



REPORT OF THE AUDIT COMMITTEE AND RISK MANAGEMENT COMMITTEE OF BRITANNIA INDUSTRIES LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN THE COMPANY AND DAILY BREAD GOURMET FOODS (INDIA) PRIVATE LIMITED

Members Present:

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| 1. Mr. Nasser Munjee | - Chairman of the Committee (Through Video Conference) |
| 2. Mr. A. K. Hirjee | - Member |
| 3. Mr. Keki Dadiseth | - Member |
| 4. Mr. Avijit Deb | - Member |
| 5. Mr. Nimesh N Kampani | - Member |
| 6. Mr. Ness N Wadia | - Member |

In Attendance:

- | | |
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| 1. Mr. Rajesh Arora | - Company Secretary |
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Background

A meeting of the Audit Committee and Risk Management Committee of Britannia Industries Limited ("Company") was held on Friday, 5th February, 2016 to consider and recommend the proposed demerger of the manufacturing and retail sales business undertakings of Daily Bread Gourmet Foods (India) Private Limited ("DB" or "Demerged Company"), the wholly owned subsidiary of the Company, into the Company (collectively known as "Companies") w.e.f. 1 April 2015, to be implemented in terms of a Scheme of Arrangement ("Scheme"), entered into amongst the Company, DB and their respective Shareholders and Creditors under Sections 391 - 394 the Companies Act, 1956 and other applicable provisions of Companies Act, 2013.

The Securities and Exchange Board of India vide its circular No. CIR/CFD/CMD/16/ 2015 dated 30 November 2015 ("Circular") has, amongst other requirements, sought a report from the Audit Committee of the Listed Company recommending the Draft Scheme of Arrangement under the Companies Act, 1956, applicable provisions of the Companies Act, 2013 and Rules notified thereunder, after taking into consideration, inter alia, the Valuation Report and Fairness Opinion. This report of the Audit Committee and Risk Management Committee is made in order to comply with the requirements of the Circular.

The following documents were placed before the Audit Committee and Risk Management Committee:

- Draft Scheme of Arrangement, duly initialled by the Company Secretary of the Company for the purpose of identification;
- Valuation Report dated 1 February, 2016 prepared by SSPA & Co, Chartered Accountants
- Fairness Opinion dated 1 February, 2016 prepared by Fortress Capital Management Services Private Limited, an Independent Merchant Banker providing the Fairness Opinion on the valuation report prepared by SSPA & Co.

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 CIN : L15412WB1918PLC002964

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Proposed Scheme of Demerger

The Audit Committee and Risk Management Committee noted the rationale and the benefits of the Scheme, which, inter-alia, includes, the following:

- DB presently comprises of three business undertakings, being:
 - (a) **Manufacturing Business** – comprising of a state-of-the-art manufacturing facility focusing on manufacture of gourmet/ specialty bakery products, cakes, etc, as well as regular breads under the "Daily Bread" brand.
 - (b) **Retail Sales Business** – comprises of sales to retail consumers through the "Daily Bread" branded outlets/ stores in Bangalore.
 - (c) **Institutional Sales Business** – apart from retail outlets/ stores, DB also sells its products to institutional clients, broadly classified in the following categories:
 - Modern Trade – comprises of B2B sale of bulk breads/ other bakery products to established third party retailers including departmental stores/ leading supermarket chains (such as "More", "Spencers", etc), who make onward sales to retail customers.
 - Institutional sales of processed products – B2B sale of bakery products to established eateries/ food joints operating in the food and beverages ("F&B") industry (such as "KFC", "Dominos", etc) who consume these products as raw materials for manufacturing their own products and onward sale to ultimate customers.
- Shifting the Manufacturing Business and Retail Sales Business of DB into the Company would aid operational synergies and economies of scale arising out of the established manufacturing capabilities and infrastructure of the Company
- The Scheme would enable the Company to:
 - Nurture the Daily Bread brand by effectively leveraging its own brand/ management teams/ capabilities
 - Leverage on DB's retail outlets' platform for direct sale of the Company's Britannia branded products
 - Provide focused leadership and management attention on the remaining business (B2B sales)
- The Scheme is in the interest of shareholders, creditors, employees and other stakeholders of both the Companies and would enable the Companies to adopt a focused business approach for the maximization of benefits to the ultimate stakeholders.



Recommendation of the Audit Committee and Risk Management Committee

The Audit Committee and Risk Management Committee recommends the Draft Scheme, taking into consideration the Valuation Report/ Fairness Opinion, to the Board of Directors for its approval and for favourable consideration by the stock exchange(s) and Securities and Exchange Board of India (SEBI).

**By order of the Audit Committee & Risk Management Committee
of Britannia Industries Limited**

**Mr. Nasser Munjee
Chairman
Audit Committee & Risk Management Committee**

Place: Mumbai
Date: 05.02.2016