REPORT ADOPTED BY THE AUDIT COMMITTEE OF BRITANNIA INDUSTRIES LIMITED AT ITS MEETING HELD ON SUNDAY, 7TH DAY OF OCTOBER, 2018, EXPLAINING THE EFFECT OF 'SCHEME OF ARRANGEMENT OF BRITANNIA INDUSTRIES LIMITED AND ITS MEMBERS'.

Background:

1. A meeting of the Audit Committee of Britannia Industries Limited ("Company") was held on October 7, 2018, to consider and recommend to the Board of Directors the proposed draft Scheme of Arrangement ("Scheme") (i.e. Arrangement u/s. 230 to 232 of the Companies Act, 2013 including Rules prescribed thereunder and as amended from time to time and relevant clauses of the Memorandum and Articles of Association of the Company) for arrangement amongst the Company and its members for issue of secured, non-convertible, redeemable, fully paid-up debentures by way of bonus ("Bonus Debentures") to the Members of the Company as on the Record Date (as fixed by the Board) out of the Accumulated Profits lying to the credit of profit & loss account in accordance with sections 230 to 232 of the Companies Act, 2013 read with the rules made thereunder.

2. This report of the Audit Committee is submitted, in order to comply with the requirements of Circular No. CFD/DIL3/CIR/20/17/21 dated March 10, 2017, issued by the Securities and Exchange Board of India ("SEBI").

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

(a) Draft Scheme of Arrangement;
(b) Draft Fairness Opinion on the Scheme of Arrangement prepared by Dalmia Securities Private Limited, a SEBI Registered Merchant Banker and
(c) Draft Certificate, initialed by Statutory Auditor of the Company for the purpose of identification, confirming the compliance of the accounting treatment as specified by Central Government in Section 133 of the Companies Act, 2013.
Proposed Scheme:

1. The Committee noted the salient features of the Scheme as under:

   (a) The arrangement is amongst the Company and its members for issue of secured, non-convertible, redeemable, fully paid-up debentures by way of bonus to the Members of the Company as on the Record Date (as fixed by the Board) out of the Accumulated Profits lying to the credit of profit & loss account in accordance with Sections 230 to 232 of the Companies Act, 2013 read with the rules made thereunder;

   (b) Upon the Scheme coming into effect, the Company shall, issue and allot by way of bonus, 1 (One) fully paid-up Bonus Debenture of the face value of INR.30/- (Rupees Thirty only)* each, by utilizing its Accumulated Profits, for every one (1) fully paid-up equity share of face value of INR. 1/- (Rupee One only)* each held by a Member as on the Record Date.

   * Subject to approval of sub-division of equity shares from face value of INR. 2/- each to face value of INR. 1/- each by the Members of the Company, by way of postal ballot including e-voting.

2. The Audit Committee reviewed the draft Scheme, draft Statutory Auditors Certificate, Draft Fairness Opinion and also noted the rationale of the Scheme which, inter-alia, is as follows:

2.1 The Company has accumulated profits over the years in the form of retained earnings. Further, barring unforeseen circumstances, the Company is confident of generating adequate 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.
2.2 The Company has completed 100 Years of operations and is keen to reward its Members for their continued support and belief. Accordingly, the Company has proposed to issue secured, non-convertible, redeemable, fully paid-up Debentures, by way of bonus to all its Members as on the Record Date on pro rata basis, by utilizing the Accumulated Profits. In the interest of transparency and good corporate governance and by way of abundant caution, the Company has resolved to propose this Scheme of Arrangement between the Company and its Members under Section 230 to 232 of the Companies Act, 2013 which will be subject to necessary approvals of the NCLT Bench at Kolkata, Members, its creditors, RBI and other authorities.

Recommendation of the Audit Committee:

The Audit Committee after taking into consideration the Draft Fairness Opinion, Draft Statutory Auditors Certificate recommends the draft Scheme for favourable consideration by the Board of Directors of the Company, the Stock Exchanges and SEBI.

For and on behalf of Audit Committee of Britannia Industries Limited

[Signature]
Chairman,
Audit Committee

Date: October 7, 2018
Place: Bengaluru