

# KEYNOTE

Date: June 25<sup>th</sup>, 2013**Zee Entertainment Enterprises Limited**

Continental Building, 135,  
Dr. Annie Besant Road, Worli,  
Mumbai – 400 018, India

**Subject: Fairness Opinion for the proposed Scheme of Arrangement between Zee Entertainment Enterprises Limited and its Equity Shareholders**

Dear Sirs,

This has a reference to your discussions with **Keynote Corporate Services Limited** (“Keynote” or “we” or “us”) regarding the Fairness Opinion Report (“Fairness Report”) for the proposed Scheme of Arrangement between Zee Entertainment Enterprises Limited (“ZEEL” or “the Company”) and its Equity Shareholders. The proposed Scheme of Arrangement is between ZEEL and its equity shareholders for issuance of 6% Cumulative Redeemable Non-Convertible Preference Shares by way of Bonus to its equity shareholders (“Proposed Transaction”)

**1) Background****Zee Entertainment Enterprises Limited**

ZEEL is in the media and entertainment business inter alia of procurement, development, distribution and dissemination, broadcast / re-broadcast of entertainment television software programmes, including Cinematograph feature films, serials, Talents Hunt / Reality shows through satellite, terrestrial or cable channels or through Direct to Home (DTH), Internet Protocol based deliveries using existing and emerging technologies, and distribution platforms.

**Shareholding Pattern as on 31-March-2013**

Category	Shareholding of Equity Shares (%)
Promoter	43.36%
Public	56.64%
Institutions	50.40%
<i>FII</i>	41.69%
<i>DII</i>	8.71%
Non-Institutions	6.24%

**Summary Financials**

Financials (Rs. mn.)	FY11	FY12	FY13
Total Income	22,310	23,329	26,848
Total Expenditure	14,065	15,991	17,329
Profit Before Tax	8,442	7,338	9,519
Profit After Tax	5,764	4,897	6,407

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## 2) Scheme of Arrangement

We understand that the Company has been consistently making profits and has over the years accumulated significant balance in its Reserves Account(s). The Company expects that its business operations will continue on a high growth trajectory in coming years and generate incremental cash flow over the next few years. Thus the Company has concluded that it can optimally utilize its surplus reserves by rewarding its Equity Shareholders by issuing Bonus Preference Shares to its equity shareholders, on the occasion of completion of 20 years of its television broadcasting business.

Accordingly, the Company has decided to propose this Scheme of Arrangement between the Company and its equity shareholders under Section 391 read with Sections 16, 94 and other relevant provisions of the Act.

## 3) Scope of Engagement

For the aforesaid purpose, ZEEL has appointed us to issue a fairness opinion for the Proposed Scheme of Arrangement as per the requirement of SEBI. This report is intended only for the sole use and information of ZEEL and only in connection with the Scheme including for the purpose of obtaining judicial and regulatory approvals as may be required.

## 4) Sources of Information

We have relied on the following information in issuing this fairness opinion report:

1. Scheme of Arrangement between ZEEL and its Equity Shareholders;
2. Audited Financial summary of ZEEL for the year 2010-11, 2011-12, 2012-13;
3. Such other information, documents, data, reports, discussion and verbal & written explanations from ZEEL as well as advisors to ZEEL, public domain websites, as were considered relevant for the purpose of the Fairness Opinion.

## 5) Our Recommendation

As per the Scheme of Arrangement, the Company shall issue and allot by way of bonus, to each equity shareholder whose name is recorded in the Registrar of Members of the Company and/or the records of the depository(ies) as equity shareholder of the Company on the Record Date as may be decided by the Board of Directors of the Company, in the ratio of 21 (Twenty One) Bonus Preference Shares of the face value of Re.1/- (One) each fully paid up in the Company for every equity share of Re. 1 (One) each fully paid up held by such equity shareholder.

**Based on the facts discussed and exclusions & limitations mentioned herein below, we state that in our opinion the Scheme of Arrangement as approved by the Board on June 14, 2013 for issuance of Preference Shares to the shareholders of the Company by ZEEL by way of Bonus is fair.**

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## 6) Exclusions and Limitations

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by ZEEL for the purpose of this opinion. Our work does not constitute an audit or certification or due diligence of the working results, financial statements, financial estimates or estimates of value to be realized for the assets of ZEEL. We have solely relied upon the information provided to us by ZEEL. We have not reviewed any books or records of ZEEL (other than those provided or made available to us). We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of ZEEL and neither express any opinion with respect thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of ZEEL. We have not reviewed any internal management information statements or any non-public reports, and, instead, with your consent we have relied upon information which was publicly available or provided or otherwise made available to us by ZEEL for the purpose of this opinion. We are not experts in the evaluation of litigation or other actual or threatened claims and hence have not commented on the effect of such litigation or claims on the valuation or on opinion. We are not legal, tax, regulatory or actuarial advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of ZEEL with respect to these matters. In addition, we have assumed that the Scheme of Arrangement will be approved by the shareholders and the regulatory authorities and that the proposed transaction will be consummated substantially in accordance with the terms set forth in the Scheme of Arrangement.

We understand that the management of ZEEL during our discussions with them would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Scheme of Arrangement, no restrictions will be imposed that will have a material adverse effect on the benefits of the Proposed Transaction that ZEEL may have contemplated. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we are not authorized to solicit, and did not solicit, interests for any party with respect to the acquisition, business combination or other extra-ordinary transaction involving ZEEL or any of its assets, nor did we negotiate with any other party in this regard.

We have acted as a financial advisor to ZEEL for providing a fairness opinion on the Scheme of Arrangement and will receive a fee for our services. In the past, Keynote and its affiliates have not provided any financial advisory and financing services to ZEEL and their affiliates and have not received fees for rendering of the services.

In the ordinary course of business, Keynote is a SEBI Registered Category I Merchant Banker, engaged in securities trading, securities brokerage and investment activities, as well as providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of Keynote may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the Proposed Transaction.

It is understood that this report is solely for the benefit of and use by ZEEL for the purpose of the Proposed Transaction and may not be relied upon by any other person and may not be used or

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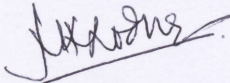
disclosed for any other purpose without our prior written consent. The opinion is not meant for meeting any other regulatory or disclosure requirements, save and except as specified above, under any Indian or foreign law, Statute, Act, guideline or similar instruction. The letter is only intended for the aforementioned specific purpose and if it is used for any other purpose; we will not be liable for any consequences thereof.

We express no opinion whatever and make no recommendation at all as to ZEEL's underlying decision to effect to the Proposed Transaction or as to how the holders of equity shares of ZEEL should vote at their respective meetings held in connection with the Proposed Transaction. We do not express and should not be deemed to have expressed any views on any other terms of the Proposed Transaction. We also express no opinion and accordingly accept no responsibility for or as to the prices at which the equity shares of ZEEL will trade following the announcement of the Proposed Transaction or as to the financial performance of ZEEL following the consummation of the Proposed Transaction.

In no circumstances however, will Keynote Corporate Services Limited or its associates, directors or employees accept any responsibility or liability to any third party and in the unforeseen event of any such responsibility or liability being imposed on Keynote Corporate Services Limited or its associates, directors or employees by any third party, ZEEL and their affiliates shall indemnify them.

Thanks & Best Regards,

For **KEYNOTE CORPORATE SERVICES LTD.**



Nipun Lodha

Executive Vice President

**SEBI Registration No. INM000003606**

**(Merchant Banker)**