

Report of the Audit Committee of Pantaloons Retail (India) Limited

Members Present in Meeting Held on 15th March, 2013:

Mr. S. Doreswamy	Chairman
Mr. Shailesh Haribhakti	Member

1. Background

We have been informed that the Board of Directors of Pantaloons Retail (India) Limited ('the Company') is proposing to consider the Scheme of Amalgamation of Future Value Retail Limited, a wholly owned subsidiary, with the Company in its meeting to be held on 15th March, 2013, as per the terms and conditions mentioned in the Draft Scheme of Amalgamation ('the Scheme').

As required under clause 24(f) of the Listing Agreement, the Company will be filing the Scheme along with other necessary information / documents with the BSE Limited and National Stock Exchange of India Limited post the approval of the Scheme in the Board Meeting.

Recently, SEBI vide its circular No. CIR/CFD/DIL/5/2013 ('Circular') dated 4th February, 2013 has, amongst other requirements, sought a report from the Audit Committee of the listed entity recommending the Draft Scheme.

In view of the above Circular, members of the Audit Committee of the Company have discussed and approved the Draft Scheme vide a resolution passed at its meeting held on 15th March, 2013, and have made this report, after perusing the following necessary documents:

- 1) Draft Scheme of Amalgamation; and
- 2) Certificates obtained from the statutory auditors of the Company on the accounting treatment prescribed in the Scheme.

This report of the Audit Committee is made in order to comply with the requirements of the Circular.

2. Proposed Scheme of Amalgamation

2.1 Rationale of the proposed Scheme of Arrangement





- PRIL is a public listed company which, through itself and its subsidiaries, is a diversified retail player and also has interests in financial services, insurance, media and other businesses.
- FVRL is, inter alia, in the business of operating retail formats like Big Bazaar and Food Bazaar.
- The amalgamation of FVRL with PRIL would, inter-alia, have the following benefits:
 - Cost savings in terms of economies of scale, sourcing benefits, vendor rationalization, more focused operational efforts, rationalisation, standardisation and simplification of business processes and productivity improvements;
 - The synergies that exist between the two entities can be put to the best advantage of all stakeholders;
 - Greater size, scale, integration and greater financial strength and flexibility for the restructured entity;
 - The consolidated entity will benefit from improved organizational capability and leadership, arising from the combination of people from FVRL and PRIL who have the diverse skills, talent and vast experience to compete successfully in increasingly competitive environment;
 - Removing multiple layer hindrances;

2.2 The salient features of the Scheme are as under:

- Amalgamation of FVRL with PRIL
- Appointed Date of 1st July, 2012
- No shares would be issued to shareholders of FVRL pursuant to the Scheme since FVRL is a wholly owned subsidiary of PRIL.
- Holders of Compulsorily Convertible Debentures in FVRL would get Compulsorily Convertible Debentures/Optionally Convertible Debentures in PRIL and their conversion into equity shares of PRIL, in financial years 2014-15 and 2015-16, shall be at a price not less than the average of share price of PRIL for a period of four weeks immediately prior to the date of conversion. The Debenture holders shall have a put option on a promoter company/PRIL.



2.3 The Audit Committee noted that the Company has obtained a certificate from their respective statutory auditors providing comments on the accounting treatment prescribed in the Scheme.

3. Recommendations of the Audit Committee

Based on the above, the Audit Committee recommends the Draft Scheme, proposed to be considered by the Board of Directors of the Company, for favourable consideration by the Board of Directors.

Date: 15th March, 2013

Place: Mumbai



Company Secretary

