MUKTA ARTS LIMITED

an entertainment company

Regd. Office : Mukta House, Behind Whistling Woods Institute, Filmcity Complex, Goregaon (East), Mumbai 400 065. TEL.: 91-22-3364 9400

Fax No. 2659 8237 / 38

Corporate Relations Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bnadra (E), Mumbai – 400 051

14th March, 2013

Kind Attn: Mr. Hari K – Manager

Please find enclosed herewith Notice to Shareholders and the Explanatory Statement accompanied with Postal Ballot Form, which has been dispatched to the shareholders of the Company in pursuance to the resolution of the Board of Directors passed on 5th March, 2013.

This is for your information and record.

Thanking you,

Yours Faithfully,
For and on behalf
Mukta Arts Limited

Ravi B. Poplai
Company Secretary

Encl. : As above

MUKTA ARTS LIMITED

Registered Office: Mukta House, Behind Whistling Woods Institute, Film City Complex, Goregaon (East) Mumbai - 400 065

Dear Member,

Notice pursuant to Section 192A of the Companies Act, 1956

Notice is hereby given pursuant to the provisions of Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011, that the resolution appended below is proposed to be passed as an Ordinary Resolution by way of Postal Ballot:

Authorisation to form a Company as a subsidiary of Mukta Arts Ltd. under the name of Mukta VN Films Limited or any other suitable name that may be available with the Registrar of Companies, to be registered in the State of Maharashtra and to allow the said Company to conduct the business of exhibition and programming presently being conducted by the Company itself and forming substantial part of the Company's Revenue, though not necessarily its Profitability and to enter into a Shareholders Agreement.

Pursuant to the spirit of the Section 293(1)(a) of the Companies Act, 1956, the Company seeks the shareholders' consent for the proposals contained in the resolution appended below. It is recorded for the sake of clarification that the resolution does not strictly fall under the purview of the section 293(1)(a) of the Companies Act, 1956 and the Company is authorized to proceed with the decision sought to be approved by the Shareholders without approaching them but it is in keeping with the spirit of healthy Corporate Governance that the Company follows, it has taken the decision to seek shareholders' approval.

The explanatory statement pertaining to the said resolution setting out the material facts and the reasons therefor is annexed. The said Ordinary Resolution and the Explanatory Statement are being sent to you along with a Postal Ballot Form (the "Form") for your consideration and for exercising your voting rights. The Company has appointed Mr. K.C.Nevatia, FCS, Practicing Company Secretary as the Scrutinizer for conducting the Postal Ballot process in a fair and transparent manner.

You are requested to carefully read the instructions printed on the Form and return the same duly completed, in the attached self addressed, postage pre-paid envelope (if posted in India) so as to reach the Scrutinizer not later than 4.00 P.M. on 15/04/2013. Upon completion of the scrutiny of the Forms, the Scrutinizer will submit his report to the Chairman of the Company. The results of the Postal Ballot will be announced at the Registered Office of the Company as soon as possible thereafter.

ITEM No. 1
The members are requested to consider and, if thought fit, to pass the following resolution as an

ORDINARY RESOLUTION:

"RESOLVED THAT the Board of Directors, in terms of the spirit and provisions of Section 293(1)(a) to the extent applicable and other applicable provisions, if any, of the Companies Act, 1956, and in accordance with the provisions of the Memorandum and Articles of Association of the Company, listing agreements entered in to with stock exchanges on which the shares of the Company are listed, be and is hereby authorised to form a Company as a subsidiary of Mukta Arts Ltd under the name of Mukta VN Films Limited or any other suitable name that may be available with the Registrar of Companies to be registered in the State of Maharashtra and to allow the said Company to conduct the business of exhibition and programming being conducted by the Company itself and presently forming substantial part of the Company's Revenue though not necessarily its Profitability, conferring the power unto the Board of Directors of the said Company (hereinafter referred to as the "Board", which term shall be deemed to include any committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to conduct and deal with all such film programming and exhibition business, which is high volume low margin business that Mukta Arts Limited is presently conducting, apart from any other business that the said Company may otherwise decide to do.

RESOLVED FURTHER THAT the Term Sheet dated 11th September 2012 entered into between Mukta Arts Limited and VN Films Pvt. Ltd., (formerly known as Allied Services Private Limited, hereinafter referred to as VN Films Pvt. Ltd) a copy whereof initialed by the Chairman for the sake of identification, to govern the respective rights and obligations of the two respective shareholders in the proposed company be and is hereby ratified and that the Board of Directors be and is hereby authorized to enter into a Shareholders Agreement with or without modifications suitably incorporating the clauses of the Term Sheet duly signed by the parties.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take requisite steps to form the above said subsidiary company viz. Mukta VN Films Limited or any other suitable name that may be available with the Registrar of Companies, to be registered in the State of Maharashtra with an initial authorized capital of Rupees Ten Crores divided into One Crore shares of Rs 10/- each and make a subscription of 55 Lacs shares of Rs. 10/- each aggregating to Rs. 5.5 Crores in a phased manner including as subscribers to the Memorandum of Association of the said Company and to do all such acts, deeds, matters and things and to execute all such documents or writings as may be required for giving effect to resolution."

By order of the Board

Place : Mumbai
Date : 05/03/2013

Ravi B. Poplai
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 1

Mukta Arts Limited has been in the business of production and distribution of films for a long time. Exhibition and programming were added to the business profile of the Company as part of risk mitigant initiatives in view of fluctuating film production revenues. Other initiatives taken were formation of multiplex division of the company viz. Mukta Cinemas, expansion of activities and geographical locations of film education and training subsidiary of the Company viz. Whistling Woods International Limited. It may be apt to mention that the revenues from the exhibition and programming stream of the Company account for substantial part of the turnover of the Company though a small part of its profitability, being a low margin business and were placed at Rs. 166 Crores for the Financial Year 2011-12. As at the end of 31st March 2012, the Company was offering exhibition and programming services for 425 screens.

The Company has since located an opportunity for alliance to enhance the turnover of film exhibition and programming business substantially by joining hands with another company viz. V.N.Films Private Limited (formerly known as Allied Services Private Limited, hereinafter referred to as VN Films Pvt. Ltd), a subsidiary of UFO Moviez India Limited which is also a significant player in film exhibition and programming. It is proposed that V.N.Films Private Limited will pool their exhibition and programming business in addition to subscribing to agreed number of shares in the new company.

UFO Moviez India Limited ("UFO") is World's largest satellite networked digital cinema chain; and uses MPEG-4 technology which enables the delivery and projection of motion pictures via satellite. Headquartered in Mumbai, UFO operates a network of 19 regional offices and along with its subsidiaries has a network of close to 4500 screens in India. The alliance with UFO through its subsidiary V N Films Private Limited will allow your Company to access a large number of screens for rendering film programming services.

Separation of exhibition and programming stream will also give an opportunity to focus on film production, distribution and cinema business. The Board of Directors are of the opinion that the alliance will be in the best interest of the Company and has accordingly passed a resolution to that effect in the Board Meeting held on Tuesday, the 5th March 2013.

It may be appropriate to clarify that Agreement with exhibitors for film exhibition and programming services are short term contracts and therefore all existing film exhibition and programming agreements with the exhibitors entered into by Mukta Arts Limited will expire by efflux of time. No agreement with the exhibitors by the Company will be transferred or assigned to the subsidiary company. All future agreements for film exhibition and programming business will be entered into by the proposed subsidiary company. This approval is to seek your ratification / confirmation to discontinue the film exhibition and programming business by the Company in its own books and conduct the same in proposed subsidiary company.

Section 293(1)(a) of the Companies Act, 1956, provides, inter-alia, that the Board of Directors of a public limited company shall not, without the consent of its members, sell, lease or otherwise dispose of the whole or substantially the whole of any of the undertakings of the Company and based on opinion received by the Company, the above said resolution does not strictly fall under the purview of the section 293(1)(a) of the Companies Act, 1956 and the Company could proceed with the decision sought to be approved by the Shareholders without approaching the Shareholders. However, it is in keeping with the spirit of healthy Corporate Governance that the Company follows, the Company has taken the decision to seek Shareholders' approval.

Members whose name appears on the Register of Members at the end of the trading session on Friday, the 8th March 2013 shall be entitled to cast their vote in the Postal Ballot.

In view of above, the Resolution set out at item no.1 of the Agenda is recommended to be passed as an Ordinary Resolution.

Copy of the Term Sheet dated 11th September 2012 entered into between Mukta Arts Limited and VN Films Pvt. Ltd. to govern the respective rights and obligations of the two respective shareholders in the proposed company is available for perusal at the Registered Office of the Company during working hours on any day before 15/04/2013.

None of the Directors is, in any way, concerned or interested in this resolution.

By order of the Board

Ravi B. Poplai
Company Secretary

Place : Mumbai
Date : 05/03/2013

MUKTA ARTS LIMITED

Registered Office: Mukta House, Behind Whistling Woods Institute, Film City Complex, Goregaon (East) Mumbai - 400 065

POSTAL BALLOT FORM

Serial No.:

1. Name and Registered Address of the Sole/First named Shareholder (in block letters) :

2. Name(s) of the Joint holder(s), if any (in block letters) :

3. Registered Folio No. / DPID No. / Client ID No.* (*Applicable to investors Holding shares in demat form) :

4. No. of Shares held :

I / We hereby exercise my / our vote in respect of the following Resolution to be passed through Postal Ballot for the business stated in the Notice of the Company, by sending my / our Assent or Dissent to the said Resolution by placing tick (✔) mark at the appropriate box below:

Brief Description	No. of Shares	I / We Assent to the Resolution (FOR)	I / We Dissent to the Resolution (AGAINST)
ORDINARY RESOLUTION, in terms of the spirit and provisions of Section 293(1)(a) of the Companies Act, 1956, authorizing the Board of Directors to form a Subsidiary Company under the name of Mukta VN Films Limited or any other suitable name that may be available with the Registrar of Companies to be registered in the State of Maharashtra and to allow the said Company to conduct the business of film exhibition and programming being currently conducted by the Company itself and to enter into a Shareholders Agreement with VN Films Ltd.			

Place:
Date:

Signature of the Shareholder

Note: Please read the instructions printed overleaf carefully before exercising your vote.

INSTRUCTIONS

1. Pursuant to the spirit and provision of Section 293 (1)(a) and 192A of the Companies Act, 1956 read with Companies (Passing of resolution by Postal Ballot) Rules, 2011, the assent or dissent of the members in respect of the Ordinary Resolution contained in the Postal Ballot Notice dated 5th March, 2013 is being determined through postal ballot.

2. Members whose name appears on the Register of Members at the end of the trading session on Friday, the 8th March 2013 shall be entitled to cast their vote in the Postal Ballot.

3. The votes should be cast either in favour or against by putting the tick (✓) Mark in the column provided for assent or dissent. Postal Ballot Form bearing (✓) in both the column will render the form invalid.

4. The Company has appointed Mr. K.C. Nevatia, Practicing Company Secretary as the Scrutinizer for conducting the postal ballot process.

5. Voting rights shall be reckoned on the paid up value of the shares registered in the name of the Shareholders on the date of dispatch of the Notice.

6. The Scrutinizer will submit his final report as soon as possible after the last date of receipt for postal ballot.

7. The Chairman of the Board or in his absence, any person authorised by the Chairman will announce the result of the postal ballot at the Registered Office of the Company at Mukta House, Behind Whistling Woods Institute, Film City Complex, Goregaon (East) Mumbai - 400 065 immediately on receipt of final report from the Scrutinizer.

8. The Result of the postal ballot will also be published in the newspapers within 48 hours of the declaration of the results and will be placed at the website of the Company and will also be intimated to the Stock Exchanges where the Company's Shares are listed.

9. Shareholders desiring to exercise voting right by Postal Ballot may complete the Postal Ballot Form and send it to the Scrutinizer in the attached self-addressed pre-paid envelope (if posted in India). Postage will be borne and paid by the Company. However, envelope containing Postal Ballot Forms, if sent by courier at the expense of shareholder will also be accepted.

10. The Postal Ballot Form should be completed and signed by the Sole/First named Shareholder. In the absence of the first named shareholder in a joint holding, the Form may be completed and signed by the next named Shareholder. (However, where the Form is sent separately by the first named Shareholder and the Joint holder(s), the vote of the first named Shareholder would be valid).

11. In case of shares held by Companies, Trusts, Societies etc., the duly completed Postal Ballot Form should be accompanied by a certified true copy of the Board Resolution/Authority, with signature(s) of Authorized Signatory(ies).

12. Duly completed Postal Ballot Form should reach the Scrutinizer not later than 4.00 pm on 15/04/2013. Postal Ballot Form received thereafter will be treated as if the reply from the Members(s) has not been received.

13. Postal Ballot cannot be exercised by a Proxy.

14. Incomplete, unsigned or incorrectly filled Postal Ballot Forms are subject to rejection by the Scrutinizer.

15. Members are requested not to send any other matter along with the Postal ballot Form in the enclosed pre-paid postage self-addressed envelope. If any extraneous papers are found, the same will be destroyed by the scrutinizer.

16. The Scrutinizer's decision on the validity of a postal ballot form will be final and binding.