

REPORT OF THE AUDIT COMMITTEE OF ALEMBIC LIMITED RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT BETWEEN ALEMBIC LIMITED, SHRENO LIMITED AND NIRAYU PRIVATE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS

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Members Present:

- | | | |
|---------------------|---|----------|
| 1. Mr. C. P. Buch | - | Chairman |
| 2. Mr. R. C. Saxena | - | Member |

In Attendance:

- | | | |
|-----------------------|---|-------------------|
| 1. Mr. Rasesh Shah | - | CFO |
| 2. Mr. Drigesh Mittal | - | Company Secretary |

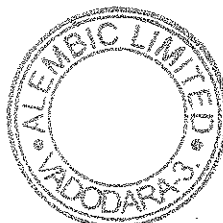
1. Background

Meeting of the Audit Committee of Alembic Limited ("the Company" or "the First Demerged Company") was held on 3rd November, 2018 to consider and recommend the proposed Composite Scheme of Arrangement ('Scheme') between Alembic Limited ("the Company"), Shreno Limited ("the First Transferee Company" or "the Second Demerged Company") and Nirayu Private Limited ("the Second Transferee Company") and their respective shareholders under Section 230 to 232 read with Section 66 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder.

The Securities and Exchange Board of India vide its circular bearing reference No. CFD/DIL3/CIR/2017/21 dated 10th March 2017 ("SEBI Circular"), has, among other requirements, sought a report from the Audit Committee of the Listed Company recommending the draft Scheme after taking into consideration, inter alia, the Valuation Report and Fairness Opinion. This report of the Audit Committee is made in order to comply with such requirement under the SEBI Circular.

The following documents were placed before the Audit Committee:

- Draft of the Composite Scheme of Arrangement, duly initialed by the Company Secretary of the Company for the purpose of identification;
- Valuation Report dated 3rd November, 2018 prepared by M/s. Chaturvedi & Shah, Chartered Accountants, ("Valuers");
- Fairness Opinion dated 3rd November, 2018 with regard to the above mentioned Valuation Report duly provided by Fedex Securities Limited, Category I Merchant Banker; and
- Certificate obtained from the Statutory Auditors of the Company viz. CNK & Associates LLP, Chartered Accountants on the compliance of accounting treatment prescribed in the Scheme;



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2. Proposed Composite Scheme of Arrangement

The Scheme, inter alia, provides for:

- Part I - Transfer and vesting of the Identified Real Estate Undertaking from the First Demerged Company to the First Transferee Company, by way of Demerger;
- Part II - Transfer and vesting of the Engineering Division and Investment Division from the Second Demerged Company to the Second Transferee Company, by way of Demerger.

The Audit Committee noted the rationale and the benefits of the Scheme; which inter-alia include the following:


- Unlocking of value and creation of additional liquidity for the shareholders of the First Demerged Company and the Second Demerged Company, which is currently embedded in the value of the First Demerged Company and the Second Demerged Company, respectively;
 - Elimination of inter-company cross holdings;
 - Improved business efficiencies with transfer of project management and consultancy business, services of which are, inter alia, being provided by the First Demerged Company to the First Transferee Company;
 - Achieve cost optimization and specialization for sustained growth;
 - Enhancing operational efficiencies, ensuring synergies through pooling of the financial, managerial, and technical resources, personnel capabilities, skills, expertise and technologies; and
 - Enhancing shareholder value by creating leaner and focused organizations.
3. The Audit Committee reviewed the Valuation Report and noted the recommendations made therein. Further, the Fairness Opinion confirmed that the Share Entitlement Ratio in the Valuation Report is fair to the shareholders of the Company.

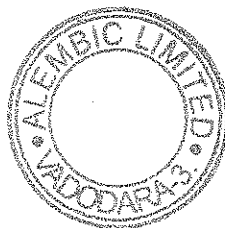
4. Recommendation of the Audit Committee

The Audit Committee after taking into consideration the draft Scheme & its rationale and benefits, the Valuation Report, the Fairness Opinion and other documents, recommends the same to the Board of Directors of the Company for favorable consideration.

By order of the Audit Committee

For and on Behalf of
Alembic Limited


Mr. C. P. Buch
Chairman, Audit Committee
Place: Vadodara
Date: 3rd November, 2018



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