Extraordinary Together

REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF ZEE ENTERTAINMENT ENTERPRISES LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT AMONGST ZEE ENTERTAINMENT ENTERPRISES LIMITED, BANGLA ENTERTAINMENT PRIVATE LIMITED AND SONY PICTURES NETWORKS INDIA PRIVATE LIMITED

This Report is prepared, considered and approved by the Committee of the Independent Directors ("**Committee**") of Zee Entertainment Enterprises Limited (the "**Company**") pursuant to its meeting held on December 21, 2021 at the registered office of the Company at 18th Floor A Wing Marathon Futurex, NM Joshi Marg, Lower Parel, Mumbai, Maharashtra-400013, India, where the following Independent Directors ("**IDs**") were present:

PRESENT

1. Mr. Rajarangamani Gopalan
2. Mr. Vivek Mehra
3. Mr. Adesh Kumar Gupta
4. Mr. Piyush Indernarayan Pandey
5. Mr. Sasha Gulu Mirchandani

Leave of Absence: Ms. Alicia Yi had taken leave of absence from attending the meeting.

The Committee of the Company had invited their independent legal counsels, Mr. Salil Gulati and Mr. Abhinav Rastogi, Partners of Dua Associates, Advocates & Solicitors to attend the said meeting.

Chairman: The Committee unanimously elected Mr. Rajarangamani Gopalan, Chairman of the Board as the chairman of the meeting.

1. Background

1.1 This meeting of the Committee was held on December 21st 2021 to consider the proposed merger of the Company and Bangla Entertainment Private Limited ("**BEPL**") with Sony Pictures Networks India Private Limited ("**SPNI**" or "**Transferee Company**") pursuant to a composite scheme of arrangement amongst the Company, BEPL and the Transferee Company and their respective shareholders and creditors ("**Scheme**") under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**").

1.2 Rationale for the proposed Scheme

The following rationale for the proposed Scheme was discussed by the Committee:

(a) The Company is *inter alia* engaged in TV content development, broadcasting of regional and international entertainment satellite television channels, movies, music

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and digital business. The Company is India's one of the largest entertainment networks.

(b) The Transferee Company is *inter alia* engaged in the business of (i) 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 (ii) production, exhibition, broadcast, re-broadcast, transmission, re-transmission or other exploitation of non-news audio-visual content, including sports content, in any format or in any language spoken in India (including English) for exploitation of such program services.

(c) 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.

(d) It is noted that the Scheme will have following benefits:

(i) it will enable the Company, BEPL, and the Transferee Company to combine their businesses and create a financially strong amalgamated company. Each of the entities involved 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;

(ii) the Company, BEPL, 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;

(iii) the Company, BEPL, and the Transferee Company have a strong presence in the digital media space with the Company and Transferee Company being among the leading over the top platforms. Each of the entities' 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;

(iv) 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

(v) 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. The transactions

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contemplated by the Scheme provides an opportunity that benefits all the stakeholders of the entities involved.

Besides the aforesaid, it is also noted that as per the proposed Scheme, the shareholders of the Transferee Company (who subscribe to shares as contemplated in the Scheme), one of the existing promoters of Transferor Company 1 and a wholly owned subsidiary of such promoter entity shall infuse cash as contemplated in the Scheme to ensure that the Transferee Company has approximately INR equivalent of USD 1.5 Billion cash just prior to closing. This growth capital along with the cash of the Company shall help in accelerating the growth of the digital platforms, increase the content offerings for the consumers and thereby strengthening the portfolio and acquiring any premium content IP.

1.3 The Committee also noted that the proposed Scheme *inter alia* provides for 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 to the existing shareholders of the 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 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;

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(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 ("**SPE Mauritius**") to Essel Mauritius towards non-compete obligations, subject to the terms of the non-compete agreement entered into between Essel Mauritius and SPE Mauritius;

(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;

(k) the shareholders of the Transferee Company and the current Promoters of the Company shall be categorised as separate and independent 'promoters' of the amalgamated company/ combined entity;

(l) the effective date of the Scheme will be the appointed date; and

(m) amendment of the Articles of Association of the Transferee Company.

1.4 The Committee has also considered the outcome of the Financial (including Tax) and Legal Due Diligence conducted on the Transferee Company by Deloitte Haskins & Sells LLP and Trilegal respectively.

1.5 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 up to be 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 Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated 23 November 2021 ("**SEBI Circular**").

1.6 This report of the Committee is made pursuant to the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the Master Circular number

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SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 issued by the Securities and Exchange Board of India ("**SEBI**") on scheme of arrangement of listed entities.

2. **Documents Perused by the Committee**

2.1 The following documents were placed before the Committee:

(a) The Scheme

(b) Valuation report dated December 21, 2021 issued by M/s. GT Valuation Advisors Private Limited ("GT"), an independent registered valuer, having registration number IBBI/RV/05/2018/10428 ("Valuation Report") providing the share exchange ratio as under:

(i) the Transferee Company shall, issue and allot to each shareholder of the Company as on the Record Date (*as defined in the Scheme*) 85 (Eighty-Five) fully paid-up Equity Shares of INR 1 (Indian Rupee) each of the Transferee Company for every 100 fully paid-up Equity Shares of INR 1 (Indian Rupee One) each of the Company; and

(ii) the Transferee Company shall, issue and allot to each shareholder of BEPL as on the Record Date (*as defined in the Scheme*) 133 (One Hundred and Thirty-Three) fully paid-up Equity Shares of INR 1 (Indian Rupee One) each of the Transferee Company for every 10 (Ten) fully paid-up Equity Shares of INR 10 (Indian Rupees Ten) each of BEPL.

(c) Fairness opinion dated December 21, 2021 issued by Duff & Phelps India Private Limited, an independent merchant banker registered with the SEBI with registration number INM000012315 providing its 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 the SEBI with registration number INM000011179 providing its opinion on the fairness of the share exchange ratio proposed in the Valuation Report ("**Fairness Opinion 2**").

2.2 Before the meeting of the Committee the following presentations were made by:

(a) M/s. Trilegal, Advocates on legal due diligence and the salient features and structure of the Scheme and the underlying transaction(s);

(b) M/s. Boston Consulting Group on the prospects of business on account of the proposed merger;

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(c) M/s. Deloitte Haskins and Sells on financial and tax due diligence;

(d) M/s. GT Valuation Advisors Private Limited on Valuation Report; and

(e) M/s. Duff & Phelps India Private Limited and M/s. ICICI Securities Limited on their respective fairness opinions.

3. Salient Features of the Proposed Scheme

3.1 The equity share capital of the Transferee Company having a face value of INR 10 (Indian Rupees Ten) will be sub-divided into 10 (Ten) equity shares of the Transferee Company having a face value of INR 1 (Indian Rupees One) each.

3.2 The Transferee Company will issue 47,53,46,400 (Forty-Seven Crore Fifty-Three Lakh Forty Six Thousand and Four Hundred) equity shares to existing shareholders of the Transferee Company by way of a bonus issue in proportion to their shareholding in the Transferee Company as on a specified date.

3.3 The Transferee Company will issue 26,49,56,361 (Twenty-Six Crores Forty-Nine Lakhs Fifty Six Thousand Three Hundred and Sixty One) equity shares having face value of INR 1 (Indian Rupee One) each of the Transferee Company, to the existing shareholders of the Transferee Company who subscribe to such shares, for a consideration 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.

3.4 The Transferee Company will issue 2,20,26,183 (Two Crore Twenty Lakh Twenty Six Thousand 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).

3.5 The effective date will be appointed date.

3.6 The Company (upon the Scheme being approved and coming into effect) along with all its assets and liabilities shall be amalgamated into the Transferee Company in consideration for which the shareholders of the Company will be allotted 85 (Eighty Five) fully paid-up equity shares of INR 1 (Indian Rupee One) each of the Transferee Company in exchange for every 100 (Hundred) shares of INR 1 (Indian Rupee One) each held by the shareholders of the Company on a specified date.

3.7 BEPL (upon the Scheme being approved and coming into effect) along with all its assets and liabilities shall be amalgamated into the Transferee Company in consideration for which the shareholders of BEPL will be allotted 133 (One Hundred and Thirty-Three)

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fully paid-up equity shares of INR 1 (Indian Rupee One) each of the Transferee Company in exchange for every 10 (Ten) shares of INR 10 (Indian Rupees Ten) each held by the shareholders of BEPL on a specified date.

3.8 The Company and BEPL (upon the Scheme being approved and coming into effect) will be dissolved without winding up.

3.9 The authorized share capital of the Company and BEPL will be transferred to the Transferee Company.

3.10 SPE Mauritius will pay 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) to Essel Mauritius towards non-compete obligations, subject to the terms of the non-compete agreement entered into between Essel Mauritius and SPE Mauritius.

3.11 The current promoters and promoter group of the Company ("**Promoters and Promoter Group**") have successfully operated the Company for around three decades. The Promoter and Promoter Group of the Company has substantial experience and expertise in the medias and entertainment sector. The Promoter and Promoter Group of the Company and the shareholder of the Transferee Company has therefore agreed to enter into a non-compete agreement to restrict the Promoter and Promoter Group from participating in similar business activities to protect the interest of the shareholders of the Transferee Company.

3.12 Upon the Scheme coming into effect, Mr. Punit Goenka ("**PG**") shall be appointed as the Managing Director and Chief Executive Officer of the Transferee Company for a prior of five years on the terms and conditions set out in the Scheme and as may be mutually agreed between PG and the Transferee Company. PG has successfully lead the Company over last 15 years and have not only strengthened its portfolio of TV channels but has also successfully overseen its entry into the digital streaming platform; basis this past performance it was proposed by the parties that PG should lead the combined entity also in the capacity of MD and CEO.

3.13 The shareholders of the Transferee Company and the current Promoters of the Company shall be categorised as separate and independent 'promoters' of the combined entity.

3.14 The Articles of Association of the Transferee Company will be modified as set out in the Scheme.

3.15 The Transferee Company will be converted into a public company and its shares will be listed on stock exchanges in accordance with the SEBI Circular and other applicable law.

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4. **Proceedings of the Meeting**

4.1 The Committee then discussed if the draft Scheme as presented was complying with the extant laws and regulations. Specifically, they were keen to know if the merger proposal complies with requirements of merger of a listed entity with an unlisted entity. They then referred to the detailed presentation made by M/s. Trilegal, Advocates who are assisting and advising the Company on this proposed merger and took note of the advice received from M/s. Trilegal, Advocates that the proposed merger would comply with extant laws and regulations.

Valuation Basis

(a) The Committee also focused on the Valuation Report to see if it is reasonable and satisfactory. The Committee noted that the Transferee Company will issue and allot to each shareholder of the Company 85 (Eighty-Five) fully paid-up equity shares of INR 1 (Indian Rupee One) each of the Transferee Company for every 100 (One Hundred) fully paid-up equity shares of INR (Indian Rupee One) each of the Company.

(b) This share exchange/swap ratio was compared with the indicative ratio provided at the time of presenting the merger proposal initially. The Committee noted that there is no significant variation in the compared ratios and was comfortable with the same.

(c) The Committee noted that for the purpose of determining the relative valuation of the equity shares of the Transferee Company, the Company and BEPL, GT has carried out the valuation analysis by placing reliance of ICAI Valuation Standards issued by the Institute of Chartered Accountant of India and thereafter by assigning appropriate weightage to the applicable internationally accepted methodologies.

(d) The Market Approach (Market Price Method for the Company and Comparable Companies Multiple Method for the Transferee Company and BEPL) and Income Approach (Discounted Cash Flow Method) have been used to arrive at the valuation of the companies under discussion. The Committee also noted that the Cost Approach was not used as all the companies are going concerns and hence an actual realization of their operating assets has not been contemplated.

4.2 The Committee discussed the non-compete fee to be paid as part of the Scheme by M/s. SPE Mauritius Investments Limited, one of the shareholders of the Transferee Company to Essel Mauritius, the promoter entity of the Company. The Committee however noted that such recipient entity(ies), i.e., Essel Mauritius and its wholly owned subsidiary, will infuse such money back into the Transferee Company against the issuance of shares to Essel Mauritius and its wholly owned subsidiary, pursuant to and as part of the Scheme. The methodology for doing so as was presented was also discussed by the Committee. The Committee noted and discussed that the current promoter group of the Company have been the pioneer of private satellite TV network in India and have successfully operated the Company for around three decades. The

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current promoter group of the Company have substantial experience and expertise in the media and entertainment sector. The promoter group of the Company and the shareholder of the Transferee Company have therefore agreed to enter into a non-compete arrangement to restrict the promoter group of the Company from participating in similar business activities to protect the interest of the shareholders of the Transferee Company. There seemed merit in payment of non-compete fee by the shareholder of the Transferee Company to the promoter entity of the Company to oust the emergence of a competitor from the promoter group of the Company in the future which could adversely impact the merged company. The Committee noted that all transactions are taking place simultaneously as part of the proposed Scheme, Essel Mauritius and its wholly owned subsidiary, will be issued an aggregate of 367,10,306 (Three Crore Sixty Seven Lakh Ten Thousand and Three Hundred and Six) equity shares of the Transferee Company at the same price as the 26,49,56,361 (Twenty Six Crores Forty Nine Lakhs Fifty Six Thousand Three Hundred and Sixty One) equity shares of INR 1/- (Indian Rupee One) each of the Transferee Company to be issued to the existing shareholders of the Transferee Company who subscribe to such shares. The Committee discussed that by this method, the existing shareholders are not adversely impacted.

4.3 Additionally, the Committee also discussed that Mr. Punit Goenka who has been leading the Company for more than a decade will as part of the Scheme also lead the amalgamated company as its managing director and chief executive director for a period of five years subject to and in accordance with the provisions of the Scheme.

5. Scheme not Detrimental to Shareholders of the Company

5.1 The Committee discussed the rationale and expected benefits of the Scheme as had been presented to it besides the other participants. In view of various documents presented including the Valuation Report, Fairness Opinion -1 and Fairness Opinion-2, etc., it is observed that this merger will result in synergies across the industry 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 The Committee discussed and basis the aforesaid presentations and the explanations/advice rendered formed the view that there will be strong synergies in the proposed merger, employees in general will be benefitted, the merged company will be well positioned to create a better impact both in business and financial terms and that the consumers/viewers will be better served in terms of content and variety.

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5.4 Therefore, considering the above and basis the various presentations, information and explanations provided by the advisors advising the Company on the proposed merger, the share swap ratio, Valuation Report, the Fairness opinions and other documents presented, the Committee is of the view that the proposed Scheme is not detrimental to the shareholders of the Company.

6. Recommendation of the Committee

Basis the various presentations, information and explanations provided by the advisors advising the Company on the proposed merger and documents as placed and after due deliberation and taking into consideration the Scheme, its rationale, synergies of business and its impact on the shareholders of the Company, in particular the fact that the Scheme is not detrimental to the shareholders of the Company, the Committee recommends the Scheme for approval.

For and on behalf of the Committee of Independent Directors of ZEE Entertainment Enterprises Limited

Rajarangamani Gopalan
Independent Director
(DIN: 01624555)
Date: December 21, 2021
Place: Mumbai

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