

**REPORT OF THE INDEPENDENT DIRECTOR'S COMMITTEE OF UFO MOVIEZ INDIA LIMITED AT ITS MEETING HELD ON JUNE 3, 2024, IN RELATION TO THE SCHEME OF ARRANGEMENT AMONGST SCRABBLE DIGITAL LIMITED (TRANSFEROR COMPANY 1) AND UFO SOFTWARE TECHNOLOGIES PRIVATE LIMITED (TRANSFEROR COMPANY 2) AND UFO MOVIEZ INDIA LIMITED (TRANSFEREE COMPANY) AND THEIR RESPECTIVE SHAREHOLDERS**

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**Members Present:**

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|-------------------------------|--------|
| 1. Mr. Kanwar Bir Singh Anand | Member |
| 2. Mr. Rajiv Batra            | Member |
| 3. Ms. Swati Mohan            | Member |

**In Attendance:**

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|-----------------------|-------------------|
| Ms. Kavita Thadeshwar | Company Secretary |
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**Invitees:**

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|---------------------------|--------------------------------------|
| 1. Mr. Sanjay Gaikwad     | Managing Director                    |
| 2. Mr. Rajesh Mishra      | Executive Director & Group CEO       |
| 3. Mr. Anand Trivedi      | Non - Executive Director             |
| 4. Mr. Gautam Trivedi     | Non - Executive Director             |
| 5. Mr. Ashish Malushte    | Chief Financial Officer              |
| 6. Mr. Sushil Agrawal     | Chief Strategy Officer               |
| 7. Mr. Jinesh Shah        | Partner – Ernst & Young LLP          |
| 8. Ms. Soniya Sankhesaria | Senior Manager - Ernst and Young LLP |

**1. Background:**

- 1.1. The Company has proposed a Scheme of Arrangement (herein after referred to as "Scheme"), involving:
  - 1.1.1. Amalgamation of Transferor Company 1 and Transferor Company 2 with the Transferee Company in the manner set out in Part II of the Scheme.
  - 1.1.2. Reduction of securities premium of the Transferee Company after the amalgamation of the Transferor Company 1 and Transferor Company 2 in the manner set out in Part III of the Scheme.
- 1.2. Pursuant to Para A(2)(i) of Part I of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 ("SEBI Master Circular"), a Committee of the Independent Directors is required to review the scheme to ensure that the same is not detrimental to the interest of the shareholders of the Company and if, satisfied, recommend the same to the Board of Directors of the Company.
- 1.3. Board of directors of the Company, vide its resolution passed on May 23, 2024, constituted a Committee of Independent Directors comprising of all the Independent Directors on the Board of Directors of the Company.
- 1.4. Accordingly, a meeting of the committee of the Independent Directors was held on June 03, 2024

**2. While deliberating on the Scheme, the Independent Director's Committee had, inter-alia, considered and has taken on record the following documents:**

- 2.1. A draft of the proposed Scheme; and
- 2.2. Draft Auditor's Certificate issued by M/s. B S R & Co. LLP, Statutory Auditors of the Company ("Accounting Treatment Certificate"), to the effect that the scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Act.

**3. Proposed Scheme**

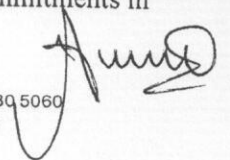
**3.1. The Independent Director's Committee noted the need and the rationale of the Scheme, which inter-alia is as follows:**

Amalgamation of Transferor Companies into Transferee Company

- a. The Transferor Companies are wholly owned subsidiaries of the Transferee Company.
- b. The proposed amalgamation of Transferor Company 1 will assist the Transferee Company to serve existing customer with all products and services within digital cinema industry's needs, giving customers a one-stop shopping experience with credible services.
- c. Transferor Company 2 is not of the significant size and therefore consolidation will result into decrease in the administration cost associated with day-to-day operations.
- d. The amalgamation of the Transferor Companies with the Transferee Company will lead to better business synergies, improved overall operational efficiencies and cost savings.
- e. The amalgamation will also result in reduction in legal and regulatory compliances that are currently carried out by multiple entities.
- f. The proposed amalgamation will reduce managerial overlaps, which are necessarily involved in running multiple entities.

Utilisation of Securities Premium Account

- g. Due to COVID 19 pandemic, the Transferee Company has incurred losses from FY 2020-21 to FY 2022-23. As per audited financial results as on March 31, 2024, the Transferee Company had (i) Profit and Loss Account (debit balance) of about INR 130.82 crores (Indian Rupees One Hundred and Thirty Crores and Eighty Two Lakhs only); (ii) Securities Premium Account of about INR 388.57 crores (Indian Rupees Three Hundred and Eighty Eight Crores and Fifty Seven Lakhs only); (iii) Amalgamation Deficit Reserve Account (debit balance) of about INR 67.46 crores (Indian Rupees Sixty Seven Crores and Forty Six Lakhs only). All these balances are part of "Other Equity".
- h. The Transferee Company believes that utilization of the Securities Premium Account to set off the debit balances in (i) Profit and Loss Account and (ii) Amalgamation Deficit Reserve Account would result in a true and fair reflection of the "Other Equity" in the balance sheet.
- i. The right-sizing of the balance sheet is also likely to facilitate the efforts of the Transferee Company while raising funds in future.
- j. The proposed adjustment / set off, of the Securities Premium Account would not have any impact on the shareholding pattern, and the capital structure of the Transferee Company.
- k. The Scheme does not involve any financial outlay / outgo and therefore, would not affect the ability or liquidity of the Transferee Company to meet its obligations/ commitments in



the normal course of business. Further, this Scheme would also not in any way adversely affect the ordinary operations of the Transferee Company.

**4. The Independent Director's Committee noted the salient features of the Scheme, which inter-alia areas under:**

- 4.1. A consolidation of the Transferor Companies and the Transferee Company by way of amalgamation of Transferor Companies with Transferee Company.
- 4.2. Pursuant to the sanction of the Securities Exchange Board of India ("SEBI"), BSE Limited ("BSE"), The National Stock Exchange of India Limited ("NSE") and jurisdictional Hon'ble National Company Law Tribunal(s) ("NCLT") the Scheme shall become effective from the Appointed Date. The Appointed Date for the Scheme is April 1, 2024.
- 4.3. With effect from the Appointed Date, whole of the undertaking of the Transferor Companies, as a going concern, including all its assets, all liabilities, employees, all statutory licences, permissions, approvals or consents to carry on the operations of the Transferor Companies shall stand vested in or transferred to the Transferee Company without any further act or deed and shall be appropriately mutated by the statutory authorities concerned in favour of the Transferee Company upon the vesting and transfer of the undertaking of the Transferor Companies pursuant to this Scheme.
- 4.4. The Transferor Companies are a wholly owned subsidiaries of the Transferee Company and therefore there would be no issue of shares by the Transferee Company to the shareholders of the Transferor Companies in this regard. Upon the Scheme becoming effective, the entire paid up share capital in the Transferor Companies fully held by the Transferee Company either in its own name or in the name of its nominee(s) shall be cancelled and shall be deemed to be cancelled on the Effective Date without any further application, act or deed.
- 4.5. Immediately after Part B of the Scheme becoming effective, the debit balance in Profit and Loss Account and debit balance in Amalgamation Deficit Reserve Account in the books of Transferee Company, including any debit balance in Amalgamation Deficit Reserve Account (arising on amalgamation) as on the Appointed Date, pursuant to Clause 7, shall be set off against the Securities Premium Account of the Transferee Company.
- 4.6. The reduction of debit balance in Profit and Loss Account and debit balance in Amalgamation Deficit Reserve Account in the books of Transferee Company, including any debit balance in Amalgamation Deficit Reserve Account (arising on amalgamation) as on the Appointed Date by way of the adjustment set out in Clause 15.1 of the Scheme against the amounts held in the Securities Premium Account of the Transferee Company and it does not involve the reduction of the issued, subscribed and paid-up share capital of the Transferee Company. Further, the reduction does not envisage the transfer or vesting of any of the properties and/or liabilities of the Transferee Company to any person or entity.





**5. Scheme is not detrimental to the shareholders of the Company:**

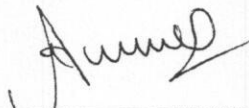
As far as the shareholders of the company are concerned (promoter shareholders as well as non-promoter shareholders), the amalgamation of the transferee company and reduction of securities premium by transferee company would not result in any dilution of holdings of promoter shareholders or non-promoter shareholders in the company. Pursuant to proposed scheme, there would be no issuance of shares by company.

The Committee is of the informed opinion that the proposed scheme is not detrimental to the interest of all the shareholders of the company.

**6. Recommendation of the Independent Director's Committee:**

The Independent Director's Committee has considered and noted the aforementioned draft Scheme and inter alia taking into consideration the rationale and benefits of the draft Scheme recommends the draft Scheme to the Board of Directors of the Company for their consideration and approval.

For **UFO Moviez India Limited**



**Mr. Kanwar Bir Singh Anand**  
**Chairman of the Independent Director's Committee**

Dated: June 3, 2024  
Place: Mumbai