

REPORT OF COMMITTEE OF INDEPENDENT DIRECTORS ("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").

Members Present :

1. Mr. Amitabh Mundhra – Chairman
2. Ms. Radhika Pereira – Member
3. Mr. Venkitaraman Iyer – Member

1. Background

1.1 A meeting of the Committee of Independent Directors ("Committee") of the Board of Directors of Tips Industries Limited 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, 1st, 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 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.

The Scheme is subject to receipt of approvals of Board of directors, shareholders and creditors of Company involved and approval of other regulatory authorities as may be required, including those of the BSE Limited, National Stock Exchange of India Limited (collectively referred as "Stock Exchanges"), Securities and Exchange Board of India and the NCLT.



TIPS INDUSTRIES LTD.

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CIN: L92120MH1996PLC099359

In terms of the SEBI Circular, a report from the Committee is required recommending the draft Scheme, taking into consideration *inter alia* that the Scheme is not detrimental to the shareholders of the Demerged Company. This report of the Committee is made in order to comply with the requirements of SEBI LODR Regulations and SEBI Circular.

The following documents were placed before the 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 Ratios 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; and
- (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.

2. Salient Features of the Scheme

The 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



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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, a 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.
- (f) This Scheme is and shall be conditional upon and subject to:
- The requisite consents, no-objections and approvals of the Stock Exchanges and SEBI to the Scheme in terms of the SEBI Circular.
 - 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;
 - 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
 - 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.

3. Rationale of the Scheme of Arrangement



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The 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 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.

4. Scheme Not Detrimental to the Shareholders of Demerged Company.

The Committee members discussed and deliberated upon the rationale and salient features of the Scheme, the valuation report, fairness opinion and other documents presented before the Committee. In terms of the Scheme, the Resulting Company will issue equity shares to the



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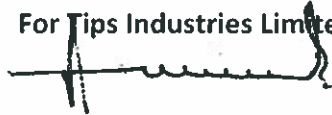
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shareholders of the Demerged Company based on the share entitlement ratio. The shares will be issued by the Resulting Company in the same proportion in which the shareholders hold the shares in the Demerged Company (subject to receipt of regulatory approvals). The overall economic interest of the equity shareholders of the Demerged Company shall remain the same in both the Companies. As there is no proposed change in the shareholding pattern of the Company pursuant to the proposed Scheme, the Committee is of the informed opinion that the proposed Scheme is in the best interests of the Shareholders of the Company and not detrimental to the interest of the Shareholders, including the minority shareholders of the Company.

5. Recommendation of the Committee:

The Committee after due deliberations and due consideration of all the terms of the draft Scheme, Valuation report, Fairness Opinion Report, Accounting Treatment Certificate, Statutory 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 and the specific points mentioned above including interest of Shareholders of the Company, as placed before the Committee, recommends the draft Scheme for favourable consideration and approval by the Board, Stock Exchange(s), The Securities Exchange Board of India and other appropriate authorities.

**For and Behalf of Committee of Independent Director
For Tips Industries Limited**



**Amitabh Mundhra
(Independent Director)
Chairman of the Committee**



Place: Mumbai

Dated: May 10, 2021

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