

Balaji Telefilms Ltd.

C-13, Balaji House, Dalia Industrial Estate, Opp. Laxmi Industries
New Link Road, Andheri (West), Mumbai - 400 053.
Tel.: 40698000 • Fax : 40698181 / 82 / 83
Website : www.balajitelefilms.com
CIN No. : L99999MH1994PLC082802



Report of the Audit Committee of Balaji Telefilms Limited ("Company") recommending the draft Composite Scheme of Arrangement between the Company, Balaji Motion Pictures Limited and Bolt Media Limited and their respective shareholders and creditors held on Tuesday, September 27, 2016 at 3.45 pm.

Members Present:

Mr. D. G. Rajan- Chairman
Mr. Jeetendra Kapoor
Mr. D.K.Vasal
Mr. V.B. Dalal

In Attendance:

Mr Sameer Nair- Group CEO
Mr Sanjay Dwivedi- Group CFO
Mrs Simmi Singh Bisht- Group Head- Secretarial

1. Background

- 1.1. A draft composite scheme of arrangement and amalgamation between Balaji Telefilms Limited ("**Company**" or "**Transferee Company**") and its wholly owned subsidiaries Balaji Motion Pictures Limited ("**BMPL**" or "**Demerged Company**") and Bolt Media Limited ("**BOLT**" or "**Transferor Company**") and their respective shareholders and creditors ("**Scheme**") has been placed before the Audit Committee by the management for it to review and consider recommending the Scheme to the board of directors of the Company.
- 1.2. The Scheme provides for-
- (a) the transfer of the business of the Demerged Company relating to producing, co-producing, recording, reproducing, duplicating, processing, acquiring, or otherwise coming into possession of motion pictures, cinematographic films, featured films or any other films or audio/visual content whether in India or abroad and whether in any Indian or foreign language ("**Demerged Business**") to the Company as a "going concern" pursuant to Sections 391 and Section 394 and all other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013 (to the extent notified). The Demerged Company is a wholly owned subsidiary of the Transferee Company. Since the entire share capital of the Demerged Company is held by the Transferee Company and its nominees, there shall be no issue of shares by the Transferee Company for the demerger of the Film Production Undertaking (more particularly defined in the Scheme) and




vesting of the same in the Transferee Company pursuant to the Scheme. Consequently, there shall also be a reduction of the equity share capital of the Demerged Company pursuant to Section 100 to 103 of the Companies Act, 1956; and

(b) the amalgamation of the Transferor Company with the Company pursuant to Sections 391 and Section 394 and all other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013 (to the extent notified). The Transferor Company is a wholly owned subsidiary of the Transferee Company. Since the entire share capital of the Transferor Company is held by the Transferee Company and its nominees, there shall be no issue of shares by the Transferee Company in respect of its holding in the Transferor Company pursuant to the amalgamation under the Scheme. Upon the Scheme becoming effective, the entire share capital of the Transferor Company, shall be cancelled and extinguished.

- 1.3. The Committee noted that BMPL and BOLT are wholly owned subsidiaries of the Company and BMPL is engaged in the business of production and distribution of motion pictures and films while BOLT is engaged in the business of production of non-fiction, fiction, reality, factual television shows, event management, branded entertainment, digital content, consultancy and creative services related to it.
- 1.4. This report of the Audit Committee is made in terms of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 and Securities and Exchange Board of India Circular CIR/CFD/CMD/16/2015 dated November 30, 2015 ("**SEBI Circular**")
- 1.5. The Audit Committee considered the following documents and had detailed discussions on the same. Necessary information as sought by the members of the Committee was duly provided:
 - a) the Scheme, duly initialled by the Company Secretary of the Company for the purpose of identification;
 - b) Valuation report dated September 27, 2016 prepared by M/s PKMSRS & Associates, Chartered Accountants;
 - c) Fairness opinion dated September 27, 2016 prepared by Axis Capital Limited, a Category-I Merchant Banker.

2. Proposed Scheme of Arrangement and Amalgamation

- 2.1. The Audit Committee discussed the Scheme, valuation report and fairness opinion and noted the salient features of the Scheme, which are, inter alia, as follows:
 - a) The transfer of the Demerged Business of the Demerged Company to the Company is as a "going concern" pursuant to Sections 391 and



Section 394 and all other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013 (to the extent notified).

- b) The amalgamation of the Transferor Company with the Company is pursuant to Sections 391 and Section 394 and all other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013 (to the extent notified).
- c) The transfer by way of demerger of the Film Production Undertaking (more particularly defined in the Scheme) of the Demerged Company and vesting of the same in the Transferee Company and the amalgamation of the Transferor Company with the Transferee Company shall be in the interest of all concerned stakeholders including shareholders, creditors, employees, and general public for the following reasons:
- i. **Streamlining of group structure:** The Demerged Company, the Transferor Company and the Transferee Company are engaged in similar business. The demerger of the Film Production Undertaking (more particularly defined in the Scheme) of the Demerged Company and vesting of the same in the Transferee Company and the amalgamation of the Transferor Company with the Transferee Company will enhance efficiencies and combine similar business interest into one corporate entity, resulting in operational synergies, simplification, focused management, streamlining and optimization of the group structure and efficient administration.
 - ii. **Consolidation of business operations:** Pursuant to the transfer of the Film Production Undertaking (more particularly defined in the Scheme) by the Demerged Company and the amalgamation of the Transferor Company with the Transferee Company, the Transferee Company will have enhanced shareholder's value accruing from consolidation of the business operations resulting in economies of scale, improving allocation of capital, operational efficiency, integration of processes and optimizing cash flows, thus contributing to the overall growth prospects of the Transferee Company. The Scheme will enable the consolidation of the film production business in the Transferee Company, which is well established and has requisite expertise in the film production business. Further, the transfer of the Film Production Undertaking (more particularly defined in the Scheme) by the Demerged Company and vesting the same in the Transferee Company, will enable the Demerged Company to concentrate on its core business of film distribution.
 - iii. **Reduction in Costs:** The Scheme is expected to enable pooling of resources of the Transferor Company, the Demerged Company and the Transferee Company resulting in more productive utilization of

keel



the said resources and cost and operational efficiencies which would be beneficial for all stakeholders.

- d) BMPL or the Demerged Company is a wholly owned subsidiary of the Transferee Company. Since the entire share capital of the Demerged Company is held by the Transferee Company and its nominees, there shall be no issue of shares by the Transferee Company for the demerger of the Film Production Undertaking (more particularly defined in the Scheme) and vesting of the same in the Transferee Company pursuant to the Scheme. However, there shall be consequential reduction of the share capital of BMPL pursuant to the implementation of the Scheme.
- e) BOLT or the Transferor Company is a wholly owned subsidiary of the Transferee Company. Since the entire share capital of the Transferor Company is held by the Transferee Company and its nominees, there shall be no issue of shares by the Transferee Company in respect of its holding in the Transferor Company pursuant to the amalgamation under the Scheme. Upon the Scheme becoming effective, the entire share capital of the Transferor Company, shall be cancelled and extinguished.
- f) Upon coming into effect of the Scheme and with effect from the Appointed Date the objects clause of memorandum of association of the Transferee Company shall be amended.
- g) The Appointed Date for the purpose of the Scheme and for Income Tax Act, 1961 shall be April 01, 2016 and the Effective Date shall be the date on which the Scheme becomes effective in accordance with the terms of the Scheme, whereupon (i) the Film Production Undertaking (more particularly defined in the Scheme) shall be transferred to and vested in the Company, as a going concern; and (ii) the Transferor Company shall stand amalgamated with the Company, as a going concern, without any further deed or act, together with all the properties, assets, rights, liabilities, benefits and interest therein.
- h) The Scheme shall be effective subject to the receipt of sanctions, approvals and consents as laid down therein.

2.2. The Audit Committee reviewed the valuation report and fairness opinion and noted the observations made therein.

3. Recommendation of the Audit Committee

3.1. The Audit Committee has considered and noted the aforementioned documents and the Scheme, and recommends the Scheme to the Board of Directors of the Company for their consideration and approval, inter alia taking into consideration the benefits of the draft Scheme, the valuation report dated September 27, 2016 prepared by PKMSRS & Associates,

lee2



Chartered Accountants, and the fairness opinion dated September 27, 2016
prepared by Axis Capital Limited, a Category-I Merchant Banker.

Dated: **September 27, 2016**

Place: **Mumbai**



Mr. D. G. Rajan



Chairman

(DIN: 00303060)