

Report of the Audit Committee of Inox Leisure Limited recommending the draft Scheme of Amalgamation of Satyam Cineplexes Limited with the Company.

Members Present:

Mr. Amit Jatia	-	Independent Director
Mr. Deepak Asher	-	Non-executive Director

In Attendance:

Mr. Upen Shah	-	Chief Finance Officer & Head Legal
Mr. Miket Shashikant Bahuva	-	Company Secretary & General Manager – Legal

1. Background:

- 1.1. A draft Scheme of Satyam Cineplexes Limited ("SCL") with the Company has been placed before the Audit Committee (the Committee) by the management for it to consider and if thought fit, to recommend the said draft Scheme to the Board taking into account, inter alia, the Fairness Report by Merchant Banker, in terms of SEBI Circular No. CIR/CFD/DIL/5/2013 dated 4th February, 2013 ('Circular') read with read with SEBI Circular No. CIR/CFD/DIL/8/2013 dated 21st May, 2013.
- 1.2. In view of the above, Members of the Committee of the Board of Directors of the Company have, at the Committee Meeting held on September, 25, 2014, discussed the draft Scheme and recommends the draft Scheme. The Committee has made this report, after perusing the following necessary documents:
 - 1.2.1. Draft Scheme of Amalgamation.
 - 1.2.2. Fairness Opinion Report dated 24 September 2014 issued by Keynote Corporate Services Limited, Merchant Bankers.

This report of the Audit Committee is issued in terms of the Circular.

2. Proposed Scheme of Arrangement

2.1. The Audit Committee noted the rationale of the proposed merger, which is, inter alia, as follows:

- (a) Satyam Cineplexes Limited (hereinafter referred to as "Satyam") is a public limited company incorporated under the provisions of the Companies Act, 1956. Satyam is a wholly owned subsidiary of Inox (as hereinafter defined) and is engaged in the business of operating multiplex cinema theatres in India.
- (b) Inox Leisure Limited (hereinafter referred to as "Inox") is a public limited company incorporated under the provisions of the Companies Act, 1956. The shares of Inox are listed on the BSE Limited and the National Stock Exchange of India Limited. Inox is engaged in the business of owning, operating and managing multiplex cinema theatres in India.
- (c) The nature of the business of Satyam and Inox is similar to each other, and Satyam is a wholly owned subsidiary of Inox. For optimum growth and development of the respective businesses of



Satyam and Inox, it is considered desirable and expedient to integrate the said business by amalgamating Satyam into Inox.

(d) The proposed amalgamation, will enable better and more economic and efficient management, control and running of the businesses of the companies concerned and will assist in the exploitation and realization of the potential of business of Satyam and that of Inox to the fullest extent.

(e) In general, the business of both, Satyam and Inox, will be carried on more profitably under the Scheme and the Scheme will contribute in furthering and fulfilling the objects of both Satyam and Inox. Thus, in order to consolidate these businesses and in order to reap the benefits of operational synergy and enhance shareholder value, it is proposed to amalgamate Satyam with Inox.

(f) The proposed amalgamation and vesting of Satyam into Inox, with effect from the Appointed Date, is in the interest of the shareholders, creditors, stakeholders and employees, of both the companies, as it would enable a focused business approach for the maximization of benefits to all stakeholders and afford the advantages of synergies of business.

2.2. The salient features of the draft Scheme are, inter alia, as under:

- 2.2.1. The draft Scheme provides for the amalgamation of SCL with the Company.
- 2.2.2. The Appointed Date for the draft Scheme is fixed as opening hours of the business on 8 August 2014.
- 2.2.3. The draft Scheme provides for transfer of the entire undertaking of Satyam with its assets and liabilities to the Company as a going concern basis.
- 2.2.4. As SCL is a wholly-owned subsidiary of the Company, the entire issued, subscribed and paid up share capital of SCL is held by the Company. Upon amalgamation, the Company would not be required to issue and allot any shares to the shareholders of SCL. Further, the shares so held by the Company shall stand cancelled and extinguished pursuant to the implementation of this Scheme.
- 2.2.5. On the Scheme becoming effective, Inox shall account for the amalgamation in its books as under:
 - (a) On the Scheme becoming effective, Inox shall account for the amalgamation of Satyam in its books of account with effect from the Appointed Date.
 - (b) Amalgamation of Satyam shall be accounted for in accordance with "Pooling of Interest Method" of accounting as per the Accounting Standard 14 as notified under Section 133 of the Companies Act, 2013.
 - (c) All assets and liabilities, including reserves, of Satyam shall be recorded in the books of account of Inox at their existing carrying amounts and in the same form except to ensure uniformity of accounting policies.
 - (d) Amount of share capital of Satyam and investment held by Inox in Satyam shall be adjusted against each other and difference if any shall be adjusted against any one or more of Amalgamation Reserve, Reserve on Sale of treasury shares, General Reserve



or credit balance in Profit & Loss Account.

- (e) All inter-corporate deposits, loans and advances, outstanding balances or other obligations between Inox and Satyam shall be cancelled and there shall be no obligation/ outstanding in that behalf.

3. Recommendation of the Audit Committee

The Audit Committee has considered and noted the aforementioned documents and the Draft Scheme, and recommends the Draft Scheme, inter alia taking into consideration the Fairness Opinion Report dated 24 September 2014 issued by Keynote Corporate Services Limited, Merchant Bankers.

Date: 25 September 2014
Place: Mumbai

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Mr. Amit Jatia
Chairman

