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## REPORT OF THE AUDIT COMMITTEE OF ZEE ENTERTAINMENT ENTERPRISES LIMITED ('COMPANY') RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT AMONGST THE COMPANY, SONY PICTURES NETWORKS INDIA PRIVATE LIMITED AND BANGLA ENTERTAINMENT PRIVATE LIMITED

### Members Present

- Mr. Vivek Mehra, Chairman
- Mr. R. Gopalan
- Mr. Adesh Kumar Gupta
- Mr. Punit Goenka

### **1. Background**

- 1.1 A meeting of the Audit Committee ("**Committee**") of the Company was held on December 21, 2021 to consider and recommend the draft Scheme of Arrangement amongst the Company, Bangla Entertainment Private Limited ("**BEPL**"), and Sony Pictures Networks India Private Limited ("SPNI" or "**Transferee Company**") and their respective shareholders and creditors ("**Scheme**") under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**the Act**").
- 1.2 The draft Scheme and other documents placed before the committee provide inter-alia the following:
- a. sub-division of the share capital of the Transferee Company and issuance and allotment of bonus shares by way of a bonus issue to existing shareholders of the Transferee Company;
  - b. issue of (i) 26,49,56,361 (Twenty Six Crores Forty Nine Lakhs Fifty Six Thousand Three Hundred and Sixty One) equity shares of the Transferee Company, to the existing shareholders of the Transferee Company who subscribe to such shares, against the infusion of INR 79,48,69,08,300 (Indian Rupees Seven Thousand Nine Hundred Forty Eight Crore Sixty Nine Lakh Eight Thousand and Three Hundred) by way of rights issue; and (ii) 2,20,26,183 (Two Crore Twenty Lakh Twenty Six Thousand One Hundred and Eighty Three) equity shares of the Transferee Company to Essel Holdings Limited, a promoter entity in Mauritius ("**Essel Mauritius**"), by way of preferential issue and 1,46,84,123 (One Crore Forty Six Lakh Eighty Four Thousand One Hundred and Twenty Three) equity shares of the Transferee Company to a wholly owned subsidiary of Essel Mauritius by way of preferential issue, against the infusion of an aggregate amount of INR 1,101,30,91,800 (Indian Rupees Eleven Hundred and One Crore Thirty Lakh Ninety One Thousand and Eight Hundred);
  - c. the amalgamation of the Company with and into the Transferee Company, and the consequent issue of 85 (Eighty-Five) fully paid-up equity shares of INR 1 (Indian Rupee One) each of the Transferee Company to the shareholders of the Company for every 100 (Hundred) fully paid-up equity

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- shares of INR 1 (Indian Rupee One) each held by such shareholders of the Company;
- d. the amalgamation of BEPL with and into the Transferee Company and the consequent issue of 133 (One Hundred and Thirty-Three) fully paid-up equity shares of INR 1 (Indian Rupee One) each of the Transferee Company to the shareholders of BEPL for every 10 (Ten) fully paid-up equity shares of INR 10 (Indian Rupees Ten) each held by such shareholders of BEPL;
  - e. dissolution without winding up of the Company and BEPL;
  - f. conversion of the Transferee Company into a 'public company' and the consequent amendment of the memorandum of association and articles of association of the Transferee Company;
  - g. transfer of the authorized share capital from the Company and BEPL to the Transferee Company;
  - h. listing of the equity shares of the Transferee Company on BSE Limited and/or the National Stock Exchange of India Limited;
  - i. Payment of an aggregate amount of USD equivalent of INR 1,101,30,91,800 (Indian Rupees Eleven Hundred and One Crore Thirty Lakh Ninety-One Thousand and Eight Hundred) by SPE Mauritius Investments Limited to Essel Mauritius towards non-compete obligations, subject to the terms of the non-compete agreement entered into between Essel Mauritius and SPE Mauritius Investments Limited;
  - j. appointment of Mr. Punit Goenka as the Managing Director and the Chief Executive Officer of the Transferee Company on terms set out in the Scheme; and
  - k. amendment of the Articles of Association of the Transferee Company.

The Scheme shall be filed with the National Company Law Tribunal, Mumbai Bench ("**NCLT**") under Sections 230 to 232 and other applicable provisions of the Act and has been drawn in compliance with Section 2(1B) and other applicable provisions of the Income Tax Act, 1961 and other applicable laws including Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 read with the SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2021/000000665 dated 23 November 2021 ("**SEBI Circular**").

- 1.3 In terms of the SEBI Circular, a report from the Committee is required, recommending the draft Scheme, taking into consideration inter alia, the Valuation Report, and commenting on the need for the Scheme, rationale for the Scheme, cost benefit analysis of the Scheme, synergies of business of the entities involved in the Scheme and impact of the Scheme on the shareholders of the Company. This report of the Committee is made in order to comply with the requirements of the SEBI Circular.

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It should be noted that Mr. Punit Goenka was present during the commencement of the meeting and presented a brief overview of the Scheme to the members of the Committee. However, Mr. Punit Goenka did not participate in the decision making and recused himself from voting on the Scheme.

## 2. Documents Perused by the Committee

The Committee considered the following documents during the meeting:

- (a) The Scheme
- (b) Valuation report dated December 21, 2021 issued by an independent registered valuer GT Valuation Advisors Private Limited, having registration number IBBI/RV/05/2018/10428 (“**Valuation Report**”) providing the share exchange ratio as under:
  - (i) issue of 85 (Eighty-Five) fully paid-up equity shares of INR 1 (Indian Rupee One) of the Transferee Company to the shareholders of the Company for every 100 (Hundred) fully paid-up equity shares of INR 1 (Indian Rupee One) held by such shareholders of the Company;
  - (ii) issue of 133 (One Hundred and Thirty-Three) fully paid-up equity shares of INR 1 (Indian Rupee One) of the Transferee Company to the shareholders of BEPL for every 10 (Ten) fully paid-up equity shares of INR 10 (Indian Rupees Ten) held by such shareholders of BEPL;
- (c) Fairness opinion dated December 21, 2021 issued by Duff & Phelps India Private Limited, an independent merchant banker registered with the Securities and Exchange Board of India (“**SEBI**”) with registration number INM000012315 providing opinion on the fairness of the share exchange ratio proposed in the Valuation Report (“**Fairness Opinion 1**”).
- (d) Fairness opinion dated December 21, 2021 issued by ICICI Securities Limited, an independent merchant banker registered with SEBI having registration number INM000011179 providing opinion on the fairness of the share exchange ratio proposed in the Valuation Report (“**Fairness Opinion 2**”).

## 3. Need for the Arrangement and Rationale of the Proposed Scheme

- 3.1 The Company is inter-alia engaged in TV content development, broadcasting of regional and international entertainment satellite television channels, movies, music and digital business. The Company is India's one of the largest entertainment networks.
- 3.2 The Transferee Company is *inter alia* engaged in the business of creating, owning, operating, programming, providing, transmitting, distributing and promoting linear and non-linear, non-news program services, including sports program services, delivered by any means primarily to viewers in India and the Indian diaspora globally, and production, exhibition, broadcast, re-broadcast, transmission, re-transmission or other exploitation of non-news audio-visual

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content, including sports content, in any format or in any language spoken in India (including English) for exploitation of such program services.

- 3.3 BEPL is, inter alia, engaged in business of acquisition, production, distribution and broadcast of audio-visual content for exploitation of such program services on a worldwide basis.
- 3.4 The Scheme would be to the benefit of the shareholders and creditors of each of the Company, BEPL (collectively, the “**Transferor Companies**”) and the Transferee Company and would, inter alia, have the following benefits:
- (a) the proposed amalgamation and issuance of equity shares pursuant to the Scheme will enable the Transferor Companies and the Transferee Company to combine their businesses and create a financially strong amalgamated company. Each of the Transferor Companies and the Transferee Company bring well recognized entertainment offerings across platforms that will enable the amalgamated company to cater to the entertainment needs of viewers across various segments and age groups;
  - (b) the Transferor Companies and the Transferee Company have a history of bringing quality entertainment content to audiences across India. The amalgamated company will be well positioned to capitalize on the growth in the television broadcasting market;
  - (c) each of the Transferor Companies and the Transferee Company have a strong presence in the digital media space. The Company and the Transferee Company are amongst the leading over the top platforms. Each of the Parties’ content and strengths when combined will position the amalgamated company to capitalize on the rapid growth in the digital market and compete with market leaders;
  - (d) the combined scale and audience reach of the amalgamated company across television and digital platforms, will also enable it to compete effectively for advertisers. The financial strength of the amalgamated company will also enable it to compete effectively for acquiring upcoming rights to marquee sporting events across cricket and other sports; and
  - (e) each of the Transferor Companies and the Transferee Company have a strong brand recall across both television and digital media markets and as both markets evolve and grow, the amalgamated company will be well positioned to compete effectively with its peers in these markets. The transactions contemplated by the Scheme provides an opportunity that benefits all the stakeholders of the Transferor Companies and the Transferee Company.

#### **4. Salient Features of the Proposed Scheme**

- 4.1 sub-division of the share capital of the Transferee Company and issuance and allotment of bonus shares by way of a bonus issue to existing shareholders of the Transferee Company;

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- 4.2 issue of (i) 26,49,56,361 (Twenty Six Crores Forty Nine Lakhs Fifty Six Thousand Three Hundred and Sixty One) equity shares of the Transferee Company, to the existing shareholders of the Transferee Company who subscribe to such shares, against the infusion of INR 79,48,69,08,300 (Indian Rupees Seven Thousand Nine Hundred Forty Eight Crore Sixty Nine Lakh Eight Thousand and Three Hundred) by way of rights issue; and (ii) 2,20,26,183 (Two Crore Twenty Lakh Twenty Six Thousand
- 4.3 One Hundred and Eighty Three) equity shares of the Transferee Company to Essel Mauritius, by way of preferential issue and 1,46,84,123 (One Crore Forty Six Lakh Eighty Four Thousand One Hundred and Twenty Three) equity shares of the Transferee Company to a wholly owned subsidiary of Essel Mauritius by way of preferential issue, against the infusion of an aggregate amount of INR 1,101,30,91,800 (Indian Rupees Eleven Hundred and One Crore Thirty Lakh Ninety One Thousand and Eight Hundred);
- 4.4 the amalgamation of the Company with and into the Transferee Company, and the consequent issue of 85 (Eighty-Five) fully paid-up equity shares of INR 1 (Indian Rupee One) each of the Transferee Company to the shareholders of the Company for every 100 (Hundred) fully paid-up equity shares of INR 1 (Indian Rupee One) each held by such shareholders of the Company;
- 4.5 the amalgamation of BEPL with and into the Transferee Company and the consequent issue of 133 (One Hundred and Thirty-Three) fully paid-up equity shares of INR 1 (Indian Rupee One) each of the Transferee Company to the shareholders of BEPL for every 10 (Ten) fully paid-up equity shares of INR 10 (Indian Rupees Ten) each held by such shareholders of BEPL;
- 4.6 dissolution without winding up of the Company and BEPL;
- 4.7 conversion of the Transferee Company into a 'public company' and the consequent amendment of the memorandum of association and articles of association of the Transferee Company;
- 4.8 transfer of the authorized share capital from the Company and BEPL to the Transferee Company;
- 4.9 listing of the equity shares of the Transferee Company on BSE Limited and/or the National Stock Exchange of India Limited;
- 4.10 payment of an aggregate amount of USD equivalent of INR 1,101,30,91,800 (Indian Rupees Eleven Hundred and One Crore Thirty Lakh Ninety-One Thousand and Eight Hundred) by SPE Mauritius Investments Limited to Essel Mauritius towards non-compete obligations, subject to the terms of the non-

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complete agreement entered into between Essel Mauritius and SPE Mauritius Investments Limited;

4.11 appointment of Mr. Punit Goenka as the Managing Director and the Chief Executive Officer of the Transferee Company on terms set out in the Scheme; and

4.12 amendment of the Articles of Association of the Transferee Company.

## **5. Synergies of business of the entities involved in the Scheme**

5.1 The Committee discussed the rationale and expected benefits of the Scheme. In view of various documents presented before the Committee including the Valuation Report, the Fairness Opinion 1, and Fairness Opinion 2 etc., it is observed that this merger will result in synergies and create a compelling value proposition for the Indian consumer, and enable them to consume exceptional content across genres.

5.2 The combined scale and audience reach of the amalgamated company across television and digital platforms will also enable it to compete effectively for advertisers. The financial strength of the amalgamated company will also enable it to compete effectively for acquiring upcoming rights to marquee sporting events across cricket and other sports.

5.3 As the Company, BEPL, and the Transferee Company have a strong brand recall across both television and digital media markets and as both markets evolve and grow, the amalgamated company will be well positioned to compete effectively with its peers in these markets, providing an opportunity that benefits all the stakeholders of the entities involved.

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## **6. Impact of the Scheme on the Shareholders of the Company**

The shareholders of the Company will be issued fully paid-up equity shares of the Transferee Company in accordance with the share exchange ratio specified in the Valuation Report, Fairness Opinion 1, and Fairness Opinion 2.

## **7. Cost Benefit Analysis of the Scheme**

After a careful evaluation of various uses of the available excess reserves, the Committee believes that the proposed Scheme will provide an opportunity to improve the economic value of the Company. This is particularly marked in the improved synergies across the television and digital platforms where the Company, BEPL, and the Transferee Company are already considered market leaders. While the proposed 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.

## **8. Recommendation of the Audit Committee**

The Scheme and its rationale and its benefits, the Valuation Report, the Fairness Opinion 1, Fairness Opinion 2, impact of the Scheme on the Company and its shareholders, cost benefit analysis of the Scheme, synergies of business and other documents, as placed, the Committee Recommends the Scheme for approval of the Board of Directors of the Company, the stock exchanges, SEBI, and other relevant authorities.

**By Order of the Audit Committee**

**For and on behalf of Audit Committee of Zee Entertainment Enterprises Limited**

A handwritten signature in blue ink, appearing to read 'Vivek Mehra', is written over a circular stamp or seal.

Vivek Mehra  
Chairman of the Audit Committee  
DIN: 00101328

Place: Mumbai

Date : December 21, 2021