

Determination of Share Entitlement Ratio
for the proposed demerger
of
e-B2B Business Undertaking
of
FSN Distribution Limited
(“the Demerged Company”)
and
Nykaa E-Retail Limited
(“the Resulting Company”)

Report Date: February 01, 2024

Table of Contents

Section	Page
I. Scope & Purpose	3
II. Background of the Companies	5
III. Valuation Date	6
IV. Sources of Information	6
V. Assumptions & Limitations	8
VI. Distribution of Report	10
VII. Valuation Approach	11
VIII. Basis for Fair Share Entitlement Ratio	12



STRICTLY PRIVATE AND CONFIDENTIAL

Date: February 01, 2024

**The Board of Directors
FSN Distribution Limited**

104, Vasan Udyog Bhavan,
Sun Mill Compound, Tulsi Pipe Road,
Lower Parel, Mumbai, Maharashtra, - 400013

**The Board of Directors
Nykaa E-Retail Limited**

104, Vasan Udyog Bhavan,
S Bapat Road, Lower Parel,
Mumbai, Maharashtra – 400013

Sub: Recommendation of fair share entitlement ratio for the proposed demerger of e-B2B Business Undertaking of FSN Distribution Limited ("the Demerged Company") into Nykaa E-Retail Limited ("the Resulting Company") and their respective shareholders and creditors ("Scheme")

Dear Madam / Sirs,

We refer to our formal engagement letter dated January 27, 2024 and various discussions that we had and the information that we have received from the management and key executives of **FSN Distribution Limited** (hereinafter referred to as "**the Demerged Company**") and **Nykaa E-Retail Limited** (hereinafter referred to as "**the Resulting Company**"), wherein the management of the above companies (the "Management") have requested Samarth Valuation Advisory LLP, Registered Valuer, registered with Insolvency and Bankruptcy Board of India to recommend fair share entitlement ratio for the proposed demerger, transfer and vesting of the e-B2B Business Undertaking of the Demerged Company ("**Demerged Undertaking**"), from the Demerged Company into the Resulting Company.

Part B of the proposed Scheme of Arrangement (the "Scheme") contemplates demerger, transfer and vesting of the Demerged Undertaking from the Demerged Company into the Resulting Company.

The Demerged Company and the Resulting Company together are referred to as "**Specified Companies**".

SCOPE AND PURPOSE

We understand that the management of Specified Companies is proposing demerger, transfer and vesting of the e-B2B Business Undertaking of the Demerged Company, from the Demerged Company into the Resulting Company, on a going concern basis, with effect from the proposed appointed date of April 01, 2024, as per the Scheme, under the provisions of sections 230 to 232 of Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 (including any statutory modifications, re-enactment, or amendments thereof).

The effective date/ record date ("Record Date") shall be the date on which the certified copy of order of the Hon'ble National Company Law Tribunal ('NCLT') sanctioning the Scheme has been filed with the Registrar of Companies by respective Specified Companies.

The share entitlement ratio for the report refers to the number of equity shares of face value of INR 10 each of the Resulting Company which would be issued to the shareholders of the Demerged Company as consideration.

For the aforesaid purpose, the Specified Companies have appointed Samarth Valuation Advisory LLP, Registered Valuer, registered with Insolvency and Bankruptcy Board of India (hereinafter referred to as 'valuer' or 'we' or



‘us’) to provide an opinion on the fair share entitlement ratio to the Management and stakeholders of the Specified Companies and for submitting the same to the NCLT in relation to the Scheme and for no other purpose.

This report and the information contained herein are absolutely confidential. It is intended for sole use and information of the Specified Companies, and for the purpose of demerger of e-B2B Business Undertaking of the Demerged Company to the Resulting Company and to the fullest extent permitted by law, we accept no responsibility or liability to any other party, in connection with this report. We understand that the Specified Companies are required to share this report with its regulatory consultants and submit this report to regulatory authorities like NCLT. We hereby consent to such disclosure on the basis that we owe responsibility to only the Specified Companies that has engaged us and no other person; and that, to the fullest extent permitted by law, we accept no responsibility or liability to the shareholders of the Specified Companies or any other party, in connection with this report.

The results of our valuation and our report will not be permitted to be used or relied by the Specified Companies for any other purpose or any other party for any purpose whatsoever, except stated above. We are not responsible to any other person / party for any decision of such person / party based on our report. It is hereby notified that reproduction, copying or otherwise quoting of our report or any part thereof, except for the purpose as set out earlier in this report, is not permitted.

During the course of this engagement, we have provided draft copies of this Valuation Report to the Management for comment on factual accuracy of the contents of our report. Management has confirmed that they have reviewed the report in detail and have also confirmed to us the factual accuracy of contents in report. It may kindly be noted that the current report being issued and signed by us represents the final assessment and supersedes all draft versions that may have been shared by us in the past.

We have obtained representation letter from the Management confirming that it has provided us with all the relevant information, knowledge, and confirmations completely and correctly and that there has been no significant change in business operations since the date of valuation until the date of report, that could have any impact on the valuation exercise.

We understand from the draft scheme, that the Appointed Date is April 01, 2024. We have considered information up to February 01, 2024 in our analysis and made adjustments for facts made known (past or future) to us till the date of our report, including taking into consideration current market parameters, which will have a bearing on the analysis while providing an opinion on the fair share entitlement ratio for the proposed demerger.

We have been informed that:

1. Till the proposed demerger becomes effective, none of the Specified Companies or undertakings would declare any substantial dividends having materially different yields as compared to past few years.
2. There are no unusual/abnormal events in the e-B2B Business Undertaking of the Demerger Company since the last audited accounts till the Report date materially impacting their operating/financial performance.

This Report is our deliverable in respect of our recommendation of the fair share entitlement ratio for the proposed demerger.

This Report is subject to the scope, assumptions, qualifications, exclusions, limitations, and disclaimers detailed hereinafter. As such, the Report is to be read in totality and not in parts.



BACKGROUND OF THE COMPANIES:

FSN Distribution Limited:

FSN Distribution Limited (“the Demerged Company”) is engaged in the business of selling beauty, hygiene and wellness products through its distribution network to the wholesalers and retailers using online and offline channels of sales. The equity shares of the Demerged Company are not listed on any stock exchanges. The Demerged Company is a wholly owned subsidiary of FSN E-Commerce Ventures Limited.

Capital Structure of the Demerged Company as on the Valuation Date:

Particulars	Amount (In INR)
Authorized Share Capital	
1,50,000 equity shares of INR 10 each fully paid up	15,00,000
Total	15,00,000
Issued, subscribed and paid-up share capital	
10,000 equity shares of INR 10 each fully paid up	1,00,000
Total	1,00,000

As of February 01, 2024, the paid-up equity share capital of the Demerged Company was INR 0.10 million consisting of 10,000 equity shares of face value of INR 10/- each fully paid up, which we have considered for the purpose of analysis for determining the share entitlement ratio.

The details of equity shareholders of the Demerged Company as on February 01, 2024 is as under:

Name of Shareholder	No. of Shares	% Shareholding
FSN E-Commerce Ventures Limited	10,000	100.00%

Nykaa E-Retail Limited:

Nykaa E-Retail Limited (“the Resulting Company”) is engaged in the business of selling beauty, hygiene and wellness products through online channels i.e. through its online platforms or websites and other online applications as well as through offline channels i.e. stores, stalls, etc. The equity shares of the Resulting Company are not listed on any stock exchanges. The Resulting Company is a wholly owned subsidiary of FSN E-Commerce Ventures Limited.

Capital Structure of the Resulting Company, as on the Valuation Date:

Particulars	Amount (In Rs.)
Authorized share capital	
1,20,00,000 equity shares of INR 10 each fully paid up	12,00,00,000
Total	12,00,00,000
Issued, subscribed and paid-up share capital	
95,10,000 equity shares of INR 10 each fully paid up	9,51,00,000
Total	9,51,00,000

As of February 01, 2024, the paid-up equity share capital of the Resulting Company was INR 95.10 million consisting of 95,10,000 equity shares of face value of INR 10/- each fully paid up, which we have considered for the purpose of analysis for determining the share entitlement ratio.

The details of equity shareholders of the Resulting Company as on February 01, 2024 is as under:

Name of Shareholder	No. of Shares	% Shareholding
FSN E-Commerce Ventures Limited	95,10,000	100.00%



Valuation Standards

Our valuation methodologies and approaches are in conformity with Valuation Standard issued by the ICAI. The Valuation Standards issued by ICAI set out concepts, principles and procedures which are generally accepted internationally having regard to legal framework and practices prevalent in India.

Valuation Base and Premise of Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

Going concern value is the value of a business enterprise that is expected to continue to operate in the future.

Valuation Date:

Based on the understanding obtained from the Management, that the ultimate beneficial owner of the Resulting Company and the Demerged Company is the same, as on the Record Date, we have not performed valuation assessment. The Valuation Date for the above exercise has been mutually agreed upon as February 01, 2024.

Date of Appointment

We have been formally appointed vide engagement letter dated January 27, 2024. We understand our appointment would be confirmed/ratified by board of directors of Specified Companies in their meeting.

Appointed Date

We understand from the draft scheme, that the Appointed Date for the purposes of this Scheme is April 01, 2024.

Sources of Information:

In connection with the exercise, we have received the following information from the management of Specified Companies:

- Unaudited financial statements of the Specified Companies for period ended December 31, 2023.
- Business profile and information of current business operations of Specified Companies.
- Shareholding pattern of the Specified Companies, as on the Valuation Date.
- Draft Scheme of Arrangement.
- Management Representation Letter addressed to us.
- Such other information and explanations as were required by us and were furnished by the management of Specified Companies.

During the discussions with the management of Specified Companies, we have also obtained explanations and information considered reasonably necessary for our exercise. The management of Specified Companies has been provided with the opportunity to review the draft Report as a part of our standard practice to make sure that factual inaccuracy/omissions are avoided in our Report.



Identity of Valuer and disclosure of Interest or Conflict

Name: Samarth Valuation Advisory LLP

Address: 51/4, Primrose Street, Vatika City, Gurugram, Haryana – 122018

IBBI Registered valuer registration no.: IBBI/RV-E/06/2021/157

IBBI Assets class registration: Securities and Financial Assets

Partner: Romesh Vijay, Registered Valuer: Securities or Financial Assets

IBBI Registration No.: IBBI/RV/06/2019/11008

ICAI RVO Membership No. 00575/2018-19

ICAI Membership no.: 411274

Romesh has 14+ year of professional experience in Business Valuation and Corporate Finance and Assurance Services. He is also partner with Jain Jindal & Co., Chartered Accountants. He has undertaken valuation for large Indian Corporates including multiple listed companies, Multinational Companies and start-up's including multiple unicorns for regulatory, transaction and accounting purposes.

He is qualified as a rank holder Chartered Accountant in 2008. and started his career with S.R Batlibioi & Associates (member firm of Ernst & Young).

We are an independent valuer and am not affiliated to the company being valued in any manner whatsoever. We don't have a present or prospective interest in the property that is the subject of this report, and we have no (or the specified) personal interest with respect to the parties involved.

We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

Inspection / Investigation Undertaken

- ✓ We have enquired and understand historic financial statements and understood the business of the Specified Companies and key factors affecting business.
- ✓ Conducting enquiry and discussions of information received from the Management.
- ✓ We have understood the rational of Scheme and proposed share entitlement ratio.

Procedures adopted while arriving at the share entitlement ratio

- ✓ Requested and received financial and qualitative information
- ✓ Obtained data available in public domain
- ✓ Discussed (physical / over call) with management:
 - Details of Scheme, understanding the business fundamental factors that affects its earning generating capacity including strengths, weakness opportunity and threats and historic financial performance



SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

This 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 and in the context of the purpose for which it is made. Further, our report on the recommendation of a share entitlement report is in accordance with ICAI Valuation Standards 2018.

Valuation is not a precise science and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While we have provided an assessment of value by applying certain formulae which are based on the information available, others may place a different value.

This report has been prepared for Board of Directors of the Specified Companies solely for the purpose of recommending a fair share entitlement ratio for the proposed demerger.

The Management has represented that the Demerged Undertaking / the Demerged Company have clear and valid title of assets. No investigation on the Demerged Undertaking / the Demerged Company's claim 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.

The draft of the present report was circulated to the Management for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.

For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Specified Companies management, lies with the Management. Also, with respect to explanations and information sought from the Specified Companies, we have been confirmed by the Management that they have not omitted any relevant and material factors about the Demerged Undertaking. The Management has indicated to us that they have understood that any omissions, inaccuracies, or misstatements by the Management may materially affect our analysis/conclusions.

Our work does not constitute an audit, due diligence or certification of these information referred to in this report including information sourced from public domain. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any information referred to in this report and consequential impact on the present exercise. However, nothing has come to our attention to indicate that the information provided/obtained was materially misstated/incorrect or would not afford reasonable grounds upon which to base the report.

Valuation analysis and results are specific to the purpose of valuation and the Valuation Date mentioned in the report as agreed with the Management.

A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Demerged Undertaking and any other matter, which may have an impact on our opinion, on the fair value of Demerged Undertaking including any significant changes that have taken place or are likely to take place in the financial position of the Demerged Undertaking. Events and transactions occurring after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.



The fee for the engagement and this report is not contingent upon the results reported. We have no present or contemplated financial interest in any of the Companies.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information till the date of this report, furnished by the Specified Companies (or its representatives) and the said recommendation(s) shall be considered to be in the nature of nonbinding advice. Any person/ party intending to provide finance/ invest in the shares/ businesses of the Demerged Company/ their holding companies/ subsidiaries/ joint ventures/ associates/ investee/ group companies, if any, 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. If any person/ party (other than the Specified Companies) chooses to place reliance upon any matters included in the report, they shall do so at their own risk and without recourse to us.

This report does not look into the business/ commercial reasons behind the proposed Scheme nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the demerger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

Neither the report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement, or other agreement or document given to the third parties other than in connection with the proposed Scheme, without our prior written consent except for disclosures to be made to relevant regulatory/statutory authorities.

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

The decision to implement the Scheme (including issue of consideration thereunder) lies entirely with the Management and our work, and our finding shall not constitute a recommendation as to whether or not the Management should implement the Scheme.

This report is meant for the purpose mentioned in earlier only and should not be used for any purpose other than the purpose mentioned therein. It is exclusively for the use of the Specified Companies and for submission to any regulatory/statutory authority/ NCLT as may be required under any law. This report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom the Report is disclosed or otherwise made available.

We do not make any representation or warranty, express or implied, as to the accuracy, reasonableness, or completeness of the information, based on which the analysis for arriving at the share entitlement ratio is carried out. All such parties expressly disclaim any and all liability for/or based on or relating to any such information contained in the report.

We have also assumed that the business will be operated prudently and that there are no unforeseen adverse changes in the economic conditions affecting the business, the market, or the industry. This report presumes that the management of the Company will maintain the character and integrity of the Company through any sale, reorganization or reduction of any owner's/manager's participation in the existing activities of the Company.



This report, its contents, and the analysis herein are specific to (i) the purpose of providing an opinion on the fair share entitlement ratio of the Specified Companies agreed as per the terms of our engagement, (ii) the Valuation Date and (iii) are based on the shareholding pattern of the Demerged Company and the Resulting Company, as of February 01, 2024. The management of the Specified Companies have represented that the business activities of the Demerged Undertaking have been carried out in the normal and ordinary course between February 01, 2024 and the report date and that no material changes have occurred in their respective operations and financial position between February 01, 2024 and the report date.

DISTRIBUTION OF REPORT

Our report is issued for limited purposes of determination of share entitlement ratio and should not be used for any other purposes. We understand that the Specified Companies are required to submit this report to regulatory authorities, NCLT and their respective shareholders. We hereby consent to such disclosure of this report to the regulatory authorities, NCLT, legal/ regulatory consultants and their respective shareholders. To the fullest extent permitted by law, we accept no responsibility or liability to any other party except Specified Companies, in connection with this Report.

It should not be used, reproduced, or circulated to any other person other than to the statutory bodies or for any purpose other than as mentioned above, in whole or in part, without the prior written consent of us. Such consent will only be given after full consideration of the circumstances at the time.

The report does not form part of any offer or invitation to any section of public to subscribe for or purchase equity shares or assets or liabilities of the Specified Companies or lend money to the Specified Companies with or without security or lend money against the security of equity shares of the Specified Companies.



-----*(This space has been intentionally left blank)*-----

Approach – Share Entitlement Ratio for Proposed Demerger

The Scheme contemplates the proposed demerger, transfer and vesting of the Demerged Undertaking, from the Demerged Company into the Resulting Company under Sections 230 to 232 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013 and rules issued thereunder to the extent applicable.

As per Part II, Clause 7 of Scheme, as a consideration for the proposed demerger of e-B2B Business Undertaking, the Resulting Company will allot its equity shares of face value of Rs. 10/- each fully paid up to equity shareholders of the Demerged Company.

Specified companies are fellow subsidiaries and are wholly owned subsidiaries of FSN E-Commerce Ventures Limited. We understand from the Management that they do not foresee any change in the shareholding structure between the Valuation Date and the Appointed Date. Post Demerger, once the Scheme is implemented, the shareholders of the Demerged Company would also become shareholders of the Resulting Company, in same proportion as in the Demerged Company. As such, their equity shareholding percentage in the Resulting Company would mirror their equity shareholding in the Demerged Company, such that relative economic interest of the shareholders is same in both the companies. Therefore, no relative valuation is required to be undertaken for proposed demerger, accordingly we have not considered any valuation approach.

We understand that, pursuant to the Scheme, the Resulting Company shall take necessary steps to increase or alter or reclassify, if necessary, its authorized share capital suitable to enable it to issue and allot the shares required to be issued and allotted under this Scheme.

-----*(This space has been intentionally left blank)*-----



Basis of Fair Share Entitlement Ratio:

As per the Part II, Clause 7 of Scheme, the Specified companies are fellow subsidiaries and are wholly owned subsidiaries of FSN E-Commerce Ventures Limited. Once the Scheme is implemented, the shareholders of the Demerged Company would also become shareholders of the Resulting Company, in same proportion as in the Demerged Company. As such, their equity shareholding percentage in the Resulting Company would mirror their equity shareholding in the Demerged Company, such that relative economic interest of the shareholders is same in both the companies. Therefore, no relative valuation is required to be undertaken for proposed demerger, accordingly we have not considered any valuation approach.

On the basis of foregoing, any share entitlement ratio can be considered for above demerger as proportionate shareholding of any equity shareholder would not vary. As proposed by the Management and on consideration of all the relevant factors and circumstances as discussed and outlined herein above, the share entitlement ratio in event of demerger of the e-B2B Business Undertaking of the Demerged Company into the Resulting Company is proposed as follows:

“1 (one) fully paid-up equity shares of face value of Rs. 10 (Rupees Ten only) each of the Resulting Company for every 1 (one) fully paid-up equity shares of Rs. 10 (Rupees Ten Only) each held in the Demerged Company”

We believe that the above share entitlement ratio proposed by the Management is fair and reasonable considering that all the equity shareholder of the Demerged Company will upon demerger, be ultimate beneficial owner of the Resulting Company in the same ratio (inter-se) as they hold equity shares in the Demerged Company, as on the Valuation Date.

Our fair share entitlement ratio is based on the share capital structure of Specified Companies as mentioned earlier in this Report. Any variation in the share capital structure of the Specified Companies may have material impact on the fair share entitlement ratio.

Respectfully submitted,

For Samarth Valuation Advisory LLP

IBBI Registration no.: IBBI/RV-E/06/2021/157



Romesh Vijay

Partner

Registered Valuer: Securities or Financial Assets

IBBI Registration No.: IBBI/RV/06/2019/11008

ICAI RVO Membership No. 00575/2018-19

ICAI Membership no.: 411274

Date: February 01, 2024

Place: Gurugram

UDIN: 24411274BKCHXX4594