



**REPORT OF THE AUDIT COMMITTEE OF THE COMPANY RECOMMENDING THE DRAFT  
SCHEME OF AMALGAMATION OF SHASUN PHARMACEUTICALS LIMITED WITH THE  
COMPANY**

**Members Present**

- |    |                   |                              |
|----|-------------------|------------------------------|
| 1. | Mr. P.M. Thampi   | Chairman for the meeting     |
| 2. | Mr. Deepak Vaidya |                              |
| 3. | Mr. M R Umarji    |                              |
| 4. | Mr. Bharat Shah   |                              |
| 5. | Mr. A.K Nair      |                              |
| 6. | Mr. Mukul Sarkar  |                              |
| 7. | Ms. Sangita Reddy |                              |
| 8. | Mr. S Sridhar     | present through over telecon |

**By invitation**

- |     |                     |                         |
|-----|---------------------|-------------------------|
| 9.  | Mr. Arun Kumar      | Managing Director       |
| 10. | Mr. Badree Komandur | CFO & Company Secretary |

**1. Background**

The proposal to amalgamate Shasun Pharmaceuticals Limited (hereinafter referred to as the "Transferor Company") with the Company was placed before and considered by the Audit Committee at its meeting held on September 29, 2014 at 11.00 am at Ritz Carlton, Bangalore. The said proposal would involve the transfer of the entire undertaking of the Transferor Company by way of merger into the Company in consideration for which the Company would issue equity shares to the shareholders of the Transferor Company, based on a ratio approved by the Boards of Directors of both the companies. The amalgamation proposal is to be implemented in terms of a scheme of amalgamation under the provisions of Sections 391-394 and other relevant provisions of the Companies Act, 1956 and the Companies Act, 2013 as applicable. Upon effectiveness of the amalgamation, the Transferor Company would stand dissolved without winding up.

The draft Scheme of Amalgamation ("Draft Scheme of Amalgamation" or "Scheme") for the aforesaid amalgamation was placed before the Audit Committee for its consideration and recommendation to the Board in terms of SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 as amended by SEBI Circular No. CIR/CFD/ DIL/8/2013 dated May 21, 2013.

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## 2. Report

This Report of the Audit Committee is being issued to comply with the requirements of SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 as amended by SEBI Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013.

The Audit Committee of the Board of Directors of the Company has discussed and has made this report after perusing the following documents:

- (i) The Draft Scheme of Amalgamation
- (ii) The valuation report on the fair exchange ratio dated September 29, 2014 issued by Price Waterhouse & Co. LLP jointly with S.R. Batliboi & Co. LLP, which includes the share exchange ratio; and
- (iii) The fairness opinion report dated September 29, 2014 issued by Jefferies India Private Limited.

A presentation was also made to the Audit Committee setting out the rationale and benefits of the proposed amalgamation, how the combined entity would be structured and the key financial indicators. The Audit Committee noted the various benefits of the proposed Amalgamation as placed before it.

The salient features of the Scheme as presented to the Audit Committee are:

- (i) Appointed date for the amalgamation: The opening of business on April 1, 2015 or such other date as may be agreed between the Company and the Transferor Company and approved by the High Court;
- (ii) Effective date for the amalgamation ("Effective Date"): 7 days from the last of the dates on which the conditions for effectiveness of the Scheme as set out thereunder have been fulfilled or waived;
- (iii) All shareholders of the Transferor Company will receive shares of the Company as per the swap ratio recommended by the valuer;
- (iv) The warrant holders in the Transferor Company will receive one warrant in the Company for every warrant held by them in the Transferor Company and the number of equity shares of the Company into which such warrants can be converted upon exercise shall be determined in accordance with the swap ratio recommended by the valuer;
- (v) From the date of this meeting, i.e., September 29, 2014, the Company is required to carry on its business and activities with reasonable diligence and business prudence and will not be permitted to undertake any financial commitments, make any investments, incur any liabilities, take any material decisions, enter into any agreement, or acquire or dispose of any assets except as expressly permitted under the Scheme.



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- (vi) The Company will be permitted to declare dividend of up to a maximum of Rs. 150 per share. Apart from this, the Company will be permitted to declare or pay dividends, whether interim or final, on dates and in amounts consistent with past practice and not exceeding 10% of the previous year's consolidated net profit;
- (vii) Upon effectiveness of the Scheme, the Transferor Company will stand dissolved without winding-up;
- (viii) The Scheme is subject to various approvals, including from the shareholders (being a majority of the public shareholders as defined under the Securities Contracts (Regulation) Rules, 1957 and the promoters not being permitted to vote) and creditors of the Company, the High Court of Bombay and the High Court of Madras, the Stock Exchanges, SEBI, the Competition Commission of India, Foreign Investment Promotion Board of India, and the Reserve Bank of India; and
- (ix) If the conditions for the Scheme to become effective have not been satisfied on or before September 30, 2015 or such other date as mutually agreed by the Company and the Transferor Company, either the Company or the Transferor Company can choose to withdraw the Scheme.

The sealed envelope handed over by Price Waterhouse & Co. LLP, the valuer appointed by the Company, containing a copy of the valuation report was then un-sealed and the share exchange ratio was read out to the Committee. Price Waterhouse & Co. LLP then made a presentation to the Audit Committee explaining the methodology adopted by them in arriving at the share exchange ratio. Price Waterhouse & Co. LLP and S.R. Batliboi & Co. LLP, who is the valuer for the Transferor Company, recommended that 5 (five) equity shares of Rs. 10/- each of the Company be allotted for every 16 (sixteen) equity shares of Rs. 2/- each held by the shareholders of the Transferor Company.

Thereafter, Jefferies India Private Limited, the merchant banker for the Company, made a presentation and confirmed that in their opinion, the Share Exchange Ratio is fair, from a financial point of view, to the equity shareholders (other than the Company Promoter Group) of the Company.

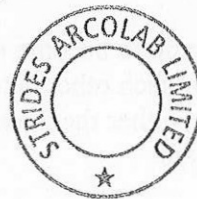
The Chairman also placed before the Audit Committee the auditors' certificate to the effect that the accounting treatment contained in the Draft Scheme of Amalgamation is in compliance with all the Accounting Standards specified by the Central Government.



**3. Recommendation of the Audit Committee**

The Audit Committee has considered and noted the aforementioned documents, presentations made by Price Waterhouse & Co. LLP, S.R. Batliboi & Co LLP and Jefferies India Private Limited and the Draft Scheme of Amalgamation, and recommends the Draft Scheme of Amalgamation to the Board of Directors.

Date: 29 September 2014  
Place: Bangalore



*P M Thampi*

**P M Thampi  
Chairman**

