

RECOMMENDATION REPORT BY AUDIT COMMITTEE

REPORT ADOPTED BY THE AUDIT COMMITTEE OF MUSIC BROADCAST LIMITED IN ITS MEETING HELD ON THURSDAY, OCTOBER 22, 2020 EXPLAINING THE SCHEME OF ARRANGEMENT BETWEEN MUSIC BROADCAST LIMITED AND ITS MEMBERS, RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT TO ITS BOARD OF DIRECTORS FOR THEIR APPROVAL.

MEMBERS PRESENT:

1. Mr. Vijay Tandon
2. Mr. Anuj Puri
3. Mr. Madhukar Kamath
4. Ms. Apurva Purohit

1. BACKGROUND OF THE SCHEME OF ARRANGEMENT

- 1.1. A meeting of the Audit Committee of Music Broadcast Limited (the "Company/MBL") was held on Thursday, October 22, 2020, to consider and recommend to the Board of Directors, the proposed draft Scheme of Arrangement ("Scheme") (i.e. arrangement u/s 230 to 232 of the Companies Act 2013, including rules prescribed thereunder and as amended from time to time and relevant clauses of Memorandum and Articles of Association of the Company) for arrangement amongst the Company and its members for issue and allotment of non-convertible non-cumulative redeemable preference shares ("NCRPS") by way of bonus issue to the non-promoter shareholders of the Company as on the record date (as fixed by the Board) out of the eligible reserves of the Company in accordance with Section 230 to 232 of the Companies Act, 2013, read with rules made thereunder.
- 1.2. The report of the Audit Committee is submitted, in order to comply with the requirements of the Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, issued by Securities and Exchange Board of India ("SEBI Circular")
- 1.3. The following documents were placed before the Audit Committee for its review:
 - a) Draft Scheme of Arrangement between the Company and its members;
 - b) Draft Certificate, obtained from the Statutory Auditors of the Company M/s Price Waterhouse Chartered Accountants LLP (ICAI Firm Registration No. - 012754N/N500016), Chartered Accountants ("Accounting Treatment Certificate"), confirming that the accounting treatment prescribed in the Scheme is in compliance with applicable accounting standards.
 - c) Draft Certificate, obtained from the Statutory Auditors of the Company M/s Price Waterhouse Chartered Accountants LLP (ICAI Firm Registration No. - 012754N/N500016), Chartered Accountants in relation to non-applicability of the requirements given in paragraph I (A) (9) (b) of the Annexure I of the SEBI Circular.



- d) Fairness Opinion Report Issued by Sundae Capital Advisors Private Limited, SEBI Registered Merchant Banker.

2. PROPOSED SCHEME OF ARRANGEMENT

The Audit Committee noted the rationale, benefits, and terms of the Scheme of Arrangement which, inter-alia, are as follows:

I. The detailed rationale of the aforementioned Scheme of arrangement:

- a) 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 Rs 10 each.
- b) 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 it's reflected in its market performance as well.
- c) MBL intends to ensure that it continues to get the support of its esteemed public shareholders who have supported the company so far.
- d) 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 ₹10 (Rupees Ten) 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) pursuant to the provisions of Section 230 and other relevant provisions of the Companies Act, 2013.
- e) 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.



- f) 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

II. Salient features of the draft Scheme, inter alia, are as under:

Upon coming into effect of this Scheme and with effect from the Appointed Date, pursuant to the sanction of this Scheme by the NCLT under and in accordance with the provisions of Sections 230 and other applicable provisions, if any, of the Act, MBL shall, issue and allot bonus NCRPS in the ratio of 1:10 i.e. one NCRPS for every Ten equity share as on Record Date of the Face Value of ₹ 10 (Rupees Ten) issued at a premium of ₹ 90 (Rupees Ninety) per NCRPS carrying a dividend of 0.1 % (Zero Point one percent) to non-promoter shareholder residing in India by utilizing Other Reserves and to the remaining non-promoter shareholders who are residing outside India by utilizing general reserves as required under regulation of Foreign Exchange Management (Debt Instruments) Regulations, 2019 issued vide RBI Notification No. FEMA 396/2019-RB dated October 17, 2019, by virtue of and in the manner provided in this Scheme.

3. **RECOMMENDATION OF THE AUDIT COMMITTEE**

The Audit Committee after due deliberations and due consideration of all the terms of the draft scheme, Auditor's Certificates, Fairness Opinion Report, and the specific points mentioned above recommends the draft Scheme for favourable consideration by the Board of Directors of the Company.

By Order of the Audit Committee
For Music Broadcast Limited



Mr. Vijay Tandon
Chairman of the Audit Committee

Place: Delhi
Date: October 22, 2020

