

REPORT OF THE AUDIT COMMITTEE OF DEN NETWORKS LIMITED
RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT AMONG DEN
NETWORKS LIMITED AND SKYNET CABLE NETWORK PRIVATE LIMITED
AND THEIR RESPECTIVE SHAREHOLDERS & CREDITORS

Members Present

1. Mr. Ajaya Chand
2. Mr. Robindra Sharma

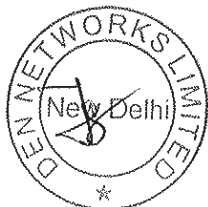
1. Background

In accordance with the provisions of SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 ("SEBI Circular"), the draft Scheme of Arrangement under Sections 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 and other relevant provisions of the Companies Act, 1956 and/or Sections 230-233 of the Companies Act, 2013, if in force, and other relevant provisions of the Companies Act, 2013 as may be applicable to Den Networks Limited ("Demerged Company") and SKYNET Cable Network Private Limited ("Resulting Company") and their respective Shareholders and Creditors ("Scheme") was placed before the Audit Committee by the Company after Re-organization Committee has evaluated the various options for restructuring of the Company so as to achieve the optimum utilization of the resources and better management focus, to consider and recommend the draft Scheme to the Board of Directors of the Company taking into account *inter alia*, the Valuation report dated August 30, 2016 from M/s B.L.Sachdeva & Associates, an Independent Chartered Accountant and Fairness Opinion dated September 05, 2016 from D&A Financial Services Private Limited, Merchant Banker.

This report is made in accordance with the requirements of the SEBI Circular and Section 177 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules 2014, and the relevant rules, circulars and notifications issued under the Companies Act, 2013 including any amendment or enactment thereof.

The report has been made after perusing the following necessary documents:

- a. Draft Scheme of Arrangement;
- b. Valuation report dated August 30, 2016 from M/s B.L.Sachdeva & Associates, an Independent Chartered Accountant; and
- c. Fairness Opinion dated September 05, 2016 from D&A Financial Services Private Limited, Merchant Banker.
- d. Certificate dated September 05, 2016 in accordance with Regulation 37 of the Listing Agreement obtained from M/s Deloitte Haskins Sells, Statutory Auditors, regarding the accounting treatment being followed in the Scheme is in compliance with all the applicable Accounting Standards.
- e. Other incidental or ancillary documents thereto



2. Proposed Scheme

The Audit Committee perused the draft Scheme placed before it for its consideration and noted the rationale of the proposed Scheme, which is, *inter alia*, as follows:

- i. To enable a focused attention on the ISP Business
- ii. To achieve structural and operational efficiency
- iii. To enhanced competitiveness and greater accountability
- iv. Accelerating value creation for shareholders
- v. To focus on the significant growth potential for high speed data and related services in India

The salient features of the draft Scheme are as under:

- (i) Demerger of the Demerged Undertaking (*as defined in the Scheme*) and vesting of the same in SKYNET Cable Network Private Limited (a wholly owned subsidiary of the Company) ("**Resulting Company**") in accordance with Section 2 (19AA) of the Income Tax Act, 1961 ("**Demerger**").
- (ii) On the Scheme being effective, the Resulting Company will pay the consideration in cash to the Demerged Company as per the Valuation report.

3. Recommendation of the Audit Committee

The Audit Committee has considered and noted the aforementioned documents along with the draft Scheme and, taking into account, inter alia, Valuation report dated August 30, 2016 from M/s B.L.Sachdeva & Associates, an Independent Chartered Accountant; and Fairness Opinion dated September 05, 2016 from D&A Financial Services Private Limited, Merchant Banker, recommends the draft Scheme, for favourable consideration by the Board of Directors of the Company, Stock Exchange(s), SEBI and other regulatory authorities.

for and on behalf of Audit Committee

Date: September 05, 2016
Place: New Delhi


Chairman

