

# FUTURE RETAIL

**REPORT OF THE AUDIT COMMITTEE OF FUTURE REAIL LIMITED ("FRL" OR "THE COMPANY") ON COMPOSITE SCHEME OF ARRANGEMENT AMONGST HERITAGE FOODS LIMITED ("Transferor Company" or "HFL") AND HERITAGE FOODS RETAIL LIMITED ("Transferee Company" or "Demerged Company" or "HFRL") AND FUTURE RETAIL LIMITED ("Resulting Company" or "FRL") AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS.**

## Present – Directors / Members

- |                          |   |                                |
|--------------------------|---|--------------------------------|
| 1. Ms. Gagan Singh       | : | Chairperson / Member           |
| 2. Mr. Ravindra Dhariwal | : | Independent Director / Member  |
| 3. 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. C. P. Toshniwal   | : | Chief Financial Officer           |
| 3. Mr. Sanjay Rathi      | : | Invitee                           |
| 4. Mr. Sai Nandan Gajale | : | Invitee - S.R. Balliboi & Co. LLP |
| 5. Mr. Jai Prakash Yadav | : | Invitee - S.R. Balliboi & Co. LLP |

## 1. Background

1.1.A meeting of the Audit Committee of Future Retail Limited ("the Company") was held on Monday, 07th November, 2016 to consider and recommend to the Board of Directors the proposed Composite Scheme of Arrangement under Sections 391 to 394 read with Sections 100-103 of the Companies Act, 1956 and Section 52 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 1956 / Companies Act, 2013, amongst Heritage Foods Limited ("HFL"), Heritage Foods Retail Limited ("HFRL"), Future Retail Limited and their respective Shareholders and Creditors ("Scheme").

1.2.The Scheme inter-alia provides for:

1.2.1.Slump Sale of Retail Undertaking (comprising of grocery & food retail business, agri sourcing, processing & marketing business and bakery business) and VetCa Undertaking (comprising of Veterinary Care Business) into HFRL (100% subsidiary of HFL); and

1.2.2.Demerger of Retail Undertaking from HFRL into the Company.

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

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CIN : U51909MH2007PLC280269



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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. CIR/CFD/CMD/16/2015 dated 30th November, 2015 after considering the following:

- a) Draft Composite Scheme of Arrangement as placed before the meeting;
- b) Share Entitlement Report dated 07th November, 2016 issued by M/s S.R. Balliboi & Co. LLP, Independent Chartered Accountants; and
- c) Fairness Opinion dated 07th November, 2016 issued by M/s Keynote Corporate Services Limited, a Category I Merchant Banker, providing the fairness opinion on the Share Entitlement recommended in the Share Entitlement Report issued by M/s S.R. Balliboi & Co. LLP, Independent Chartered Accountants; and
- d) Audited financial statements of the Company, HFL and HFRL 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 consolidation of the Retail Undertaking of HFL through its subsidiary, HFRL comprising inter alia the following businesses verticals;
  - (i) Retail Vertical - grocery and food retail business, undertaken from its dedicated retail stores;
  - (ii) Agri Vertical - sourcing, processing and marketing fresh fruits and vegetables and;
  - (iii) Bakery Vertical - manufacturing and supplying bakery products to other customers, besides HFL retail outlets
- b) The proposed acquisition / consolidation is contemplated by way of a Composite Scheme involving HFL, HFRL and the Company. The Audit Committee of Board of Directors of the Company is of the opinion that the acquisition / consolidation of Retail Business / Undertaking of HFL pursuant to the Scheme should result in expansion of retail business and increase in the value for the members in long run. Further, the proposed arrangement would inter alia achieve the following objectives:





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- consolidation of the retail operations of FRL and HFRL;
- unlocking of value; and
- synergies expected to bring in cost savings in the marketing, selling and distribution expenses for FRL.

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

In consideration for the demerger of Retail Business of HFRL into FRL in terms of the Scheme and based on Share Entitlement Report issued by M/s S.R. Balliboi & Co. LLP, Independent Chartered Accountants and Fairness Opinion provided by M/s Keynote Corporate Services Limited, a Category I Merchant Banker, FRL will issue an aggregate of 1,78,47,420 (One Crore Seventy Eight Lakhs Forty Seven Thousand Four Hundred and Twenty) equity shares of Rs. 2/- (Rupees Two) each, fully paid up to the equity shareholders of HFRL as on the Record Date (as of now HFL) on a proportionate basis.

2.3. Further, pursuant to the Scheme, the Company shall account for the assets and liabilities of the Retail Undertaking in accordance with IND AS.

2.4. Further, the Fairness Opinion confirmed that the Share Entitlement in the Share Entitlement Report is fair to the Company, HFL and HFRL and their respective shareholders.

2.5. The proposed Demerger Appointed Date for the Demerger will be the close of business on 31st March, 2017 or such other date as the High Court and/ or the National Company Law Tribunal may direct or approve under the relevant provisions of the Act.

2.6. Under the proposed Scheme, all assets and liabilities, pertaining to the Retail Undertaking, 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 the Company as a going concern with effect from the Demerger Appointed Date.

2.7. The equity shares of FRL to be issued to the shareholders of HFRL pursuant to the Scheme shall be listed on the stock exchanges (subject to trading permission being granted by the stock exchanges).



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### 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 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: 07th November, 2016**

**Place: Mumbai**

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

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