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STRICTLY PRIVATE & CONFIDENTIAL

February 01, 2016

The Board of Directors
Britannia Industries Limited
 No 5/1A, Hungerford Street,
 Kolkata – 700 017,
 West Bengal, India

The Board of Directors
Daily Bread Gourmet Foods (India) Private
Limited
 Prestige Shantiniketan,
 The Business Precint,
 Tower C, 16th Floor, Whitefield Main Road,
 Mahadevapura Post, Bangalore – 560 048,
 Karnataka, India

Re: Report on proposed demerger of "Manufacturing Business Division" and "Retail Sales Business Division" of Daily Bread Gourmet Foods (India) Private Limited into Britannia Industries Limited

Dear Sirs,

We have been informed by the management of Britannia Industries Limited (hereinafter referred to as "BIL") that they propose to demerge "Manufacturing Business Division" and "Retail Sales Business Division" (hereinafter collectively referred to as "Demerged Undertakings") of Daily Bread Gourmet Foods (India) Private Limited (hereinafter referred to as "DB") into BIL and for this purpose, we have been requested to issue this report in accordance with the Circular CIR/CFD/CMD/16/2015 dated 30 November 2015 issued by SEBI ('SEBI Circular'). We have been informed that the proposed demerger will be in accordance with the provisions of section 2(19AA) of the Income Tax Act, 1961 (hereinafter referred to as "IT Act").

DB and BIL hereinafter will be collectively referred to as "Companies". The above is proposed to be done pursuant to the Scheme of Arrangement between DB and BIL and their respective shareholders & creditors under section 391 to 394 of the Companies Act, 1956 and relevant sections of the Companies Act, 2013 (hereinafter referred to as the "Scheme") along with any other applicable regulations for demerger of demerged undertakings with an appointed date of April 1, 2015.

This report is being issued for regulatory purposes.



1. BACKGROUND

1.1 BRITANNIA INDUSTRIES LIMITED

1.1.1 BIL is a company incorporated under the Indian Companies Act, 1913 having its registered office at No.5/1A, Hungerford Street, Kolkata – 700 017, West Bengal, India. BIL was incorporated on 21 March 1918.

1.1.2 BIL houses the "Britannia" brand and is a leading food company in India, delivering products in over five categories (i.e. biscuits, breads, dairy, cakes and rusk) through 3.5 million distributors/ retail outlets across India.

1.1.3 The shares of BIL are listed on BSE Limited and National Stock Exchange of India Limited.

1.2 DAILY BREAD GOURMET FOODS (INDIA) PRIVATE LIMITED

1.2.1 DB is a company incorporated under the Companies Act, 1956 having its registered office at Prestige Shantiniketan, The Business Precint, Tower C, 16th Floor, Whitefield Main Road, Mahadevapura Post, Bangalore – 560 048, Karnataka, India. DB was incorporated on 25 April 2003.

1.2.2 Presently, DB is a wholly owned subsidiary of BIL, a leading manufacturer and retailer of premium bakery products. DB is engaged, inter-alia, in the business of manufacture and retail of regular breads as well as a wide range of premium gourmet bakery products (including specialty breads, cakes, cookies, desserts, savories, beverages, chocolates and frozen products, etc.). The aforesaid products are made available to the retail consumers, through its own retail outlets operated under the "Daily Bread" brand and to the institutional customers as well (either as processed products or finished goods). Specifically, these products are also sold to certain institutional customers, who might use it as a raw material for the purpose of manufacturing their own products, to sell it to the ultimate customers. Currently, the operations of DB are classified into the following undertakings/ business heads:

- i) **Manufacturing Business** – comprises of a state-of-the-art manufacturing facility measuring around 21,000 sq. ft., located at Bommanahalli in



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Bangalore. The facility focuses on manufacture of gourmet/ specialty bakery products, cakes, etc, as well as regular breads under the Daily Bread brand.

- ii) **Retail Sales Business** – comprises of sales to retail consumers through “Daily Bread” branded outlets/ stores in Bangalore (comprising both franchisees and own shops) which act as a hub for the wide variety of products (i.e. cakes, pastries, breads, etc.).
- iii) **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 regular 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 might consume these products as raw materials for manufacturing their own products and onward sale to ultimate customers. Apart from the big players in the F&B industry, DB also caters to bulk orders (for private orders/ office parties, etc).

1.2.3 We have been informed that DB is a wholly owned subsidiary of BIL.

2. SOURCES OF INFORMATION

For the purposes of this exercise, we have relied upon the following sources of information:

- (a) Audited Financial Statements of DB for financial year (FY) ended March 31, 2015.
- (b) Management Certified Position of assets and liabilities of “Demerged Undertakings” of DB as on March 31, 2015 prepared in compliance with section 2(19AA) of the Income Tax Act.
- (c) Draft Composite Scheme of Arrangement (“Scheme”) under section 391 to 394 of the Companies Act, 1956 and relevant sections of the Companies Act, 2013.



(d) Such other information and explanations as we required and which have been provided by the management of Companies.

3. EXCLUSIONS AND LIMITATIONS

3.1 Our report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

3.2 No investigation on the Companies claims to title of assets has been made for the purpose of this report and their claim to such rights has been assumed to be valid. Therefore, no responsibility is assumed for matters of a legal nature.

3.3 Our work does not constitute certification of the historical financial statements including the working results of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Our analysis and results are specific to the purpose of this report as per agreed terms of our engagement. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

3.4 We have not carried out audit of the information provided for the purpose of this engagement. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.

3.5 Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed demerger and transfer with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed demerger and transfer.

3.6 Any third person/party intending to provide finance/invest in the shares/businesses of any of the Companies / Undertakings, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed transfer as aforesaid or pursuant to a legal or regulatory requirement, can be done only with our prior permission in writing.



A handwritten signature in blue ink, consisting of a stylized 'S' and 'P' followed by a flourish.

- 3.7 This report is prepared only in connection with the proposed demerger and transfer exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required under any law.
- 3.8 SSPA, nor its partners, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which this report is being issued. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in this report.

4. CONCLUSION

- 4.1 As per Management Certified financials, the Net Assets of 'Manufacturing Business Division' and 'Retail Sales Business Division' of DB as on March 31, 2015 is INR 172.67 lacs. The working for the same is given below:

Particulars	(INR lacs)	
	Amount	Amount
Fixed assets		
Tangible Assets		372.25
Current Assets, Loans and Advances		
Inventories	34.28	
Trade Recievables	16.34	
Cash & Cash equivalents	44.82	
Long term loans & advances	158.65	
Other current assets	13.02	267.11
Current liabilities & provisions		
Trade payables	342.98	
Other current liabilities	97.40	
Provisions	20.44	(460.83)
Other Long term liabilities		(5.86)
Net Assets of Divisions		172.67

- 4.2 As per the Draft Scheme no shares will be issued / allotted as a consideration for the demerger of 'Demerged Undertakings' of DB to BIL.
- 4.3 We believe that the above is fair considering that DB is a wholly owned subsidiary of BIL and upon demerger, the shareholders of BIL will continue to be the ultimate



beneficial owners of DB in same proportion as they held prior to the demerger as the entire share capital of DB is held by BIL.

- 4.4 As mentioned in Para I(A)(4) of Annexure I of the SEBI Circular, a valuation report is not necessary in the context of the proposed Scheme given that there is no change in the shareholding pattern of the listed entity / resulting company.

Thank you,
Yours faithfully,

SSPA & Co.



SSPA & CO.
Chartered Accountants
Firm registration number: 128851W

Place: Mumbai

CERTIFIED TRUE COPY
BRITANNIA INDUSTRIES LIMITED

RK Arora

RAJESH ARORA
COMPANY SECRETARY