Personnel of the Company, as on the date of the Board Meeting at which the Buy Back was approved and the Postal Ballot Notice, i.e., October 20, 2017, are as follows:

- a) Shareholding of the Promoter(s) / Promoter Group being individuals and the companies/entities forming part of the Promoter Group and Persons in Control, as on the date of Postal Ballot Notice:

Sr. No.	Category	No. of Equity Shares	Percentage of shareholding
1.	Hope Consultants Limited	4,10,043	5.7056
2.	Rakesh Kumar Jain	31,45,910	43.7741
3.	Prerna Jain	17,88,504	24.8863
4.	Vidha Jain	24,510	0.3410
5.	Aridhi Jain	8,310	0.1156
	<b>Total</b>	<b>53,77,277</b>	<b>74.8227</b>

- b) Shareholding of the Directors of Hope Consultants Limited (Company forming part of Promoters' Promoter Group): Apart from the Equity Shares held by Mr. Rakesh Kumar Jain, being the Director of Hope Consultants Limited and holding the Equity Shares of the Company in the capacity of Promoters of the Company, the shareholding of Directors of Hope Consultants Limited in the Company is stated below:

Sr. No.	Category	No. of Equity Shares	Percentage of shareholding
1	Mr. Rajeev Kumar Jain	200	0.00
2	Mr. Sharad Jain	32,935	0.46
	<b>Total</b>	<b>33,135</b>	<b>0.46</b>

- c) Shareholding of the Directors and Key Managerial Personnel of the Company: Apart from equity shares held by Mr. Rakesh Kumar Jain in the Capacity of promoter of the Company, the shareholding of the Director and Key Managerial Personnel of the Company is stated below:-

Sr. No.	Name	Designation	No. of Equity Shares	Percentage of shareholding
1.	Mr. Gauri Shanker Pandey	Whole Time Director	-	-
2.	Dr. Charanjeet Singh Bedi	Independent Director	-	-
3.	Mr. Atul Kumar Jain	Independent Director	10	-
4.	Mr. Arun Kumar Jain	Independent Director	210	-
5.	Mr. Baljit Singh Bedi	Independent Director	600	0.01%
6.	Ms. Sarabjeet Kaur Kocher	Women Director	-	-
7.	Ms. Richa Arora	Whole Time Director and Company Secretary	-	-
8.	Ms. Swarna Gowni S.*	Chief Financial Officer	-	-
9.	Mr. Mayank Agarwal	Chief Financial Officer	-	-
	<b>Total</b>		<b>820</b>	<b>0.01%</b>

\*(Resigned w.e.f October 21, 2017)

- 6.2. Aggregate number of Equity Shares purchased or sold as well as minimum and maximum price at which such purchases and sales were made along with relevant dates by a) Promoters / Promoter Group and Persons in Control of the Company; b) Directors of the company forming part of Promoters / Promoter Group; and c) Directors and Key Managerial Personnel of the Company for a period of six months preceding the date of the Board Meeting at which the Buy Back was approved and the Postal Ballot Notice, i.e., October 20, 2017, are as follows:

- a) Details of transactions by the Promoters / Promoter Group and Persons in Control of the Company:

Name	Aggregate No. of Shares Purchased/ Sold	Nature of Transaction	Maximum Price (Rs.)	Date of Maximum Price	Minimum price (Rs.)	Date of Minimum Price
Rakesh Kumar Jain	1,50,000	Shares Acquired through Stock Exchange	50.70	17/04/2017	50.70	17/04/2017
Prerna Jain	25,000	Shares Acquired through Stock Exchange	50.70	17/04/2017	50.70	17/04/2017

- b) Details of transactions by the Directors of the company forming part of Promoters / Promoter Group: Apart from the transactions made by Mr. Rakesh Kumar Jain in his capacity as Promoter of the Company, which are reflected under paragraph 6.2 (a) above, no transaction (either purchase / sale / inter-se transfer) is undertaken by Directors of the company forming part of Promoters / Promoter Group during a period of six months preceding the date of the Board Meeting at which the Buy Back was approved and the Postal Ballot Notice, i.e., October 20, 2017.
- c) Details of transactions by the Directors and Key Managerial Personnel of the Company: Apart from the transactions made by Mr. Rakesh Kumar Jain in his capacity as Promoter of the Company, which are reflected under paragraph 6.2(a) above, no transaction (either purchase / sale / inter-se transfer) is undertaken by the Directors and Key Managerial Personnel of the Company during a period of six months preceding the date of the Board Meeting at which the Buy Back was approved and the Postal Ballot Notice, i.e., October 20, 2017.

### 7. INTENTION OF PROMOTER AND PROMOTER GROUP TO PARTICIPATE IN BUY BACK

In terms of the Buy Back Regulations, under the Tender Offer route, the Promoters of the Company have the option to participate in the Buy Back. In this regard, the Promoters of the Company, have expressed their intention ("Participating Promoters"), vide their individual letters dated October 18, 2017, to participate in the Buy Back and offer up to an aggregate maximum of 53,77,277 Equity Shares or such lower number of Equity Shares as required in compliance with the Buy Back Regulations / terms of the Buy Back. The extent of their participation in the Buy Back has been detailed in herein below:

Sr. No.	Name	Equity Shares held on October 20, 2017	Equity Shares intended to be offered in the Buy Back
1.	Hope Consultants Limited	4,10,043	4,10,043
2.	Rakesh Kumar Jain	31,45,910	31,45,910
3.	Prerna Jain	17,88,504	17,88,504
4.	Vidha Jain	24,510	24,510
5.	Aridhi Jain	8,310	8,310
	<b>Total</b>	<b>53,77,277</b>	<b>53,77,277</b>

As per the information provided by the promoters vide their individual letters dated October 18, 2017, details of the date and price of acquisition of the equity shares that promoters intend to tender are set-out below:

#### i. Hope Consultants Limited

Sr. No.	Date of Acquisition/ Disposal	No. of Equity Shares Acquired/(Sold)	Cost of Acquisition/Sale (in Rs. per Share)
1.	Up to August 31, 1994*	47,500	Not Available
2.	January 20, 1995	4,05,200	10.00
3.	January 21, 1995 to March 31, 1996*	(51,400)	Not Available
4.	August 20, 1996	3,00,575	12.50
5.	August 21, 1996 to May 07, 1997*	(32,400)	Not Available
6.	October 25, 2000	5,70,000	14.00
7.	November 21, 2000	4,30,000	14.00
8.	November 22, 2000 to March 31, 2001*	(70,500)	Not Available
9.	March 31, 2001 to March 31, 2002*	60,000	Not Available
10.	April 01, 2006*	22,56,068	Not Applicable
11.	February 05, 2014	(6,00,000)	33.00
12.	July 30, 2015	(6,00,000)	27.50
13.	July 8, 2016	(14,40,000)	17.40
14.	August 19, 2016	(8,65,000)	19.00

\*The exact dates of said acquisition/(sale) are Not Available.

5 Allotted pursuant to Order dated September 18, 2006 of the Hon'ble High Court of Delhi, approving the Scheme of Amalgamation of Hope Consultants Limited with AVI Growth Avenues Private Limited, Ample Consultants Private Limited and Frontpac Securities Private Limited.

#### ii. Rakesh Kumar Jain

Sr. No.	Date of Acquisition/ Disposal	No. of Equity Shares Acquired/(Sold)	Cost of Acquisition/Sale (in Rs. per Share)
1.	Up to 1st April, 2008*	97,910	7.00
2.	9th August, 2010	45,215	25.00
3.	12th August, 2010	30,296	25.00
4.	16th August, 2010	37,399	25.00
5.	17th August, 2010	46,500	25.00
6.	18th August, 2010	45,829	25.00
7.	20th August, 2010	45,790	25.00
8.	25th August, 2010	20,600	25.00
9.	26th August, 2010	46,371	25.00
10.	13th December, 2010	45,000	25.00
11.	1st June, 2011	4,70,000	26.70
12.	2nd May, 2012	4,75,000	24.40
13.	5th March, 2014	(3,00,000)	38.00
14.	12th June, 2014	(2,40,000)	66.00
15.	30th July, 2015	6,00,000	27.50
16.	8th July, 2016	2,90,000	17.40
17.	19th August 2016	12,40,000	19.02
18.	17th April, 2017	1,50,000	53.00

\*The exact dates of said acquisition/(sale) are Not Available.

#### iii. Prerna Jain

Sr. No.	Date of Acquisition/ Disposal	No. of Equity Shares Acquired/(Sold)	Cost of Acquisition/Sale (in Rs. per Share)
1.	Up to 1st April, 2004*	2,71,220	13.00
2.	1st September, 2010	45,700	25.00
3.	2nd September, 2010	45,000	25.00
4.	3rd September, 2010	18,800	25.00
5.	5th March, 2014	(1,25,000)	38.00
6.	10th June, 2014	(2,00,000)	65.00
7.	1st March, 2016	2,32,784	28.00
8.	4th April, 2016	3,25,000	27.00
9.	8th July, 2016	11,50,000	17.40
10.	17th April, 2017	25,000	53.00

\*The exact dates of said acquisition/(sale) are Not Available.

#### iv. Vidha Jain

Sr. No.	Date of Acquisition/ Disposal	No. of Equity Shares Acquired/(Sold)	Cost of Acquisition/Sale (in Rs. per Share)
1.	Up to 1st April, 1999*	1,54,510	4.00
2.	9th June, 2014	(1,30,000)	65.00

\*The exact dates of said acquisition/(sale) are Not Available.

#### v. Aridhi Jain

Sr. No.	Date of Acquisition/ Disposal	No. of Equity Shares Acquired/(Sold)	Cost of Acquisition/Sale (in Rs. per Share)
1.	Up to 1st January, 2003 *	1,08,310	7.00
2.	9th June, 2014	(1,00,000)	65.00

\*The exact dates of said acquisition/(sale) are Not Available.

### 8. CONFIRMATIONS FROM THE COMPANY AS PER THE PROVISIONS OF THE BUY BACK REGULATIONS AND THE ACT

- (a) The Company hereby confirms that there are no defaults subsisting in the repayment of deposits, interest payment thereon, redemption of debentures or interest payment thereon or redemption of preference shares or payment of dividend due to any shareholder, or repayment of any term loans or interest payable thereon to any financial institution or banking company;
- (b) The Company shall not issue any Equity Shares or other securities (including by way of bonus) till the date of closure of the Buy Back;
- (c) The Company shall not raise further capital for a period of one year from the closure of Buy Back offer except in discharge of its subsisting obligations;
- (d) The special resolution approving the Buy Back will be valid for a maximum period of one year from the date of passing the said special resolution (or such extended period as may be permitted under the Act or the Buyback Regulations or by the appropriate authorities). The exact time table for the Buy Back shall be decided by the Board (or its duly constituted Committee) within the above time limits;
- (e) The Equity Shares bought back by the Company will be compulsorily cancelled and will not be held for re-issuance;
- (f) The Company shall transfer from its free reserves a sum equal to the nominal value of the Equity Shares purchased through the Buy Back to the Capital Redemption Reserve account and the details of such transfer shall be disclosed in its subsequent audited balance sheet;
- (g) The Company shall not withdraw the Buy Back after the public announcement of the offer to Buy Back is made;
- (h) The Company shall not Buy Back locked-in Equity Shares and non-transferable Equity Shares till the pendency of the lock-in or till the Equity Shares become transferable; and
- (i) The Company confirms that as required under Section 68(2)(d) of the Act, the Company is a debt free company and the debt equity ratio of aggregate of secured and unsecured debts owed by the Company shall not be more than twice the equity share capital and free reserves after the Buy Back.

### 9. CONFIRMATION FROM THE BOARD

The Board of the Directors confirms that it has made a full enquiry into the affairs and prospects of the Company and after taking into account the financial position of the Company including the projections and also considering all contingent liabilities, the Board has formed an opinion:

- i. That immediately following the date of the Board Meeting held on October 20<sup>th</sup>, 2017 and the date of passing the Shareholder's Resolution approving the proposed Buy Back, there will be no grounds on which the Company can be found unable to pay its debts;
- ii. That as regards the Company's prospects for the year immediately following the date of the Board Meeting held on October 20<sup>th</sup>, 2017 as well as the year immediately following the date of passing of the shareholders' resolution approving the proposed Buy Back, and having regard to Board's intentions with respect to the management of the Company's business during that year and to the amount and character of the financial resources which will, in the Board's view, be available to the Company that year, the Company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from the date of the Board meeting approving the Buy Back held on October 20<sup>th</sup>, 2017 as also from the date of the shareholders' resolution approving the proposed Buy Back;
- iii. That in forming their opinion for the above purpose, the Board has taken into account the liabilities (including prospective and contingent liabilities) as if Company is being wound up under the provisions of the Act, and the Insolvency and Bankruptcy Code, 2016 (to the extent notified and in force).

## 10. THE TEXT OF THE REPORT DATED OCTOBER 20, 2017 RECEIVED FROM M/S WALECHA INDER & ASSOCIATES, CHARTERED ACCOUNTANTS, STATUTORY AUDITORS OF THE COMPANY, ADDRESSED TO THE BOARD OF DIRECTORS OF THE COMPANY IS REPRODUCED BELOW:

Independent Auditor's Report on Buy Back of shares pursuant to the requirement of Schedule II to the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998, as amended

The Board of Directors  
Frontline Securities Limited  
M-6, II<sup>nd</sup> Floor, M Block Market, Greater Kailash-II, New Delhi 110048

Subject: Statutory Auditor's report in respect of proposed Buy Back of equity shares by Frontline Securities Limited ("the Company") in terms of the clause (xi) of Part A of Schedule II of Securities and Exchange Board of India (Buy Back of Securities), Regulations, 1998 (as amended)

In connection with the proposal of Frontline Securities Limited ("the Company") to buy back its equity shares in pursuance of the provisions of Sections 68, 69 and 70 of the Companies Act, 2013 (the 'Act') and the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998, as amended (the 'Regulations'), and in terms of the resolution passed by the directors of the Company in their meeting held on October 20<sup>th</sup>, 2017, which is subject to the approval of the shareholders of the Company, we have been engaged by the Company to perform a reasonable assurance engagement on the Statement of Determination of the Amount of Permissible Capital Payment (the 'Statement'), which we have initiated for identification purposes only.

#### Auditor's Responsibility

- Pursuant to the requirements of the Regulations, it is our responsibility to provide reasonable assurance on the following "Reporting Criteria":
  - whether the amount of capital payment for the buyback is within the permissible limit and computed in accordance with the provisions of Section 68 of the Act;
  - whether the Board of Directors, in their meeting held on October 20<sup>th</sup>, 2017, have formed the opinion, as specified in Clause (X) of Part A of Schedule II to the Regulations, on a reasonable ground that the Company, having regard to its state of affairs, will not be rendered insolvent within a period of one year from the aforesaid date and from the date on which the results of the postal ballot with regard to the proposed Buy Back will be declared; and
  - whether we are aware of any indication to indicate that the opinion expressed by the Directors in the declaration as to any of the matters mentioned therein is unreasonable in the circumstances as at the date of the declaration.
- A reasonable assurance engagement involves performing procedures to obtain sufficient appropriate evidence on the Reporting Criteria mentioned in paragraph 3 above. The procedures selected depend on the auditor's judgment, including an assessment of the risks associated with the Reporting Criteria. We have performed the following procedures in relation to the Statement:
  - we have inquired into the state of affairs of the Company in relation to its audited financial statements for the year ended March 31, 2017.
  - examined the authorization for Buy Back as per the Articles of Association of the Company;
  - examined that the amount of capital payment for the Buy Back, as detailed in **Annexure A**, is within the permissible limits computed in accordance with Section 68 of the Act;
  - examined that the ratio of debt owned by the Company, if any, is not more than twice the capital and its free reserve after such Buy Back;
  - examined that all shares for Buy Back are fully paid-up;
  - examined resolutions passed in the meetings of the Board of Directors in this regard;
  - examined the Director's declarations for the purpose of buyback and solvency of the Company;
  - obtained necessary representations from the management of the Company.
- The financial statements for the year ended March 31, 2017, referred to in paragraph 4 (i) above, have been audited by us, on which we issued an unmodified audit report vide our report dated May 29<sup>th</sup>, 2017. Our audits of these financial statements were conducted in accordance with the Standards on Auditing, as specified under Section 143 of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

#### Opinion

- Based on our examination as above, the information and explanations given to us, and based on representation provided to us, in our opinion,
  - the Statement of Permissible Capital Payment towards Buy Back of Equity Shares, as contained in Annexure A, is in our view properly determined in accordance with Section 68 of the Act; and
  - the Board of Directors, in their meeting held on October 20<sup>th</sup>, 2017, have formed the opinion, as specified in clause (x) of Part A of Schedule II of the Regulations (Refer **Annexure B** attached), on reasonable grounds that the Company will not be rendered insolvent within a period of one year from the aforesaid date and

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11.8. Eligible Shareholders' participation in the Buy Back will be voluntary. Eligible Shareholders can choose to participate, in part or in full, and get cash in lieu of the Equity Shares accepted under the Buy Back or they may choose not to participate and enjoy a resultant increase in their shareholding percentage, post Buy Back, as a result of the decrease in the paid-up Equity Share Capital, without additional investment. Eligible Shareholders may also accept a part of their Buy Back entitlement. Eligible Shareholders also have the option of tendering additional Equity Shares (over and above their Buy Back Entitlement) and participate in the shortfall created due to non-participation of some other Eligible Shareholders, if any.

11.9. The maximum tender under the Buy Back by any Eligible Shareholder cannot exceed the number of Equity Shares held by the Eligible Shareholder as on the Record Date.

11.10. The Equity Shares tendered as per the entitlement by Eligible Shareholders as well as additional Equity Shares tendered, if any, will be accepted as per the procedure laid down in the Buy Back Regulations. Each Eligible Shareholder will receive the letter of offer along with a tender/offer form indicating the entitlement of the Eligible Shareholder for participating in the Buy Back Offer.

11.11. Detailed instructions for participation in the Buy Back (tender of Equity Shares in the Buy Back) as well as the relevant time table will be included in the Letter of Offer which will be sent in due course to the Eligible Shareholders as on the Record Date.

**12. PROCESS AND METHODOLOGY FOR BUYBACK**

12.1. The Buy Back is open to all Eligible Shareholders and beneficial owners of Equity Shares of the Company as on the Record Date i.e., December 22, 2017, as per the records made available to the Company by the Depositories as on the Record Date, holding Equity Shares either in physical and/or electronic form on the Record Date.

12.2. The Buy Back shall be implemented using the "Mechanism for acquisition of shares through Stock Exchange" notified by SEBI Circulars, and following the procedure prescribed in the Act and the Buy Back Regulations and as may be determined by the Board and on such terms and conditions as may be permitted by law from time to time.

12.3. For implementation of the Buy Back, the Company has appointed Farsight Securities Limited as the registered broker to the Company ("Buying Broker") through whom the purchases and settlements on account of the Buy Back would be made by the Company. The contact details of the Buying Broker are as follows:  
**Name :** Farsight Securities Limited  
**Address :** 17-A/55, Triveni Plaza, Gurudwara Road, Karol Bagh, New Delhi - 110005  
**Telephone No.:** +91-11-45044444 (Extn. 351,338,353)  
**Fax No.:** +91-11-45044434  
**Contact Person :** Mr. Naveen Kumar  
**E-mail :** newaccount@farsightshares.com  
**Website :** www.farsightshares.com  
**SEBI Registration No.:** NSE: INB 230853732, INF 230853732, INE 230853732; BSE: Exchange Registered.

12.4. The Company will request BSE to provide a separate acquisition window ("**Acquisition Window**") to facilitate placing of sell orders by the Eligible Shareholders who wish to tender Equity Shares in the Buy Back.

12.5. During the Tendering Period, the order for selling the Equity Shares will be placed in the Acquisition Window by Eligible Sellers through their respective stock brokers ("**Seller Members**") during normal trading hours of the secondary market. The Seller Members can enter orders for Equity Shares in demat form as well as Equity Shares in physical form.

**12.6. Procedure to be followed by Eligible Shareholders holding Equity Shares in the dematerialised form**

a) Eligible Shareholders who desire to tender their Equity Shares in the electronic form under the Buy Back would have to do so through their respective Seller Members by indicating to their brokers the details of Equity Shares they intend to tender under the Buy Back.

b) The Seller Member will be required to place a bid on behalf of the Eligible Shareholders who wish to tender Equity Shares in the Buy Back using the Acquisition Window. Before placing the bid, the Eligible Shareholder will need to transfer the tendered Equity Shares to Indian Clearing Corporation Limited ("**Clearing Corporation**") by using the settlement number through the early pay-in mechanism as prescribed by the Depositories. This shall be validated at the time of order/bid entry. The details of the settlement number for the Buy Back will be provided in a separate circular which will be issued at the time of issue opening by the Clearing Corporation.

c) For Custodian Participant orders for Equity Shares in demat form, early pay in is mandatory prior to confirmation of order by custodian. The custodian shall either confirm or reject the orders not later than closing of trading hours on the last day of the Tendering Period. Thereafter, all unconfirmed orders shall be deemed to be rejected. For all confirmed Custodian Participant orders, order modification by the Seller Member shall revoke the custodian confirmation and the revised order shall be sent to custodian again for confirmation.

d) Upon placing the bid, the Seller Member shall provide a Transaction Registration Slip ("**TRS**") generated by the exchange bidding system to the Shareholder. TRS will contain the details order submitted like Bid ID No., Application No., DP ID, Client ID, No. of Equity Shares tendered etc.

**12.7. Procedure to be followed by Eligible Shareholders holding Equity Shares in the Physical form**

a) Eligible Shareholders who are holding physical Equity Shares and intend to participate in the Buy Back are required to approach their respective Seller Member along with the complete set of documents for verification procedures to be carried out including: i. The Tender Form duly signed (by all Eligible Shareholders in case Equity Shares are in joint names) the same order in which they hold the Equity Shares; ii. Original Share certificates; iii. Valid share transfer form(s) (SH-4) duly filled and signed by the transferors (i.e. by all registered Eligible Shareholders in same order and as per the specimen signatures registered with the Company) and duly witnessed at the appropriate place authorizing the transfer in favour of the Company; iv. Self-attested copy of the Eligible Shareholder's PAN Card; and v. Any other relevant documents such as (but not limited to): a. Duly attested Power of Attorney if any person other than the Eligible Shareholder has signed the relevant Tender Form; b. Notarized copy of death certificate/ succession certificate or probated will, if the original Equity Shareholder has deceased; c. Necessary corporate authorisations, such as Board Resolutions etc., in case of companies; vi. In addition to the above, if the address of the Eligible Shareholder has undergone a change from the address registered in the Register of Members of the Company, the Eligible Shareholder would be required to submit a self-attested copy of address proof consisting of any one of the following documents: valid Aadhar Card, Voter Identity Card or Passport.

b) Based on these documents, the Seller Member shall place bids on behalf of the Eligible Shareholder holding Equity Shares in physical form who wishes to tender Equity Shares in the Buy Back using the Acquisition Window. Upon placing the bid, the Seller Member shall provide a TRS generated by the exchange bidding system to the Shareholder. TRS will contain the details of order submitted like Folio No., Certificate No., Distinctive No., No. of Equity Shares tendered etc.

c) After placement of bid, as mentioned in clause (b) above, the Seller Member must ensure delivery of Tender Form, TRS, and other documents (as mentioned in clause (a) above) either by registered post or courier or hand delivery to the Registrar and Transfer Agent ("Registrar") (at the address mentioned in Paragraph 14 below) within than 2 (two) days of bidding by the Seller Member. The envelope should be superscribed as "Frontline Securities Limited – Buy Back 2017". One copy of the TRS will be retained by the Registrar and it will provide acknowledgement of the same to the Seller Member/Eligible Shareholder.

d) Eligible Shareholders holding physical Equity Shares should note that physical Equity Shares will not be accepted unless the complete set of documents is submitted. Acceptance of the physical Equity Shares for Buy Back shall be subject to verification as per the Buy Back Regulations and any further directions issued in this regard. The Registrar will verify such bids based on the documents submitted on a daily basis and till such time the BSE shall display such bids as "Unconfirmed Physical Bids". Once, Registrar confirms the bids it will be treated as "Confirmed Bids".

12.8. Modification/cancellation of orders will be allowed during the tendering period of the Buy Back. Multiple bids made by a single Eligible Shareholder for selling the Equity Shares shall be clubbed and considered as 'one' bid for the purposes of acceptance.

12.9. The cumulative quantity of Equity Shares tendered under the Buy Back shall be made available on the website of the BSE (www.bseindia.com) throughout the trading session and will be updated at specific intervals during the tendering period.

**12.10. Method of Settlement**

Upon finalization of the basis of acceptance as per Buy Back Regulations:

a) The settlement of trades shall be carried out in the manner similar to settlement of trades in the secondary market and as intimated by the Clearing Corporation from time to time.

b) The Company will transfer the consideration pertaining to the offer through Buying Broker who in turn will make the funds pay-in to the Clearing Corporation's Bank account on or before the pay-in date for settlement. For Equity Shares accepted under the Buy Back, the Eligible Shareholders will receive funds payout in their bank account attached with Depository Account from the Clearing Corporation and in case of physical shares, the Clearing Corporation will release the funds to the Seller Members as per the secondary market pay out mechanism. The payment of consideration to all Eligible Shareholders validly participating in the Buy Back will be made in Indian National Rupees.

c) The Equity Shares bought back in the demat form will be transferred directly to the escrow account of the Company (the "**Demat Escrow Account**") provided it is indicated by the Buying Broker or it will be transferred by the Buying Broker to the Demat Escrow Account on receipt of the Equity Shares from the clearing and settlement mechanism of the BSE.

d) Excess demat shares or unaccepted demat shares, if any, tendered by the Eligible Shareholders will be transferred by the Clearing Corporation directly to the Eligible Shareholders' Depository account. If the securities transfer instruction is rejected in the depository system, due to any issue then such securities will be transferred to the Seller Member's depository pool account for onward transfer to the Eligible Shareholder. In case of Custodian Participant orders, excess demat shares or unaccepted demat shares, if any, will be returned to the respective Custodian depository pool account. The Custodian Participants will return these unaccepted shares to their respective clients on whose behalf the bids have been placed.

e) The Eligible Shareholders will have to ensure that they keep the depository participant account active and unblocked to receive credit in case of return of Equity Shares, due to rejection or due to non-acceptance of shares under the Buy Back.

f) Equity Shares in Physical form, to the extent tendered but not accepted, will be returned back to the concerned Eligible Shareholders directly by the Registrar to the Buy Back Offer. The Company will issue a new single share certificate for all the unaccepted physical Equity Shares and return the same to the sole/first shareholder (in case of joint shareholders).

g) Share certificates in respect of unaccepted / rejected Equity Shares and other documents, if any, will besent by Registered Post / Speed Post at the Eligible Shareholders' sole risk to the sole/first shareholder (incase of joint shareholders), at the address recorded with the Company.

h) Every Seller Member who puts in a valid bid on behalf of an Eligible Shareholder, must issue a contract note for the Equity Shares accepted in the Offer. The Buying Broker must also issue a contract note to the Company for the Equity Shares accepted under the Buy Back.

i) If Eligible Shareholders' bank account details are not available or if the fund transfer instruction is rejected by Reserve Bank of India or bank due to any reasons, then the amount payable to the Eligible Shareholders will be transferred to the Seller Member for onward transfer to the Eligible Shareholder.

12.11. Eligible Shareholders who intend to participate in the Buy Back should consult their respective Seller Members for payment to them of any cost, charges and expenses(including brokerage) that may be levied by the Seller Member upon the selling Eligible Shareholders, for tendering Equity Shares in the Buy Back (secondary market transaction). The Buy Back consideration received by the selling Eligible Shareholders from their respective Seller Members, in respect of accepted Equity Shares, could be net of such costs, charges and expenses (including brokerage) and the Company accepts no responsibility to bear or pay such additional cost, charges and expenses (including brokerage)incurred solely by the selling Eligible Shareholders.

12.12. The Equity Shares lying to the credit of the Demat Escrow Account and the Equity Shares bought back and accepted in physical form will be extinguished in the manner and following the procedure prescribed in the Buy Back Regulations.

**13. COMPLIANCE OFFICER**  
Ms. Richa Arora,  
Whole Time Director and Company Secretary and Compliance Officer  
Frontline Securities Limited  
Corporate Office: B-22, Sector-4, Noida-201301  
Tel. No.: 0120-2534066, 67, 68, Fax No.: 0120-2534111  
Email: secretarial@fstechnologies.com  
Investor may contact the Compliance Officer for any clarification or to address their grievances, if any, during office hours i.e.10:00 a.m. till 5:00 p.m. on all working days except Saturdays, Sundays and Public holidays.

**14. REGISTRAR TO THE BUY BACK OFFER AND INVESTOR SERVICE CENTRES**  
In case of any query, the shareholders may contact the Registrar to the Buy Back Offer on any day except Saturdays, Sundays and Public holidays between 10:00 AM till 4:30 PM at the following address:

## LINKIntime

### LINKINTIME INDIA PRIVATE LIMITED

**Contact Person:** Mr. Sumeet Deshpande  
**Regd. Off.:** C-101, 1<sup>st</sup> Floor, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai - 400083, Maharashtra, India  
**Tel No.:** +91 022 49186200  
**Fax No.:** +91 022 49186195  
**Email id.:** fsl.buyback2017@linkintime.co.in,  
**Website:** www.linkintime.co.in  
**SEBI Regn. No.:** INR000004058  
**Validity Period:** Perpetual

### 15. MANAGER TO THE BUY BACK OFFER



**Turnaround Corporate Advisors Private Limited**  
**Contact Person :** Ms. Deepali Jain  
**Regd. Off.:** 714, Vishwadeep Building, Plot No. 4, District Centre, Janakpuri, New Delhi- 110058  
**Tel. No. :** + 91-11-45510390  
**Email id :** info@tcagroup.in  
**Website :** www.tcagroup.in  
**SEBI Regn. No. :** MB/INM000012290  
**Validity Period :** Valid till August 29, 2021

**16. DIRECTORS' RESPONSIBILITY**  
As per Regulation 19(1)(a) of the Buy Back Regulations, the Board of Directors of the Company, in their capacity as directors, accept full and final responsibility for the information contained in this Public Announcement and confirm that such document contains true, factual and material information and does not contain any misleading information.

For and on behalf of the Board of Directors of Frontline Securities Limited

Sd/- <b>Rakesh Kumar Jain</b> Director	Sd/- <b>Arun Kumar Jain</b> Director	Sd/- <b>Richa Arora</b> Whole Time Director and Company Secretary and Compliance Officer
<b>Date: December 08, 2017</b> <b>Place: Noida</b>		