

**Annexure III**

Date: May 9, 2024

**Securities and Exchange Board of India**

Corporation Finance Department  
Division of Issues and Listing  
SEBI Bhavan, Plot No. C4 A, G Block  
Bandra Kurla Complex, Bandra (East)  
Mumbai 400 051, India.

Dear Sir/ Madam,

**Re: Proposed issue of partly paid-up equity shares of face value of ₹10 each of Solara Active Pharma Sciences Limited ("Company") for cash aggregating up to ₹450 crore on a rights basis to the Eligible Equity Shareholders ("The Rights Issue / The Issue").**

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We, Choice Capital Advisors Private Limited, as the Lead Manager ("**LM**") to the above-mentioned Issue, state and confirm as follows:

1. We have examined various documents including those relating to litigation, including commercial disputes, patent disputes, disputes with collaborators etc. and other material documents while finalising the letter of offer dated May 9, 2024 ("**LOF**") pertaining to the Issue; - **Complied with to the extent applicable**
2. On the basis of such examination and discussions with the Company, its directors and other officers, other agencies, and independent verification of the statements concerning the objects of the Issue, price justification, contents of the documents and other papers furnished by the Company, we confirm that:
  - (A) The LOF filed with Securities and Exchange Board of India ("**SEBI**") is in conformity with the documents, materials and papers which are material to the Issue;
  - (B) All material legal requirements relating to the Issue as specified by SEBI, the Central Government and any other competent authority in this behalf have been duly complied with; and
  - (C) The material disclosures made in the LOF are true and adequate to enable the investors to make a well informed decision as to the investment in the proposed Issue and such disclosures are in accordance with the requirements of the Companies Act, the SEBI ICDR Regulations and other applicable legal requirements.
3. Besides ourselves, all the intermediaries named in the LOF are registered with SEBI and that till date such registration is valid. - **Complied with.**
4. We have satisfied ourselves about the capability of the underwriters to fulfil their underwriting commitments. - **Not Applicable.**
5. Written consent from the Promoters have been obtained for inclusion of their Equity Shares as part of the Promoters' contribution subject to lock-in and the Equity Shares proposed to form part of the Promoters' contribution subject to lock-in shall not be disposed or sold or

transferred by the Promoters during the period starting from the date of filing of the LOF with SEBI till the date of commencement of lock-in period as stated in the LOF. **Not Applicable.**

6. All applicable provisions of the SEBI ICDR Regulations, which relates to Equity Shares ineligible for computation of Promoters' contribution, have been and shall be duly complied with and appropriate disclosures as to compliance with the said regulation(s) have been made in the LOF. **Not Applicable.**
7. All applicable provisions of the SEBI ICDR Regulations which relate to receipt of promoters' contribution prior to opening of the Issue, shall be complied with. Arrangements have been made to ensure that promoters' contribution shall be received at least one day before the opening of the issue and that the statutory auditors' certificate to this effect shall be duly submitted to SEBI. We further confirm that arrangements have been made to ensure that promoters' contribution shall be kept in an escrow account with a scheduled commercial bank and shall be released to the Company along with the proceeds of the Issue. **Not Applicable.**
8. Necessary arrangements shall be made to ensure that the monies received pursuant to the Issue are credited or transferred to in a separate bank account as per the provisions of sub-section (3) of section 40 of the Companies Act and that such monies shall be released by the said bank only after permission is obtained from the Stock Exchanges, and that the agreement entered into between the bankers to the Issue and the Company specifically contains this condition. **Noted for compliance to the extent applicable.**
9. The existing business as well as any new business of the Company for which the funds are being raised fall within the 'main objects' in the object clause of the Memorandum of Association of the Company or other charter of the issuer and that the activities which have been carried in the last 10 years are valid in terms of the object clause of the Memorandum of Association. **Complied with to the extent applicable.**
10. Following disclosures have been made in the LOF:
  - (a) An undertaking from the Company that at any given time, there shall be only one denomination for the equity shares of the Company, excluding Superior Rights equity shares, where the Company has outstanding Superior Rights equity shares. **Complied with. There are no Superior Rights equity shares issued by the Company.**
  - (b) An undertaking from the Company that it shall comply with all disclosure and accounting norms specified by SEBI. **Complied with;**
11. We shall comply with the regulations pertaining to advertisements in terms of the SEBI ICDR Regulations. **Noted for compliance.**
12. If applicable, the entity is eligible to list on the innovators growth platform in terms of the provisions of Chapter X of the SEBI ICDR Regulations. **Not Applicable.**
13. None of the intermediaries named in the Letter of Offer have been debarred from functioning by any regulatory authority. **Complied with;**
14. The Company is eligible to make a fast track issue in terms of regulation 99 of the SEBI ICDR Regulations. The fulfilment of the eligibility criteria as specified in that regulation by the Company has also been disclosed in the Letter of Offer. **Complied with;**

15. The abridged letter of offer contains all disclosures as specified in the SEBI ICDR Regulations. **Noted for compliance;**
16. All material disclosures in respect of the Company have been made in the Letter of Offer and certify that any material development in the Company or relating to the Company up to the commencement of listing and trading of the equity shares offered through the Issue shall be informed through public notices/advertisements in all those newspapers in which pre-issue advertisement and advertisement for opening or closure of the issue have been given. **Complied with and noted for compliance;**
17. Agreements have been entered into with the depositories for dematerialisation of the specified securities of the Company. **Complied with.**

We enclose a note explaining the process of due diligence that has been exercised by us including in relation to the business of the Company, the risks in relation to the business, experience of the Promoters and the related party transactions entered into for the period disclosed in the LOF have been entered into by the Company in accordance with applicable laws ("**Annexure IIIA**").

We enclose a checklist confirming regulation-wise compliance with the applicable provisions of the SEBI ICDR Regulations, containing details such as the regulation number, its text, the status of compliance, page number of the LOF where the regulation has been complied with and our comments, if any ("**Annexure IIIB**").

All capitalized terms used herein and not specifically defined shall have the same meaning as ascribed to such terms in the LOF.

Yours sincerely,

**For Choice Capital Advisors Private Limited**

**Authorized Signatory**

Name: Nimisha Joshi

Designation: Vice President

Contact: +91 9819252365

Email [nimisha.joshi@choiceindia.com](mailto:nimisha.joshi@choiceindia.com)

Enclosed: As above.

## Annexure IIIA

### **Due Diligence Process Note**

We have carried out due diligence exercise in relation to the current business of the Company for the purposes of complying with the SEBI ICDR Regulations and other applicable laws, and to the extent that it is customary for rights issue of this nature in India, along with other professionals and experts engaged in this Issue which is being undertaken in compliance with the requirements of Regulation 99 read with Part B of Schedule VI of the SEBI ICDR Regulations. All capitalized terms used herein and not specifically defined shall have the same meanings ascribed to such terms in the Letter of Offer dated May 9, 2024 ("**LOF**").

The due diligence process carried out by us and the Legal Counsel (defined below) commenced with interactions with the Key Managerial Personnel and other members of the senior management of the Company to gain an understanding of the business of the Company, key risks involved, the background of the Promoters and financial overview, amongst other matters for the purpose of the Issue and to verify the disclosures being made in the LOF. In this regard, we provided the Company with due diligence checklist and information requisition lists prepared in consultation with the Legal Counsel (defined below). In response to the checklist and the information requisition lists, the Company provided us with supporting documents for review and diligence and gave us clarifications and explanations for our queries. In order to facilitate such review, the Company set up the virtual data room ("**VDR**") where the Company uploaded copies of relevant documents which were made available for the due-diligence. We also conducted a site visit at one of the facilities of the Company situated at Puducherry.

In the due diligence process, the Company and the LM were assisted by the Legal Counsel (defined below), the Statutory Auditors (defined below) and the Independent Chartered Accountant (defined below). In this regard, DSK Legal, appointed as legal counsel to the Issue ("**Legal Counsel**"), have assisted the LM in carrying out the due diligence and drafting of the letter of offer dated May 9, 2024 ("**Letter of Offer**" or "**LOF**") in compliance with the SEBI ICDR Regulations and advising the LM and the Company on other legal matters, in relation to the Issue. We were also assisted by the statutory auditors of the Company Deloitte Haskins & Sells LLP, Chartered Accountants ("**Statutory Auditors**") and M/S Mahesh Solanki & Co., Chartered Accountants ("**Independent Chartered Accountants**") in conducting the financial due diligence. In addition to the Annual Financial Statements and Unaudited Interim Financial Information, the Statutory Auditors have verified details and provided certifications with respect to certain information included in the LOF. The Independent Chartered Accountants provided statement of possible special tax benefits available to the Company and its Shareholders and have verified details and provided certifications with respect to certain other information included in the LOF.

We have also placed reliance on the certificate issued by M Ravichandran, independent chartered engineer ("**Chartered Engineer**"), in respect of the (i) details of productive capacity and capacity utilisation (on the basis of total productive capacity) of our equipment at our manufacturing facilities as of/ for the nine month period ended December 31, 2023 and December 31, 2022 and for the financial years ended March 31, 2023 and March 31, 2022; .

The Company has also placed reliance on the report titled "*Industry Research Report on API (Pharma) Industry*" issued in February 2024, commissioned and paid by them for an agreed fee and issued by CARE Analytics and Advisory Private Limited ("**CARE**" or "CareEdge Research" and such report, the "**CARE Report**") for disclosures in relation to industry information in the LOF.

### **1. Business and Commercial Diligence**

The due diligence process in relation to general business and commercial matters included:

- (a) Organizing and attending meetings with the Company to develop an understanding of the business, industry, history and other matters of the Company. These discussions were attended by the senior management of the Company along with the Legal Counsel and representatives of the LM. A broad overview of the business of the Company, industry in which it operates, regulatory framework with respect to the business, the corporate structure, the capital structure, and financial statements, its shareholding pattern and details of the Promoters was presented to us, and the Legal Counsel followed by detailed interactive discussions;
- (b) Regularly interacting with the senior management of the Company, including the senior personnel from the secretarial, legal and finance departments such as the Company Secretary and Compliance Officer, for the purpose of understanding the business, the risks involved and the financial overview of the Company, amongst other matters. The Statutory Auditors and Independent Chartered Accountants had also participated in some of these discussions. These interactions included (i) due diligence calls, virtual drafting sessions and conference calls to discuss the disclosures in the LOF; (ii) due diligence calls with the Statutory Auditors and the Independent Chartered Accountant; (iii) seeking appropriate clarifications from the Company; (iv) bring down due diligence calls to receive updated information from the Company before filing the LOF; (v) interactions with CARE, which the Company has commissioned to prepare a report about the industry in which it operates; and (vi) seeking appropriate certifications from the Company, Directors, Key Managerial Personnel, Promoters, Senior Management, Promoter Group, Subsidiaries, the Statutory Auditors, Independent Chartered Accountant and Chartered Engineer. These interactions were conducted with an objective to assist the LM to prepare disclosures as required under the SEBI ICDR Regulations with regard to the Issue. We expect these interactions and due diligence calls to continue until closure of the Issue;
- (c) Requesting the Company to make available the due diligence documents and reviewing those documents along with the Legal Counsel, based on the requirements under the SEBI ICDR Regulations and other applicable laws, as is customary in such transactions. Assisting the Company to make available due diligence documents in a virtual data room or share through e-mails and reviewing those documents along with the Legal Counsel, to comply with the diligence requirements as stipulated under the SEBI ICDR Regulations, and the other applicable laws, as is customary in such transactions;
- (d) Virtual interactions, with the Key Managerial Personnel, Senior Management and other senior personnel of the Company to understand the Company's day to day operations, key business processes and to verify the disclosures being made in the LOF and the LM also conducted physical site visit to the manufacturing facility of the Company, located at Puducherry , and interacting with key persons in-charge, to understand the Company's operations and to verify the disclosures being made in the LOF.
- (e) Obtaining and relying on certificates and formal representations and undertakings from the Company, Directors, Promoters, members of the Promoter Group, Subsidiaries, Key Managerial Personnel, Senior Management, the Statutory Auditors, Independent Chartered Accountant and the Chartered Engineer, in support of certain disclosures included in the LOF;
- (f) Reviewing, together with the Legal Counsel, certain business related agreements, contracts and purchase orders entered into by the Company. Where such agreements

were large in number and mostly standard in form, we have carried out our review on a sample basis to verify the disclosures made in this regard in the LOF;

- (g) For certain information, relying on management certificates from the Company for compliance with the SEBI ICDR Regulations; and
- (h) Obtaining circle-ups and certificates from the Statutory Auditors and Independent Chartered Accountants on certain financial information, operational data and/ or other information included in the LOF, including details of the accounting ratios, among others, as applicable.

## 2. **Industry Information**

Assisting the Company in obtaining an industry report from CARE for disclosure in the section entitled "Definition and Abbreviations", "Presentation of Financial Information and Other Information", "Risk Factors", "Industry Overview", "Our Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Material Contracts and Documents for Inspection" in the LOF. Further, we coordinated with the Company to ensure that necessary consent was obtained from CARE to disclose the contents of the CARE Report in the LOF. The Company has relied on the CARE Report, which has been commissioned and paid for by the Company for the purposes of confirming its understanding of the industry in connection with the Issue.

## 3. **Financial Information of the Company and Financial Indebtedness**

We conducted due diligence on financial matters, which included due diligence calls with the Statutory Auditors, discussions with the finance department of the Company, review of the audit report, limited review report and other related documents. The Statutory Auditors provided the audited consolidated financial statements of the Company, which comprises the consolidated balance sheet as at March 31, 2023 (alongwith comparative with March 31, 2022), the consolidated statement of profit and loss (including other comprehensive income); the consolidated statement of cash flows and the consolidated statement of changes in equity; for the Fiscal ended March 31, 2023 (alongwith comparative with March 31, 2022) and a summary of significant accounting policies, and other explanatory information. The statutory auditor also provided a limited review report on the unaudited consolidated financial results of the Company for the nine month period ended December 31, 2023 (alongwith comparative with December 31, 2022), which comprises interim financial information of the Company.

We reviewed the certifications and circle-up confirmations received from the Statutory Auditors and the Independent Chartered Accountants with respect to certain financial information included in the LOF. Further, we have reviewed the Statutory Auditors' reports and obtained certifications with respect to certain financial information included in the LOF from the Statutory Auditors and the Independent Chartered Accountants. The Statutory Auditors and Independent Chartered Accountants have delivered the customary comfort letters along with circle-up confirmation to the LM for the accuracy of the financial information contained in the LOF. Such comfort letters will be re-issued or brought down at certain future dates as the Issue progresses prior to the filing of the Letter of Offer and the Allotment of Equity Shares in the Issue.

For conducting the diligence of the loan facilities availed by the Company, relevant sanction letters along with the security and facility documents issued by the lenders as well as other financing related documents were made available. The LM have also relied on a certificate

from the Independent Chartered Accountants to ascertain the outstanding borrowings of the Company as on February 29, 2024. We have also provided prior intimations to the lenders regarding corporate actions required in relation to the Issue and have sought consents from the lenders, where applicable, in terms of the loan documents. We have received consents from all lenders alongwith certain conditions stipulated within it.

#### 4. ***Outstanding Litigation and Defaults***

The Company has disclosed outstanding litigation involving the Company and its Subsidiaries (as applicable) on the basis of the legal requirements under the SEBI ICDR Regulations.

Further, in accordance with the SEBI ICDR Regulations, the Board of Directors of the Company has adopted a policy on materiality for the purpose of this Issue, which has been approved by the Board of Directors of the Company by a resolution dated October 19, 2023 ("**Materiality Policy**"). In terms of the Materiality Policy, all outstanding civil, regulatory and tax proceedings involving the Company and its Subsidiaries, where the monetary amount of claim involved in such proceedings is in excess of 5% of the average of absolute value of profit or loss after tax of the Company for the last two financial years as per the audited standalone financial statements of the Company; or in excess of 1% of the net worth of the Company as on March 31, 2023 as per the audited standalone financial statements, whichever is lower, or where amount is not quantifiable or is below the materiality threshold but which materially and adversely affects the operations or the financial position of the Company have been disclosed in the LOF.

As per the Materiality Policy, the threshold for the Company is ₹2.02 crore (i.e. 5% of ₹40.39 crore, the average of absolute value of profit or loss after tax of the Company for the last two financial years).

The Company has provided a consolidated statement along with the relevant supporting documents for litigation proceedings and taxation matters involving the Company and Subsidiaries. With respect to the litigation involving the Company and Subsidiaries, relevant certificates have been received, based on which the relevant confirmations have been included in the LOF.

#### 5. ***Promoters, Promoter Group, Directors, Senior Management and Key Managerial Personnel of the Company***

For the purposes of making certain disclosures with respect to the Promoters, the Promoter Group, Subsidiaries, Directors, Senior Management and the Key Managerial Personnel, in the LOF, we have obtained supporting documents and certifications from the relevant entities/persons.

We have received confirmation from the Company, Directors, Promoters and members of the Promoter Group stating that they are not prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other authorities. We have also received confirmations from the Company, Promoters or Directors they are not wilful defaulters or fraudulent borrowers as defined under the SEBI ICDR Regulations. Further, confirmations have been taken from Directors that (a) they are not directors on the board of other listed companies whose shares have been / were suspended from being traded on any stock exchange during the period of five years before the date of the LOF during his/her tenure, and (b) that they are not currently or were previously on the board of a listed company whose shares have been or were delisted from being traded on any stock exchange during his/her tenure. Additionally,

we have obtained confirmations from the Directors and Promoters that they have not been declared as Fugitive Economic Offenders. Confirmations have also been obtained from the Company, Promoters and members of the Promoter Group in respect of their compliance with the Companies (Significant Beneficial Ownership) Rules, 2018, to the extent in force and applicable, as on the date of the LOF.

## 6. ***Statutory and/or Regulatory and Other Diligence***

In connection with diligence of statutory and regulatory matters, we have, with the assistance of the Legal Counsel, interacted with the officials of the Company to understand the various approvals that are necessary by the Company to carry out their business, followed by a review of relevant statutory and regulatory records of the Company, including, among other things, relevant corporate records, approvals, and filings made by the Company with various statutory and regulatory authorities including the Stock Exchanges.

For the purposes of diligence of approvals required by the Company for their businesses, we have relied on the list of material licenses, approvals and registrations of Company, identified by the Company, and reviewed such material licenses, approvals and registrations, copies of which were provided by the Company. We have also reviewed material licenses, approvals, and registrations applied for or received by the Company, and other material agreements executed by, or in relation to, the Company, and such other documents as we have deemed necessary and as have been provided to us by the Company, from time to time. Further, we have also relied on certifications provided by the Company, in connection with such statutory and/or regulatory matters.



7. ***Objects of the Issue***

The Net Proceeds from the Issue are proposed to be utilized towards (a) repayment and / or pre-payment in full or part, of certain outstanding borrowings availed by the Company; and (b) general corporate purposes. The Issue is a partly-paid issue and fulfilment of objects would be subject to receipt of call money(ies).

We, along with the Legal Counsel, have also conducted a due diligence exercise of all outstanding financial indebtedness of the Company (forming part of the objects of the issue). We have also relied on the certificates issued by the Independent Chartered Accountants for certifying the details of borrowings availed by the Company.

**Annexure IIIB**

Checklist confirming regulation-wise compliance with the applicable provisions of the SEBI ICDR Regulations, as amended.

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