



REPORT OF THE AUDIT COMMITTEE OF BRITANNIA INDUSTRIES LIMITED (“COMPANY”) RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN THE COMPANY AND ITS MEMBERS

MEMBERS PRESENT:

Mr. Keki Elavia	Chairman of the Committee
Mr. Keki Dadiseth	Member
Mr. Avijit Deb	Member
Mr. Ness N Wadia	Member
Dr. Y.S.P Thorat	Member

BY INVITATION:

Mr. Varun Berry	-	Managing Director
Mr. N Venkataraman	-	Chief Financial Officer
Mr. Ramamurthy Jayaraman	-	Head – Corporate Finance and Taxation
Mr. Aasheesh Arjun Singh	}	M/s. Walker Chandiook & Co, LLP, Statutory Auditors
Mr. Alok Saraf		
Mr. Mehul Shah	}	M/s. Khaitan & Co
Ms. Vinita Krishnan		

IN ATTENDANCE:

Mr. T.V. Thulsidass	-	Company Secretary
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1. Background

- 1.1. A meeting of the Audit Committee of Britannia Industries Limited (“Company”) was held on 5th October, 2020 to consider and recommend the proposed draft Scheme of Arrangement of Britannia Industries Limited and its members for (i) payment of dividend; and (ii) issue of unsecured, non-convertible, redeemable, fully paid-up debentures by way of bonus to the Members of the Company by utilising the general reserve and/ or balance in the profit and loss account (retained earnings) of the Company pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“Scheme”).
- 1.2. The Company is a public listed company incorporated under the Indian Companies Act, 1913. The equity shares of the Company are listed on BSE Limited and National Stock Exchange of India Limited.



1.3. The following documents were placed before the Audit Committee:

- (a) Draft Scheme, duly initialed by the Company Secretary of the Company for the purpose of identification; and
- (b) Draft Certificate from the Statutory Auditors of the Company viz., M/s Walker Chandiook & Co, LLP Chartered Accountants ("Accounting Treatment Certificate"), confirming that the accounting treatment prescribed in the Scheme is in compliance with applicable accounting standards.

2. Proposed Scheme of Arrangement

2.1. The Audit Committee noted the rationale and the benefits of the Scheme which, *inter alia*, are as follows:

- 2.1.1 The Company has built up substantial Accumulated Profits (as defined in the Scheme), over the years from its retained profits. The Accumulated Profits are well above the Company's current and likely future operational needs. Further, barring unforeseen circumstances, the Company is confident of generating incremental cash over the next few years. Overall reserves position is expected to improve further even after considering cash requirements for the Company's capex programme and working capital requirements. The Company expects to have reasonable liquidity position and also has adequate debt raising capability.
- 2.1.2 Further, upon taking into consideration the Company's capability to generate strong cash flow and the Accumulated Profits being more than what is needed to fund the Company's future growth, the Company is of the view that these excess funds can be optimally utilized to reward its members in such difficult and unprecedented times by way of distribution.
- 2.1.3 At the same time, in keeping with the Company's philosophy of conservative cash management and being mindful of the challenging business environment, the Company is of the view that it would be prudent to retain liquidity in the Company. Accordingly, the Company has proposed, *inter alia*, to distribute such funds amongst its members in such manner and to such extent, as the Board (as defined in the Scheme), may decide, by means of fully paid up debentures by way of bonus and distribute dividends in terms of this Scheme by utilizing the Accumulated Profits(as defined in the Scheme).



- 2.1.4 Even after issue of Debentures and payment of dividend in accordance with the Scheme, the Company would continue to have sufficient cash resources to discharge its liabilities towards its lenders and other stakeholders on time and in the ordinary course of its business.
- 2.1.5 The Scheme is in the best interests of the Members (*as defined in the said Scheme*) and other stakeholders of the Company.
- 2.2. The Committee noted the salient feature of the Scheme which provided for arrangement between the Company and its members for:
- (a) issue and allotment by way of bonus, 1 (one) fully paid-up Debenture of the face value of INR 29 /- (Rupees Twenty Nine only) each, by utilizing its General Reserve, for every one (1) fully paid-up equity share of face value of INR. 1/- (Rupee One only) each; and
- (b) payment of dividend of INR 12.50/- (Rupees Twelve and Fifty Paisa only) per every one (1) fully paid-up equity share of face value of INR. 1/- (Rupee One only) each ("Dividend") by utilizing its Accumulated Profits.

Such issue and allotment of bonus debentures and payment of dividend, as aforesaid, shall be made to those Members whose names appear in the register of members of the Company as on the Record Date as may be fixed by the Board of Directors of the Company after the approval of the Scheme.

3. Recommendation of the Audit Committee

Taking into consideration the Draft Scheme, Accounting Treatment Certificate by Statutory Auditors and other documents, as placed, the Audit Committee recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee
For and on Behalf of Britannia Industries Limited

Keki Elavia
DIN: 00003940
Chairman, Audit Committee

Date: 05.10.2020

Place: Mumbai