

# FUTURE RETAIL

REPORT OF THE AUDIT COMMITTEE OF FUTURE REAIL LIMITED ('FRL' OR 'THE COMPANY') ON COMPOSITE SCHEME OF ARRANGEMENT BETWEEN FUTURE RETAIL LIMITED ('FRL' OR 'FIRST DEMERGED COMPANY') AND BLUEROCK eSERVICES PRIVATE LIMITED ('BSPL' OR 'SECOND DEMERGED COMPANY') AND PRAXIS HOME RETAIL PRIVATE LIMITED ('PHRPL' OR 'RESULTING COMPANY') AND THEIR RESPECTIVE SHAREHOLDERS

## Present – Directors / Members

1. Ms. Gagan Singh : Chairperson / Member
2. Mr. Ravindra Dhariwal : Independent Director / Member
3. Ms. Sridevi Badiga : Independent Director / Member
4. Mr. Rakesh Biyani : Jt. Managing Director / Member

## In Attendance

1. Mr. Virendra Samani : Dy. Company Secretary

## By Invitation

1. Mr. Kishore Biyani : Managing Director
2. Mr. Shailendra Bhandari : Independent Director
3. Mr. C. P. Toshniwal : Chief Financial Officer
4. Mr. Sanjay Rathi : Invitee
5. Mr. Hiten Kotak : Invitee - PwC
6. Mr. Nilesh Mody : Invitee - PwC
7. Ms. Darshana Kadakia : Invitee
8. Mr. Arpit Thakkar : Invitee

## 1. Background

1.1. A meeting of the Audit Committee of Future Retail Limited ('the Company') was held on Thursday, 20th April, 2017 *inter alia* to consider and recommend to the Board of Directors the proposed Composite Scheme of Arrangement under Sections 230 to 232 read with Section 66 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013, between Future Retail Limited and Bluerock eServices Private Limited ('BSPL') and Praxis Home Retail Private Limited ('PHRPL') and their respective Shareholders ('the Scheme').

1.2. The Scheme *inter-alia* provides for:

1.2.1. Demerger of Home Retail Business of FRL into PHRPL;

**Future Retail Limited** (Formerly known as Bharti Retail Limited)

Registered Office: Knowledge House, Shyam Nagar, Off Jogeshwari Vikhroli Link Road, Jogeshwari ( East ), Mumbai - 400 060

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CIN : L51909MH2007PLC268269





- 1.2.2. Demerger of e-Commerce Home Retail Business of BSPL into PHRPL;
- 1.2.3. Cancellation of existing paid up share capital of PHRPL;
- 1.2.4. Issue of equity shares by PHRPL to the shareholders of FRL as consideration for Demerger; and
- 1.2.5. Issue of redeemable preference shares by PHRPL to the shareholders of BSPL as consideration for Demerger.

The Equity shares of the Company are listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). The Company will be filing the Scheme along with necessary information / documents with both the mentioned exchanges.

- 1.3. The report of Audit Committee is made in order to comply with the requirements of the SEBI circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 after considering the following:
  - a) Draft Composite Scheme of Arrangement, duly initialed by Dy. Company Secretary of the Company for the purpose of identification;
  - b) Share Allotment / Entitlement Ratio Report dated 20th April, 2017 issued by M/s Walker Chandiook & Co LLP, Independent Chartered Accountants; and
  - c) Fairness Opinion dated 20th April, 2017 issued by M/s Keynote Corporate Services Limited, a Category I Merchant Banker providing the fairness opinion on the Share Allotment / Entitlement recommended in the Share Allotment / Entitlement Ratio Report prepared by M/s Walker Chandiook & Co LLP, Independent Chartered Accountants; and
  - d) Audited financial statements of the Company and PHRPL for the year ended March 31, 2016, March 31, 2015 and March 31, 2014.

## 2. Proposed Scheme

2.1. The salient features of the draft Composite Scheme of Arrangement are as under:

- a) The Scheme inter-alia provides for the Demerger of the Home Retail Business Undertaking, comprising of the furniture and furnishing business operated by the Company through HomeTown stores, into PHRPL and Demerger of the e-Commerce Home Retail Business Undertaking of BSPL into PHRPL.
- b) The Audit Committee of Board of Directors of the Company is of the opinion that proposed arrangement would *inter alia* achieve the following objectives:
  - spin off specialty retail business and focusing on large format and small format pure retail businesses from the Company;
  - consolidation of offline and online Home Retail Business under a single entity;





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- attribution of appropriate risk and valuation to the respective businesses based on risk-return profile and cash flows;
- more focused leadership and dedicated management; and
- greater visibility on the performance of Home Retail Business and e-Commerce Home Retail Business.

2.2. The Audit Committee reviewed the Share Allotment / Entitlement Ratio Report and noted the report and recommended the following:

In consideration for the demerger of the Home Retail Business Undertaking of the Company into PHRPL in terms of the Scheme and based on Share Allotment / Entitlement Ratio Report issued by M/s Walker Chandiok & Co LLP, Independent Chartered Accountants and fairness opinion provided by M/s Keynote Corporate Services Limited, a Category I Merchant Banker, PHRPL will issue equity shares to the shareholders of the Company in the following ratio:

PHRPL will issue One (1) Equity Share of the face value of INR 5/- (Rupees Five only), each fully paid-up, on a proportionate basis to members or his / her / their respective heirs, executors, administrators or, as the case may be, successors holding fully paid-up equity shares in FRL on the Record Date (as may be determined in terms of the Scheme) for every Twenty (20) fully paid up equity shares of Rs. 2/- (Rupees Two only) each of FRL

- 2.3. Further, pursuant to the Scheme, the Company shall account for the Demerger as per the applicable accounting principles prescribed under Indian Accounting Standard (Ind AS).
- 2.4. Further, the Fairness Opinion confirmed that the Share Entitlement / Allotment in the Share Entitlement / Allotment Ratio Report is fair to the Company, PHRPL and their respective shareholders.
- 2.5. The proposed Appointed Date for the Demerger of the Home Retail Business Undertaking will be the commencement of business on August 1, 2017 or such other date as may be fixed or approved by the National Company Law Tribunal or such other competent authority as may be applicable.
- 2.6. Under the proposed Scheme, all assets and liabilities, pertaining to the Home Retail Business Undertaking of the Company, of whatsoever nature and where so ever situated, including the immovable properties, if any, shall without any further act or deed be transferred to and vested in PHRPL as a going concern with effect from the Appointed Date.

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2.7. The equity shares of PHRPL to be issued to the shareholders of the Company pursuant to the Scheme shall be listed on the stock exchanges, viz BSE and NSE (subject to listing permission being granted by the stock exchanges).

### 3. Recommendations of the Audit Committee

The Audit Committee after due deliberations and due consideration of all the terms of the draft Composite Scheme of Arrangement, Share Entitlement / Allotment Ratio Report, Fairness opinion and the specific points mentioned above, recommends the draft Composite Scheme of Arrangement for favorable consideration by the Board of Directors of the Company, the Stock Exchange(s) and SEBI.

**By Order of the Audit Committee**

For and on behalf of

**FUTURE RETAIL LIMITED**

**Chairperson of the Audit Committee**



Date: 20th April, 2017.

Place: Mumbai.