

**REPORT OF AUDIT COMMITTEE RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT AND DEMERGER AMONGST TIPS INDUSTRIES LIMITED ('DEMERGED COMPANY') AND TIPS FILMS LIMITED ('RESULTING COMPANY') AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS ("SCHEME").**

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**Members Present :**

1. Mr. Amitabh Mundhra – Chairman - (Independent Director)
2. Ms. Radhika Pereira – Member - (Independent Director)
3. Mr. Venkitaraman Iyer – Member - (Independent Director)
4. Mr. Kumar Taurani – Member - (Managing Director)

**In Attendance :**

Ms. Bijal Patel - Company Secretary

**By Invitation :**

1. Mr. Ramesh Taurani – Managing Director
2. Mr. Girish Taurani – Executive Director
3. Ms. Jaya Taurani – Chief Operating Officer – Film Production
4. Mr. Sunil Chellani – Chief Financial officer
5. Mr. Pawan Poddar – Registered Valuer
6. Mr. Parag Ved – Statutory Auditor
7. Ms. Kavita Shah – Merchant Banker
8. Mr. Ganesh Shiva Ganesh – Capital Advisor

**1. Background**

- 1.1 A meeting of the Audit Committee was held on May 10, 2021 to consider and, if thought fit, recommend the proposed Scheme of Arrangement and Demerger ("**Scheme**") between Tips Industries Limited (the "**Demerged Company, TIL**"), Tips Films Limited (the "**Resulting Company, TFL**") and their respective shareholders and creditors wherein the Film Division Business (the "**Demerged Undertaking**") of the Demerged Company would stand transferred to and vested in Resulting Company with effect from the appointed date i.e. April, 1, 2021 in accordance with the terms of the Scheme and pursuant to the provisions of Sections 230 to 232 read with Section 52, 66 and other applicable provisions of the



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CIN: L92120MH1996PLC099359

Companies Act, 2013 ("Act") and the rules and regulations made thereunder, as amended from time to time (including any statutory modification(s) or re-enactment thereof for the time being in force) and Regulation 11, 37 and 94 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015 ("SEBI LODR Regulations") and the Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 issued by the Securities and Exchange Board of India ("SEBI Circular"), as amended from time to time.

- 1.2 The Company is incorporated under the provisions of the Companies Act, 1956. The equity shares of the Company are listed on BSE Limited and National Stock Exchange of India Limited (collectively referred as "Stock Exchanges").
- 1.3 This report of the Audit Committee is made in order to comply with the requirements of SEBI LODR Regulations and SEBI Circular.
- 1.4 The following documents were placed before the Audit Committee:
  - (a) Draft Scheme of Arrangement and Demerger;
  - (b) Valuation Report dated May 10, 2021, issued by Mr. Pawan Shivkumar Poddar, Registered Valuer, (IBBI Registration No. IBBI/RV/06/2019/12475 for determination of Share Entitlement Ratio under the Scheme ("Valuation Report");
  - (c) Fairness Opinion dated May 10, 2021 prepared by Inga Ventures Private Limited, an Independent SEBI registered Category-1 Merchant Banker, providing fairness opinion on the valuation of the shares and the share entitlement ratio as recommended in the Valuation Report. ("Fairness Opinion");
  - (d) Certificate dated May 10, 2021 issued by M/s. SSPA & Associates, Chartered Accountant, Statutory Auditors of Demerged Company confirming that the accounting treatment contained in the Scheme is in compliance with all the applicable accounting standards specified by the Central Government under Section 133 of Companies Act, 2013 and other generally accepted accounting principles;
  - (e) Undertaking on non-applicability of para I(A)(10)(a) and I(A)(10)(b) of Part I of the SEBI Circular and the draft auditor's certificate, certifying the said undertaking; and
  - (f) Audited Financial Statements of the Demerged Company and the Resulting Company for the year ending March 31, 2020, March 31, 2019 and March 31, 2018 along with Audited Financial Statement of Demerged Company and Resulting Company for the period ended December 31, 2020.



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## 2. Proposed Scheme

### 2.1 Salient Features

The Audit Committee considered and observed that the draft Scheme provides for the following:

- (a) Demerger of the Demerged Undertaking of Demerged Company and vesting the same with and into the Resulting Company, on a going concern basis;
- (b) The Appointed Date means the opening of business hours on April 1, 2021 or such other date as may be approved by the National Company Law Tribunal, Mumbai bench ("NCLT"); and
- (c) In consideration of the proposed Scheme, the Resulting Company will issue and allot equity shares, to each shareholder of the Demerged Company, whose names appear in the register of members of Demerged Company on the record date as may be fixed for the purpose by the Board of Resulting Company in consultation with the Demerged Company (hereinafter referred to as "**the Record Date**"), in the following manner:  
  
"Issue and allot equity shares at par on a proportionate basis to each member of Tips Industries Limited whose name is recorded in the register of member of Tips Industries Limited as holding shares on the Record Date, in the ratio of 1 (one) equity shares of Rs. 10/- each fully paid up of Tips Films Limited for every 3 (three) equity shares of Rs. 10/- each fully paid up held in Tips Industries Limited."
- (d) The equity shares proposed to be allotted by the Resulting Company will be listed on BSE Limited and National Stock Exchange of India Limited, recognized stock exchanges having nationwide trading platform.
- (e) The Demerged Company and the Resulting Company shall follow the method of accounting as per the applicable accounting principles as prescribed under the Companies (Indian Accounting standards) Rules, 2015 (Ind AS) as notified under Section 133 of the Act, as may be amended from time to time and relevant clarifications issued by Institute of Chartered Accountants of India.



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- (f) This Scheme is and shall be conditional upon and subject to:
- a. The requisite consents, no-objections and approvals of the Stock Exchanges and SEBI to the Scheme in terms of the SEBI Circular.
  - b. The approval of the Scheme by the respective requisite majorities in number and value of the shareholders of the Companies in accordance with Section 230 to 232 of the Act;
  - c. The Scheme being sanctioned by the Tribunal in terms of Sections 230 to 232 and other relevant provisions of the Act and the requisite orders of the Tribunal and
  - d. Certified copies of the orders of the Tribunal sanctioning this Scheme being filed with the relevant Registrar of Companies by Demerged Company and Resultant Company as per the provisions of the Companies Act.

## 2.2 Need and Rationale of the Scheme of Arrangement

The Audit Committee noted the rationale and need for the demerger of the Demerged Undertaking from the Demerged Company into Resulting Company, as provided in the draft scheme of arrangement, and which is reproduced hereunder:

- (A) The Demerged Undertaking and the Remaining Business have both achieved scale and experience to sustain business on the basis of their own strengths. Additionally, both businesses deal with different sets of industry dynamics in the form of nature of risks, competition, challenges, opportunities and business methods. Hence, segregation of the two undertakings would enable focused managements to explore the potential business opportunities more effectively and efficiently;
- (B) Demerger will enable both Tips Industries Limited & Tips Films Limited to enhance business operations by streamlining operations, cutting costs, more efficient management control and outlining independent growth strategies.
- (C) Each undertaking will be able to target and attract new investors with specific knowledge, expertise and risk appetite corresponding to their own businesses. Thus, each undertaking will have its own set of likeminded investors, thereby providing the necessary funding impetus to the long-term growth strategies of each business;
- (D) Demerger will enhance efficiencies and will have different business interest into separate corporate entity, resulting in operational synergies, simplification, focused management, streamlining and optimization of the group structure and efficient administration.
- (E) Pursuant to the Scheme, the equity shares issued by the Resulting Company would be listed on BSE and NSE and will unlock the value of the Music Division and Film Division



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for the shareholders of the Demerged Company. Further the existing shareholders of the Demerged Company would hold the shares of two listed entities after the Scheme becoming effective; giving them flexibility in managing their investments in the two businesses having differential dynamics.

- (F) The demerger will unlock value of both businesses and result in shareholder value maximization.

The Scheme shall be in the beneficial interest of the shareholders of the companies. The Scheme shall not be in any manner prejudicial to the interest of the concerned members, creditors, employees or general public at large.

### 2.3 Synergies of business of the entities involved in the scheme:

The Committee reviewed the Scheme and noted that the demerger would result in achieving efficiency in operational processes implementation of independent strategies specifically designed for the two businesses and in optimizing profitability.

The Committee also noted that the Film Division Business has attractive expansion plans and by vesting the Film Division business, the Demerged Company would be able to face on long term growth and expansion of the film division business.

Thus, the re-structuring is proposed to result into enhanced development and growth of the business of the Company with independent focus on each business segment and more productive utilization of such resources which would be beneficial for all stakeholders.

### 2.4 Cost benefits analysis of the scheme are as under:

There are no social or environmental impact of the proposed re-structuring. Except the transaction cost, there are no additional costs involved for the proposed re-structuring. The Committee is of the opinion that the expected synergies and benefits in pursuance of the restructuring would offset the impact of such costs for the Company.

### 2.5 Impact of the scheme on the shareholders are as under:

- a. The shareholders of the Demerged Company as on the Record Date shall be entitled to equity shares in the Resulting Company basis the share entitlement ratio determined by Mr. Pawan Shivkumar Poddar, Registered Valuer, in the valuation report submitted to this Committee.



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Subsequent to which the shareholders of the Demerged Company in addition to the shares held in the Demerged Company shall also become shareholders in the Resulting Company.

- b. The Scheme will not adversely affect the rights or interest of any shareholder of the Demerged and Resulting Company or their respective shareholders or creditors, in any manner whatsoever.

**3. Recommendation of the Audit Committee:**

Taking into consideration the Scheme, Valuation Report, Fairness Opinion, Accounting Treatment Certificate, Auditor Certificate certifying the Company undertaking on non-applicability of the Para I(A)(10)(a) and I(A)(10)(b) of Part I of the SEBI Circular, Audited Financial Statements of Demerged and Resulting Company and other documents, as placed, the Audit Committee recommends the draft Scheme for favourable consideration by the Board of Directors of the Company, Stock Exchanges and The Securities Exchange Board of India.

For and Behalf of the Audit Committee  
of Tips Industries Limited



**Amitabh Mundhra**  
Chairman of the Audit Committee  
DIN: 00014227

Place: Mumbai  
Date: May 10, 2021

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