

S. R. Batliboi & Associates LLP

V. C. Shah & Co.

Chartered Accountants
12th Floor, The Ruby
29, Senapati Bapat Marg, Dadar (West)
Mumbai - 400028

Chartered Accountants
205-206, Regent Chambers,
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208, Nariman Point,
Mumbai - 400021

Independent Auditor's Report on compliance of the proposed accounting treatment under Section 232(6) of the Companies Act, 2013 with the accounting standards notified under Section 133 of the Companies Act, relevant rules thereunder and other generally accepted accounting principles in India

The Board of Directors
FSN Distribution Limited
104 Vasan Udyog Bhavan, Sun Mill Compound,
Tulsi Pipe Road, Lower Parel,
Mumbai, Maharashtra - 400013

1. This Report is issued in accordance with the terms of service scope letter dated April 18, 2024 and master engagement agreement dated May 22, 2023 of S. R. Batliboi & Associates LLP and separate engagement letter with V. C. Shah & Co. dated 10th May, 2024 with the FSN Distribution Limited (erstwhile known as 'FSN Distribution Private Limited') (hereinafter the 'Company or Demerged Company') for submission to National Company Law Tribunal (hereinafter the 'NCLT') and any other regulatory authorities in connection with the scheme of arrangement as mentioned in paragraph 2 below.
2. We, S.R. Batliboi & Associates LLP and V.C. Shah & Co, Chartered Accountants, are the Statutory Joint Auditors of the Company and have been requested by the management of the Company, to examine the proposed scheme of accounting given in clause 8.1 of Part II the attached draft scheme of arrangement dated February 01, 2024 (the 'Scheme' or 'Scheme of Arrangement') between the Company, Nykaa E-Retail Limited (erstwhile known as 'Nykaa E-Retail Private Limited') ('Resulting Company') and their respective shareholders and creditors, in terms of the provisions of sections 230 to 232 and all other applicable provisions of the Companies Act, 2013 (the 'Act'), for compliance with the applicable accounting standards prescribed under section 133 of the Companies Act, 2013, relevant rules thereunder and other generally accepted accounting principles in India (collectively referred to as 'applicable accounting standards'), read with General Circular No 09/2019 issued by the Ministry of Corporate Affairs dated August 21, 2019 ('MCA Circular'). The accounting treatment as prescribed in the Draft Scheme has been included in Annexure 1 to this Report which has been initialed by us for identification purposes only.

Management's Responsibility

3. The preparation of the Scheme is the responsibility of the Management of the Company including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Scheme and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
4. The management of the Company is also responsible for ensuring that the Company complies with the requirements of the Act, and for providing all relevant information to the NCLT and any other regulatory authority in connection with the Scheme.



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Auditors Responsibility

5. Pursuant to the requirements of Section 230 of the Companies Act, 2013 and Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, our responsibility is to provide reasonable assurance in the form of an opinion on whether the proposed accounting treatment specified in clause 8.1 of Part II the attached Scheme is in compliance with the applicable accounting standards read with MCA circular.
6. We audited the financial statements of the Company as of and for the financial year ended March 31, 2023, on which we issued an unmodified audit opinion vide our reports dated May 23, 2023. Our audits of these financial statements were conducted in accordance with the Standards on Auditing, as specified under Section 143(10) of the Companies Act, 2013 and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
7. We conducted our examination of the Annexure in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
8. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
9. Our scope of work did not involve us performing any audit tests in the context of our examination. We have not performed an audit, the objective of which would be to express an opinion on the specified elements, accounts or items thereof for the purpose of this report. Accordingly, we do not express such opinion. Further, our examination did not extend to any aspects of legal or propriety nature of the Scheme and other compliances thereof. Nothing contained in this report, nor anything said or done in the course of, or in connection with the services that are subject to this report, will extend any duty of care that we may have in our capacity of the statutory auditors of any financial statements of the Company.
10. A reasonable assurance engagement involves performing procedures to obtain sufficient appropriate evidence on the applicable criteria, mentioned in paragraph 5 above. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated with the applicable criteria. Accordingly, we have performed the following procedures in relation to the Scheme:
 - a. Obtained and read the draft Scheme and the proposed accounting treatment in respect of the Demerged Company specified in clause 8.1 of Part II the attached Scheme, as provided by the Company.
 - b. Obtained copy of resolution passed by the Board of Directors of the Company dated February 01, 2024, approving the draft Scheme.
 - c. Examined whether the proposed accounting treatment as per clause 8.1 of Part II the attached Scheme is in compliance with the Applicable Accounting Standards read with MCA circular.
 - d. Performed necessary inquiries with the management and obtained necessary representations from the management.



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Opinion

11. Based on our examination and according to the information and explanations given to us, read with paragraph 10 above, in our opinion, the proposed accounting as contained in the Annexure, is in compliance with Accounting Standards prescribed under section 133 of the Companies Act, 2013, relevant rules thereunder and other Generally Accepted Accounting Principles, read with MCA Circular.

Restriction on Use

12. This report has been issued at the request of the Company and is addressed to and provided to the Board of Directors of the Company solely for the purpose mentioned in paragraph 2 above and to be submitted to the NCLT and any other regulatory authority in connection with the Scheme and should not be used for any other person or purpose or distributed to anyone or referred to in any document without our prior written consent. Our examination relates to the matters specified in this report and does not extend to the Company as a whole. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI FRN: 101049W/E300004


per Nilangshu Katriar
Partner

Membership Number: 058814
UDIN: 24058814BKGSNY3175
Place of Signature: Mumbai
Date: May 16, 2024



For V. C. Shah & Co.
Chartered Accountants
ICAI FRN: 109818W



per A. N. Shah
Partner
Membership Number: 042649
UDIN: 24042649BKBFWO1471
Place of Signature: Mumbai
Date: May 16, 2024



18.4 In the event of revocation/ withdrawal of the Scheme under this Clause 18, no rights and liabilities whatsoever shall accrue to or be incurred inter se the Parties or their respective shareholders or creditors or employees or any other Person, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any right, liability or obligation which has arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or in accordance with Applicable Law and in such case, each Party shall bear its own costs, unless otherwise mutually agreed.

19. COSTS AND EXPENSES

All costs, charges and expenses (including, but not limited to, any taxes and duties, registration charges, etc.) of the Parties, respectively in relation to carrying out, implementing and completing the terms and provisions of this Scheme and/or incidental to the completion of this Scheme shall be paid by the Resulting Company.



Handwritten signature

