



Extraordinary Together

October 12, 2021

The Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai 400 001
BSE Scrip Code Equity: 505537
Preference: 717503

The Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
NSE Symbol: ZEEL EQ
: ZEEL P2

Sub: Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time

Dear Sirs,

We would like to inform you that the board of directors of the Company (**Board**) held a meeting today, on 12 October 2021, to consider a note addressed to them, by the managing director (**MD**) and chief executive officer (**CEO**) of the Company, Mr. Punit Goenka (**Board Note**). The Board Note explained certain events that transpired between Mr. Punit Goenka and Mr. Aroon Balani and Mr. Bhavtosh Vajpayee, representatives of Invesco Developing Markets Fund (formerly Invesco Oppenheimer Developing Markets Fund) and OFI Global China Fund LLC (collectively, **Invesco**). A copy of the Board Note is enclosed herewith.

1. According to the Board Note, a deal was presented by Mr. Aroon Balani and Mr. Bhavtosh Vajpayee, representatives of Invesco, to Mr. Punit Goenka in February 2021, involving the merger of the Company and certain entities owned by a large Indian group (**Strategic Group**). As per the deal presented to Mr. Punit Goenka, upon completion of the aforesaid merger, the Strategic Group would have held a majority stake in the merged entity (the **Merged Entity**) and Mr. Punit Goenka would have been appointed as the MD&CEO of the Merged Entity.
2. Mr. Punit Goenka expressed his apprehension to Invesco that as the merging entities of the Strategic Group were over-valued, it would result in a loss to the stakeholders of the Company.
3. In response, Invesco told Mr. Punit Goenka that the valuations of the entities belonging to the Strategic Group had been unilaterally “agreed” by Invesco, there was no room for further negotiations on the commercial terms of the deal and no data would be forthcoming to diligence and verify the valuation being attributed to the entities belonging to the Strategic Group. The Company’s management team informed the Board that in their considered view, the valuation attributed to the entities belonging to the Strategic Group could have been inflated by at least INR 10,000 crores. This would mean that if the proposed deal would have been approved, the shareholders of the Company would have suffered a loss of at least INR 10,000 crores.
4. The terms of the proposed merger, by Invesco, required Mr. Punit Goenka to continue as the MD&CEO of the Merged Entity. Through several correspondences, Invesco acknowledged Mr. Goenka’s reputation, experience and capability as a professional

Zee Entertainment Enterprises Limited

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and insisted that he would be paramount in leading the operations and business of the Merged Entity.

5. When Mr. Punit Goenka expressed governance concerns in relation to the deal (especially surrounding the valuation gaps in the merging entities of the Strategic Group), he was informed by Invesco that the deal would be consummated with or without him, even though Invesco believed that he was best suited to lead the Merged Entity and his absence would erode shareholder value. Invesco time and again reminded Mr. Goenka that if he were to refuse to progress the deal, he and his family would lose out.
6. The promoter group of the Company was being offered 3.99% shareholding of the Merged Entity i.e. no dilution in the existing stake of the promoter group of the Company, and Mr. Goenka was further offered employee stock options (**ESOPs**) (with no vesting conditions), representing approx. 4% of the shareholding of the Merged Entity. Accordingly, the existing promoter group of the Company along with Mr. Goenka would have held up to 7-8% in the Merged Entity.
7. Invesco's stance in their Open Letter that they "*will firmly oppose any strategic deal structure that unfairly rewards select shareholders, such as the promoter family, at the expense of ordinary shareholders*", runs contrary to the very deal Invesco was proposing itself a few months ago. Accordingly, public securities markets have been misinformed by Invesco.
8. Demonstrating their continued faith in Mr. Goenka's leadership and the Board's handling of the various governance related matters, Invesco voted in favour of the re-appointment of Mr. Punit Goenka as the MD&CEO of the Company, as recently as September 2020.

The Board also took note of an open letter issued on 11 October 2021, by Mr. Justin M. Leverenz, the Chief Investment Officer of Invesco Developing Markets Equities, on behalf of Invesco (**Open Letter**). The Board will separately respond to certain unjustified comments made in the Open Letter.

Accordingly, the Board is constrained to conclude that Invesco's actions over the past few weeks, have been motivated by circumstances that are extraneous to the Company's business or performance, or issues of corporate governance or public interest.

Thanking You,

Yours faithfully,

For **Zee Entertainment Enterprises Limited**


Ashish Agarwal
Company Secretary
F6669



Encl : As above

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**NOTE TO THE BOARD OF DIRECTORS FROM THE MANAGING DIRECTOR AND CHIEF
EXECUTIVE OFFICER**

1. Background

- 1.1 On 23 February 2021, Mr. Aroon Balani and Mr. Bhavtosh Vajpayee, representatives of Invesco Developing Markets Fund (formerly Invesco Oppenheimer Developing Markets Fund) and OFI Global China Fund LLC (collectively, **Invesco**), being the public shareholders of Zee Entertainment Enterprises Limited (the **Company**), presented a deal to me involving the merger of the Company and certain entities owned by a large Indian group (**Strategic Group**). As per the deal presented to me, upon completion of the aforesaid merger, the Strategic Group would hold majority stake of the merged entity (the **Merged Entity**) and I would be responsible for running the operations of the Merged Entity as its MD and CEO. This was the first time that Invesco informed me about the merger deal and the fact that a public shareholder was negotiating a merger deal on behalf of the Company without any authority/ involvement of the Board and Management, took me by surprise.
- 1.2 Given that I wanted to discuss queries in relation to the deal, I was told to engage directly with the Strategic Group. Post my discussions, I was told that Invesco had already finalized the key commercial terms of the merger with the Strategic Group and there was no room to negotiate or even diligence the entities to be merged or the valuations of those entities. I made repeated requests to both Mr. Aroon Balani and Mr. Bhavtosh Vajpayee for details in relation to valuation of the entities involved in the merger and rationale for the commercial deal terms. However, all my efforts were rebuffed and I was not provided with any information or documents for the same. In fact, I was asked to ensure that the Company consummates the deal within a period of just 5 days!!
- 1.3 I had duly informed Mr. Aroon Balani and Mr. Bhavtosh Vajpayee, as well as representatives of the Strategic Group, that I would be unable to present the Invesco Deal to the Board or public shareholders of the Company, without adequate information including with respect to the valuation as determined by the Strategic Group. In my considered view, the valuation attributed to the counterparty's merging entities was grossly inflated without any justification provided for the same, which would be prejudicial to the shareholders of the Company.
- 1.4 After I expressed discomfort with the deal, I was told that the deal would be consummated with or without me and was asked to accept the terms of the deal.
- 1.5 I did not present the terms of the deal to the Board because (a) I was not provided with any information on the valuation justifying the deal; (b) in my considered view as the MD and CEO

of the Company, the deal was not in the best interests of the public shareholders; and (c) I was uncomfortable with the manner in which the deal was being pushed through by Invesco, being public shareholders of the Company, without adequate information. I have set out the specifics of the deal in considerable detail in this note to explain this position.

- 1.6 However, in light of the recent events triggered by Invesco including litigation in various fora and the misleading public campaign run by Invesco, I thought I must bring this to your attention now.

2. Details of the merger deal brought by Invesco

- 2.1 The deal was first presented to me over a call scheduled on 23 February 2021, at 6pm IST, with Mr. Aroon Balani and Mr. Bhavtosh Vajpayee. The deal was as follows:

- (i) merger of the Company with entities owned by the Strategic Group, such that upon completion of the merger, the Strategic Group would hold majority stake of the Merged Entity;
- (ii) the shares of the Company were valued at INR 220 per share, with total valuation of the public shareholding of the Company as INR 21,129 crores; the value of entities owned by the Strategic Group was considered at ~INR 17,500 crores;
- (iii) the Strategic Group would infuse approx. INR 14,000 crores of cash into the Merged Entity, pursuant to which the shareholding of the Strategic Group in the Merged Entity would increase to approx. 60%;
- (iv) I was to continue as the MD and CEO of the Merged Entity;
- (v) the promoter group of the Company would be given 3.99% shareholding of the Merged Entity; and
- (vi) I was further offered employee stock options (ESOPs) representing up to 4% of the shareholding of the Merged Entity. Accordingly, the existing promoter group of the Company would hold up to 7-8% in the Merged Entity.

- 2.2 I expressed my surprise at the deal being communicated to me by a public shareholder of the Company, without any prior involvement of the Management or the Board of the Company.

- 2.3 Nevertheless, in the best interests of the Company, I felt it was my obligation to consider the deal on its merits. Upon due consideration, I sent an email to Mr. Aroon Balani and Mr. Bhavtosh Vajpayee in February 2021, with an initial list of questions on the deal. The questions put forth by me pertained to board and governance matters of the Merged Entity, structure of the deal,

and valuation of the merging entities owned by the Strategic Group, ESOPs being offered to me, and a list of the transaction documents to be executed as part of the deal. Further, in this email I clearly stated that I would only be able to take an informed decision on the way forward once I got further clarity on the questions.

- 2.4 In fact, Mr. Bhavtosh Vajpayee, representing Invesco, categorically acknowledged that these questions were reasonable and directed me to address these questions to the representative of the Strategic Group and stated that they too would provide their inputs to the Strategic Group where necessary. In response to the email, however, I received cryptic and unsatisfactory responses from the representative of the Strategic Group to the list of questions put forth by me. The responses did not offer any information or clarity on the commercial terms or the basis on which the Invesco Deal had been structured.
- 2.5 Accordingly, upon my request, a call was scheduled on 3 March 2021 between me, Mr. Aroon Balani and Mr. Bhavtosh Vajpayee to discuss the responses received from the Strategic Group. During this call, Mr. Aroon Balani and Mr. Bhavtosh Vajpayee acknowledged the vague nature of the responses provided by the Strategic Group and the lack of information/ documents provided to me. However, to my surprise, I was informed that the valuations of the entities belonging to the Strategic Group had been unilaterally agreed by Invesco. There was no room for further negotiations on the commercial terms of the deal and there was no data that would be forthcoming to diligence and verify the valuation of the Strategic Group. In fact, Mr. Aroon Balani and Mr. Bhavtosh Vajpayee re-confirmed that the Strategic Group would not be willing to share any further information or documents in this regard and expected me to approve the deal in-principle without probing further on some of these issues.
- 2.6 During the aforesaid call, Mr. Balani and Mr. Vajpayee maintained that I should have no objections to the deal for the following reasons: a) no dilution for the promoter group as the promoter group would get additional shares to retain its existing 3.99% even in the merged entity b) additional 4% stake would be issued through ESOPs in the merged entity. This would result in total promoter shareholding of 7-8% at no cost to promoter group or me and c) I would continue to run the business as the MD and CEO of the Merged Entity.
- 2.7 On account of governance concerns in relation to the deal and considering my fiduciary duties to the Board and shareholders of the company, I expressed my inability to take the deal to the board and other stakeholders of the Company. In my view, the valuation attributed to the entities belonging to the Strategic Group was inflated by at least INR 10,000 crores. When I conveyed the reasons to Mr. Aroon Balani and Mr. Bhavtosh Vajpayee, I was told that that the deal would be consummated with or without me even though they believed that I was best suited to lead the merged company.

- 2.8 During our discussions, in lieu of stock options, I offered that the promoter group would infuse additional cash in the Merged Entity against which the Merged Entity would issue warrants to the promoter group, at the same value which the Strategic group attributed to the Company. This proposal was rejected by Invesco.
- 2.9 In light of the above, I believe that the manner in which Invesco conducted itself leads to violations of various laws including securities laws. At an appropriate stage, various regulatory and investigating authorities may also need to be involved.
- 2.10 The Requisition Notice and the events that have followed since, reaffirm the position taken by the Board that this is a blatant attempt by Invesco to assume **de-facto control** of the Company, in violation of applicable takeover regulations.

-- End --