

Date: June 7, 2019

To,  
**BSE Limited**  
Phiroze Jeejeeboy Towers  
Dalal Street, Fort,  
Mumbai 400 001  
**BSE Scrip Code:539141**

To,  
**National Stock Exchange of India Limited**  
Exchange Plaza, 5<sup>th</sup> Floor Plot no.C/1,  
G Block, Sandra Kurla Complex,  
Sandra (East), Mumbai 400 051  
**NSE Scrip Symbol: UFO**

Dear Sir/ Ma'am,

**Sub: Disclosure of events or information under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") – Approval of Scheme of Arrangement between Valuable Digital Screens Private Limited ("VDSPL" or "the Demerged Company") and UFO Moviez India Limited ("UFO" or "the Resulting Company" or "the Company") and their respective shareholders.**

The Board of Directors of the Company at its meeting held on June 7, 2019 has approved Scheme of Arrangement between Valuable Digital Screens Private Limited and UFO Moviez India Limited and their respective shareholders ("Scheme") under Sections 230 to 232, of the Companies Act, 2013, subject to requisite approvals.

The details required under Regulation 30 are given herein below:

**a. Brief details of the division(s) to be demerged:**

The demerged undertaking comprises of Caravan Talkies advertising business of VDSPL.

**b. Turnover of the demerged division and as percentage to the total turnover of the listed entity in the immediately preceding financial year / based on financials of the last financial year:**

Turnover of the Demerged Undertaking as on March 31, 2019 was Rs.24.14 crores which constituted 94.07% of the total turnover of VDSPL in the financial year ending March 31, 2019.

**c. Rationale for demerger:**

**Overview:**

- UFO's vision is to be the leader in big screen entertainment by enhancing value for all stakeholders and bringing joy to people's lives, through innovation. UFO's key focus and growth driver is providing advertising services on big screens of cinemas across India. On the other hand, VDSPL's Caravan Talkies advertising business is a movie on wheels concept, which shows complimentary movies on a big screen at villages for India's rural population in media dark areas. The Caravan Talkies advertising business generates revenue from providing advertising services. Both UFO and the Caravan Talkies advertising business have the same focus of driving advertising service revenues with UFO focusing on urban markets and Caravan Talkies advertising business focusing on the rural markets. In the recent past, the media advertising business has undergone dramatic changes and has experienced intense competition. The Caravan Talkies advertising business of VDSPL, by its inherent nature, has a reach which takes the advertisers only to rural audiences but not to the urban audiences. This has resulted as a serious business limitation for Caravan Talkies advertising business of VDSPL. This risk can only be addressed by making the Caravan Talkies advertising business a part of the UFO's bouquet of advertising services. The proposed demerger will enable UFO to cater to the needs of the advertisers across both rural and urban audiences thereby enabling them to plan their spends in a coordinated manner, through a common vendor.





**Business synergies:**

- The Caravan Talkies advertising business addresses the rural demographics which is expected to be the fastest growing advertising segment in India, whereas UFO as on March 31, 2019 has ~ 3,700 advertisement screens in over 1,200 towns and cities, which has a reach in metros, tier 1, tier 2, tier 3 and tier 4 towns with almost no access to rural audiences of India. Such rural audiences lie in media dark areas where there is no access to social entertainments avenues like cinemas. The proposed demerger will give access to UFO advertisers to an expanded range of products, avenues and demographics through UFO bouquet of advertising services which will include caravan offering. Advertisers would get access to media dark areas where the caravan operates to reach a critical audience. UFO through its in-cinema offering along with caravan would act as a one-stop-shop to enable advertisers to reach to both urban and rural markets.
- Further, “CARAVAN TALKiES” is a registered trademark of VDSPL. VDSPL has spent time and effort over the past five years in building up “CARAVAN TALKiES” as a brand. The proposed demerger will enable UFO to leverage the “CARAVAN TALKiES” brand, which it will acquire as a part of the transaction and position the brand as the pre-eminent one in the movie on wheel advertising business.
- The Caravan Talkies advertising business has not been able to deliver consistent advertising service revenues and large advertisers that advertise on other mediums including cinema do not advertise on caravan in a big way as it is a new media platform. UFO has a wide client base of advertisers which would be accessible to the Caravan Talkies advertising business. UFO has been able to drive its in-cinema advertising service revenue growth at a CAGR of 16% in the last 5 years with the help of a competent and dedicated advertising sales team which has a pan India footprint and strong relationships with advertisers. Post demerger, the Caravan Talkies advertising business would gain access to the large advertising sales team of UFO.
- UFO would be able to utilize the caravans as moving billboards when it is transiting from village to village to promote upcoming and ongoing movies which are likely to be screened at cinema screens nearby thereby driving awareness of these screens and bringing in footfalls to such screens and this would be beneficial to the sustainability of UFO’s digital cinema services and advertising business.
- Through the screening of movies in villages by Caravan Talkies, UFO would be able to identify the locations where there is a demand for watching movies but the absence of big screens. UFO can get screens started in these locations directly or through existing cinema owners and operators in nearby areas and thereby increasing its core advertising screen network. These locations will be ideal sites to setup cinema halls where UFO’s digital cinema and in-cinema advertising services can be offered. This will help UFO to arrest the downward fall in its advertisement screens count and grow its network.

**Operational synergies:**

- The Caravan Talkies advertising business would have access to UFO’s large technical field support and warehouse facility. These warehouses enable the easy movement of spare parts and equipment to and from the digital cinema screens which require replacement, maintenance or repair. UFO already has large scale operations to provide technical support and maintains warehouses across the country. Post demerger, UFO resources which are spread across the Country can reach the Caravan Talkies sites quickly, improve the quality of service and ensure uptime of caravans thus resulting in significant synergies in terms of cost reduction.
- Further, under the Caravans Talkies advertising business, VDSPL delivers movies and advertisements physically to the caravans that are located in the interiors of the country whereas UFO has a state of the art satellite based delivery system at its digital cinema screens. Post demerger, the Caravan Talkies advertising business would gain access to UFO’s satellite based delivery system for receiving movies and





advertisement content and eliminate the inconveniences of physically delivering the content and enhancing its offering by enabling changing of content on the fly. This will also result in cost synergies like reduction in physical delivery costs. This will also bring flexibility to the entire advertisement scheduling process of caravans which can be remotely scheduled over satellite like it is done on UFO's digital cinema screens. Satellite capability will also enable the technical support team to troubleshoot issues remotely.

**Other synergies:**

- As the Caravan Talkies advertising business' scale of operations grows, administrative expenses would also grow to UFO's level. UFO runs full-fledged operations across the country incurring significant administrative expenses. The proposed transaction would bring about synergies of operations and benefits of scale by minimizing the duplication of these administrative functions.
- The financial resources will be conveniently merged and pooled with the resources of the Resulting Company, leading to utilization of resources towards expansion and growth of the business of UFO. It would provide better flexibility to the Caravan Talkies advertising business in accessing capital, focused strategy and specialization for sustained growth.

**Residual businesses of VDSPL, post demerger:**

- VDSPL houses two business verticals viz "Caravan Talkies advertising business", focuses on providing advertising services through operations of Caravan Talkies and "Exhibition business" which focuses on exhibition related offerings through Nova Cinemaz and Club Cinema. Nova Cinemaz started running pilot projects in 2015 where the programming of cinema screens was taken over from cinema owners and those screens were co-branded as Nova Cinemaz. Gradually, Nova Cinemaz started taking cinema screens under its fold by incurring capital expenditure in screens through brownfield projects and refurbishment of screens and also started managing a large part of the operations of those screens. Currently, there are 44 screens in the Nova Cinemaz which is composed of both programming screens as well as screens where a large part of the operations are managed. Club Cinema has created a niche in the Exhibition sector by focusing on providing exhibition offerings at large venues like clubs, residential complexes and townships. Club Cinema has reached a scale of providing its offering across 40 centers.
- The Exhibition business by its nature is a capital intensive business and the profitability of any Exhibition business is significantly linked to the success and failure of the content (films). UFO, on the other hand is focused on providing fee based services to cinema value chain and derives significant revenues through in-cinema advertisements. UFO's service offerings are thus, to a major extent, content agnostic. Also while UFO is primarily in the business of B2B offerings, Exhibition businesses are pure play B2C offerings, with operating and business dynamics which are completely different than the B2B offerings of UFO.
- The Exhibition business has now reached decent size and scale validating that the pilot started in 2015 is proven. VDSPL is looking to concentrate on expanding the Exhibition business taking forward the learnings of the past 4 years. As the Exhibition business expands, it may have its own capital requirement in the future, which can be catered to if this business is nurtured in a separate entity and by targeting investors having their focus on the Exhibition sector. Thus the demerger of the Caravan Talkies advertising business from VDSPL will allow VDSPL to concentrate solely on the Exhibition business and achieve accelerated growth of the exhibition centers deeper across the country.

**d. Brief details of change in shareholding pattern (if any) of all the entities:**

The demerger of undertaking is from wholly owned subsidiary to its holding company and no consideration shall be required to be discharged pursuant to the Scheme. Therefore, there will be no change in shareholding pattern of UFO and VDSPL pursuant to Scheme.



**e. In case of cash consideration -- amount or otherwise share exchange ratio:**

Not applicable since no consideration shall be required to be discharged.

**f. Whether listing would be sought for the resulting entity:**

The proposed demerger is into UFO which is already listed on BSE Limited and National Stock Exchange of India Limited.

Request you to kindly take above on record.

Thanking you.

Yours faithfully,

**For UFO Moviez India Limited**

*S.S. Chavan*

**Sameer Chavan  
Company Secretary**

