

REPORT OF THE BOARD OF DIRECTORS OF FSN DISTRIBUTION LIMITED EXPLAINING THE EFFECT OF THE DRAFT SCHEME OF ARRANGEMENT BETWEEN FSN DISTRIBUTION LIMITED AND NYKAA E-RETAIL LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS.

1. Background

- 1.1. The Board of Directors of FSN Distribution Limited (“**Board**”) at its meeting held on February 1, 2024 have approved the Scheme of Arrangement between FSN Distribution Limited (“**Demerged Company**” or “**Company**”) and Nykaa E-Retail Limited (“**Resulting Company**”) and their respective shareholders and creditors (“**Scheme**”) under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (“**Act**”).
- 1.2. Pursuant to Section 232(2)(c) of the Act, the Board of the Company is required to adopt a report explaining the effect of the arrangement on each class of shareholders, key managerial personnel (“**KMPs**”), promoters and non-promoter shareholders of the Company laying out in particular the share entitlement ratio and specifying any special valuation difficulties and the same is required to be circulated as part of the notice of the meeting(s) to be held for the purpose of approving the Scheme.
- 1.3. This report of the Board is accordingly being made in pursuance to the requirements of Section 232(2)(c) of the Act.
- 1.4. Under the Scheme, it is proposed to demerge, transfer and vest the Demerged Undertaking (*as defined in the Scheme*) from the Company into the Resulting Company on a *going concern* basis and the Resulting Company shall issue, in the form of shares, consideration thereof, to the shareholders of the Company.
- 1.5. The following documents were, *inter alia*, placed before the Board:
 - (a) Draft Scheme; and
 - (b) Share Entitlement Ratio Report dated February 1, 2024 issued by Samarth Valuation Advisory LLP, Registered Valuer having Registration No. IBBI/RV-E/06/2021/157, (“**Share Entitlement Ratio Report**”).

2. Share Entitlement Ratio Report | Share Entitlement Ratio

- 2.1. The share entitlement ratio for issue of consideration pursuant to the Scheme is as follows:

*1 (One) fully paid up equity share of INR 10 (Indian Rupees Ten only) each of the Resulting Company (“**Resulting Company New Equity Shares**”), credited as fully paid up, for every 1 (One) equity share of INR 10 (Indian Rupees Ten only) each of the Demerged Company.*

The Share Entitlement Ratio Report has been duly considered by the Board, and the Board has come to the conclusion that the share entitlement ratio specified in the Scheme is fair and reasonable.

- 2.2. The Resulting Company New Equity Shares shall be subject to the provisions of the memorandum of association and articles of association of the Resulting Company, as the case may be, and shall rank *pari passu* in all respects with any existing equity shares of Resulting

Company, as the case may be, after the Effective Date (*as defined in the Scheme*) including with respect to dividend, bonus, right shares, voting rights and other corporate benefits attached to the equity shares of the Resulting Company.

2.3. No special valuation difficulties were reported.

3. Effect of the Scheme on the equity shareholders (promoter and non-promoter) of the Company

In consideration for the transfer and vesting of the Demerged Undertaking of the Company to the Resulting Company, all the equity shareholders (promoter and non-promoter) of the Company, as on the Effective Date (*as defined in the Scheme*) shall receive equity shares of the Resulting Company in the same proportion as their holding in the Company.

4. Effect of the Scheme on the KMPs of the Company

None of the KMPs of the Company have any interest in the Scheme except to the extent of the equity shares held by them, if any, in the Company. There shall be no effect of the Scheme on KMPs of the Company.

In the opinion of the Board, Scheme will be of advantage and beneficial to the Company, its shareholders and other stakeholders.

By Order of the Board of Directors

For and on Behalf of **FSN DISTRIBUTION LIMITED**



Name: Vishal Gupta
Designation: Director
DIN: 10048743

