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ANNEXURE 4

**REPORT OF THE AUDIT COMMITTEE OF PANTALOONS FASHION & RETAIL LIMITED ("THE COMPANY") RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT BETWEEN THE COMPANY, ADITYA BIRLA NUVO LIMITED, MADURA GARMENTS LIFESTYLE RETAIL COMPANY LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

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**Members Present:**

Mr. Bharat Patel : Chairman (Independent Director)  
Ms. Sukanya Kripalu : Member (Independent Director)  
Mr. Sushil Agarwal : Member (Independent Director)

**In Attendance:**

Mr. Shital Mehta : Chief Executive Officer  
Mr. S. Visvanathan : Chief Financial Officer  
Ms. Geetika Anand : Company Secretary

**Invitees:**

Mr. Ashish Dikshit : Business Head -Madura Garments  
Mr. Ashish Adukia : Head - Group Corporate Finance - Aditya Birla Group  
Mr. Saurabh Khedekar : Head Strategy - Apparel & Retail

**1. Background**

1.1. A meeting of the Audit Committee of Pantaloons Fashion & Retail Limited ("the Company") was held on May 3, 2015 to consider and recommend the Composite Scheme of Arrangement between the Company, Aditya Birla Nuvo Limited, Madura Garments Lifestyle Retail Company Limited and their Respective Shareholders and Creditors, for transfer by way of a demerger of the Madura Undertaking of ABNL and MGL Retail Undertaking of the Madura Garments Lifestyle Retail Company Limited to the Resulting Company, and the consequent issue of equity shares by the Company to the shareholders of the ABNL and MGLRCL w.e.f. 1<sup>st</sup> April, 2015 being the Appointed Date, to be implemented in terms of Composite Scheme ("Scheme") under Sections 391 - 394 of the Companies Act, 1956 and other applicable provisions of Companies Act, 2013.

**Pantaloons Fashion & Retail Limited**





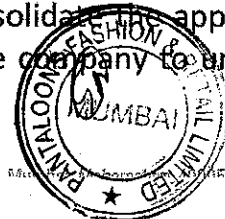
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- 1.2. This report of the Audit Committee is made in order to comply with the requirements of Circular No CIR/CFD/DIL/5/2013 dated February 4, 2013 read with Circular No CIR/CFD/DIL/8/2013 dated May 21, 2013 (which provides clarifications with respect to the aforementioned circular), both issued by the Securities and Exchange Board of India ("**SEBI Circulars**").
- 1.3. The following documents were placed before the Audit Committee:
- Draft Composite Scheme of Arrangement, duly initialed by the Company Secretary of the Company for the purpose of identification;
  - Valuation Report dated May 3, 2015 issued jointly by M/s. Bansi Mehta & Co. and Price Waterhouse & Co. LLP, Independent Chartered Accountants, describing the methodology adopted by them in arriving at the Share Entitlement Ratio ("**Valuation Report**"); and
  - Fairness Opinion Report dated May 3, 2015 issued by JM Financial Institutional Securities Limited, an Independent Merchant Banker providing the fairness opinion on the share entitlement ratio recommended in the Share Entitlement Ratio/ Valuation Report prepared jointly by M/s. Bansi Mehta & Co and Price Waterhouse & Co. LLP, independent chartered accountants ("**Fairness Opinion**").

## 2. Proposed Scheme:

- 2.1. The Audit Committee discussed and noted the rationale and the benefits of the Scheme, which including, *inter-alia*, are as follows:
- a) the apparels retail businesses of the Aditya Birla group are housed under separate entities including ABNL, Madura Garments Lifestyle and PFRL. Consolidating the similar businesses of the group within one company would enable the business activities to be carried out with greater focus and specialization for sustained growth;
  - b) each business will also benefit from the potential synergies of combining with the similar and related businesses, thereby resulting in enhancement of shareholder value;
  - c) thus, the Scheme is sought to be undertaken to consolidate the apparels retail businesses of the Aditya Birla group within one company to unlock

**Pantaloon Fashion & Retail Limited**





000057

value and accrue potential synergy benefits for the business arising inter alia on account of operational efficiency in matters such as sourcing, infrastructure, and information technology

2.2. The Audit Committee reviewed and noted the Share Entitlement Ratio report and recommended the Share Entitlement Ratio:

- a) 26 (Twenty Six) fully Paid-up Equity Shares of Rs. 10/- each of Pantaloons Fashion & Retail Limited for every 5 (Five) fully Paid-up Equity Shares of Aditya Birla Nuvo Limited
- b) 7 (Seven) fully Paid-up Equity Shares of Rs. 10/- each of Pantaloons Fashion & Retail Limited for every 500 (Five Hundred) Fully Paid-up Equity Shares of Madura Garments Lifestyle Retail Company Limited
- c) 1 (One) Fully Paid-up Equity Shares of Rs. 10/- each of Pantaloons Fashion & Retail Limited for all outstanding Preference Shares of Madura Garments Lifestyle Retail Company Limited; and

2.3. Further, the Fairness Opinion confirmed that the Share Entitlement Ratio in the Share Entitlement Ratio Report/ Valuation Report is fair to the Company, Aditya Birla Nuvo Limited and its shareholders.

### 3. Recommendation of the Audit Committee

Taking into consideration the Share Entitlement Ratio Report and the Fairness Opinion Report, the Audit Committee recommends the draft scheme to the Board of Directors of the Company for its approval.

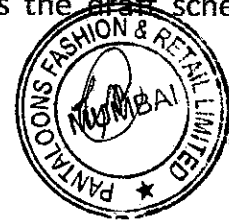
#### By Order of the Audit Committee

For and on Behalf of  
**Pantaloons Fashion & Retail Limited**

  
Member, Audit Committee

Place: Mumbai

Date: May 3, 2015



**Pantaloons Fashion & Retail Limited**