

**IN THE NATIONAL COMPANY LAW TRIBUNAL
COURT-V, MUMBAI BENCH**

C.A. (CAA). 203 /MB/2021

In the matter of the Companies Act, 2013;

And

In the matter of Application under Sections 230 - 232 read with Sections 52, 66 of the Companies Act, 2013 read with Companies (Compromises, Arrangements and Amalgamations) Rules, 2016;

And

In the matter of Scheme of Arrangement in respect of demerger of Film Division of Tips Industries Limited ("Demerged Company/First Applicant Company") into Tips Films Limited ("Resulting Company/Second Applicant Company") and their respective shareholders.

Tips Industries Limited (CIN:) L92120MH1996PLC099359, having) its registered office at 601, Durga) Chambers, 6th Floor, 278/E, Linking) Road, Khar West, Mumbai - 400052) MH IN.)	...First Applicant Com- pany/ Demerged Com- pany
--	--

Tips Films Limited (CIN:) U74940MH2009PTC193028, having) its registered office at 501, Durga) Chambers, 5th Floor, Linking Road,) Khar West, Mumbai - 400052 MH IN.)	Second Applicant Com- pany/ Resulting Com- pany
---	---

.... Collectively known as the Applicant Companies

Order delivered on : 22.09.2021.

Coram:

Hon'ble Suchitra Kanuparthi, Member (J)
Hon'ble Chandra Bhan Singh, Member (T)

Appearances (via videoconferencing):

For the Applicant(s): Mr. Hemant Sethi ,Ms. Vidisha Poonja i/b Hemant
Sethi & Co., Advocates

Per: Suchitra Kanuparthi, Member (J)

ORDER

1. This Court is convened via video conferencing.
2. The Counsel for the Applicant Companies submits that the present Scheme is a Scheme of Arrangement in respect of demerger of Film Division of Tips Industries Limited ("First Applicant Company/Demergered Company") into Tips Films Limited ("Second Applicant Company/Resulting Company") and their respective shareholders. ("Scheme").
3. The Counsel for the Applicant Companies further submits that the Board of Directors of the Applicant Companies in their respective meetings held on 10th May, 2021 have approved the Scheme. The Appointed Date for the Scheme is 1st April, 2021.
4. The Counsel for the Applicant Companies submits that upon the coming into effect of this Scheme and in consideration of the demerger of the Demergered Undertaking in the Resulting Company pursuant to this Scheme, the Resulting Company shall, without any further act or deed and without any further payment, issue and allot equity shares at par

on a proportionate basis to each member of First Applicant Company, whose name is recorded in the register of members of First Applicant Company as holding shares on the Record Date, in the ratio of 1 (one) equity shares of Rs. 10/- each fully paid up of Second Applicant Company for every 3 (three) equity share of Rs. 10/- each fully paid up held in First Applicant Company.

5. The Counsel for the Applicant Companies further submits that the First Applicant Company is engaged in the business of Production and Distribution of motion pictures and acquisition and exploitation of Music Rights Classifying it on the basis of content, it consists of two main sectors-film and non-film music. The First Applicant Company earns revenue from royalties on songs that are played on radio, mobiles, internet, etc., and the Second Applicant Company has not yet commenced any significant business operations but will house Film Division of the Demerged Company/First Applicant Company.
6. The Counsel for the Applicant Companies further submits that the rationale for the Scheme is as under:

First Applicant Company primarily operates in two business segments through separate business divisions: (i) Music Division and (ii) Film Division. This Scheme for the demerger and vesting of the Demerged Undertaking of First Applicant Company to Second Applicant Company results in the following benefits:

1. *The Demerged Undertaking and the Remaining Business have both achieved scale and experience to sustain business on the basis of their own strengths. Additionally, both businesses deal with different sets of industry dynamics in the form of nature of risks, competition, challenges, opportunities and business methods. Hence, segregation of the two undertakings would enable focused managements to explore*

the potential business opportunities more effectively and efficiently;

- 2. Demerger will enable both First Applicant Company & Second Applicant Company to enhance business operations by streamlining operations, cutting costs, more efficient management control and outlining independent growth strategies.*
- 3. Each undertaking will be able to target and attract new investors with specific knowledge, expertise and risk appetite corresponding to their own businesses. Thus, each undertaking will have its own set of likeminded investors, thereby providing the necessary funding impetus to the long-term growth strategies of each business;*
- 4. Demerger will enhance efficiencies and will have different business interest into separate corporate entity, resulting in operational synergies, simplification, focused management, streamlining and optimization of the group structure and efficient administration.*
- 5. Pursuant to the Scheme, the equity shares issued by the Resulting Company would be listed on BSE and NSE and will unlock the value of the Music Division and Film Division for the shareholders of the Demerged Company. Further the existing shareholders of the Demerged Company would hold the shares of two listed entities after the Scheme becoming effective; giving them flexibility in managing their investments in the two businesses having differential dynamics.*
- 6. The demerger will unlock value of both businesses and result in shareholder value maximization.*

The Board of Directors of the Demerged Company and the Resulting Company believe that the Scheme is in the best interests of the respective entities and their respective stakeholders including its minority shareholders, employees, and creditors.

7. The Counsel for the Applicant Companies further submits that the shares of First Applicant Company are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"). Pursuant to the Securities Exchange Board of India ("SEBI") Circular No. SEBI /HO/ CFD/ DIL1/ CIR /P /2020 /249 dated December 22, 2020, as amended from time to time ("SEBI Circular") read with Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations"), First Applicant Company had applied to BSE and NSE for their "Observation Letter" / "No Objection Letter" to file the Scheme for sanction of the Tribunal. BSE by its letter dated 29 July, 2021 and NSE by its letter dated 29 July, 2021, have respectively given their "No Objection Letter" letters to First Applicant Company, to file the Scheme with the Tribunal.

8. This Bench directs the conduct of meeting of the First Applicant Company as follows:-
 - (i) That the meeting of the Equity Shareholders of the First Applicant Company will be convened and held as follows on 2nd December 2021 at 11 am (Indian Standard Time). The meeting will be convened and held for the purpose of considering and, if thought fit, approving with or without modification(s) the Scheme of Arrangement through video conferencing or other audio visual means, and not in physical presence of shareholders, as the same in the current COVID-19 environment related social distancing norms shall not be possible.
 - (ii) In view of provisions of Section 230(4) read with Section 108 of the

Companies Act, 2013 read with Rule 20 and other applicable provisions of the Companies (Management and Administration) Rules, 2014 and in accordance with Regulation 44(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the First Applicant Company proposes to provide the facility of remote e-voting to its Equity Shareholders in respect of the resolution to be passed at the aforesaid meeting. The Equity Shareholders of the First Applicant Company are also allowed to avail the facility of e-voting during the aforesaid meeting to be held through video conferencing and/or other audiovisual means on 2nd December 2021 at 11 am. The e-voting facility for the Equity Shareholders of the First Applicant Company shall be provided in compliance with the conditions specified under the Companies (Management and Administration) Rules, 2014, Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS2) issued by the Institute of Company Secretaries of India, as applicable.

- (iii) That at least 30 (thirty) days before the said Meeting of the Equity Shareholders of the First Applicant Company to be held as aforesaid, a Notice convening the said Meeting at the day, date and time as aforesaid, together with a copy of the Scheme, a copy of Explanatory Statement disclosing all material facts as required under Section 230(3) of the Companies Act, 2013 read with Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 notified on 14th December, 2016 shall be sent by Air Mail / Courier / Registered Post / Hand Delivery / through Email to those all the Equity Shareholders of the First Applicant Company.

- (iv) That at least 30 (thirty) days before the said Meeting of the Equity Shareholders to be held as aforesaid, a Notice convening the said Meeting at the day, date and time as aforesaid be published once

each in '*Business Standard*' in English having nation-wide circulation and '*Navshakti*' in Marathi having circulation in Maharashtra, both having wide circulation in the State of Maharashtra, and stating that copies of the Scheme and the said statement required to be furnished pursuant to section 230 (3) of the Companies Act, 2013 can be obtained free of charge by emailing the aforesaid Applicant Companies at bijal@tips.in.

9. This Bench hereby appoints Mr. Kumar Taurani, Chairman & Managing Director and failing him Mr. Ramesh Taurani, Managing Director, and failing him Mr. Girish Taurani, Executive Director as Chairperson for the meeting of the Equity Shareholder of the First Applicant Company.
10. This Bench hereby appoints Mr. Shirish Shetye as Scrutinizer for the meetings of the Equity Shareholder of the First Applicant Company. The fee of the professional appointed as Scrutinizer for the meetings of the Equity shareholders of the First Applicant Companies shall be Rs.20,000/- excluding applicable taxes.
11. The quorum for the aforesaid meeting of the Equity Shareholders of First Applicant Company shall be as prescribed under Section 103 of the Companies Act, 2013 and would include Equity Shareholders present through video conferencing and/or other audio-visual means. In case the required quorum as stated above is not present at the commencement of the meeting, the meeting shall be adjourned by 30 (thirty) minutes and thereafter the persons present shall be deemed to constitute the quorum.
12. The voting by proxy shall not be permitted as the meeting would be held through video conferencing and/or other audio-visual means. However, voting in case of body corporate be permitted, provided the prescribed form/authorization is filed with the Applicant Company at bijal@tips.in not later than 48 hours before the start of the aforesaid meeting as required

under Rule 10 of the Companies(Compromises, Arrangements and Amalgamations) Rules, 2016.

13. That the Chairperson appointed for the aforesaid meetings of the First Applicant Company to issue the notices of the meetings referred to above. The said Chairperson shall have all powers pursuant to sections 230 and 232 of the Companies Act, 2013 read with other applicable provisions of the Companies Act, 2013, the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 and Companies (Management and Administration) Rules, 2014, to the extent necessary and applicable, in relation to the conduct of the meeting including for deciding procedural questions that may arise at or at any adjournment thereof or any other matter including, an amendment to the Scheme or resolution, if any, proposed at the meeting by any person(s).
14. That the value and number of the shares of each shareholder shall be in accordance with the registers of all the First Applicant Companies or depository records for Equity Shareholders in case of the First Applicant Company and where the entries in the register / depository records are disputed, the Chairperson of the meeting shall determine the value and the number for the purpose of the aforesaid meeting and his/her decision in that behalf would be final.
15. That the Chairperson shall file a compliance report not less than 7 (Seven) days before the date fixed for the holding of the meeting of the Equity Shareholders of the First Applicant Company to this Tribunal that the directions regarding the issue of notices and advertisements have been duly complied with as per Rule 12 of Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.
16. That the Chairman of the meeting to report to this Tribunal, the results of the said meeting of the Equity Shareholders of the First Applicant

Company within thirty days of the conclusion of the meetings.

17. The Counsel for the Applicant Companies submits that there are 7 Equity Shareholders in the Second Applicant Company. Out of the total 7 Equity Shareholders, the consent affidavits of 6 Equity Shareholders of the Second Applicant Company have been annexed as 'Annexure 'L1-L6'' to the Company Scheme Application and the balance consent affidavit is filed *vide* Additional Affidavit dated 7th September 2021 with this tribunal.
18. In view of the fact that all the Equity Shareholders of the Second Applicant Company have given their consent to the Scheme, the meeting of the Equity Shareholders of the Second Applicant Company is hereby dispensed with.
19. The Counsel for the Applicant Companies submits that there are no Secured Creditors in the First Applicant Company therefore, the question of sending notices or convening-meeting of the Secured Creditors does not arise.
20. The Counsel for the Applicant Companies submits that in the First Applicant Company there are 197 (One Hundred Ninety Seven) Unsecured creditors of value of Rs. 5,78,17,359 /- (Five Crores Seventy Eight Lakhs Seventeen Thousand Three Hundred and Fifty Nine) as on 15th July 2021. The Counsel for the Applicant Companies further submits that the present Scheme is a Scheme of Arrangement of the First Applicant Company and the Second Applicant Company and their respective Shareholders as contemplated under Section 230(1)(b) of the Companies Act, 2013 and not in accordance with the provisions of Section 230(1)(a) of the Companies Act, 2013 as there is no compromise and/or arrangements with the creditors as no sacrifice is called for. Therefore, the meeting of the Unsecured Creditors of the First Applicant Company is dispensed with. However, this bench hereby directs the First

Applicant Company to issue notice to all their respective Unsecured Creditors by Registered Post Acknowledgement Due or Hand Delivery or through Email (to those creditors whose email addresses are duly registered with the First Applicant Company for the purpose of receiving such notices by email), at their last known addresses as per the records of the First Applicant Company, as may be feasible in view of the lockdown owing to the Covid-19 pandemic.

21. The Counsel for the Applicant Companies further submits that there are no Creditors in the Second Applicant Company, and therefore the question of sending notices or convening meeting of Creditors of the Second Applicant Company does not arise.

22. The Applicant Companies, pursuant to Section 230 (5) of the Companies Act, 2013 read with Rule 8 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, is directed to serve the notices upon:
 - (a) the Central Government of India (through the Regional Director, Western Region, Ministry of Corporate Affairs);
 - (b) concerned Income Tax Authority within whose jurisdiction the assessments of the Applicant Companies are made; for the First Applicant Company – PAN AA ACT5284A- having jurisdiction at Circle 16(1), Mumbai and for the Second Applicant Company PAN AAGCT2393E - having jurisdiction at Circle 16(1), Mumbai.
 - (c) Registrar of Companies, Mumbai, Maharashtra;
 - (d) BSE Limited; (in so far as the First Applicant Company is concerned)
 - (e) National Stock Exchange of India Limited; (in so far as the First Applicant Company is concerned)

(f) Securities and Exchange Board of India; (in so for as the First Applicant Company is concerned)

with a direction that they may submit their representation, if any, within

a period of 30 (thirty) days from the date of receipt of such notice, to the Tribunal and copy of such representations shall simultaneously be served upon the Applicant Companies, failing which, it will be presumed that the aforesaid authorities have no representations to make on the Scheme.

23. The Applicant Companies shall host the notices directed herein, on their respective websites, if any.

24. The Applicant Companies shall file compliance report with the registry in regard to the directions given in this Order in lieu of customary affidavit of service, due to lockdown situation prevailing now, proving dispatch of notices to the Equity Shareholders of the First Applicant Company, and service of notice to the regulatory authorities and creditors as stated above and do report to this Tribunal that the directions regarding the issue of notices have been duly complied with.

25. Order accordingly.

Sd/-

Chandra Bhan Singh
Member (Technical)

Sd/-

Suchitra Kanuparthi
Member (Judicial)