

PAWAN SHIVKUMAR PODDAR
REGISTERED VALUER
Securities and Financial Assets
Reg No. - IBBI/RV/06/2019/12475

STRICTLY PRIVATE & CONFIDENTIAL

May 10, 2021

The Board of Directors
TIPS Industries Limited
601, 6th Floor, Durga Chambers
278/ E, Linking Road,
Khar (West), Mumbai - 400 052

The Board of Directors
Tips Films Limited
501, 5th Floor, Durga Chambers
278/ E, Linking Road,
Khar (West), Mumbai - 400 052

Dear Sir(s) / Madam(s),

Re: **Recommendation of fair share entitlement ratio for the proposed demerger of the Film Business of Tips Industries Limited into TIPS Films Limited.**

We refer to our engagement letter dated January 04, 2021 whereby the management of TIPS Industries Limited (hereinafter referred to as 'TIL') has appointed us to issue a report opining on the fair share entitlement ratio for the proposed demerger of Films business (hereinafter referred to as the 'Demerged Undertaking') of TIL into TIPS Films Limited (hereinafter referred to as 'TFL'), as recommended by the management of TIL.

TIL and TFL are hereinafter collectively referred to as the 'Companies'.

1 SCOPE AND PURPOSE OF THIS REPORT

1.1 We have been informed by the management of the Companies (hereinafter referred to as the 'Management') that they are considering the proposal of demerger of business of films of TIL into TFL pursuant to a composite scheme of arrangement under sections 230 to 232 read with Section 52, 66 of the Companies Act, 2013, including rules and regulations made thereunder ('Proposed Demerger').

Subject to necessary approvals, the Demerged Undertaking of TIL would be demerged from TIL into TFL, with effect from appointed date of April 01, 2021

CERTIFIED TRUE COPY

FOR TIPS INDUSTRIES LTD.

302 Purna Kutir, Rani Sati Marg, Malad East, Mumbai - 400097

Mobile : +91 99308 22260

Email : ca.pawanpoddar@gmail.com

Bhate
COMPANY SECRETARY

('Appointed Date').

Pursuant to the scheme, as a consideration for the Proposed Demerger, TFL will allot its equity shares of face value of INR 10 each fully paid up to the equity shareholders of TIL. The existing pre demerger issued share capital of TFL will be cancelled pursuant the Scheme.

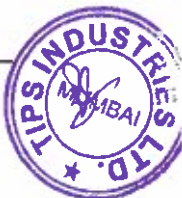
- 1.2 In this regard, we have been requested to issue a report opining on the fair share entitlement ratio for the Proposed Demerger as recommended by the management of TIL. The scope of our service is to determine the share entitlement ratio as at the valuation date after considering the facts of the case and report on the same in accordance with generally accepted professional standards including Indian Valuation Standards, 2018 issued by the Institute of Chartered Accountants of India (ICAI) and applicable Securities Exchange Board of India ('SEBI') Guidelines as may be applicable to listed entities.
- 1.3 This report is our deliverable for the said engagement and is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter.

2 BACKGROUND

2.1 TIPS Industries Limited

Tips Industries Limited was initially established as a partnership firm on March 7, 1988 in the name of Tips Cassettes & Record Co. The said partnership firm was converted and incorporated into a joint stock company (as a private limited company) on May 8, 1996 under the provisions of Part IX of the Companies Act, 1956. Subsequently, it became a deemed public limited company with effect from July 1, 1999, pursuant to Section 43A of the Companies Act, 1956. The Company is engaged in the business of Production and Distribution of motion pictures ("Film Division") and acquisition and exploitation Music of Rights ("Music Division"). Classifying it on the basis of content, it consists of two main sectors-film and non-film music. The Company earns revenue from royalties on songs that are played on radio, mobiles, internet, etc.

During the financial year 2019-20, the Revenue from operations of the company was INR 109 crs and profit after tax stood at INR 11.34 crs.



The issued and paid up equity share capital of the Company as on 31 December 2020 is INR 12.97 crs comprising of 1,29,68,659 equity shares of INR 10 each fully paid up.

The equity shares of the company are listed on the BSE Limited ('BSE') and the National Stock Exchange of India Limited ('NSE').

As defined in the Scheme the "Demerged Undertaking" means the Film Division of Tips Industries Limited inter-alia engaged in the business of film production on a going concern basis, and shall include (without limitation), all Film Assets, all related programme and movie rights, intellectual property rights of the Films Division, telecasting and broadcasting rights, contracts, engagements, arrangement of all kind, brands, domain names and on a going concern basis and include without limitation:

- i. (a) all assets wherever situated, whether movable or immovable (specifically mentioned below), tangible or intangible, buildings, vehicles, offices, investments, interest, capital work-in-progress, furniture, fixtures, office equipment, appliances, accessories (including, supplies, advertisement and promotional material), licenses, permits, quotas, approvals, registrations, lease, tenancy rights in relation to office and residential properties, incentives if any, municipal permissions, consents, or powers of every kind, nature and description whatsoever in connection with operating or relatable to the Film Division of TIL including but not limited to two commercial properties situated at Pinnacle house, CTS number F/72 , Junction of P.D. Hinduja Marg, & 15th Road, Khar West, Mumbai 400052, on 6th floor (admeasuring 148.52 square meters) and on 7th floor (admeasuring 15.70 Square meters) along with adjoining terrace (76.27 Square meters);
- (b) all other permissions, rights (including rights under any contracts or agreements or memorandum of understanding, government contracts, etc.), entitlements, copyrights, patents, royalties, trade marks, trade names, domain names, and other designs, trade secrets, product / film name registration or Intellectual Property Rights of the Films Division of



any nature (save and except in the Excluded Rights) and all other interest exclusively relating to the services being dealt with by the Demerged Undertaking except non-exclusive right/ license to use the Tips Logo for all the assets and future productions under TFL in perpetuity, and

- (c) all deposits, advances and or moneys paid or received by TIL in connection with or pertaining or relatable to the Film Division of TIL, all statutory licenses and/or permissions to carry on the operations of the Film Division of TIL and any financial assets, corporate guarantees issued by the Demerged Company and the benefits of any bank guarantees issued in relation to and for the benefit of the Demerged Undertaking, deferred tax benefits, privileges, all other claims, rights and benefits, power and facilities of every kind, nature and description whatsoever, rights to use and avail of telephones, telexes, facsimile connections and installations, utilities, electricity and other services, provisions, funds, benefits of all agreements, contracts and arrangements and all other interests in connection with or relating to the Film Assets of TIL;

The Film Division of TIL shall include all the debts, liabilities, duties and obligations and for the purpose of this Scheme, it is clarified that liabilities pertaining to the Film Division of TIL include:

- a) The liabilities, which arise out of the activities or operations of the Film Division of TIL;
 - b) Specific loans and borrowings raised, incurred and utilized for the activities or operations of the Film Division of TIL;
 - c) Liabilities other than those referred to in Sub-Clause (a) and (b) above and not directly relatable to the remaining business of TIL being the amounts of general or multipurpose borrowings of TIL shall be allocated to the Film Division of TIL in the same proportion which the value of the assets transferred under this clause bears to the total value of TIL immediately before giving effect to this Scheme;
- ii. all deposits and balances with Government, Semi Government, Local and other authorities and bodies, customers and other persons, earnest moneys



- and / or security deposits paid or received by the Demerged Company directly or indirectly in connection with or relating to the Demerged Undertaking / Film Division;
- iii. all necessary books, records, files, papers, product specification, engineering and process information, records of standard operating procedures, computer programmes along with their licenses, drawings, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information, and other records whether in physical or electronic form in connection with or relating to the Demerged Undertaking / Film Division;
- iv. All permanent and/or temporary employees of TIL substantially engaged in the Demerged Undertaking and those permanent and/or temporary employees that are determined by the Board of Directors of the Demerged Company, to be substantially engaged in or relatable to the Film Division;
- v. all legal or other proceedings, claims, notices, demands and obligations of whatsoever nature and whether known or unknown, contingent or otherwise, present or future relating to the Film Division, excluding those related to the Remaining Business;
- vi. All insurance policies related to Film Division;
- vii. all the credits for taxes such as sales tax, value added tax, service tax, CENVAT, GST and other indirect taxes, advance tax, tax credits (including but not limited to minimum alternate tax credit, pre-deposits made in indirect taxes), deferred tax benefits, tax deduction at source, accumulated losses and unabsorbed depreciation as per books if any as well as per the IT Act, enjoyed by the Demerged Company pertaining to the Film Division;
- viii. all exemption, benefits, allowance, rebates, etc. under IT Act (including right to admissibility of claim under the IT Act or such provisions becoming admissible in the period after the Appointed Date on discharging liabilities pertaining to Film Division);
- ix. Any question that may arise as to whether a specified asset or liability pertains to Film Division or whether it arises out of the activities or



operations of the Film Division shall be decided by mutual agreement between the Board of Directors of the Demerged Company and the Resulting Company.

The shareholding pattern of the TIL as at March 31, 2021 is as under:

Category of Shareholder	No of Equity Share Face value INR 10 each	Percentage
Promoter	97,23,352	74.98%
Non Promoters	32,45,307	25.02%
TOTAL	1,29,68,659	100.00%

2.2 Tips Films Limited

TFL is a public limited company incorporated under the Companies Act, 1956 on June 05, 2009. The registered office of the Company is at Mumbai, Maharashtra. Presently, TFL does not have any significant business activities. During the financial year 2019-20, the Revenue from operations of the company was NIL and loss stood at INR 7,600.

The shareholding pattern of the TFL as at March 31, 2021 is as under:

Name of Shareholder	No of Equity Share Face value INR 10 each	Percentage
Mr. Ramesh Taurani	25,000	50.00%
Mrs. Varsha Taurani	24,500	49.00%
Ms. Jaya Taurani	100	0.20%
Ms. Sneha Taurani	100	0.20%
Ms. Raveena Taurani	100	0.20%
Mr. Jay Kumar Shewakramani	100	0.20%
Mr. Shyam Lakhani	100	0.20%
TOTAL	50,000	100.00%

3 SOURCES OF INFORMATION

For the purpose of this exercise, we have relied upon the following sources of



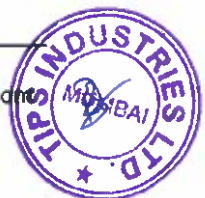
information received from the Management and information available in the public domain:

- (a) Draft Scheme of Arrangement pursuant to which the proposed demerger is to be undertaken along with proposed capital reduction
- (b) Shareholding pattern of the TFL and TIL as at March 31, 2021
- (c) Audited Financial Statement of TFL and TIL as at March 31, 2020
- (d) Audited Financial Statement TFL as at December 31, 2020
- (e) Such other information and explanations as we required and which have been provided by the Management to understand the rationale and basis for arriving at the recommended share entitlement ratio

Besides the above listing, there may be other information provided by the Management which may not have been perused by us in detail, if not considered relevant for our defined scope. We have also considered/ obtained such other analysis, review, explanations and information considered reasonably necessary for our exercise, from the Management.

4 SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

- 4.1 Our report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.
- 4.2 This report has been prepared for the Board of Directors of the Companies solely for the purpose of opining on the fair share entitlement ratio for the Proposed Demerger as recommended by the management of the Companies.
- 4.3 The Management has been provided with the opportunity to review the draft report as part of our standard practice to make sure that factual inaccuracies / omissions are avoided in our final report.
- 4.4 For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Companies / its auditors / its consultants is that of



the Companies. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Management that they have not omitted any relevant and material facts about the Companies / Demerged Undertaking. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our conclusions.

- 4.5 Our work does not constitute an audit, due diligence or certification of these information referred to in this report including information sourced from public domain. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any information referred to in this report and consequential impact on the present exercise. However, nothing has come to our attention to indicate that the information provided / obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.
- 4.6 This report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies / Demerged Undertaking / TFL and any other matter, which may have an impact on the report including any significant changes that have taken place or are likely to take place in the financial position of the Companies / Demerged Undertaking. Events and transactions occurring after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.
- 4.7 The fee for the engagement and this report is not contingent upon the results reported.
- 4.8 This report is prepared only in connection with the Proposed Demerger exclusively for the use of the Companies and for submission to any regulatory / statutory authority as may be required under any law.
- 4.9 Our report is not, nor should it be construed as our opining or certifying the compliance of the Proposed Demerger with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising in India or abroad from such Proposed Demerger.
- 4.10 Any person/party intending to provide finance / divest / invest in the shares / convertible instruments / business of the Companies / Demerged Undertaking / TFL



shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

- 4.11 The decision to carry out the transaction (including consideration thereof) lies entirely with the Management / the Board of Directors of TIL and TFL and our work and our finding shall not constitute a recommendation as to whether or not the Management / the Board of Directors should carry out the Proposed Demerger.
- 4.12 Our Report is meant for the purpose mentioned in Para 1 only and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom the report is disclosed or otherwise made available.
- 4.13 We nor my partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which this report is being issued. All such parties expressly disclaim any and all liability for or based on or relating to any such information contained in this report.

5 BASIS FOR DETERMINATION OF SHARE ENTITLEMENT RATIO

- 5.1 Based on our review, information made available to us and discussions with the Management, in our opinion, the share entitlement ratio recommended by the Management in consideration for the proposed demerger of Demerged Undertaking of TIL into TFL is reasonable.
- 5.2 We believe that the share entitlement ratio is fair considering the following:
- 5.2.1 As a part of the scheme of arrangement, the Film Business of TIL is proposed to be demerged into TFL. TIL has identified assets and liabilities of the Film Business which will be taken over by and transferred to TFL.
- 5.2.2 We understand that, upon the scheme being effective, all the shareholders of TIL would also become the shareholders of TFL and with the outstanding issued and paid up share capital of TFL ('Pre Demerger Equity Share Capital') will get cancelled by way of a capital reduction and their shareholding in TFL would mirror their



- existing shareholding in TIL prior to the demerger.
- 5.2.3 TFL currently is not carrying out any business activities, book Net worth of TFL as at December 31, 2020 is only INR 9,720 and as informed by the management of the company there are no outstanding liabilities including contingent liabilities, beyond the net worth of the TFL.
- 5.2.4 Taking into account the above facts and circumstance, any share entitlement ratio can be considered appropriate and fair for the proposed demerger as the proportionate equity shareholding of any shareholder pre-demerger and post-demerger would remain same and not vary and we have therefore not carried out any independent valuation of the subject business.
- 5.2.5 The Management has proposed a share entitlement ratio of "1 (One) equity share of TFL of face value of INR 10 each fully paid up shall be issued for every 3 (Three) equity share of INR 10 each fully paid up held in TIL".
- 5.2.6 We understand that the Share Entitlement Ratio has been recommended keeping in mind the future equity servicing capacity and minimum share capital requirement of TFL.
- 5.2.7 The effect of demerger is that each shareholder of TIL becomes the owner of shares in two companies instead of one. No shareholder of TIL is, under the scheme, required to dispose off any part of his shareholding either to any of the other shareholders or in the market or otherwise. The scheme does not envisage the dilution of the holding of any one or more shareholders as a result of the operation of the scheme. Post demerger, the percentage holding of a shareholder in TIL and in TFL would remain same and not vary.
- 5.2.8 Therefore, in our view, the above Share Entitlement Ratio is fair and equitable, considering that all the shareholders of TIL, will, upon the proposed demerger, have their inter-se economic interests, rights, obligations in TFL post-demerger in the same proportion as their existing economic interest, rights and obligation in TIL pre-demerger.
- 5.3 For the reason mentioned above, no relative valuation of Demerged Undertaking and of TFL is required to be undertaken for the Proposed Demerger. Accordingly, valuation approaches as indicated in the format (as shown below) as prescribed by



circular number NSE/CML/2017/12 of NSE and LIST/COMP/02/2017-18 of BSE have not been undertaken as they are not relevant in the instant case.

Valuation Methodology	Demerged Undertaking of TIL		TFL	
	Value Per Share	Weights	Value Per Share	Weights
Asset Approach	NA	NA	NA	NA
Income Approach	NA	NA	NA	NA
Market Approach	NA	NA	NA	NA
Relative Value	NA			

NA = Not Applied / Not Applicable

6 CONCLUSION

6.1 As mentioned in Para 1.1 above, in consideration for the Proposed Demerger, TFL would issue equity shares to the equity shareholders of TIL. In the light of the above and on consideration of all the relevant factors and circumstances and subject to our scope, limitations as mentioned above, following share entitlement ratio is fair **“1 (One) equity share of INR 10 each fully paid up of TFL for every 3(Three) equity share of INR 10 each fully paid up held in TIL”**

Thank you,
Yours faithfully,

Pawan Shivkumar Poddar
Digitally signed by Pawan Shivkumar Poddar
Date: 2021.05.10 11:11:24 +05'30'

CA Pawan Shivkumar Poddar
Registered Valuer
Reg. No. IBBI/RV/06/2019/12475
ICAI Membership Number : 113280
UDIN : 21113280AAAAAG3615
Place : Mumbai
Date : May 10, 2021

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FOR TIPS INDUSTRIES LTD.
P. Poddar
COMPANY SECRETARY