

**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  
Nykaa E-Retail Limited  
104 Vasan Udyog Bhavan Sun Mill Compound,  
Senapati Bapat Marg, Lower Parel,  
Mumbai, Maharashtra - 400013

1. This Report is issued in accordance with the terms of our service scope letter dated April 18, 2024 and master engagement agreement dated January 18, 2023 with the Nykaa E-Retail Limited (erstwhile known as 'Nykaa E-Retail Private Limited') (hereinafter the 'Company or Resulting 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, Chartered Accountants, are the Statutory Auditors of the Company and have been requested by the management of the Company, to examine the proposed scheme of accounting given in clause 8.2 of Part II the attached draft scheme of arrangement dated February 05, 2024 (the 'Scheme' or 'Scheme of Arrangement') between the Company, FSN Distribution Limited (erstwhile known as 'FSN Distribution Private Limited') ('Demerged 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.

**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 8.2 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 Resulting Company specified in clause 8.2 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 05, 2024, approving the draft Scheme.
  - c. Examined whether the proposed accounting treatment as per clause 8.2 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.



Page 3 of 3

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 Firm Registration Number: 101049W/E300004



per Nilangshu Katriar

Partner

Membership Number: 058814



UDIN: 24058814BKGSNX3477

Place of Signature: Mumbai

Date: May 16, 2024

**SCHEME OF ARRANGEMENT**

**BETWEEN**

**FSN DISTRIBUTION LIMITED  
("DEMERGED COMPANY")**

**AND**

**NYKAA E- RETAIL LIMITED  
("RESULTING COMPANY")**

**AND**

**THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

**UNDER SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013**

**(A) DESCRIPTION OF COMPANIES**

1. **FSN Distribution Limited ("Demerged Company")** is a company incorporated under the provisions of the Act (*as defined hereinafter*). 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.
2. **Nykaa E- Retail Limited ("Resulting Company")** is a company incorporated under the provisions of the Act. The Resulting Company is engaged in the business of selling beauty, hygiene and wellness products through online channels i.e. through it's online platforms or websites and other online applications. 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.

**(B) OVERVIEW OF THE SCHEME**

1. This Scheme (*as defined hereinafter*) is presented under Sections 230 to 232 and other applicable provisions of the Act read with Section 2(19AA) and other applicable provisions of the Income Tax Act (*as defined hereinafter*) and provides for the demerger, transfer and vesting of the Demerged Undertaking (*as defined hereinafter*) from the Demerged Company (*as defined hereinafter*) into the Resulting Company (*as defined hereinafter*) on a going concern basis.
2. This Scheme also provides for various other matters consequent and incidental thereto.

**(C) RATIONALE**

1. The demerger of the entire activities, business, operations and undertaking of the Demerged Company forming part of the e-B2B Business from the other businesses of the Demerged Company, pursuant to the Scheme, will enable the Demerged Company and the Resulting Company to concentrate its resources and managerial bandwidth entirely to such businesses which would enable focused strategy, better coordination and cohesiveness in their working



AB

ABR

and assist in standardization of its business processes.

2. The proposed restructuring pursuant to the Scheme is expected, *inter alia*, to result in following benefits:

- (i) consolidating similar businesses having similar risk and return profiles to enhance operational synergies
- (ii) effective utilization of warehouse and office spaces by consolidating businesses;
- (iii) onboarding brands in e-B2B business and giving access to new age consumer-first brands to Pan India market (including tier 2 & 3 cities);
- (iv) Optimization in technology and overhead costs;
- (v) effectively utilising cash flows of different businesses and limiting restrictions arising out of different terms of different lenders for different businesses;
- (vi) enabling focused growth strategy for each of the businesses for exploiting opportunities specific to each business;
- (vii) creating greater visibility on performance of each of the businesses; and
- (viii) enhancing operational efficiency.

3. The Scheme is in the best interests of the shareholders, employees and the creditors of each of the Parties.

#### **(D) PARTS OF THE SCHEME**

The Scheme is divided into the following parts:

1. **PART I** deals with the definitions, share capital of the Parties, date of taking effect and implementation of this Scheme;
2. **PART II** deals with the transfer and vesting of the Demerged Undertaking from the Demerged Company into the Resulting Company on a *going concern basis*; and
3. **PART III** deals with the general terms and conditions applicable to this Scheme.

### **PART I DEFINITIONS, SHARE CAPITAL OF THE PARTIES, DATE OF TAKING EFFECT AND IMPLEMENTATION OF THIS SCHEME**

#### **1. DEFINITIONS**

1.1 In this Scheme, (a) capitalised terms defined by inclusion in quotations and/or parenthesis shall have the meanings so ascribed; and (b) the following expressions shall have the meanings ascribed hereunder:

“Act” means the Companies Act, 2013;

*Handwritten initials/signature*



**“Applicable Law”** or **“Law”** means any applicable national, foreign, provincial, local or other law including applicable provisions of all (a) constitutions, decrees, treaties, statutes, laws (including the common law), codes, notifications, rules, regulations, policies, guidelines, circulars, directions, directives, ordinances or orders of any Appropriate Authority, statutory authority, court, Tribunal; (b) Permits; and (c) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any Appropriate Authority having jurisdiction over the Parties as may be in force from time to time;

**“Appointed Date”** means the opening business hours of 1 April 2024 or such other date as may be mutually agreed by the respective Board of the Parties or as may be directed by the Appropriate Authority;

**“Appropriate Authority”** means:

- (a) the government of any jurisdiction (including any national, state, municipal or local government or any political or administrative subdivision thereof) and any department, ministry, agency, instrumentality, court, tribunals, central bank, commission or other authority thereof;
- (b) any governmental, quasi-governmental or private body, self regulatory organisation, or agency lawfully exercising, or entitled to exercise, any administrative, executive, judicial, legislative, regulatory, licensing, competition, Tax, importing, exporting or other governmental or quasi-governmental authority including without limitation, clearing corporations, and the Tribunal.

**“Board”** in relation to the Parties, means the board of directors of such Party, and shall include a committee of directors or any person authorized by such board of directors or such committee of directors duly constituted and authorized for the matters pertaining to this Scheme or any other matter relating hereto;

**“Demerged Company”** means FSN Distribution Limited, a company incorporated under the provisions of the Act and having its corporate identity number U51909MH2021PLC364942 and registered office at 104, Vasan Udyog Bhavan, Sun Mill Compound, Tulsi Pipe Road, Lower Parel, Mumbai 400013, Maharashtra, India;

**“Demerged Undertaking”** shall mean entire activities, business, operations and undertaking of the Demerged Company forming part of the e-B2B Business which means and includes “Superstore by Nykaa” which is a tech led distribution business, focused on beauty and personal care products, as on the Appointed Date, and shall include (without limitation):

- (a) all the movable and immovable properties, tangible or intangible, including all computers and accessories, software, applications and related data, furniture and fixtures vehicles, stocks and inventory, leasehold assets and other properties, real, corporeal and incorporeal, in possession or reversion, present and contingent assets (whether tangible or intangible) of whatsoever nature, cash in hand, amounts lying in the banks, investments, escrow accounts, claims, powers, authorities, allotments, approvals, consents, letters of intent, registrations, contracts, engagements, arrangements, rights, credits, titles, interests, benefits, advantages, freehold/ leasehold rights, brands, sub-letting tenancy rights, rights as lessee, leave and license permissions, goodwill, customer relationships and other intangibles, licenses, approvals, Permits, authorisations, trademarks, trade names, patents, patent rights, copyrights, and other intellectual properties and rights of any nature whatsoever including know-how, websites, portals, domain names, or any applications for the



13

Page 3 of 19

above, assignments and grants in respect thereof, right to use and avail of telephones, telex, facsimile, email, internet, leased lines and other communication facilities, connections, installations and equipment, electricity and electronic and all other services of every kind, nature and description whatsoever, provisions, funds, and benefits (including all work-in progress), of all agreements, arrangements, deposits, advances, recoverable and receivables, whether from government, semi-government, local authorities or any other Person including customers, contractors or other counter parties, etc., all earnest monies and/ or deposits, privileges, liberties, easements, advantages, benefits, exemptions, licenses, privileges and approvals of whatsoever nature and wheresoever situated, belonging to or in the ownership, power or possession or control of or vested in or granted in favour of or enjoyed by the Demerged Company in relation to and pertaining to the e-B2B Business;

- (b) all receivables, loans and advances, including accrued interest thereon, all advance payments, reward points, earnest monies and/ or security deposits, payment against warrants, if any, or other entitlements of the Demerged Company in relation to and pertaining to the e-B2B Business;
- (c) all contracts, agreements, declarations, statements, purchase orders/ service orders, agreement with customers, purchase and other agreements with the supplier/ service providers, other arrangements, undertakings, deeds, bonds, schemes, insurance covers and claims and clearances and other instruments of whatsoever nature and description including all client registration forms/ KYC (know your customer) records/ POAs (power of attorney) issued by clients, client records, authorisations, client details, whether written, oral or otherwise and all rights, title, interests, claims and benefits thereunder pertaining to the e-B2B Business;
- (d) all other rights including sales tax deferrals and exemptions and other benefits, the input credit balances (including, State Goods & Service Tax ("SGST"), Integrated Goods and Services Tax ("IGST") and Central Goods and Service Tax ("CGST") credits) under the goods and service tax laws, CENVAT/ MODVAT credit balances under Central Excise Act, 1944, sales tax law, duty drawback claims, rebate receivables, refund and advance, all customs duty benefits and exemptions, export and import incentives and benefits or any other benefits/ incentives/ exemptions given under any policy announcements issued or promulgated by the government of India or state government or any other government body or authority or any other like benefits under any statute) receivables, and liabilities related thereto, licenses, powers and facilities of every kind, nature and description whatsoever provisions and benefits of all agreements, contracts and arrangements and all other interests in connection with or relating to the e-B2B Business, whether or not so recorded in the books of the Demerged Company;
- (e) all Tax credits, refunds, reimbursements, claims, concessions, exemptions, benefits under Tax Laws including minimum alternate tax paid under section 115JA/ 115JB of the Income Tax Act, advance taxes, tax deducted at source, right to carry forward and set-off accumulated losses and unabsorbed depreciation, if any, deferred tax assets, minimum alternate tax credit, goods and service tax credit, deductions and benefits under the Income Tax Act or any other Taxation statute enjoyed by the Demerged Company pertaining to the e-B2B Business;
- (f) all liabilities until the Scheme becoming effective, corporate guarantees issued and the contingent liabilities pertaining or relatable to the e-B2B Business ("**Demerged Undertaking Liabilities**"), namely:



PS ABB

- a. the debts of the Demerged Company which arises out of the activities or operations of the e-B2B Business;
  - b. specific loans and borrowings raised, incurred and utilised by the Demerged Company for the activities or operations of or pertaining to the e-B2B Business; and
  - c. general or multipurpose borrowings, if any, of the Demerged Company will be apportioned basis the proportion of the value of the assets transferred as part of e-B2B Business to the total value of the assets of the Demerged Company immediately prior to the Appointed Date.
- (g) all Permits, licences, approvals, registrations, powers, authorities, allotments, consents, rights, benefits, advantages, municipal permissions, trademarks, designs, copyrights, patents and other intellectual property rights of the Demerged Company pertaining to its e-B2B Business , whether registered or unregistered and powers of every kind, nature and description whatsoever, whether from the government bodies or otherwise, pertaining to or relating to the e-B2B Business;
  - (h) any and all memberships and registrations of the Demerged Company in relation to and pertaining to the e-B2B Business;
  - (i) entire experience, credentials, past record and market share of the Demerged Company pertaining to the e-B2B Business;
  - (j) all books, records, files, papers, records of standard operating procedures, computer programs along with their licenses, drawings, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information and other records whether in physical or electronic form, pertaining to the e-B2B Business of the Demerged Company; and
  - (k) all employees of the Demerged Company engaged in the e-B2B Business.

Any question that may arise as to whether a specific asset (tangible or intangible) or liability or employee pertains or does not pertain to the Demerged Undertaking shall be decided mutually by the Boards of the Demerged Company and Resulting Company.

**"e-B2B Business"** means and includes "Superstore by Nykaa" which is a tech led distribution business, focused on beauty and personal care products.

**"Effective Date"** means the opening hours of the first day of the month immediately succeeding the month in which the Tribunal sanctions the Scheme. Reference in this Scheme to the date of **"coming into effect of this Scheme"** or **"effectiveness of this Scheme"** or **"effect of this Scheme"** or **"upon the Scheme becoming effective"** shall mean the Effective Date;

**"Encumbrance"** means (a) any charge, lien (statutory or other), or mortgage, any easement, encroachment, right of way, right of first refusal or other encumbrance or security interest securing any obligation of any Person; (b) pre-emption right, option, right to acquire, right to set off or other third party right or claim of any kind, including any restriction on use, voting, transfer, receipt of income or exercise; or (c) any hypothecation, title retention, restriction, power of sale or other preferential arrangement; or (d) any agreement to create any of the above; and the term **"Encumber"** shall be construed accordingly;

pb

ABS

