

**SCHEME OF ARRANGEMENT
BETWEEN
OPEN MEDIA NETWORK PRIVATE LIMITED
AND
SAREGAMA INDIA LIMITED
AND
THEIR RESPECTIVE SHAREHOLDERS**

**PART – I
(PRELIMINARY)**

1. DEFINITIONS

For the purpose of this Scheme, the following expressions shall, unless the context otherwise requires, have the meaning as defined herein:-

- 1.1 **"1956 Act"** means the Companies Act, 1956 (to the extent in force) and the rules and regulations made thereunder, and includes any alterations, modifications, amendments made thereto.
- 1.2 **"2013 Act"** the Companies Act, 2013 (to the extent notified and in force) and the rules and regulations made thereunder, and includes any alterations, modifications, amendments made thereto and/or any re-enactment thereof.
- 1.3 **"Demerged Company"** means Open Media Network Private Limited, a Company incorporated under the provisions of the Companies Act, 1956 and having its registered office at 33, Jessore Road, Dum Dum, Kolkata 700 028 in the state of West Bengal.
- 1.4 **"SIL"** means Saregama India Limited, a company incorporated under the provisions of the Indian Companies Act, 1913, having its registered office at 33, Jessore Road, Dum Dum, Kolkata 700 028.
- 1.5 **"Appointed Date"** means the 1st day of April, 2016.
- 1.6 **"Effective Date"** means the date on which the certified copy of the order of the Hon'ble High Court sanctioning the scheme is filed by the Demerged Company and SIL, with the Registrar of Companies, West Bengal.
- 1.7 **"High Court"** mean the High Court at Calcutta. Provided however that any reference to High Court shall be deemed to mean National Company Law Tribunal once the same is constituted under the provisions of Section 408 of the 2013 Act and the provisions of Sections 230 to 240 of the 2013 Act have been notified.
- 1.8 **"Publication Division"** means the business comprised in the Publication Division of Demerged Company including:
 - (a) all properties and assets, movable and immovable, real and personal, corporeal and incorporeal, in possession, or in reversion, present and contingent of whatsoever nature, wheresoever situate, as on the Appointed Date and all computers, vehicles, equipment, furniture, sundry debtors, inventories, work in progress, finished goods, cash and bank balances, investments, bills of exchange, deposits and loans and

advances and other assets as appearing in the books of account of Demerged Company and relating to the Publication Division, a Statement of Assets and Liabilities whereof as on 31 March 2016, is set out in Schedule and all other interests or rights in or arising out of or relating to the Publication Division together with all rights, powers, interests, charges, privileges, benefits, entitlements, industrial and other licenses, registrations, permits, quotas, patents, trademarks, liberties, easements and advantages, appertaining to the Publication Division and/or to which Demerged Company is entitled to in respect of the Publication Division of whatsoever kind, nature or description held, applied for or as may be obtained thereafter together with the benefit of all contracts and engagements and all books, papers, documents and records relating to the Publication Division including agreements entered into by Demerged Company with other parties for purchase of properties; and

(b) secured loans, advances from customers, duties and taxes, sundry creditors and other liabilities of Demerged Company relating to and/or arising out of Publication Division of Demerged Company, as specified in the said Schedule.

1.9 **“Scheme”** means this Scheme of arrangement, pursuant to Sections 391 to 394 of the 1956 Act, or any other applicable provisions of the 1956 Act or the 2013 Act, if any, in its present form (along with schedule attached hereto) or with any modification(s) as approved by the High Court or any other statutory authority.

1.10 Word(s) and expression(s) elsewhere defined in the Scheme will have the meaning(s) respectively ascribed thereto.

1.11 All terms and words used in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the 1956 Act or the 2013 Act, as applicable, the Income Tax Act and other applicable laws, rules, regulations, bye-laws, as the case may be or any statutory modification or re-enactment thereof for the time being in force.

1.12 References to any of the terms taxes, duty, levy, cess in the Scheme shall be construed as reference to all of them whether jointly or severally.

2. OBJECTS OF THE SCHEME

2.1 The Demerged Company had initially undertaken the business of publication of periodicals and magazines and advertising. Subsequently, the Demerged Company made foray into various auxiliary services such as providing event management services, PR services, brand consultancy, management / creative services, digital marketing etc. The said businesses are being carried by the Demerged Company under two different and distinct divisions, namely the Publication Division and the Business Auxiliary Services Division (non-publication segment).

2.2 The business being carried under the Publication Division is separate and distinct from its Business Auxiliary Services Division. Further, the business being carried by the Demerged Company through the Business Auxiliary Services Division can achieve significant growth if undertaken separately with undivided care and attention. In order to enable the Demerged Company to focus on its Business Auxiliary Services Division with undivided care and

attention and for efficient and economical management, control and running of the said business, it is expedient to demerge the Publication Division of the Demerged Company into a separate company.

- 2.3 SIL is engaged, *interalia*, in the business of creation / acquisition and distribution of audio and audio-visual entertainment content across digital platforms. There is considerable synergy between the publication business and the content business. The demerger of the Publication Division of the Demerged Company will enable SIL to obtain a well-established and organized undertaking and will facilitate promotional reach of SIL at a significant lower cost to its advantage. Further, the existing business of SIL coupled with the publication business of the Demerged Company will enable SIL to utilize the customer databases of each other and also achieve retention of talent through talent rotation, thereby supplementing and complementing the two businesses and will pave way for significant increase in the reach of publication business. Further, merging of the publication business into SIL will also result in centralizing / pruning of common functions thereby resulting in lowering / rationalization of costs. Thus, the publication business of the Demerged Company can be properly and effectively integrated and aligned with the existing content business being carried out by SIL, resulting in higher revenue.
- 2.4 The proposed scheme will enable the Demerged Company to concentrate solely on business being carried out under the Business Auxiliary Services Division leading to optimum growth and development thereof with greater focus and attention towards the same.
- 2.5 The demerger of the publication business of Demerged Company will enable the said business to achieve turnaround and profitability by effective integration of the same with the existing business of SIL.
- 2.6 In view of the aforesaid and in order to develop / restructure the businesses carried on through the Demerged Company and to pave way for growth and development of Business Auxiliary Services Division on a stand-alone basis as also to simultaneously achieve desirable results in relation to Publication business under SIL, it is considered desirable and expedient to reorganize and reconstruct the Demerged Company by transferring / demerging the Publication Division to SIL in the manner contained in this Scheme.
- 2.7 The reduction in share capital of the Demerged Company is envisaged to bring the same in consonance with the size and operations of the Demerged Company post the demerger.
- 2.8 The scheme will have beneficial results for the two companies, their shareholders and all concerned.

3. SHARE CAPITAL

The Authorised, Issued, Subscribed and Paid up Share Capital of Demerged Company and SIL are as follows:

3.1 Demerged Company:

Share Capital	Amount (in Rs.)
Authorised Share Capital: 7,50,00,000 Equity Shares of Rs.10/- each.	75,00,00,000
Issued, Subscribed and Paid up Share Capital: 10,75,600 Equity Shares of Rs.10/- each fully paid up	1,07,56,000

3.2 SIL:

Share Capital	Amount (in Rs.)
Authorised Share Capital: 2,50,00,000 Equity Shares of Rs.10/- each.	25,00,00,000
Issued, Subscribed and Paid up Share Capital: 1,74,02,938 Equity Shares of Rs.10/- each fully paid up	17,40,29,380

PART – II (DEMERGER OF PUBLICATION DIVISION)

4. DEMERGER OF THE PUBLICATION DIVISION

- 4.1 With effect from the Appointed Date, the Publication Division of Demerged Company shall, pursuant to Section 394 of the 1956 Act or the relevant provisions of the 2013 Act (once the same comes into effect), be transferred to SIL for all the estate and interest of Demerged Company therein, subject however, to all charges, liens, lispendens, mortgages and encumbrances, if any, affecting the same or any part thereof specific to the Publication Division. The transfer of the movable assets comprised therein shall be effected by Demerged Company by delivering possession of the same to SIL and no vesting order under Section 394 of The 1956 Act shall be required to be obtained for transfer of movable assets. Alternatively, Demerged Company and/or SIL shall be at liberty to execute such deed or instrument of transfer as may be necessary for effectively conveying such assets to SIL.
- 4.2 All debts, liabilities, duties and obligations of Demerged Company specifically relating to the Publication Division, as detailed in the statement of account to be prepared in terms of this Scheme, shall be transferred, without recourse, to and become the debts, liabilities, duties and obligations of SIL pursuant to the provisions of Section 394(2) of The 1956 Act or the relevant provisions of the 2013 Act (once the same comes into effect). SIL undertakes to meet, discharge and satisfy the same to the exclusion of Demerged Company and to keep Demerged Company indemnified at all times from and against all such debts, liabilities, duties and obligations and from and against all actions, demands and proceedings in respect thereof.
- 4.3 The transfer and vesting of the Publication Division, as aforesaid, shall be subject to the existing charges, mortgages and encumbrances, if any, over or in respect of any of the assets or any part thereof, provided however that such charges, mortgages and/or encumbrances shall be confined only to the relative assets of the Demerged Company or part thereof on or over which they are subsisting on transfer to and vesting of such assets in SIL and no such charges, mortgages, and/or encumbrances shall extend over or apply to any other asset(s) of SIL.
- 4.4 Subject to the other provisions of this Scheme, all licences, permissions, approvals, consents, registrations, eligibility certificates and no objection certificates obtained by the Demerged Company in relation to the Publication Division to which the Demerged Company is entitled to in terms of the various statutes and/or schemes of Union and State Governments shall be available to and vest in SIL, without any further act or deed, and shall be appropriately mutated by the statutory authorities concerned therewith in favour of SIL. Since the

Publication Division of the Demerged Company will be transferred to and vested in SIL as a going concern without any break or interruption in operations thereof, SIL shall be entitled to the benefit of all such licenses, permissions, approvals, consents, registrations, eligibility certificates and no objection certificates and to carry on and continue the operations of the Publication Division of the Demerged Company on the basis of the same upon this Scheme becoming effective. Further, all benefits, including under Income Tax, Fringe Benefit Tax, Service Tax (including Modvat/Cenvat), subsidy schemes of any State or Central Government, etc. pertaining to the Publication Division to which the Demerged Company is entitled to in terms of the various statutes and/or schemes of the Union and State Governments shall be available to and vest in SIL upon this Scheme becoming effective.

5. EMPLOYEES

On and from the Effective Date:

- 5.1 All the employees of the Demerged Company relating to the Publication Division in service on the Effective Date shall, on and from the Effective Date, become the employees of SIL on the same terms and conditions on which they are engaged by the Demerged Company without any break, discontinuance or interruption in service.
- 5.2 Accordingly, the services of such employees for the purpose of Provident Fund or Gratuity or Superannuation or other statutory purposes and for all purposes will be reckoned from the date of their respective appointments with the Demerged Company.
- 5.3 The accumulated balances, if any, standing to the credit of the employees of the Demerged Company pertaining to the Publication Division in the existing Provident Fund, Gratuity Fund, Superannuation Fund and other funds of which they are members will be transferred to such Provident Fund, Gratuity Fund, Superannuation Fund and other funds nominated by SIL and/or such new Provident Fund, Gratuity Fund, Superannuation Fund and other funds to be established and caused to be recognised by the concerned authorities by SIL. Pending the transfer as aforesaid, the dues of the employees of the Publication Division of the Demerged Company relating to the said funds would be continued to be deposited in the existing Provident Fund, Gratuity Fund, Superannuation Fund and other funds respectively.

6. LEGAL PROCEEDINGS

All legal or other proceedings by or against Demerged Company in relation to the Publication Division shall be continued and enforced by or against SIL. If proceedings or actions are taken against Demerged Company, Demerged Company will defend on notice or as per advice of SIL at the cost of SIL. SIL will indemnify and keep indemnified Demerged Company from and against all liabilities, obligations, actions, claims and demands in respect thereof.

7. CONTRACTS AND DEEDS

On the Effective Date all contracts, deeds, bonds, agreements and other instruments of whatsoever nature relating to the Publication Division to which Demerged Company is a party subsisting or having effect immediately before this Scheme becomes operative shall remain in full force and effect against or in favour of SIL, as the case may be and may be enforced as fully and effectually as if instead of Demerged Company, SIL had been a party thereto.

8. CONDUCT OF BUSINESS

With effect from the Appointed Date and upto and including the Date on which this Scheme becomes operative:

- 8.1 The Demerged Company undertakes to carry on the business of the Publication Division in the ordinary course of business and Demerged Company shall be deemed to have carried on and to be carrying on all business and activities relating to the Publication Division for and on account of and in trust for SIL.
- 8.2 All profits accruing to Demerged Company or losses arising or incurred by it relating to the Publication Division for the period falling on and after the Appointed Date shall for all purposes, be treated as the profits or losses, as the case may be, of SIL.
- 8.3 The Demerged Company shall be deemed to have held and stood possessed of the properties so to be transferred to SIL under this Scheme for and on account of and in trust for SIL and, accordingly, Demerged Company shall not (except with the prior written consent of SIL) alienate, charge or otherwise deal with or dispose of the Publication Division or any part thereof except in the usual course of business.

9. SAVING OF CONCLUDED TRANSACTIONS:

The transfer of the Publication Division of the Demerged Company under Clause 4 above, the continuance of Proceedings under Clause 6 above and the effectiveness of contracts and deeds under Clause 7 above, shall not affect any transaction or Proceedings, contracts and agreements already concluded by the Demerged Company on or before the Effective Date, to the end and intent that SIL accepts and adopts all acts, deeds and things done and executed by the Demerged Company in respect thereto, as if done and executed on its behalf.

10. CONSIDERATION

In as much as the entire shares of the Demerged Company are held by SIL and/or its nominees, there will be no issuance of shares by SIL under this Scheme.

11. REDUCTION OF SHARE CAPITAL OF THE DEMERGED COMPANY

The issued, subscribed and paid up share capital of the Demerged Company shall, without any further act or deed, stand reduced to Rs.10,75,600 divided into 1,07,560 shares of face value Rs.10 per share fully paid-up.

12. ACCOUNTING TREATMENT

12.1. In the books of Demerged Company:

- 12.1.1 The amount arising on reduction of the issued, subscribed and paid-up equity share capital of the Demerged Company as per Clause 11 shall be credited to Capital Reduction Reserve Account.
- 12.1.2 Upon the coming into effect of this Scheme, with effect from the Appointed Date, all assets and liabilities relating to the Publication Division of the Demerged Company shall, stand transferred to SIL at the respective book values and shall to that extent stand reduced from the books of the Demerged Company.

12.1.3 Upon the coming into effect of this Scheme, the accumulated losses pertaining to the Publication Division of the Demerged Company will be transferred to SIL.

12.1.4 The accumulated losses as reduced by the difference in net book value of assets and liabilities pertaining to the Publication Division of the Demerged company shall, firstly be adjusted with the Capital Reduction Reserve Account and then adjusted with the Surplus in the Statement of Profit and Loss of the Demerged Company. The remaining amount shall be treated as Loss arising from Demerger in the books of the Demerged Company.

12.2. In the books of SIL:

12.2.1 Upon the coming into effect of this Scheme, SIL shall record all the assets and liabilities pertaining to the Publication Division transferred to it in pursuance of this Scheme at their respective book values as appearing in the books of accounts of the Demerged Company at the close of business of the day immediately preceding the Appointed Date.

12.2.2 SIL shall adjust its Surplus in the Statement of Profit and Loss with the accumulated loss pertaining to the Publication Division of the Demerged Company transferred to it in pursuance of this Scheme.

12.2.3 The excess of book value of assets over book liabilities so recorded in the books of account of SIL to the extent attributable to the Publication Division of the Demerged Company shall be credited to General Reserves or Surplus in the Statement of Profit and Loss in the books of SIL.

12.2.4 It is hereby clarified that pursuant to this Scheme, all transactions during the period between the Appointed Date and the Effective Date relating to the Publication Division of the Demerged Company shall be duly reflected in the financial statements of SIL, upon the Scheme coming into effect.

12.3. The Demerged Company and SIL will comply with the Accounting Standards as notified in the Companies (Indian Accounting Standards) Rules, 2015 or Companies (Accounting Standards) Rules, 2006 read with Section 133 of the 2013 Act or any other provision as may be applicable while demerging the accounts of the Publication Division of the Demerged Company to SIL.

13. STATUTORY APPROVALS

13.1 On the approval of the Scheme by the Equity Shareholders of the Demerged Company and SIL, it shall be deemed that the said shareholders have also accorded all relevant consents under Sections 61 and 62 of the 2013 Act or any other provisions of the said Act to the extent the same may be considered applicable.

13.2 The reduction of share capital of the Demerged Company as mentioned in Clause 11 shall be effected as an integral part of the Scheme without having to comply with the process prescribed in Sections 100 to 103 of the Act separately. Further, the reduction does not involve either a diminution of liability in respect of unpaid share capital or payment to any shareholder

of any paid-up share capital and the provisions of Section 101 of the Act will not be applicable and accordingly, order under Section 102 of the Act will not be required.

14. OPERATION OF BANK ACCOUNT

After this Scheme becomes operative, SIL shall be entitled to operate Bank Accounts relating to the Publication Division and realize all monies and complete and enforce all pending contracts and transactions in respect of the Publication Division in the name of Demerged Company in so far as may be necessary until the transfer of rights and obligations of Demerged Company to SIL under this Scheme is formally accepted by the parties concerned.

**PART – III
(MISCELLANEOUS)**

15. APPLICATION TO HIGH COURT

The Demerged Company and SIL shall, with all reasonable dispatch, make necessary application to the High Court pursuant to Sections 391 and 394 of the 1956 Act or the relevant provisions of the 2013 Act (once the same comes into effect), for obtaining sanction of this Scheme and shall apply for and obtain such other approvals, as required by law. Any such application shall, upon constitution of the National Company Law Tribunal under Section 408 of the 2013 Act, be made and/or pursued before the National Company Law Tribunal, if so required. In such event references in this Scheme to the High Court shall be construed as references to the National Company Law Tribunal and/or appropriate Benches thereof as the context may require.

16. REMAINING BUSINESS

Save and except the Publication Division of Demerged Company and the assets and liabilities forming the Publication Division, as specified in the statement of account, and as expressly provided in this Scheme of Arrangement, nothing contained in this Scheme of Arrangement shall affect the rest of the assets, liabilities and businesses (including any contingent liability and/or any other claim or liability, which may arise in the future) of Demerged Company which shall continue to belong to and be vested in and be managed by Demerged Company and Demerged Company agrees and undertakes to keep SIL indemnified in respect thereof.

17. APPROVALS AND MODIFICATIONS:

The Demerged Company and SIL (by their respective Board of Directors or such other person or persons, as the respective Board of Directors may authorise) are empowered and authorised:

- 17.1 to assent from time to time to any modifications or amendments or substitutions of this Scheme or of any conditions or limitations which the High Court and/or any authorities under law may deem fit to approve or direct or as may be deemed expedient or necessary; and
- 17.2 to settle all doubts or difficulties that may arise in carrying out this Scheme and to do and execute all acts, deeds, matters and things necessary, desirable or proper for putting this Scheme into effect.

Without prejudice to the generality of the foregoing, the Demerged Company and SIL (by their respective Board of Directors or such other person or persons, as the respective Board of Directors may authorize) shall each be at liberty to withdraw from this Scheme in case any

condition or alteration imposed by any authority is unacceptable to them or as may otherwise be deemed expedient or necessary.

18. CONDITIONALITY OF SCHEME

This Scheme is conditional upon and subject to:

- 18.1 approval of this Scheme by the requisite majority of the members, as may be required, of Demerged Company and SIL;
- 18.2 sanction of the Scheme by the High Court under Sections 391 and 394 and other applicable provisions of the 1956 Act;
- 18.3 such other sanctions and approvals, including sanctions of any governmental or regulatory authority, as may be required; and
- 18.4 the certified copies of the order of the High Court sanctioning this Scheme being filed with the Registrar of Companies, West Bengal.

Accordingly, this Scheme although operative from the Appointed Date shall become effective on the Effective Date, being the last of the dates on which the conditions referred to above have been fulfilled.

19. COSTS, CHARGES AND EXPENSES

All costs, charges and expenses incurred in carrying out and implementing the terms and provisions of this Scheme and incidentals thereto including those incurred during negotiations leading to the Scheme to be borne by SIL.

20. RESIDUAL PROVISIONS

In the event of this Scheme failing to take effect finally, this Scheme shall become null and void and in that case no rights or liabilities whatsoever shall accrue to or be incurred *inter se* by the parties or their shareholders or creditors or employees or any other person.

SCHEDULE
(Statement of Assets and Liabilities of Publication Division of the Demerged Company)

Particulars and Description of Assets	Book Value (in Rs.)
Fixed Assets	
Tangible Assets	6311465
Intangible Assets	410827
Sub-total	6722292
Long-term Loans & Advances	12525550
Sub-total	12525550
Current Assets	
Inventories	3072611
Trade Receivables	12975194
Cash and cash equivalents	8576622
Short-term loans and advances	4633917
Sub-total	29258343
Total	48506185
Liabilities	
Reserves and Surplus (Profit & Loss Debit balance)	(198800090)
Sub-total	(198800090)
Non-Current Liabilities	
Long-term provisions	3174666
Sub-total	3174666
Current Liabilities	
Short-term borrowings	202753381
Trade Payables	9081847
Other current liabilities	20374668
Short-term provisions	1165713
Sub-total	233375609
Total	37750185