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**REPORT ON EQUITY SHARE ENTITLEMENT RATIO
FOR DEMERGER OF
E-COMMERCE DISTRIBUTION BUSINESS
OF SAREGAMA INDIA LIMITED
TO
DIGIDRIVE DISTRIBUTORS LIMITED**

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Report Reference Number: RVA2122ATFAREP117

Date: March 30, 2022

**The Board of Directors/Audit Committee
/Committee of Independent Directors**

Saregama India Limited

33, Jessore Road
Dum Dum, Kolkata – 700028

The Board of Directors

Digidrive Distributors Limited

33, Jessore Road,
Dum Dum, Kolkata - 700028

Subject: Recommendation of equity share entitlement ratio for the Proposed Demerger of E-Commerce Distribution Business of Saregama India Limited to Digidrive Distributors Limited

Dear Sirs,

We refer to our appointment dated March 16, 2022, wherein Saregama India Limited (“SIL” / “Demerged Company”) and Digidrive Distributors Limited (“DDL” / “Resulting Company”), a wholly owned subsidiary of the Demerged Company, have requested RBSA Valuation Advisors LLP (“RBSA”, “Valuer”), to recommend equity share entitlement ratio for the proposed demerger of the E-Commerce Distribution Business (“ECDB” or “Demerged Undertaking”) of SIL, on a ‘going concern value’ premise, into DDL, pursuant to a scheme of arrangement under section 230-232 and other applicable provisions of the Companies Act, 2013 (“Act”), read with Section 2(19AA) and other applicable provisions of the Income Tax Act, 1961 (the “Scheme”).

As per the Scheme, the E-Commerce Distribution Business of the Demerged Company means and includes the entire distribution business of the Demerged Company relating to sale of all its physical products including carvaan on digital marketplaces alongwith identified non-core assets and other activities and/ or arrangements incidental or relating thereto, which is proposed to be demerged to the Resulting Company.

SIL and DDL are together hereinafter referred to as the “Specified Companies”

The equity share entitlement ratio for the purpose of this Report refers to the number of fully paid-up equity shares of face value INR 10/- each to be issued by DDL to the equity shareholders of SIL as a consideration for the proposed demerger of the Demerged Undertaking on a ‘going concern value’ premise into DDL (the “Share Entitlement Ratio”)

This Report is subject to the scope, assumptions, exclusions, limitations, and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

CONTEXT AND PURPOSE OF THIS REPORT

We understand that the Board of Directors of SIL and DDL, propose to demerge the Demerged Undertaking of SIL into DDL with effect from April 1, 2022, pursuant to the Scheme (“Proposed Transaction”).

As consideration for the transfer of Demerged Undertaking, equity shares of DDL shall be issued to the equity shareholders of SIL on proportionate basis to each shareholder of SIL whose name is recorded in the register of members and records of the depository as members of SIL as on the Record Date (as defined in the Scheme). Upon Scheme becoming effective and upon allotment of equity shares by the Resulting Company, the shares held by SIL in DDL shall be cancelled, extinguished, and annulled.

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In this context, the Board of Directors of SIL and DDL have requested RBSA to submit a report (“Report”) recommending the equity share entitlement ratio for the proposed demerger of the Demerged Undertaking of SIL on a ‘going concern value’ premise into DDL, pursuant to the Scheme. The scope of our services is to arrive at the share entitlement ratio for the Proposed Transaction in accordance with the standards prescribed by the Institute of Chartered Accountants of India.

SOURCES OF INFORMATION

In connection with the preparation of this Report, we have relied on the following information received from the management of SIL and DDL (the “Management”),

- i. Shareholding pattern of SIL and DDL as of March 25, 2022;
- ii. Discussions with the Management to augment our knowledge on the operations of the Companies / Demerged Undertaking;
- iii. Management certified Balance sheet of ECDB as on December 31, 2021;
- iv. Outcome of board meeting of the Demerged Company held on February 24, 2022 to consider a proposal for sub-division of the Equity shares of the Demerged Company into the ratio of 10:1 and newspaper advertisement of postal ballot and E-voting Notice dated March 2, 2022.
- v. Draft scheme of arrangement;
- vi. Such other information, explanations and representations that were required and provided by the Management;
- vii. Such other analysis, inquiries, and reviews as we considered necessary.

BACKGROUND OF THE SPECIFIED COMPANIES

SIL is a public limited company incorporated under the provisions of the Indian Companies Act, 1913. SIL is engaged in the business of manufacturing and sale of music storage device viz. carvaan, music card, audio compact discs, digital versatile discs and dealing with related music rights. SIL is also engaged in production and sale/ telecast/ broadcast of films, TV serials, pre-recorded programmes and dealing in film rights. The equity shares of the Demerged Company are listed on BSE Limited and the National Stock Exchange of India Limited

SIL is currently in the process of seeking its shareholders’ approval for the sub division of its equity shares into the ratio of 10:1 i.e., 1 (one) fully paid-up equity share of the company having the face value of INR 10/- each is to be sub divided into the 10 (Ten) fully paid-up equity shares having the face value of INR 1/- each.

The shareholding pattern of SIL as of March 25, 2022 before sub division of the equity shares is as under:

No.	Shareholder category	No. of equity shares #	Percentage
1.	Promoter and Group	1,11,14,979	57.65%
2.	Public shareholders	81,45,970	42.25%
3.	Non-Promoter – Non-Public	20,000	0.10%
	Total	1,92,80,949	100%

Face value INR 10/- each

Source: Management

The updated shareholding pattern of SIL considering the approval of the sub division of the equity shares by its shareholders and other approvals will be as under:

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No.	Shareholder category	No. of equity shares #	Percentage
1.	Promoter and Group	11,11,49,790	57.65%
2.	Public shareholders	8,14,59,700	42.25%
3.	Non-Promoter – Non-Public	2,00,000	0.10%
Total		19,28,09,490	100%

Face value INR 1/- each

Source: Management

It is intended to create a specialized master distributor for retailing music storage device viz. carvaan, music card, audio compact discs, digital versatile discs on all digital marketplaces. Such distributor may also offer its sales & marketing services to other market participant.

DDL is a public company incorporated under the provisions of the Act. The Resulting Company is incorporated with a nominal share capital and presently does not carry on any business / material assets / liabilities. The Resulting Company is incorporated to create a specialized master distributor for retailing goods on all digital marketplace. The Resulting Company is currently a wholly owned subsidiary of the Demerged Company.

EXCLUSIONS AND LIMITATIONS:

- Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. These services do not represent accounting, assurance, accounting and tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.
- The scope of our services is to recommend a Share Entitlement Ratio for the Proposed Transaction. Valuation Standards ("ICAI VS") issued by the Institute of Chartered Accountants of India has been adopted for the valuation.
- This Report, its contents and the results herein are (i) specific to the purpose of valuation agreed as per the terms of our engagement; (ii) the date of the Report and other information provided by the Management.
- A valuation of this nature is necessarily based on the information made available to us as of the date hereof, the prevailing market conditions, financial, economic, and other conditions in general and industry trends in particular, as of the Valuation Date. Events occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.
- The recommendation rendered in this Report only represents our recommendation based upon information till date, furnished by the Management (or its representatives) and other sources and the said recommendation shall be considered to be in the nature of non-binding advice. Our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors.
- Determination of Share Entitlement Ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no single undisputed Share Entitlement Ratio. While we have provided our recommendation

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of the Share Entitlement Ratio based on the information available to us and within the scope of our engagement, others may have a different opinion. The final responsibility for the determination of the Share Entitlement Ratio at which the Proposed Transaction shall take place will be with the Board of Directors of SIL and DDL who should take into account other factors such as their own assessment of the Proposed Transaction and inputs from other advisors.

- In the course of the valuation, we were provided with both written and verbal information. In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification the accuracy and completeness of information made available to us by SIL and DDL. We have not carried out a due diligence or audit of the information provided for this engagement, nor have we independently investigated or otherwise verified the data provided. We do not express any form of assurance that the financial information or other information as prepared and provided by SIL and DDL are accurate and no responsibility is assumed for matters of a legal nature.
- This Report does not look into the business/ commercial reasons behind the Proposed Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Transaction as compared with any other alternative business transaction or other alternatives or whether such alternatives could be achieved or are available.
- We owe responsibility to only SIL and DDL who have appointed us and nobody else. We will not be liable for any losses, claims, damages, or liabilities arising out of the actions taken, omissions of or advice given by any other advisor to the Specified Companies. In no event shall we be liable for any loss, damages, cost, or expenses arising in any way from fraudulent acts, misrepresentations, or willful default on part of the Specified Companies, their directors, employees, or agents. In no circumstances shall the liability of a Valuer, its partners, its directors, or employees, relating to the services provided in connection with the engagement set out in this Report shall exceed the amount paid to the Valuer in respect of the fees charged by it for these services. We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion on the Share Entitlement Ratio. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.
- The Report assumes that the Specified Companies and the Demerged Undertaking comply fully with relevant laws and regulations applicable in all its area of operations and usage unless otherwise stated, and that they will be managed in a competent and responsible manner. Further, unless specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/ reflected in the provisional financial statements provided to us. Our assumption of value assumes that the assets and liabilities of the Specified Companies and the Demerged Undertaking, reflected in the respective latest balance sheets remain intact as of this Report date.
- Neither this Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties other than in connection with the Scheme, without our prior written consent. This Report does not in any manner address the prices at which equity shares of the Specified Companies will trade following the consummation of the Proposed Transaction and we express no opinion or

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recommendation as to how the shareholders of SIL / DDL should vote at the shareholders' meeting(s) to be held, if any, in connection with the Proposed Transaction.

- This Report is intended only for the sole use and information of SIL and DDL in connection with the Proposed Transaction including for the purpose of obtaining regulatory approvals, as required under applicable laws of India, for the proposed demerger. Without limiting the foregoing, we understand that SIL and DDL may be required to share this Report with their shareholders, regulatory or judicial authorities and merchant banker providing fairness opinion on the Share Entitlement Ratio, in connection with the Proposed Transaction (together, "Permitted Recipients"). We hereby give consent to such disclosure of this Report, on the basis that the Valuer owes responsibility only to SIL and DDL who have engaged us, under the terms of the engagement, and to no other person; and that, to the fullest extent permitted by law, the Valuer accepts no responsibility or liability to any other party, in connection with this Report. It is clarified that reference to this Report in any document and / or filing with Permitted Recipients, in connection with the Proposed Transaction, shall not be deemed to be an acceptance by the Valuer of any responsibility or liability to any person/ party other than SIL and DDL.
- The Management has informed us that there are no unusual / abnormal events in the Specified Companies till the Report Date materially impacting their operating / financial performance. Further, the Management has informed us that all material information impacting the Specified Companies have been disclosed to us and that there would be no variation between the draft Scheme of Arrangement and the final scheme approved and submitted with the relevant authorities.
- The fee for the engagement is not contingent upon the results reported.
- This Report is subject to the laws of India.

BASIS OF SHARE ENTITLEMENT RATIO

The Proposed Transaction contemplates demerger of Demerged Undertaking of SIL and transfer to DDL, its wholly owned subsidiary, pursuant to the Scheme. As a consideration for the transfer of Demerged Undertaking, DDL shall issue its equity shares to the equity shareholders of SIL and such shares will be listed on stock exchanges pursuant to Scheme. Further, upon the Scheme becoming effective and upon allotment of equity shares by the DDL to SIL shareholders, the equity shares held by SIL in DDL shall be cancelled, extinguished, and annulled.

Accordingly, the shareholders of SIL are and will, upon demerger, be ultimate economic beneficial owners of DDL in the same proportion as they hold in SIL.

As per clause 4(b) of Annexure I of circular CFD/DIL3/CIR/2017/21 dated March 10, 2017, issued by the Securities and Exchange Board of India (SEBI), a Valuation Report is not required where there is no change in the shareholding pattern of the listed entity/resultant entity.

Considering *inter-alia*, the capital structure, serviceability and other factors, the Management has proposed following Share Entitlement Ratio

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The Resulting Company shall issue and allot on a proportionate basis to each shareholder of the Demerged Company whose name is recorded in the register of members and records of the depository as members of the Demerged Company as on the Record Date (as defined in the Scheme), as under:

"2 (Two) fully paid up equity shares of INR 10/- (Indian Rupees Ten only) each of the Resulting Company, credited as fully paid up, for every 1 (One) equity share of INR 10/- (Indian Rupees Ten only) each of the Demerged Company."

Further, the Demerged Company is currently in process of seeking its shareholders approval for sub-division (split) of 1 (One) equity share of the Demerged Company having a face value of INR 10/- each (fully paid-up) to be sub-divided into 10 (Ten) equity shares of face value of INR 1/- each (fully paid-up). In case the same is approved by the shareholders of the Demerged Company, the share entitlement ratio for the proposed Scheme would be as follows:

"1 (One) fully paid up equity share of INR 10/- (Indian Rupees Ten only) each of the Resulting Company, credited as fully paid up, for every 5 (Five) equity shares of INR 1/- (Indian Rupee One only) each of the Demerged Company."

Considering the aforementioned and, in particular, that all the shareholders of SIL are and will, upon demerger, be ultimate economic beneficial owners of DDL in the same proportion as they hold in SIL, the Share Entitlement Ratio as proposed by the Management, is fair.

The Proposed Transaction does not require valuation report under SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, since there is no change in the shareholding pattern of the Demerged Company and the Resulting Company.

BSE Circular No. LIST/COMP/02/2017-18 dated May 29, 2017, and NSE Circular No. NSE/CML/2017/12 dated June 1, 2017, requires a valuation report to disclose certain information in the specified format, which is given below,

Valuation Approaches	ECDB Undertaking (A)		DDL (B)	
	Value per share	Weight (%)	Value per share	Weight (%)
Asset Approach	NA	Nil	NA	Nil
Market Approach	NA	Nil	NA	Nil
Income Approach	NA	Nil	NA	Nil
Relative Value per share	NA		NA	
Share Entitlement Ratio (A/B)	NA			

NA - Not Applicable

Thanking you.

For RBSA Valuation Advisors LLP

RVE No.: IBBI/RV-E/05/2019/110


Rajeev R. Shah

Partner

Asset Class: Securities or Financial Assets

RV No.: IBBI/RV/06/2018/10186




Nitin Mukhi

Partner

Asset Class: Securities or Financial Assets

RV No.: IBBI/RV/06/2020/13577

Date: April 18, 2022

To,
BSE Limited,
P.J. Towers, Dalal Street,
Mumbai – 400 001
Maharashtra, India

BSE Scrip Code: 532163

Dear Sir/Madam,

Sub: Application under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the proposed scheme

Ref.: Scheme of Arrangement between Saregama India Limited (“Company” or “Demerged Company”) and Digidrive Distributors Limited (“Resulting Company”) and their respective shareholders and creditors (“Scheme”)

I, Kamana Goenka, Company Secretary & Compliance Officer of the Company, hereby confirm that:

- a) No material event impacting the valuation has occurred during the intervening period of filing the scheme documents with Stock Exchange and period under consideration for valuation.
- b) There has not been any past defaults of listed debt obligations by Saregama India Limited and Digidrive Distributors Limited, respectively.

Thanking you,

Yours faithfully,

For **SAREGAMA INDIA LIMITED**



Kamana Goenka
Company Secretary & Compliance Officer

