REPORT ADOPTED AND RECOMMENDED BY THE COMMITTEE OF INDEPENDENT DIRECTORS OF ADITYA BIRLA FASHION AND RETAIL LIMITED AT ITS MEETING HELD ON FRIDAY, MAY 5, 2023, ON THE DRAFT SCHEME OF AMALGAMATION OF TCNS CLOTHING CO. LIMITED INTO AND WITH ADITYA BIRLA FASHION AND RETAIL LIMITED

The following Independent Directors were present:
1. Mr. Arun Adhikari
2. Mr. Nish Bhutani
3. Ms. Sukanya Kripalu
4. Mr. Sunirmal Talukdar
5. Ms. Preeti Vyas
6. Mr. Vikram Rao
7. Mr. Yogesh Chaudhary

1. Background and Rationale of the scheme

1. The draft Scheme of Amalgamation by way of merger by absorption involving Aditya Birla Fashion and Retail Limited ("Transferee Company" or "Company") and TCNS Clothing Co. Limited ("Transferor Company") and their respective shareholders and Creditors (hereinafter referred to as "Scheme"), wherein the Transferor Company shall amalgamate into and with the Transferee Company in terms of Sections 230 to 232 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") read with the rules made thereunder (including any statutory modification(s) or re-enactment(s) or other amendment(s) thereof for the time being in force), Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 and other applicable laws including SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, as amended from time to time ("SEBI Circular") and SEBI Circular No. SEBI/HO/DDHS/DDHS_Div1 /P/CIR/2022/0000000103 dated July 29, 2022 ("SEBI Operational Circular") was presented to the Committee at its meeting held on May 5, 2023, for its consideration and making recommendation to the Board of Directors of the Company.

2. In terms of SEBI Circular, a report from the Committee of the Independent Directors of the Company, is required to be adopted and recommended to the Board. Accordingly, this report is prepared to comply with the aforesaid requirements.

3. While deliberating on the Scheme, the Committee, inter-alia, considered and took on record the following documents:
   a. Draft Scheme of amalgamation, duly initialled by the Company Secretary of the Company for the purpose of identification;
b. Draft Merger implementation agreement;
c. Valuation Report dated May 5, 2023, issued by Bansri S. Mehta & Co., Registered Valuer (IBBI Reg no. IBBI/RV/06/2019/10666) ("Valuation Report"), who in his report has recommended the share exchange ratio of 1:1 equity shares of the Company for every 1 equity shares of TCNS Clothing Co. Limited ("Share Exchange Ratio"), as set out in valuation report;
d. Fairness opinions dated May 5, 2023, issued by Axis Capital Limited, independent SEBI registered Category-I Merchant Banker providing fairness opinions on the recommended Share Exchange Ratio in the Valuation Report prepared by Bansri S. Mehta & Co. ("Fairness Opinion")
e. Auditor's Certificate by the Statutory Auditors of the Company i.e., Price Waterhouse & Co. Chartered Accountants LLP ("Auditors Certificate") in terms of Para (A)(S) of Part I of the SEBI Circular, Para (A)(6) of Part I of Annex XII-A of SEBI Operational Circular and proviso to sub-clause (j) of Section 232(3) of the Act inter alia to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government under Section 133 of the Act and
f. Undertaking given by the Company confirming that approval of majority of public shareholders as prescribed under Paragraph (A)(10)(b) of Part I of the SEBI Circular is not applicable to the Scheme along with certificate of the Statutory Auditors of the Company, certifying the said undertaking.

4. The Scheme, amongst others, contemplates the following arrangements (Capitalised terms used and not defined herein shall have the meanings ascribed to them in the Scheme):
   a. Amalgamation by way of merger by absorption of the Transferor Company into and with the Transferee Company in accordance with Sections 230 to 232 of the Act and other applicable laws.
   b. Pursuant to the sanction of the Scheme by the Tribunals and upon the fulfilment of conditions for the Scheme, the Scheme shall become effective from date on which the certified copies of the last of the Sanction Orders are filed with the RoC in accordance with Clause 33 of the Scheme (i.e. "Effective Date"). The 'Appointed Date' for the Scheme shall be the Effective Date or such other date as may be approved by the Tribunals.
   c. With effect from the Appointed Date and upon the Scheme becoming effective, the entire Undertaking (as defined in the Scheme) of the Transferor Company shall stand transferred to and vested in and/ or be deemed to have been and stand transferred to and vested in the Company to become the Undertaking of the Company, in the manner provided for in the Scheme, in accordance with Sections 230 to 232 of the Act, and other applicable laws.
d. The entire paid-up share capital of the Transferor Company including the shares held by the Transferee Company in the Transferor Company shall stand cancelled in its entirety without any further act or deed.

e. Allotment of Equity shares of the Transferee Company to the shareholders of the Transferor Company (other than the Transferee Company) in accordance with the Share Exchange Ratio, as set out in valuation report. No shares shall be issued and allotted by the Transferee Company in respect of the shares held by the Company itself in the Transferor Company.

f. Transfer of the authorized share capital of the Transferor Company to the Company and consequential increase in the authorized share capital of the Company as provided in the Scheme.

g. The Transferor Company shall stand dissolved without being wound up.

5. The effectiveness of the Scheme is conditional upon fulfilment of the 'Conditions Precedent to effectiveness' as specified in the Scheme ("said conditions"), which include:

(i) pursuant to the provisions of the Competition Act, 2002 (including any statutory modification or re-enactment thereof) and the rules and regulations thereunder, the first of the CCI (or any appellate authority in India having appropriate jurisdiction) having, by the Long Stop Date, either:
   (a) granted approval to the Scheme; or
   (b) been deemed to have granted approval to the Scheme through the expiration of time periods available for their investigation

(ii) acquisition of 51% (fifty-one percent) of the Expanded Share Capital (as defined in the Scheme) of the Transferor Company by the Transferee Company, pursuant to the open offer by the Transferee Company and the underlying transactions thereto, on or prior to the Long Stop Date.

(iii) the Stock Exchanges having issued their observation/ no-objection letters as required under the SEBI LODR Regulations read with the SEBI Scheme Circular and the SEBI Scheme Circular – Debt;

(iv) the Scheme being approved by the respective requisite majorities of the various classes of members (passed through postal ballot/ e-voting, as applicable) and creditors (where applicable) of the Transferor Company and the Transferee Company, as required under the Act and the SEBI Scheme Circular, subject to any dispensation that may be granted by the Tribunals;
2. Need for the Scheme and Synergies of business of the entities involved in the Scheme

(i) Strengthening of organizational capabilities around operational and financial areas, driving scale benefits through leveraging resources;

(ii) Enabling coverage of complementary markets and consumer segments in line with focused strategy of building a comprehensive apparel portfolio; entering newer markets and driving penetration;

(iii) Creating revenue synergies through sharing of consumer understanding, market insights, channel models to ensure faster go to market and achieve faster growth with fewer resources;

(iv) Driving synergy benefits around back-end such as procurement, logistics, supply chain, technology operations and shared services; driving optimal utilization of resources and building centres of excellence for a larger company;

(v) Enhancing organizational capabilities arising from pooling of talent and human capital with diverse skill sets and experience in areas such as design, sourcing and consumer insights, providing strength to operate strongly in a highly fragmented market;

(vi) Enabling more coordinated and comprehensive business management with clear focus on driving common goals around building best quality products, wide distribution, efficient operations, brand building; allowing for more efficient allocation of capital and resources for growth;

(vii) Driving channel efficiencies by providing opportunity to cross-sell products across markets;

(viii) Post Scheme, Transferee Company to become a platform for building category-led business and be better placed to adequately finance the growth prospects of the business;

(ix) Driving cost synergies and reducing overlaps between businesses.
3. **Scheme not detrimental to the shareholders of the Company**

The Committee discussed the rationale, salient features and expected benefits of the Scheme. The Committee noted that on account of the aforesaid, the proposed Scheme is in the interest of the shareholders of the Company and is not detrimental to the shareholders of the Company.

4. **Recommendation of the Independent Directors**

In view of the above and after taking into consideration the Valuation Report and the Fairness Opinions, terms and conditions of the Scheme, and its impact on the shareholders, the Committee of Independent Directors is of view that Scheme is not detrimental to the interest of the shareholders and having considered and noted the above, unanimously recommends the Scheme to the Board, in its present form for favorable consideration by the Board, Stock Exchanges, National Company Law Tribunal, SEBI and such other regulatory authorities, as may be applicable.

For and on behalf of the Independent Directors of

**Aditya Birla Fashion and Retail Limited**

Sunirmal Talukdar
Independent Director
DIN: 00920608

Date: May 5, 2023
Place: Delhi