

**REPORT OF THE AUDIT COMMITTEE OF HT MEDIA LIMITED ("COMPANY")
DATED 18 JULY 2018**

To
The Board of Directors
HT Media Limited
18-20, Kasturba Gandhi Marg
New Delhi - 110001

1. BACKGROUND

- 1.1. A meeting of the Audit Committee of the Board of Directors of the Company was held on 18th July, 2018, to accord 'in principal' approval to the proposal to consolidate the radio businesses of HT Media Limited ("**Company**") (except the FM Radio Stations in Hyderabad and Uttar Pradesh), and HT Music and Entertainment Company Limited, a wholly-owned subsidiary of the Company ("**HTM**"), into Next Mediaworks Limited ("**NMW**"), a company listed on BSE Limited and The National Stock Exchange of India Limited, along with the radio businesses of Next Radio Limited ("**NRL**") (except the FM Radio Station in Ahmedabad) to be implemented by way of a composite scheme of arrangement and amalgamation pursuant to Sections 230-232 and other applicable provisions of the Companies Act 2013 ("**Scheme**").
- 1.2. This report of the Audit Committee is made in order to comply with the requirements of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI circular number CFD/DIL3/CIR/2017/21 dated March 10, 2017 and as amended from time to time.
- 1.3. The following documents were placed before the Audit Committee:
- (a) Draft Term sheet containing the broad contours of the draft scheme of arrangement and amalgamation amongst the Company, NRL, NMW, and HTM and their respective shareholders and creditors, under Sections 230 to 232 and other applicable provisions, if any, of the Companies Act, 2013 ("**Term Sheet**");
 - (b) Valuation Report dated July 18, 2018 ("**Valuation Report**") prepared by SSPA & Co, Chartered Accountants, independent valuer, describing the methodology adopted by them in arriving at the share exchange ratio and share entitlement ratio;
 - (c) Fairness opinion dated July 18, 2018 ("**Fairness Opinion**") issued by Fortress Capital Management Services Pvt Ltd., a SEBI Registered (Category-I) Merchant Banker, providing the Fairness Opinion on the share exchange ratio as recommended in the Valuation Report; and

2. PROPOSED TRANSACTION

- 2.1. The Audit Committee noted the rationale and the benefits of the proposed transaction which, *inter-alia*, are as under:
- (a) The Company has various businesses that are complementary in nature. However, they are distinct in terms of their nature, regulatory & competitive environment, risk profile, workforce capability, capital



requirement and growth trajectory. The FM radio broadcasting business has good growth potential. Accordingly, the management of the Company, HTM, NMW and NRL believe that they have synergies in their FM radio broadcasting business. It is therefore proposed to consolidate the FM radio broadcasting business presently carried on separately by the Company, HTM and NRL to be pursued and carried on more conveniently and advantageously by a single listed entity, i.e. NMW. Thus, the proposed transaction enables this business to innovate, scale up and run independently to pursue growth opportunities in a more focused manner. Accordingly, with a view to support the FM radio broadcasting business and to capitalize on its growth opportunities, led by a dedicated management team, it is proposed to consolidate FM radio broadcasting business of the Company, HTM and NRL in a single listed entity i.e. NMW. Post transaction, the Company and its promoters shall become the promoters of NMW and control the consolidated radio business in NMW.

- (b) There would be enhanced focus on the operations of the FM radio broadcasting business team resulting into operational synergies, synchronised planning, better coordination, standardisation of business process under a dedicated management, who can chart out and pursue an independent strategy to unlock value for all stakeholders.
- (c) As part of the single listed entity, the FM radio broadcasting business shall be in a position to attract the right set of investors, strategic partners, employees and other relevant stakeholders.
- (d) The proposed scheme will unlock the value of the FM radio business for the Company and other entities involved in the proposed scheme and their respective shareholders.

2.2. The salient features of the proposed transaction are as under:

- (i) Demerger of the FM radio business of the Company, except the FM radio business operated by the Company in Hyderabad and Uttar Pradesh, on a going concern basis and subsequent transfer and vesting of the same to NMW ("HTML Demerger");
- (ii) Amalgamation of HTM with NMW and consequent dissolution of HTM without winding up ("HTM Amalgamation");
- (iii) Demerger of the FM radio broadcasting business of NRL(except the FM Radio station in Ahmedabad) on a going concern basis and subsequent transfer and vesting of the same to NMW ("NRL Demerger"); and
- (iv) Reduction of paid up share capital of NRL by cancellation and extinguishment of the entire shares held by NMW in NRL, which shall be regarded as reduction of share capital of NRL ("NRL Capital Reduction");

2.3. The Audit Committee reviewed the Valuation Report and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the share exchange ratio in the Valuation Report is fair to the shareholders of the Company.

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The share exchange ratio recommended by the Valuation Report and confirmed by the Fairness Opinion is as follows:

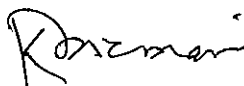
- (i) HTML Demerger: Pursuant to HTML Demerger, shareholders of the Company shall be issued 784 (Seven Hundred and Eighty-Four) equity shares of face value of INR 10 (Rupees Ten) each fully paid up of NMW, for every 1,000 (One Thousand) equity share of face value of INR 2 (Rupees Two) each fully paid up held by them in the Company.
- (ii) HTM Amalgamation: Pursuant to HTM Amalgamation, the Company shall be issued 125 (One Hundred and Twenty Five) equity shares of face value of INR 10 (Rupees Ten) each fully paid up of NMW, for every 2,228 (Two Thousand Two Hundred and Twenty Eight) equity share of face value of INR 1 (Rupees One) each fully paid up held by it in HTM.
- (iii) Further, pursuant to NRL Demerger, the shareholders of NRL shall be issued 1,713 (One Thousand Seven Hundred and Thirteen) equity shares of face value of INR 10 (Rupees Ten) each fully paid up of NMW, for every 1,000 (One Thousand) equity share of face value of INR 10 (Rupees Ten) each fully paid up held by them in NRL.
- (iv) Further, in consideration of NRL Capital Reduction, NRL shall pay INR 0.32 for per equity share held by NMW in NRL.

3. Recommendation of the Audit Committee

Taking into consideration the Valuation Report, Fairness Report and other documents, as placed, the Audit Committee recommends the proposed transaction contemplated in the Term Sheet to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee

For and on Behalf of HT Media Limited



[K.N. MEMANI]

Chairman of Audit Committee



Place: Delhi

Date: July 18, 2018

ADDEDNDUM NO. 1 DATED 8 AUGUST 2018 TO THE REPORT OF THE AUDIT COMMITTEE OF HT MEDIA LIMITED ("COMPANY") DATED 18 JULY 2018

To
The Board of Directors
HT Media Limited
18-20, Kasturba Gandhi Marg,
New Delhi – 110001

1. Background

(capitalized terms used herein and not defined shall have the meanings ascribed to them in the report of the Audit Committee dated 18 July 2018)

1.1. The Audit Committee of the Board of Directors of the Company in its meeting on 18th July, 2018, accorded 'in principal' approval to the proposal to consolidate the radio business of HT Media Limited ("Company") (except the FM Radio Stations in Hyderabad and Uttar Pradesh), and HT Music and Entertainment Company Limited, a wholly-owned subsidiary of the Company ("HTM"), in Next Mediaworks Limited ("NMW"), a company listed on BSE Limited and The National Stock Exchange of India Limited, along with the radio business of Next Radio Limited ("NRL") (except the Radio Station in Ahmedabad) to be implemented by way of a composite scheme of arrangement and amalgamation pursuant to Sections 230-232 and other applicable provisions of the Companies Act 2013 ("Scheme").

1.2. Subsequently, a meeting of the Audit Committee of the Company was held on 8th August, 2018, to consider and recommend the proposed Scheme.

This report of the Audit Committee is in continuation to the recommendation made by the Audit Committee in its meeting on 18 July 2018 and is made in order to comply with the requirements of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI circular number CFD/DIL3/CIR/2017/21 dated March 10, 2017 and as amended from time to time.

1.3. The Audit Committee in its previous meeting on 18 July 2018 have noted the following –

1.4.1 Report dated July 18, 2018 ("Valuation Report") prepared by SSPA & Co, Chartered Accountants, independent Chartered Accountant, describing the methodology adopted by them in arriving at the share exchange ratio and share entitlement ratio;

1.4.2 Fairness opinion dated July 18, 2018 ("Fairness Opinion") issued by Fortress Capital Management Services Pvt Ltd., a SEBI Registered (Category-I) Merchant Banker, providing the Fairness Opinion on the share exchange ratio as recommended by the Valuation Report.

1.4.3 The salient features of the proposed transaction as well as the rationale and the benefits of the proposed transaction.

1.4. The draft Scheme, duly initialed by the Company Secretary for the purpose of identification, was placed before the Audit Committee.

2. Recommendation of the Audit Committee

Taking into consideration the draft Scheme, and taking into consideration, the Valuation Report, Fairness Report and other documents, as placed before the Audit Committee in its meeting held on 18 July 2018, the Audit Committee recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee

For and on Behalf of HT Media Limited

[AJAY RELAN]

Chairman of the Meeting of Audit Committee



Place: Delhi

Date: August 8, 2018