

October 20, 2020

To,
The Board of Directors
Music Broadcast Limited
5th Floor, RNA Corporate Park
Off. Western Express Highway, Kala Nagar
Bandra (East), Mumbai - 400 051

Sub.: Fairness Opinion on proposed Scheme of Arrangement between Music Broadcast Limited (the “Company”) and its shareholders and creditors for issuance of Non-convertible non-cumulative redeemable preference shares (“NCRPS”) to the non-promoter shareholders of Music Broadcast Limited by way of bonus.

Dear Sir / Madam,

We, Sundae Capital Advisors Private Limited (referred to as “Sundae” or “We”), refer to the engagement letter dated October 15, 2020, with Music Broadcast Limited (referred to as “MBL” or the “Company”), wherein we have been requested to provide a fairness opinion on the proposed Scheme of Arrangement of the Company in terms of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017.

SCOPE AND PURPOSE OF THIS REPORT

The equity shares of Music Broadcast Limited are listed on National Stock Exchange of India Limited (“NSE”) and BSE Limited (BSE”). MBL is proposing to present a Scheme of Arrangement (“Scheme”) under Section 230 of the Companies Act, 2013, other relevant provisions thereof and the rules made thereunder before its Board of Directors in their meeting for issuance of Non-convertible non-cumulative redeemable preference shares (“NCRPS”) to the non-promoter shareholders of MBL by way of bonus.

This Fairness Report is being issued in accordance with the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended from time to time, on the proposed Scheme of Arrangement. This certificate has been issued for the sole purpose to facilitate the Companies to comply with Regulation 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, and it shall not be valid for any other purpose.

COMPANY BACKGROUND

Music Broadcast Limited (CIN: L64200MH1999PLC137729) is a public limited company incorporated under the Companies Act, 1956 having its registered office at 5th Floor, RNA Corporate Park, Off

Western Express Highway, Kalanagar, Bandra (East), Mumbai - 400051, Maharashtra. The Equity shares of MBL are listed on BSE Limited & National Stock Exchange of India Limited. MBL is a widely held public listed company in which public shareholders hold 25.95% of the issued, subscribed, and paid-up equity share capital of the Company. MBL is a subsidiary of Jagran Prakashan Limited (“Promoter” / “Holding Company” / “JPL”) holding 253,074,137 equity shares of ₹ 2/- (Rupees Two) each representing 73.21% of the paid-up capital of the MBL.

MBL is inter alia engaged in operating FM radio stations across India under the brand of “Radio City” It is India’s first and leading FM Radio Station which started its operations in India in the year 2001. MBL currently has 39 stations. MBL, over the years, has consistently come up with tools and initiatives to raise social awareness over a spectrum of issues including but not limited to Women Empowerment, Voter Awareness, Road Safety, etc. and also acts as a medium to spread the awareness about government campaigns such as COVID -19 awareness program of public interest.

The Authorized, Issued, Subscribed, and Paid-up share capital of MBL as of March 31, 2020, is as under:

Particulars	Amount in ₹
Authorized:	
40,00,00,000 Equity Shares of ₹ 2/- each	80,00,00,000
50,000 Preference Shares of ₹ 10/- each	5,00,000
Total	80,05,00,000
Issued, Subscribed and Fully Paid up:	
34,56,85,625 Equity shares of ₹ 2 /- each	69,13,71,250
Total	69,13,71,250

THE RATIONALE FOR THE SCHEME

The Scheme is presented under the provisions of Section 230 and other applicable provisions of the Companies Act, 2013, and in accordance with the regulations of the Foreign Exchange Management (Debt Instruments) Regulations, 2019 issued vide RBI Notification No. FEMA 396/2019-RB dated October 17, 2019. The Scheme provides for the following;

- MBL is a subsidiary company of Jagran Prakashan Limited (“Promoter / Holding Company/ JPL”) which holds 73.21% of the equity shares of MBL. JPL is one of the leading media groups in India with interests spanning across print, radio, digital, out of home, and brand activations. JPL is a public limited company and its equity shares are listed on BSE and NSE. JPL has a corporate governance framework that ensures transparency in all its dealings and in the functioning of its Management and the Board. JPL enjoys the reputation of being extremely investor-friendly and has been consistent in rewarding its shareholders meaningfully. It has been its philosophy to enrich the shareholders to the extent possible in all the circumstances. It was this reputation that helped MBL close successfully its initial public offering in 2017 at a premium which was over 32 times of the then face value of ₹ 10 each.

- The radio industry is undergoing a transformation right now and the turn of event in the industry has also impacted MBL. In the recent past, its performance has not been commensurate to the potential of the company and is reflected in its market performance as well.
- MBL intends to ensure that it continues to get the support of its esteemed public shareholders who have supported the company so far.
- In view of the above, the Board of Directors of MBL has formulated this Scheme of Arrangement for issuance of non-convertible non-cumulative redeemable preference shares (“NCRPS”) to its non-promoter shareholders on a preferential basis by way of bonus. The face value of such NCRPS will be Rs. 10 (Rupees Ten) issued at a premium of Rs. 90 (Rupees Ninety) per NCRPS to be redeemed on expiry of 36 months at a premium of Rs. 20 (Rupees Twenty) pursuant to the provisions of Section 230 and other relevant provisions of the Companies Act, 2013.
- The Company has a strong net worth with no debt. MBL is also confident in running the business profitably and generating sufficient cash to meet its future requirements. However, it is considered prudent to conserve the cash to meet any unforeseen requirement that may arise during and aftermath of the COVID 19 pandemic which has created an unprecedented challenging business environment.
- The above-mentioned Scheme is beneficial to MBL, its promoter (JPL being the holding company of MBL), and non-promoter shareholders as it strengthens the image of MBL as well as JPL in the market as it commits itself for higher distributions going forward. This will also augur well for future fundraising requirement, if any, of JPL and MBL

Further, in terms of Clause 6.3(2) of the Scheme, the Article No. 63.1 of the Articles of Association of the Company is proposed to be altered as under, subject to the approval of the shareholders to the Scheme:

“63.1 The Company by ordinary resolution in general meeting may, upon the recommendation of the Board, resolve —

(a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company’s reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and

(b) that such sum be accordingly set free for distribution in the manner specified in clause (2) below amongst the members who would have been entitled thereto, if distributed by way of dividend, either in the same proportion or in any other proportion or only to the non-promoter shareholders”

SOURCE OF INFORMATION AND REPRESENTATIONS

For the purpose of forming our opinion on the Scheme of Arrangement, we have relied on the discussions with the Management of MBL and the following information and documents made available to us:

- Management Certified draft Scheme of Arrangement for the proposed transaction;
- Other information as available in the public domain.

We have obtained explanations and information considered reasonably necessary for our exercise, from the executives and representatives of the Company. Our analysis considers those facts and circumstances present at the Company at the date of this Fairness Opinion. Our opinion would most likely to be different if another date was used.

EXCLUSIONS AND LIMITATIONS

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by the Company for the purpose of this opinion. With respect to the estimated financials, if any, provided to us by the management, we have assumed that such financials were prepared in good faith and reflect the best currently available estimates and judgments by the management of Company. We express no opinion and accordingly accept no responsibility with respect to or for such estimated financials or the assumptions on which they were based. Our work does not constitute an audit or certification or due diligence of the working results, financial statements, financial estimates or estimates of value to be realized for the assets of the Companies. We have solely relied upon the information provided to us by the management. We have not reviewed any books or records of the Company. We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of the Company and neither express any opinion with respect thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of the Company. We have not reviewed any internal management information statements or any non-public reports, and, instead, with your consent, we have relied upon information which was publicly available or provided or otherwise made available to us by the Company for the purpose of this opinion. We are not experts in the evaluation of litigation or other actual or threaten claims and hence have not commented on the effect of such litigation or claims on the valuation. We are not legal, tax, regulatory or actuarial advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of the Company with respect to these matters. In addition, we have assumed that the Proposed Scheme of Arrangement will be approved by the regulatory authorities and that the proposed transaction will be consummated substantially in accordance with the terms set forth in the Proposed Scheme of Arrangement.

We understand that the management of the Company during our discussion with them would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Proposed Scheme of Arrangement, no restrictions will be imposed that will have a material adverse effect on the benefits of the transaction that the Company may have contemplated. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we are not authorized to solicit, and did not solicit, interests for any party with respect to the acquisition, business combination or other extraordinary transaction involving the Company or any of its assets, nor did we negotiate with any other party in this regard.

We have acted as an advisor to the Company for providing a fairness opinion on the proposed transaction and will receive professional fees for our services. In the ordinary course of business, Sundae is engaged in merchant banking business including corporate advisory, restructuring,

valuations, etc. We may be providing various other unrelated independent professional advisory services to the Company in the ordinary course of our business.

It is understood that this letter is solely for the benefit of and use by the Board of Directors of the Company for the purpose of this transaction and for onwards submission to the Stock Exchange(s) and other regulatory or compliance authorities(s) in the due course of the proposed Scheme of Arrangement and may not be relied upon by any other person and may not be used or disclosed for any other purpose without our prior written consent. The opinion is not meant for meeting any other regulatory or disclosure requirements, save and except as specified above, under any Indian or foreign law, Statute, Act, guideline or similar instruction. Management should not make this report available to any party, including any regulatory or compliance authority / agency except as mentioned above. The letter is only intended for the aforementioned specific purpose and if it is used for any other purpose; we will not be liable for any consequences thereof.

We express no opinion whatever and make no recommendation at all as to the Company underlying decision to effect to the proposed transaction or as to how the holders of equity shares or secured or unsecured creditors of the Company should vote at their respective meetings to be held in connection with the transaction. We do not express and should not be deemed to have expressed any views on any other terms of transaction. We also express no opinion and accordingly accept no responsibility for or as to the prices at which the equity shares of the Company will trade following the announcement of the transaction or as to the financial performance of the Company following the consummation of the transaction.

In no circumstances however, will Sundae or its associates, directors or employees accept any responsibility or liability to any third party. Our liability (statutory or otherwise) for any economic loss or damage arising out of rendering this opinion shall be limited to amount of fees received for rendering this Opinion as per our engagement with the Company.

OUR OPINION

With reference to the above and based on information and explanation provided by the management and representatives of MBL and after analyzing the Scheme, we understand that the Company's non-promoter shareholders' have significantly lost the value since the initial public offering in 2017.

In view of the above, the Company has formulated the proposed Scheme of Arrangement in which it shall, issue and allot bonus NCRPS in the ratio of 1:10 i.e. one NCRPS for every Ten equity shares held on the record date. Pursuant to the issue of NCRPS, there is no change in the shareholding pattern of the Company and therefore no valuation report is required in terms of SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended from time to time. The NCRPS shall have a face value of ₹ 10 (Rupee Ten) and will be issued at a premium of ₹ 90 (Rupees Ninety) per NCRPS to be redeemed on expiry of 36 months at a premium of ₹ 20 (Rupees Twenty) carrying a dividend of 0.1% (Zero Point one percent) pursuant to the provisions of Section 230 and other relevant provisions of the Companies Act, 2013. The principal terms and conditions of the NCRPS have been given in Annexure 1 of our Opinion.

On the basis of the foregoing and based on the information and explanation provided to us and subject to the approval of the shareholders, in our opinion, the proposed transaction under the Scheme of arrangement is fair and reasonable to the holders of equity shares of the Company.

The aforesaid Scheme of Arrangement shall be subject to the receipt of approvals from NCLT and other statutory authorities as may be required. The detailed terms and conditions are more fully set forth in the Draft Scheme of Arrangement. Sundae has issued this Fairness Opinion with the understanding the Draft Scheme of Arrangement shall not be materially altered and the parties hereto agree that the Fairness Opinion shall not stand good in case the final Scheme of Arrangement alters the transaction.

*for Sundae Capital Advisors Private Limited
(SEBI Regn. No. INM000012494)*

*NitiN Somani
Director*

Annexure-1

Principal Terms and Conditions for issuance of NCRPS

Issuer	Music Broadcast Limited
Recipients	Non-promoter shareholders
Type of Instrument	Non-Convertible Non-Cumulative Redeemable Preference Shares
Issue size	89,69,597 NCRPS amounting to ₹ 89,69,59,700 (Rounded off)
Face Value	₹ 10 /- per NCRPS
Premium	₹ 90/- per NCRPS
Coupon Rate	0.1%
Premium at the time of Redemption	₹ 20/- per NCRPS
Redemption/Maturity	The NCRPS shall be redeemed on expiry of 36 months from the date of allotment.
Listing	Proposed to be listed on the Stock Exchanges subject to approval thereof
Credit Ratings	To be rated by rating agency appointed by the Board of Directors.
Market Lot	One Bonus NCRPS.
Depositories	National Securities Depository Limited and Central Depository Services (India) Limited.
Taxation	<p>1. Tax at applicable rates will be deducted by the Company on payment of dividend and/or from the consideration to be paid on redemption / buyback (as the case may be) of NCRPS.</p> <p>2. Issue, Redemption, Buyback of NCRPS are subject to tax implications under the applicable provisions of Income Tax Act as amended from time to time. Recipients are advised to consult their tax advisors for tax consequences. MBL shall not be responsible for any tax consequences on NCRPS holders.</p>
Lock in Period	There is no Lock-In Period.
Voting Rights	In accordance with the provisions of Section 47 of the Companies Act 2013.