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REPORT OF AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF BALAJI TELEFILMS LIMITED ("THE COMPANY")

[As per Para (A) (2) (c) of Part I of SEBI Master Circular dated June 20, 2023]

To the Board of Directors and the Members of Balaji Telefilms Limited,

We, the Audit Committee of Board of Directors, have thoroughly examined the draft scheme presented to us and have taken into consideration various factors, including the provisions stated in para (A)(2)(c) of Part I of the SEBI Master Circular dated June 20, 2023. We are pleased to present our report and recommendations regarding the scheme, ensuring the protection of shareholders' interests as under:

Report on Composite Scheme of Arrangement

1. BACKGROUND

1.1. A meeting of the Audit Committee of the Board of Directors of Balaji Telefilms Limited was held on May 30, 2024 to consider and if thought fit, to recommend the draft Composite Scheme of Arrangement between ALT Digital Media Entertainment Limited ("the First Transferor Company"), Marinating Films Private Limited ('Second Transferor Company') (collectively referred to as 'Transferor Companies') and Balaji Telefilms Limited ('Transferee Company') and their respective Shareholders ("the Scheme"), pursuant to provisions of section 230 to 232 read with Section 52, Section 66 and any other applicable provisions, if any, of the Companies Act, 2013 and rules and regulations made thereunder.

1.2. The Equity Shares of the Transferee Company are listed on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE") (NSE and BSE are collectively referred to as "Stock Exchanges"). The Company shall file the draft Composite Scheme of Arrangement along with necessary information / disclosure and compliance documents with the Stock Exchanges for their approval under regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

1.3. The Scheme is subject to the approval of the Board of Directors, Shareholders and Creditors of the Companies, if applicable; and also subject to sanction of the Hon'ble National Company Law Tribunal, Mumbai Bench (NCLT); and subject to such other approvals, permissions, and sanctions of Regulatory and any other Authorities, as may be necessary.

1.4. This Report of the Audit Committee is prepared and submitted in order to comply with the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; and the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (including any statutory, modification or re-enactment or amendment thereof for the time being in force).

1.5. The following documents were placed before the Audit Committee of the Board of Directors of the Company during their meeting: -

a. Draft Composite Scheme of Arrangement ("the Scheme");

b. Pre-arrangement shareholding pattern of the Transferor Companies and pre and post arrangement shareholding pattern of the Transferee Company; and

c. Financial statement for quarter ending 31st December 2023 and of preceding 3 financial years of all the Companies involved in the Scheme.

2. NEED FOR THE SCHEME

2.1. The Transferor Companies and the Transferee Company are engaged in similar line of business viz. production and creation of films and television content. The Scheme would help in consolidating and effectively managing the business of the Companies in a single entity, which will provide several benefits including synergy, economies of scale, attain efficiencies, cost competitiveness, etc. The reorganization of reserves and reduction of Capital of the First Transferor Company and the reorganization of reserves and adjustment of retained earnings of the Transferee Company post amalgamation envisaged as a part of the Scheme would help the respective companies to represent its true and fair financial position.

3. RATIONALE OF THE SCHEME

3.1. The scheme will inter alia have the following benefits to the companies and the shareholders:

<u>Part II of the scheme which deals with adjustment of accumulated losses as per books of accounts of the First Transferor Company with securities premium reserve and paid-up equity share capital appearing in the books of accounts of the First Transferor Company is expected, inter-alia, to yield benefits as below:</u>

- The First Transferor Company shall be able to represent its true and fair financial position;
- This Scheme would not have any impact on the shareholding pattern of the First Transferor Company, since it is a wholly-owned subsidiary of Transferee Company;

<u>Part III and Part IV of the scheme which deals with amalgamation of the Transferor Companies with the Transferee Company is expected, inter-alia, to yield benefits as below:</u>

- The Transferor Companies are wholly owned subsidiaries of the Transferee Company, so merger will help to consolidate the multiple entities into a single legal entity. Further, the Transferor Companies and the Transferee Company are engaged in similar line of businesses related to production and distribution of contents on various platforms. The merger would enable management focus and combined synergies for various projects;
- The merger will provide a greater efficiency in the overall combined business including economies of scale, efficiency of operations, operational rationalization, organizational efficiency, cash flow management and unfettered access to cash flow generated by the combined business which can be deployed more effectively for the purpose of development of businesses of combined entity and their growth opportunities, eliminate inter corporate dependencies, minimize administrative compliances and to maximize shareholder value;
- The merger will result in enhancement of net worth of the combined business to capitalize on future growth potential, optimal utilization of resources;

- The merger will result in a reduction in the overheads including administrative, managerial and other expenditure, and optimal utilization of resources by elimination, and avoiding of unnecessary duplication of activities and related costs. It will also result in a reduction in the multiplicity of legal and regulatory compliances required at present to be separately carried out by each of the Transferor Companies and the Transferee Company;

- The merger would motivate employees of the Transferor Companies by providing better opportunities to scale up their performance with a larger corporate entity having large revenue base, resources, assets base etc. which will boost employee morale and provide better corporate performance ultimately enhancing shareholder value;

- The merger will help in achieving operational efficiencies and management efficiencies;

- The other operational benefits due to merger are as follows: -
  - Optimize the resources at consolidated entity level to facilitate greater ability of the Transferee Company to raise financial resources for future expansion;
  - Reducing operational and compliance cost;
  - Elimination of duplicative communication and coordination efforts across multiple entities and pooling of resources as well as optimum utilization of resources;
  - Simplification of group structure under common management; and
  - Economies of scale, greater integration, flexibility and market reach for the amalgamated entity.

Further, there is no adverse effect of this Scheme on the Directors, Key Managerial Personnel, Promoters, Non-promoter Members, Creditors, and employees of the Companies and the same would be in the best interest of all stakeholders.

PART V of the Scheme which deals with adjustment of Amalgamation Adjustment Deficit Account as per books of accounts of the Transferee Company with securities premium and retained earnings appearing in the books of accounts of the Transferee Company is expected, inter-alia, to yield benefits below:

- The Transferee Company shall be able to represent its true and fair financial position;

4. SYNERGIES OF BUSINESS OF THE ENTITIES INVOLVED IN THE SCHEME

4.1. The Transferee Company is engaged in the business of production and creation of films and television content in India particularly in Hindi language. The Transferee Company is also engaged in business of production of television content in regional languages, and in event organization business.

The First Transferor Company is engaged in the business of production of movies and web-series, and telecasting / broadcasting the same through a subscription-based video on demand (SVOD) over the top (OTT) platform operated under the name "ALTT". The First Transferor Company is also engaged in the B2B business of providing content creation services to third-parties.

The Second Transferor Company is engaged in the business of production of reality shows, web-series and organizing events.

4.2. Given that all the entities are involved in similar line of business in the same industry, the Scheme would help in consolidating and effectively managing the business of the Companies in a single entity. This shall provide several benefits such as synergy, economies of scale, attain efficiencies, cost competitiveness, reduction in cost and time associated with compliances, focused management efforts, reduction of duplication, better cash flow management etc. The various benefits arising pursuant to the Scheme are already summarized in para 3 above.

5. SALIENT FEATURES OF THE SCHEME

5.1. The Scheme is presented under Sections 230 to 232 read with Section 52, Section 66 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder, and also read with Section 2(1B) and other applicable provisions of the Income-tax Act, 1961.

Salient features of Part I of the Scheme

5.2. Part I of the Scheme contains the clauses in respect of definitions, interpretations and the details of share capital of the Transferee Company and the Transferor Companies

Salient features of Part II of the Scheme

5.3. The Part II of the Scheme envisages adjustment of accumulated losses as per books of accounts of the First Transferor Company with securities premium and paid-up equity share capital appearing in the books of accounts of the First Transferor.

5.4. Pursuant to the same, the opening debit balance of the profit and loss account (appearing as 'Deficit in Statement of Profit and Loss') representing accumulated losses of the First Transferor Company shall be adjusted against the opening credit balance of securities premium account. Post this adjustment, the residual opening debit balance, if any, in the profit and loss account shall be adjusted against the opening balance in paid-up equity share capital of the First Transferor Company by cancelling such number of equity shares of the First Transferor Company at their face value as may be required for such adjustment.

Salient features of Part III and Part IV of the Scheme

5.5. The Part III of the Scheme envisages an amalgamation of the First Transferor Company with the Transferee Company. The Part IV of the Scheme envisages an amalgamation of the Second Transferor Company with the Transferee Company

5.6. Pursuant to the above, upon coming into effect of the Scheme and with effect from the Appointed Date, the entire business of the Transferor Companies and all their assets and liabilities shall under the provisions of Section 230 to 232 and other applicable provisions, if any, of the Act, and pursuant to the orders of the Tribunal or other Appropriate Authority, if any, sanctioning the Scheme shall without any further act, deed, matter or thing stand transferred to and vested in and/or deemed to be transferred to and vested in the Transferee Company so as to become the properties and liabilities of the Transferee Company in accordance with the provisions of Section 2(1B) of the Income-tax Act, 1961.

5.7. All inter-company transactions including loans, advances and other obligations if any, due or which may at any time in future become due between the Transferor Companies and the Transferee Company shall stand cancelled and there shall be no liability in that behalf on either party.

5.8. All staff, workmen, employees of the Transferor Companies who are in service on the date immediately preceding the Effective Date, shall become the staff, workmen, employees of the Transferee Company, without any break or interruption in their services, on terms and conditions not less favourable than those on which they are engaged by the Transferor Companies

5.9. The equity shares of the Transferor Companies are entirely held by the Transferee Company and its nominees. The said shareholding of the Transferee Company in the Transferor Companies shall be cancelled on account of the amalgamation. Further, upon the Scheme becoming effective, neither any consideration will be paid, nor any shares shall be issued by the Transferee Company.

<u>Salient features of Part V of the Scheme</u>

5.10. The Part V of the Scheme envisages reorganisation of reserves and adjustment of retained earnings of the Transferee Company.

5.11. Pursuant to the same, the debit balance of Amalgamation Adjustment Deficit Account of the Transferee Company, representing negative capital reserve, as on the Appointed Date and after giving effect to Part II, Part III, and Part IV of the Scheme, shall be adjusted against the credit balance of securities premium to the extent of balance available in the said securities premium account. Post this adjustment, the residual debit balance, if any, in the Amalgamation Adjustment Deficit Account of the Transferee Company shall be adjusted against the credit balance of retained earnings of the Transferee Company.

<u>Salient features of Part VI of the Scheme</u>

5.12. Part VI of the Scheme contains general clauses, and the terms and conditions that would be applicable to the Scheme.

6. IMPACT OF THE SCHEME ON THE SHAREHOLDERS

6.1. The Audit Committee of the Board of Directors of the Company discussed the salient features, rationale and expected benefits of the Scheme. In the report, they have noted that the proposed Scheme is not detrimental to the interest of the shareholders on account of benefits as enumerated above.

6.2. The Audit Committee is of the informed opinion that the draft Scheme is in the best interests of the Company and its Shareholders. The impact of the draft Scheme on the Shareholders, including, the public shareholders would be the same in all respects and no shareholders is expected to have any disproportionate advantage or disadvantage in any manner. The Scheme is not in any manner, prejudicial or against public interest and would serve the interest of all shareholders, creditors or any other stakeholders.

7. COST BENEFIT ANALYSIS

7.1. Although the scheme involves certain costs such as transaction cost, implementation cost, regulatory fees, stamp duties, etc. the scheme would entail the benefits specified in para 3 above.

7.2. The proposed Scheme will benefit the shareholders directly, as the costs incurred towards the implementation of the Scheme foreshadows the long-run benefit, to be derived by achieving strategic and operational efficiency. The Audit Committee is of the opinion that the expected benefits, pursuant to the proposed Scheme, would offset the impact of such cost.

8. RECOMMENDATION OF AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF THE COMPANY

8.1. After due deliberations and in consideration of all the foregoing included in this report and in the draft Scheme of Arrangement, the Audit Committee of the Board of Directors of the Company unanimously recommends the draft scheme.

This Report is issued by the Chairman of the Audit Committee of the Board of Directors of the Company.

FOR **BALAJI TELEFILMS LIMITED**

ASHUTOSH KHANNA
CHAIRPERSON OF AUDIT COMMITTEE
DIN: 03153990

Date: May 30, 2024
Place: Gurugram