

REPORT OF THE AUDIT COMMITTEE OF SAREGAMA INDIA LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN SAREGAMA INDIA LIMITED AND DIGIDRIVE DISTRIBUTORS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HELD ON WEDNESDAY, MARCH 30, 2022 AT RPSG HOUSE, 2/4 JUDGES COURT ROAD, ALIPORE, KOLKATA – 700 027

The following Audit Committee Members were present:

1. Mr. Umang Kanoria
2. Mr. Santanu Bhattacharya
3. Mr. Noshir Naval Framjee

1. Background

- 1.1. A meeting of the Audit Committee of Saregama India Limited ("**Company**" or "**Demerged Company**") was held on Wednesday, March 30, 2022 to *inter alia* consider and recommend the proposed draft Scheme of Arrangement between Saregama India Limited and Digidrive Distributors Limited ("**Resulting Company**") and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("**Act**") ("**Scheme**").
- 1.2. The Company is a public company incorporated under the provisions of the Indian Companies Act, 1913. The equity shares of the Company are listed on BSE Limited and the National Stock Exchange of India Limited.
- 1.3. The Resulting Company is a public company incorporated under the provisions of the Act and it is a wholly owned subsidiary of the Company.
- 1.4. This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India ("**SEBI**") (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and Clause 2 (c) of Para A of Part I of the SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated 23 November, 2021 ("**SEBI Master Circular**") and as amended from time to time.
- 1.5. The following documents, duly initialed by the Managing Director of the Company for the purpose of identification, were placed and noted by before the Audit Committee of the Company:
 - (a) Draft Scheme;
 - (b) Share Entitlement Ratio Report dated March 30, 2022 issued by RBSA Valuation Advisors LLP (Registration No. IBBI/RV-E/05/2019/110), Registered Valuer ("**Share Entitlement Ratio Report**"), describing the methodology adopted by them in arriving at the share entitlement ratio;
 - (c) Fairness Opinion Report dated March 30, 2022 issued by VC Corporate Advisors Private Limited (Registration No. INM0000011096), an Independent SEBI registered Merchant Banker ("**Fairness Opinion**"), providing its opinion on the share entitlement ratio specified in the Share Entitlement Ratio Report;

- (d) Draft Certificate dated March 30, 2022, Issued by M/s. B S R & Co. LLP, Chartered Accountants (ICAI Firm Registration No. 101248W/W-100022), Statutory Auditors of the Company certifying the undertaking clearly stating the reasons for non-applicability of conditions specified in Paragraph 10(b) read with Paragraph 10(a) of Part I of the SEBI Master Circular; and
- (e) Certificate dated March 30, 2022, Issued by M/s. B S R & Co. LLP, Chartered Accountants (ICAI Firm Registration No. 101248W/W-100022), the Statutory Auditors of the Company, confirming the accounting treatment prescribed in the Scheme.

2. Proposed Scheme

2.1. NEED FOR THE DEMERGER AND RATIONALE OF THE SCHEME

The Demerged Company sells all its physical products including carvaan, directly and through distributors, appointed exclusively for selling on digital media medium. Online marketplace has considerable potential, and skills acquired by the Demerged Company in the recent past can be utilized to manage end-to-end distribution activity, and with a potential to add many more products. This will also benefit the Demerged Company's business, as the negotiation strength generated by the distributors by selling a suite of products will help accelerate carvaan sales too.

Therefore, the Demerged Company intends to create a specialized master distributor for retailing all its physical products including carvaan on all digital marketplaces. Such distributor may also offer its sales & marketing services to other market participant. Accordingly, the Demerged Company intends to demerge its E-Commerce Distribution Business alongwith identified non-core assets, into the Resulting Company which, inter alia, will result in the following benefits:

- (i) unlocking the value of each of the business for the shareholders of the Demerged Company, attracting investors and providing better flexibility in accessing capital;
- (ii) segregating different businesses having different risk profiles and returns, and providing investors with better flexibility to select investments which best suit their investment strategies and risk profile; and
- (iii) enabling focused growth strategy for each of the businesses for exploiting opportunities specific to each business.

The Scheme is in the best interests of the shareholders, employees and the creditors of each of the Parties.

2.2. SYNERGIES OF BUSINESS OF THE COMPANIES INVOLVED IN THE SCHEME

The background and information of the Company and the Resulting Company is, *inter-alia*, as under:

- (a) The Company is engaged in the business of manufacturing and sale of music storage device viz. carvaan, music card, audio compact discs, digital versatile discs and dealing with related music rights. The Company is also engaged in production and sale/telecast/ broadcast of films, TV serials, pre-recorded programmes and dealing in film rights.
- (b) The Resulting Company is incorporated to create specialized master distributor for retailing goods on all digital marketplaces; and
- (c) Upon demerger, the benefits and synergies as mentioned in Para 2.1 above shall be derived by the Company.

2.3. IMPACT OF THE SCHEME ON THE COMPANY AND ITS SHAREHOLDERS

- (a) Pursuant to the Scheme, it is proposed to demerge, transfer and vest the Demerged Undertaking (*as defined in the Scheme*) from the Company into the Resulting Company, on a going concern basis and the Scheme will result in benefits and/or synergies to the Company as listed in paragraph 2.1 and 2.2 of this report;
- (b) Further, in consideration for the transfer and vesting of the Demerged Undertaking of the Company to the Resulting Company, all the equity shareholders (promoter and non-promoter) of the Company, as on the Record Date (*as defined in the Scheme*) shall receive equity shares of the Resulting Company in the same proportion as their holding in the Company. There will be no change in the economic interest of the shareholders of the Company, before and after Scheme. Further, once the Scheme is effective, the Resulting Company will have replica/mirror shareholding of the Demerged Company; and
- (c) After the effectiveness of the Scheme and subject to receipt of regulatory approvals, the equity shares of the Resulting Company issued as consideration pursuant to the Scheme, shall be listed on BSE Limited and the National Stock Exchange of India Limited.

2.4. COST BENEFIT ANALYSIS OF THE SCHEME

Although the 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.



3. Recommendation of the Audit Committee

The Audit Committee after due deliberations and detailed discussions, and *inter alia* taking into consideration the draft Scheme, Share Entitlement Ratio Report, Fairness Opinion and certificate(s) issued Statutory Auditors of the Company, have noted the rationale, benefits and the impact of the Scheme on shareholders and other concerned. Based on the foregoing, the Audit Committee is of the view that the Scheme is in the interest of the Company and all the stakeholders, and hereby recommends the Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee

For and on Behalf of SAREGAMA INDIA LIMITED

U. Kanoria

Umang Kanoria
Chairman,
Audit Committee
Place: Kolkata
Date: March 30, 2022

