

Date: 11 November 2021

To,
The Board of Directors
Solara Active Pharma Sciences Limited
201, Devavrata, Sector 17, Vashi,
Navi Mumbai, Maharashtra

To,
The Board of Directors
Hydra Active Pharma Sciences Private Limited
First Floor, Fine Mansion, 203 D.N. Road, Fort,
Mumbai, Maharashtra

To,
The Board of Directors
Aurore Life Sciences Private Limited
Jubilee Heights, Plot No. 68 & 69, 2nd Floor,
Survey No. 66 & 67, Madhapur,
Hyderabad, Telangana

To,
The Board of Directors
Empyrean Lifesciences Private Limited
First Floor, Fine Mansion, 203 D.N. Road, Fort,
Mumbai, Maharashtra

Subject: Recommendation of share exchange ratio for the proposed amalgamation of Hydra Active Pharma Sciences Private Limited ('HAPSPL') with Aurore Life Sciences Private Limited ('ALSPL')

Recommendation of share entitlement ratio for the proposed demerger of the 'API Business' of Aurore Life Sciences Private Limited ('ALSPL') into Solara Active Pharma Sciences Limited ('SAPSL')

Recommendation of share exchange ratio for the proposed amalgamation of Empyrean Lifesciences Private Limited ('ELPL') with Solara Active Pharma Sciences Limited ('SAPSL')

Dear Sir/ Madam,

We refer to the engagement letter dated 25 October 2021 and discussion undertaken with the Management of Aurore Life Sciences Private Limited ('ALSPL' or 'Amalgamated Company 1' or 'Demerged Company'), Hydra Active Pharma Sciences Private Limited ('HAPSPL' or 'Amalgamating Company 1'), Empyrean Lifesciences Private Limited ('ELPL' or 'Amalgamating Company 2') and Solara Active Pharma Sciences Limited ('SAPSL' or 'Resulting Company' or 'Amalgamated Company 2') (hereinafter all of them together referred to as 'the Management'), wherein the Management has requested Niranjan Kumar, Registered Valuer – Securities or Financial Assets ('NK', 'we' or 'us') to undertake a valuation exercise and recommend:

1. Share exchange ratio for the proposed amalgamation of HAPSPL (Amalgamating Company 1) with ALSPL (Amalgamated Company 1) in Step 1;
2. Share entitlement ratio for the proposed demerger of 'API Business' of ALSPL (Demerged Company) into SAPSL (Resulting Company) in Step 2; and
3. Share exchange ratio for the proposed amalgamation of ELPL (Amalgamating Company 2) with SAPSL (Amalgamated Company 2) in Step 3;

Hereinafter all the aforesaid proposed transactions (except for the demerger referred to in Step 2) shall together be referred to as the 'proposed amalgamation' and the transaction referred to in Step 2 shall be referred to as the 'proposed demerger'; the Management including the Board of Directors of ALSPL, HAPSPL, ELPL and SAPSL shall together be referred to as 'the Management'; and the Amalgamating Company 1, Amalgamating Company 2, Amalgamated Company 1/ Demerged Company, Amalgamated Company 2/ Resulting Company shall together be referred to as 'Transacting Companies'.

Please find enclosed the report (comprising 21 pages including annexures) detailing our recommendation of share exchange ratio for the proposed amalgamation and share entitlement ratio for the proposed demerger, the methodologies employed and the assumptions used in our analysis.

This report sets out our scope of work, background, source of information, procedures performed by us and our recommendation of the share exchange/ entitlement ratio.

BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT

Hydra Active Pharma Sciences Private Limited ('HAPSPL' or 'Amalgamating Company 1') was incorporated on 06 December 2016 and is engaged in the pharmaceutical business through its subsidiary viz. Aurore Life Sciences Private Limited ('ALSPL'), wherein it holds ~ 61.7% equity stake.

Aurore Life Sciences Private Limited ('ALSPL' or 'Amalgamated Company 1' or 'Demerged Company') was incorporated on 26 September 2016 and is engaged in the business of developing and manufacturing wide range of generic pharmaceutical products. ALSPL holds ~ 67% equity stake in Aurore Pharmaceuticals Private Limited and 100% equity stake in Empyrean Lifesciences Private Limited.

Empyrean Lifesciences Private Limited ('ELPL' or 'Amalgamating Company 2') was incorporated on 19 June 2014 and is primarily engaged into research and development of APIs. ELPL is a wholly owned subsidiary of ALSPL.

Solara Active Pharma Sciences Limited ('SAPSL' or 'Amalgamated Company 2' or 'Resulting Company') was incorporated on 23 February 2017 and is engaged in the business of manufacturing and development of active pharmaceutical ingredients (APIs) and also offers contract manufacturing and development services to global pharma companies. The equity shares of SAPSL are listed on BSE and NSE;

We understand that the Management of the Transacting Companies are contemplating a Composite Scheme of Amalgamation (merger by absorption) cum Demerger and Arrangement, wherein they intend to:

- a) Amalgamate HAPSPL with ALSPL in Step 1;
- b) Demerge the 'API Business' of ALSPL into SAPSL in Step 2; and
- c) Amalgamate ELPL with SAPSL in Step 3;

in accordance with the provisions of Sections 230 to 232 including Section 66 of the Companies Act, 2013 or any statutory modifications, re-enactment or amendments thereof for the time being in force ("the Act") read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 ("the Rules"), as amended from time to time and all other applicable provisions, if any, of the Act and any other applicable law for the time being in force including the applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the circulars issued therein, in each case, as amended from time to time, and in a manner provided in the Draft Composite Scheme of Amalgamation (merger by absorption) cum Demerger and Arrangement ('the Scheme') in which under:

- 1) Part II of the Scheme, 0.1% Redeemable Preference Shares (RPS) of HAPSPL are proposed to be redeemed;



- 2) Part III of the Scheme, HAPSPL (Amalgamating Company 1) is proposed to be amalgamated with ALSPL (Amalgamated Company 1);
- 3) Part IV of the Scheme, the 'API Business' of ALSPL (Demerged Company) is proposed to be demerged into SAPSL (Resulting Company); and
- 4) Part V of the Scheme, ELPL (Amalgamating Company 2) is proposed to be amalgamated with SAPSL (Amalgamated Company 2);

Further, as a part of the Scheme, the entire shareholding of Amalgamating Company 1 in Amalgamated Company 1 would be cancelled by way of capital reduction on Part III of the Scheme being effective; and the entire shareholding of Amalgamated Company 2 in Amalgamating Company 2 (i.e. Amalgamating Company 2 would become a wholly owned subsidiary of Amalgamated Company 2 on Part IV of the Scheme becoming effective) shall stand cancelled on Part V of the Scheme becoming effective;

We understand that as a consideration for the:

- i) proposed amalgamation under Part III of the Scheme, equity shares of the Amalgamated Company 1 would be issued to the equity shareholders of Amalgamating Company 1;
- ii) proposed demerger under Part IV of the Scheme, equity shares of the Resulting Company would be issued to the equity shareholders of Demerged Company; and
- iii) proposed amalgamation under Part V of the Scheme, equity shares held by Amalgamated Company 2 in Amalgamating Company 2 (pursuant to Part IV of the Scheme becoming effective) shall stand cancelled and no equity shares of Amalgamated Company 2 shall be issued;

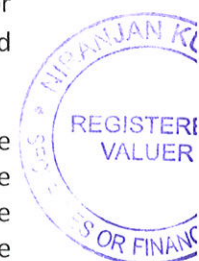
The equity shares to be issued for the aforesaid proposed amalgamation and demerger will be based on the share exchange/ entitlement ratio as determined by the Board of Directors on the basis of the share exchange/ entitlement ratio report prepared by us.

In connection with the above mentioned proposed amalgamation and demerger, the Management has appointed Niranjana Kumar, Registered Valuer – Securities or Financial Assets ('NK') to submit a report recommending a share exchange/ entitlement ratio for the proposed amalgamation and demerger.

We would like to emphasize that certain terms of the proposed amalgamation and demerger are stated in our report, however the detailed terms of the proposed amalgamation and demerger shall be more fully described and explained in the Scheme document to be submitted with relevant authorities in relation to the proposed amalgamation and demerger. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the underlying Scheme.

We understand that the appointed date for the proposed amalgamation and demerger shall be 01 October 2021 as defined in the Scheme or such other date as the competent authority may direct or approve. We have determined the share exchange ratio and share entitlement ratio for the proposed amalgamation and demerger respectively as at the report date ('Valuation Date').

The scope of our services is to conduct a relative (and not absolute) valuation exercise as at the Valuation Date to determine the equity value of the Transacting Companies and then arrive at the share exchange/ entitlement ratio using internationally accepted valuation methodologies as may be applicable to the Transacting Companies, including requirement prescribed by Securities Exchange



Board of India ('SEBI') Regulations as may be applicable to listed entities and report on the same in accordance with generally accepted professional standards including ICAI Valuation Standards, 2018 notified by the Institute of Chartered Accountants of India (ICAI).

The Management have informed us that:

- a) There would not be any capital variation in the Transacting Companies till the proposed amalgamation and demerger becomes effective without approval of the shareholders and other relevant authorities;
- b) Till the proposed amalgamation and demerger becomes effective, neither of the Transacting Companies would declare any dividend which are materially different from those declared in the past few years.
- c) There are no unusual/ abnormal events in the Transacting Companies other than those represented to us by the Management till the report date materially impacting their operating / financial performance.
- d) There would be no significant variation between the Scheme and the final scheme approved and submitted with the relevant authorities.

This report is our deliverable for the said engagement and is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality and in conjunction with the relevant documents referred to therein.



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SHAREHOLDING PATTERN OF TRANSACTING COMPANIES:

a) Hydra Active Pharma Sciences Private Limited ('HAPSPL' or 'Amalgamating Company 1')

The total number of equity shares issued by HAPSPL and outstanding as at report date is set out below:

Particulars	Number of shares
Equity shares having face value of INR 10 each	9,34,51,617

Redeemable Preference Shares

In addition to the aforesaid outstanding equity shares, HAPSPL has 2,75,988 0.1% Redeemable Preference Shares (RPS) having face value INR 1,000 each outstanding as at the report date. We understand from the Management that the entire RPS are proposed to be redeemed as provided for in Part II of the Scheme prior to the implementation of the amalgamation of HAPSPL with ALSPL under Part III of the Scheme. As these RPS are proposed to be redeemed prior to amalgamation of HAPSPL with ALSPL, we have not recommended a share exchange ratio for the said RPS of HAPSPL.

b) Aurore Life Sciences Private Limited ('ALSPL' or 'Demerged Company' or Amalgamated Company 1')

The total number of equity shares issued by ALSPL and outstanding as at report date is set out below:

Particulars	Number of shares
Equity shares having face value of INR 10 each	10,11,21,925

Note: We understand that upon Part III of the Scheme being effective 6,23,41,667 equity shares of ALSPL held by HAPSPL would be cancelled by way of capital reduction.

c) Empyrean Lifesciences Private Limited ('ELPL' or 'Amalgamating Company 2')

The total number of equity shares issued by ELPL and outstanding as at report date is set out below:

Particulars	Number of shares
Equity shares having face value of INR 10 each	10,000

Note: We understand that upon Part IV of the Scheme being effective, ELPL shall become a wholly owned subsidiary of SAPSL and further upon Part V of the Scheme becoming effective the above equity shares which would be held by SAPSL shall stand cancelled and no equity shares shall be issued.



d) Solara Active Pharma Sciences Limited ('SAPSL' or 'Resulting Company' or 'Amalgamated Company 2')

The equity shareholding pattern of SAPSL as at report date is set out below:

Category of shareholder	Number of shares (Face value of INR 10 each)	Percentage %
Promoter and Promoter Group	1,42,03,710	39.5%
Public	2,17,26,057	60.5%
Total	3,59,29,767	100.0%

Note: In addition to the above, SAPSL has 390,000 outstanding employee stock options under the Solara Employee Stock Option Plan 2018. The same are outstanding and exercisable as the report date and have accordingly been considered for our valuation workings.

SOURCES OF INFORMATION

In connection with the recommendation of share exchange/ entitlement ratio, we have used the following information obtained from the Management and/ or gathered from public domain:

A. Company specific information:

Information provided by the Management which includes:

- Audited standalone/ consolidated financial statements of SAPSL for the financial year ended 31 March 2021;
- Audited standalone financial statements of ALSPL, ELPL and HAPSPL for the financial year ended 31 March 2021;
- Limited reviewed standalone/ consolidated financial statements of SAPSL for the six months period ended 30 September 2021;
- Unaudited provisional financial statements of ALSPL, HAPSPL and ELPL for the six months period ended 30 September 2021;
- Management certified proforma carved out financial statement of 'API Business' of ALSPL for the six months period ended 30 September 2021;
- Projected financial performance of ALSPL for the period from 01 April 2021 to 31 March 2023 which represents Management's best estimate of their financial performance for the said period;
- Estimated key financial numbers of SAPSL for the financial year 01 April 2022 to 31 March 2023 which represents Management's best estimate of their financial performance;
- Shareholding pattern of Transacting Companies as at report date;
- Details of Employee Stock Options issued by SAPSL and outstanding as at the report date including exercise period, grant date, vesting conditions etc.;
- Draft Composite Scheme of Amalgamation (merger by absorption) cum Demerger and Arrangement between the Transacting Companies pursuant to which proposed amalgamation and demerger is to be undertaken;
- Discussions and correspondence with the Management in connection with business operations, past trends, proposed future business plans and prospects, realizability of assets, etc.

B. Industry and economy information:

- Information available in public domain and databases such as Capital IQ, NSE, BSE with respect to SAPSL and other listed comparable companies including market prices, trading values and volumes, consensus future trading multiple estimate etc.
- Such other information and documents as provided by the Management for the purposes of this engagement.

Besides the above listing, there may be other information provided by the Management which may not have been perused by us in detail, if not considered relevant for our defined scope.

We have also considered/ obtained such other analysis, review, explanations and information considered reasonably necessary for our exercise, from the Management.

The Management of the Transacting Companies have been provided with the opportunity to review the draft report (excluding the recommended share exchange/entitlement ratio) as part of our standard practice to make sure that factual inaccuracy/ omissions are avoided in our report.



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PROCEDURES ADOPTED

Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including, but not necessarily limited to the following:

- Discussion with the Management to:
 - Understand the business and fundamental factors that affect the business of the Transacting Companies including their earning generating capability.
 - Enquire about the historical financial performance, current state of affairs, business plans and the future performance estimates.
- Analysis of information shared by the Management.
- Reviewed the draft Composite Scheme of Amalgamation (merger by absorption) cum Demerger and Arrangement between the Transacting Companies.
- Reviewed the audited standalone/ consolidated financial statements of SAPSL, ALSPL, HAPSPL and ELPL for the financial year ended 31 March 2021;
- Reviewed the limited reviewed standalone/ consolidated financial statements of SAPSL for the six months period ended 30 September 2021;
- Reviewed the unaudited provisional financial statements of HAPSPL, ALSPL and ELPL for the six months period ended 30 September 2021;
- Reviewed the management certified proforma carved out financial statement of 'API Business' of ALSPL for the six months period ended 30 September 2021;
- Reviewed the projected financial performance of ALSPL provided by the Management including understanding basis of preparation and the underlying assumptions;
- Discussion with Management with respect to realizability of the assets of the Transacting Companies and adjustments if any, required to their current carrying values;
- Reviewed the shareholding pattern of Transacting Companies as at the report date;
- Identification of suitable comparable companies in discussion with the Management;
- Selection of appropriate internationally accepted valuation methodology/ (ies) after deliberations and consideration to the sector in which the Transacting Companies operate, analysis of the business operations of the Transacting Companies;
- Arrived at valuations of the Transacting Companies using the method/(s) considered appropriate;
- Determined the fair share exchange ratio for proposed amalgamation of HAPSPL with ALSPL, in discussions with the Management, for issue of equivalent number of equity shares of ALSPL held by HAPSPL to the equity shareholders of HAPSPL in proportion to their respective shareholding pattern in HAPSPL as consideration for the proposed amalgamation of HAPSPL with ALSPL under Part III of the Scheme;
- Arrived at the fair share entitlement ratio for the proposed demerger of the 'API Business' of ALSPL into SAPSL under Part IV of the Scheme;

- Determined that no equity shares shall be issued as consideration for the proposed amalgamation of ELPL with SAPSL after taking into consideration that ELPL would become wholly owned subsidiary of SAPSL pursuant to Part IV of the Scheme becoming effective.



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SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us.

This report, its contents and the results herein are specific and subject to:

- the purpose of the valuation agreed as per the terms of the engagement;
- the date of the report;
- shareholding pattern of Transacting Companies as at the report date;
- limited reviewed standalone/ consolidated financial statements of SAPSL for the six months period ended 30 September 2021;
- unaudited provisional financial statements of HAPSPL, ALSPL and ELPL for the six months period ended 30 September 2021;
- management certified proforma carved out financial statement of 'API Business' of ALSPL for the six months period ended 30 September 2021;
- redemption of the entire outstanding 0.1% Redeemable Preference Shares (RPS) of HAPSPL as provided in Part II of the Scheme prior to amalgamation of HAPSPL with ALSPL under Part III of the Scheme;
- achievability of projected financial performance of ALSPL and SAPSL provided by the Management;
- comparability of the companies considered for comparable companies multiple (CCM) Method including the financial parameters considered;
- accuracy of the information available in public domain including the proprietary databases with respect to SAPSL and other comparable companies identified and their financial information considered and consensus forward estimates provided therein;
- market price reflecting the fair value of the underlying equity shares of SAPSL; and
- data detailed in the section - Sources of Information

We have been informed that the business activities of the Transacting Companies have been carried out in the normal and ordinary course between the latest available financials and the report date and that no material changes have occurred in their respective operations and financial position between the latest available financial statements and the report date.

A value analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular. It is based on information made available to us as of the date of this report, events occurring after that date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The ultimate analysis will have to be tempered by the exercise of judicious discretion by the valuer and judgment taking into account the relevant factors. There will always be several factors e.g. Management capability, present and prospective yield on comparable securities, market sentiment etc., which are not evident on the face of the financial statement, but which will strongly influence the worth of a share.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Transacting Companies till the date of this report and other sources, and the said recommendation(s) shall be considered to be in the nature of non-binding advice (our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

The determination of fair value for arriving at share exchange/ entitlement ratio is not a precise science and the conclusions arrived at in many cases, will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single fair value. While we have provided our recommendation of the share exchange/ entitlement ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion. The final responsibility for the determination of the share exchange/ entitlement ratio at which the proposed amalgamation and demerger shall take place will be with the Board of Directors of the Transacting Companies, who should take into account other factors such as their own assessment of the proposed amalgamation and demerger and input of other advisors.

In the course of our analysis, we were provided with both written and verbal information, including market, technical, financial and operating data including information as detailed in the section – Sources of Information.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification of

- the accuracy of information that was publicly available; and
- the accuracy of information made available to us by the Management;

both of which form a substantial basis for the report

We have not carried out a due diligence or audit or review of the Transacting Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided.

We are not legal or regulatory advisors with respect to legal and regulatory matters for the proposed amalgamation. We do not express any form of assurance that the financial information or other information as prepared and provided by the Management of the Transacting Companies is accurate. Also, with respect to explanations and information sought from the advisors, we have been given to understand by the Transacting Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.

Our conclusions are based on these assumptions and information given by/ on behalf of the Management. The Management has indicated to us that they have understood any omissions, inaccuracies or misstatements may materially affect our recommendation. Accordingly, we assume no responsibility for any errors in the information furnished by the Transacting Companies and their impact on the report. Also, we assume no responsibility for technical information (if any) furnished by the Transacting Companies. However, nothing has come to our attention to indicate that the information provided to us was materially misstated/ incorrect or would not afford reasonable grounds upon which to base the report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

The report assumes that the Transacting Companies comply fully with relevant laws and regulations applicable in all its areas of operations and that the Transacting Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this report has given no consideration on to matters of a legal nature, including issues of legal title and compliance with local laws and litigation and other contingent liabilities that are not represented to us by the Management.



This report does not look into the business/ commercial reasons behind the proposed amalgamation/ proposed demerger nor the likely benefits arising out of the same. Similarly, the report does not address the relative merits of the proposed transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. This report is restricted to recommendation of share exchange/ entitlement ratio only.

We would like to emphasize the following:

HAPSPL has 2,75,988 0.1% Redeemable Preference Shares (RPS) having face value of INR 1,000 each outstanding as at the report date and we understand from the Management that these RPS are proposed to be redeemed as provided for in Part II of the Scheme. As these RPS are proposed to be redeemed prior to amalgamation of HAPSPL with ALSPL under Part II of the Scheme, we have not recommended a share exchange ratio for the said RPS of HAPSPL.

Basis our review of financial statements of HAPSPL (Amalgamating Company 1) and discussion with the Management, we understand that Amalgamating Company 1 does not carry out any business operations and primarily act as the promoter holding company of ALSPL (Amalgamated Company 2), which derives major of its value from the equity shares of ALSPL it holds as an investment. Further, under Part III of the Scheme, the equity shares held by HAPSPL in ALSPL would get cancelled by way of capital reduction and since it does not hold any other major asset, equity shares of ALSPL equivalent to number of shares held by HAPSPL in ALSPL would be issued to equity shareholders of HAPSPL in proportion of equity shares held by them in HAPSPL.

ALSPL (Demerged Company) holds investment in equity shares of its wholly owned subsidiary i.e. ELPL (Amalgamating Company 2), which would also be demerged as part of 'API Business' of ALSPL into SAPSL under Part IV of the Scheme. Pursuant to Part IV of the Scheme becoming effective, ELPL would become wholly owned subsidiary of SAPSL and the equity shares held by SAPSL in ELPL would get cancelled upon amalgamation and no further equity shares would be required to be issued to the equity shareholders of ELPL i.e. SAPSL for the proposed amalgamation as defined under Part V of the Scheme. We have therefore not carried out independent valuation of ELPL for the purpose of arriving at share exchange ratio for Part V of the Scheme.

Achievability of estimated financial performance as provided by the Management or the realizability of the assets at the values considered in our analysis will be dependent on the continuing validity of assumptions on which they are based. Our analysis therefore, will not, and cannot be directed to provide any assurance about the achievability of the estimated financial performance or the realisation of the assets at the values considered. Since the estimated financial performance relate to the future, actual results are likely to be different from the estimated financial performance because events and circumstances do not occur as expected, and the differences could be material. To the extent that our conclusions are based on the estimated financial performance, we express no opinion on achievability of those estimates. The fact that we have considered the estimated financial performance in this valuation exercise should not be construed or taken as our being associated with or a party to such estimates.

Certain terms of the proposed amalgamation and proposed demerger are stated in our report, however the detailed terms of the proposed amalgamation and proposed demerger shall be more fully described and explained in the scheme document to be submitted with relevant authorities in relation to the proposed amalgamation and proposed demerger. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the Scheme document.

The fee for the Engagement is not contingent upon the results reported. We owe responsibility only to the Board of Directors of the Transacting Companies who have appointed us, and nobody else. We do not accept any liability to any third party in relation to the issue of this report. It is understood that



this analysis does not represent a fairness opinion. In no circumstance shall our liability exceed the amount as agreed in our Engagement Letter.

This valuation report is subject to the laws of India. Neither the report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the purpose of determining the share exchange/ entitlement ratio for the proposed transaction and relevant filing with regulatory authorities in this regard, without our prior written consent.

In addition, this report does not in any manner address the prices at which equity shares of SAPSL shall trade following announcements of the proposed amalgamation and we express no opinion or recommendation as to how shareholders of the Transacting Companies should vote at any shareholders' meetings. Our report and the opinion/ valuation analysis contained herein is not to be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities.



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VALUATION APPROACHES

Basis and Premise of Valuation

Valuation of the Transacting Companies as on the Valuation Date is carried out in accordance with ICAI Valuation Standards (“ICAI VS”), considering ‘Fair Value’ base and ‘going concern value’ premise. Any change in the valuation base, or the valuation premise could have a significant impact on the valuation outcome of the Company.

Basis of Valuation

It means the indication of the type of value being used in an engagement. Fair Value as per ICAI VS is defined as under:

“Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.”

Premise of Value

Premise of Value refers to the conditions and circumstances how an asset is deployed. Valuation of the Specified Business is carried out on a Going Concern Value premise which is defined under ICAI VS as under:

“Going concern value is the value of a business enterprise that is expected to continue to operate in the future. The intangible elements of going concern value result from factors such as having a trained work force, an operational plant, the necessary licenses, systems, and procedures in place, etc.”

It is pertinent to note that the valuation of any business/ company or its assets is inherently imprecise and is subject to various uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions considering inter-alia dependency and financial assistance from existing shareholders and general business and economic conditions, many of which are beyond the control of the company. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the business, and other factors which generally influence the valuation of the company, its business and assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although, different values may exist for different purpose, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

The following are commonly used and accepted methods for determining the value of the equity shares of a company:

1. Market Approach:
 - a) Market Price method
 - b) Comparable Companies Market Multiple method
2. Income Approach – Discounted Cash Flow method
3. Asset Approach – Net Asset Value method

For the proposed amalgamation and demerger, we have considered the following commonly used and accepted methods for determining the value of the equity shares of the Transacting Companies for



the purpose of recommending the share exchange/entitlement ratio, to the extent relevant and applicable:

1. Market Approach

a) Market Price Method

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the shares as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market.

In the present case, equity shares of SAPSL are listed on NSE and BSE, they are widely held, regularly and frequently traded with reasonable volumes on both exchanges. We have therefore used the market price approach to value the equity shares of SAPSL.

'API Business' of ALSPL does not have an independent quoted market price, we have therefore not used the market price method.

Since in the subject case equity shares of a listed company i.e. SAPSL would be issued to the shareholders of unlisted company, the minimum price at which shares are to be issued is prescribed under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2018 issued vide notification No. SEBI/LAD-NRO/GN/2018/31 dated 11 September 2018 and as amended from time to time. The regulation reads as under:

The price of equity shares to be issued shall be determined by Regulation 164. The relevant extract of the regulation is:

Regulation 164 (Pricing of frequently traded shares)

*If the equity shares of the issuer have been listed on a recognised stock exchange for a period of twenty six weeks or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be **not less than higher of** the following:*

- (a) the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the **twenty-six weeks** preceding the relevant date; or*
- (b) the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the **two weeks** preceding the relevant date.*

The relevant date for the purpose of computing the price of the equity shares of SAPSL has been considered to be the date of the board meeting of SAPSL approving the Scheme in accordance with the SEBI Circulars relating to schemes of arrangement. We have therefore considered the prices upto a day prior to the relevant date i.e. price upto 10 November 2021 have been considered, to ensure that the price of SAPSL shares being considered for the exchange are not less than the minimum price arrived under the above formula prescribed under Regulation 164.

b) Comparable Companies Multiples ('CCM') / Comparable Transactions Multiples ('CTM') method



Under CCM, the value of shares/ business of a company is determined based on market multiples of publicly traded comparable companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. CCM applies multiples derived from similar or 'comparable' publicly traded companies. Although no two companies are entirely alike, the companies selected as comparable companies should be engaged in the same or a similar line of business as the subject company. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

Under CTM, the value of shares/ business of a company is determined based on market multiples of publicly disclosed transactions in the similar space as that of the subject company. Multiples are generally based on data from recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

Based on our analysis and discussion with the Management, we understand that there are comparable listed companies which operate in similar line of business and having similar business model as that of SAPSL and the 'API Business' of ALSPL. We have therefore used the CCM Method to determine the value of equity shares of SAPSL and fair value of 'API Business' of ALSPL.

We have accordingly considered the trading multiples of comparable companies to arrive at the equity value of SAPSL and fair value of the 'API Business' of ALSPL.

2. Income Approach – Discounted Cash Flow Method ('DCF')

Income approach is a valuation approach that converts maintainable or future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted or capitalized) amount.

Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. This method is used to determine the present value of a business on a going concern assumption and recognizes the time value of money by discounting the free cash flows for the explicit forecast period and the perpetuity value at an appropriate discount factor. The terminal value represents the total value of the available cash flow for all periods subsequent to the horizon period. The terminal value of the business at the end of the horizon period is estimated, discounted to its present value equivalent and added to the present value of the available cash flow to estimate the value of the business.

Such DCF analysis involves determining the following:

- Estimating future free cash flows: Free cash flows are the cash flows expected to be generated by the company/ asset that are available to the providers of the company's capital – both debt and equity.
- Appropriate discount rate to be applied to cash flows i.e. the cost of capital: This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the Company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

SAPSL is a listed company and information related to the future financial projections of the Company or its subsidiaries being price sensitive in nature, we were not provided with the financial projections of SAPSL.



In case of 'API Business' of ALSPL, we were provided with only financial performance estimate till FY23 by the Management. We have therefore not used the DCF Method to arrive at the fair value of API Business of ALSPL.

3. Asset Approach - Net Asset Value Method ('NAV')

The asset-based value analysis technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This methodology is likely to be appropriate for business which derives value mainly from the underlying value of its assets rather than its earnings. This value analysis approach may also be used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base dominates earning capability. It is also used where the main strength of the business is its asset backing rather than its capacity or potential to earn profits.

SAPSL and 'API Business' of ALSPL presently operate as a going concern and would continue to do so for the foreseeable future and NAV does not value the future profit generating ability of the business, we have therefore not used this method to determine the value of equity shares of SAPSL and fair value of API Business of ALSPL.



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RECOMMENDATION FOR SHARE EXCHANGE/ ENTITLEMENT RATIO

a) Recommendation of share exchange ratio for the proposed amalgamation of HAPSPL (Amalgamating Company 1) with ALSPL (Amalgamated Company 2) under Part III of the Scheme.

As mentioned under part III of the Scheme, HAPSPL (Amalgamating Company 1) is proposed to be amalgamated with ALSPL (Amalgamated Company 2). We understand that HAPSPL does not carry out any significant business operations and primarily act as the promoter holding company of ALSPL, and therefore derives major of its value from the equity shares of ALSPL that it holds as investment. Accordingly, the shareholders of HAPSPL i.e., promoters of ALSPL indirectly enjoy the economic interest in ALSPL and upon the proposed amalgamation of HAPSPL with ALSPL, the shareholders of HAPSPL (i.e. promoters of ALSPL) would be entitled to equivalent equity shares of ALSPL in proportion to the equity shares held by them in HAPSPL. Pursuant to the amalgamation, there would be no change in paid up capital of ALSPL.

We understand that upon the Scheme being effective, no additional consideration is being discharged except for shares of ALSPL being issued to the shareholders of HAPSPL in lieu of equal number of shares as held by HAPSPL in ALSPL which is being duly cancelled by way of capital reduction. Thus, for every fresh issue of share of ALSPL to the shareholders of HAPSPL, there is a corresponding cancellation of an existing share of ALSPL held by HAPSPL. Given that no additional consideration is being discharged and also no additional shares being issued for the proposed amalgamation, we have therefore not carried out any independent valuation of HAPSPL and ALSPL for this part of the transaction.

In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and subject to our scope, limitations as mentioned in the report, we recommend for the proposed amalgamation under Part III of the Scheme, the following share exchange ratio of:

“6,23,41,667 (Six Crore Twenty Three Lakhs Forty One Thousand Six Hundred and Sixty Seven) fully paid up equity shares of the face value of INR 10 each of ALSPL shall be issued and allotted as fully paid up equity shares to the equity shareholders of HAPSPL, in proportion to their holding of fully paid up equity shares of the face value of INR 10 each in HAPSPL”

b) Recommendation of share entitlement ratio for the proposed demerger of ‘API Business’ of ALSPL (Demerged Company) into SAPSL (Resulting Company) under Part IV of the Scheme.

The share entitlement ratio for the proposed demerger has been arrived at on the basis of a relative (and not absolute) equity value of SAPSL and fair value of the ‘API Business’ of ALSPL based on the various methodologies mentioned herein earlier. Suitable rounding off have been carried out wherever necessary to arrive at the recommended share entitlement ratio.

Refer Annexure 1 for value per share under different methods prescribed and the share entitlement ratio.

In light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above including scope, limitations and assumptions describe in this report and the engagement letter, we recommend the share entitlement ratio as follows:



To the equity shareholders of ALSPL

"1,122 (One Thousand One Hundred and Twenty Two) equity shares of SAPSL having face value of INR 10 each fully paid up shall be issued for every 10,000 (Ten Thousand) equity shares held in ALSPL having face value of INR 10 each fully paid up."

c) Recommendation of share exchange ratio for the proposed amalgamation of ELPL (Amalgamating Company 2) with SAPSL (Amalgamated Company 2) under Part V of the Scheme.

As mentioned under Part V of the Scheme, ELPL (Amalgamating Company 2) is proposed to be amalgamated with SAPSL (Amalgamated Company 2). ALSPL (Demerged Company) holds the entire outstanding equity shares of its wholly owned subsidiary ELPL (Amalgamating Company 2), which under Part IV of the Scheme would also be demerged as part of 'API Business' of ALSPL into SAPSL. Pursuant to Part IV of the Scheme becoming effective, ELPL would become wholly owned subsidiary of SAPSL.

The equity shares held by SAPSL in ELPL would get cancelled upon amalgamation and no further equity shares would be required to be issued to the equity shareholders of ELPL i.e. SAPSL for the proposed amalgamation as defined under Part V of the Scheme. We have therefore not carried out independent valuation of ELPL for the purpose of arriving at share exchange ratio for Part V of the Scheme.

To the equity shareholders of ELPL

"No equity shares of SAPSL would be required to be issued to the equity shareholders of ELPL (i.e. SAPSL) for the proposed amalgamation as defined under Part V of the Scheme."



Respectfully submitted,

Niranjn Kumar
Registered Valuer- Securities or Financial Assets
IBBI Registration Number: IBBI/RV/06/2018/10137
ICAIRVO/06/RV-P000021/2018-19
UDIN: 21121635AAAAGQ6138

Date: 11 November 2021
Place: Pune

Annexure 1: Summary of share exchange/ entitlement ratio

a) Demerger of 'API Business' of ALSPL ('Demerged Company') into SAPSL ('Resulting Company') under Part IV of the Scheme

Valuation Approach	SAPSL (A) Resulting Company		'API Business' of ALSPL (B) Demerged Company	
	Value per share (INR)	Weight (%)	Value per share (INR)	Weight (%)
Market approach				
- Market Price Method	1,650.89	50.0%	NA	0.0%
- Comparable Companies Multiple (CCM) Method	1,645.05	50.0%	184.92	100.0%
Income approach- Discounted Cash Flow method	NA	0.0%	NA	0.0%
Asset approach- NAV method	NA	0.0%	NA	0.0%
Relative value per share	1,647.97 (A)		184.92 (B)	
Share Entitlement Ratio (Rounded off) [(B)/(A)]			0.1122	
Recommended Share Entitlement Ratio: (For every 10,000 equity shares)			1,122	

NA: Not Adopted

Notes:

1) Market Approach

Market Price Method

'API Business' of ALSPL (Demerged Company) does not have an independent quoted market price, we have therefore not considered the market price method to determine the value of API Business of ALSPL

2) Income Approach- Discounted Cash Flow Method

SAPSL is a listed company and information related to the future financial projections of the Company or its subsidiaries being price sensitive in nature, we were not provided with the financial projections of SAPSL.

In case of API Business of ALSPL, we were provided with only financial performance estimate till FY23 by the Management. We have therefore not used the DCF Method to arrive at the value of API Business of ALSPL.

3) Asset Approach- NAV Method

SAPSL and 'API Business' of ALSPL presently operate as a going concern and would continue to do so for the foreseeable future and NAV does not value the future profit generating ability of the business, we have therefore not used this method to determine the value of equity shares of SAPSL and value of API Business of ALSPL.



b) Amalgamation of ELPL (Amalgamating Company 2) with SAPSL (Amalgamated Company 2) under Part V of the Scheme

Valuation Approach	SAPSL (A)		ELPL (B)	
	Amalgamated Company 2		Amalgamating Company 2	
	Value per share (INR)	Weight (%)	Value per share (INR)	Weight (%)
Market approach				
- Market Price Method	1,650.89	50.0%	NA	0.0%
- Comparable Companies Multiple (CCM) Method	1,645.05	50.0%	NA	0.0%
Income approach- Discounted Cash Flow method	NA	0.0%	NA	0.0%
Asset approach- NAV method	NA	0.0%	NA	0.0%
Relative value per share	1,647.97 (A)		NA (B)	
Share Exchange Ratio [(B)/(A)]			NIL*	
Recommended Share Exchange Ratio: (For every 10,000 equity shares)			NIL*	

NA: Not Adopted

* ELPL (Amalgamating Company 2) is a wholly owned subsidiary of ALSPL. Upon Part IV of the Scheme becoming effective whereby investment in equity shares of ELPL held by ALSPL would also be demerged as part of API Business of ALSPL into SAPSL, ELPL shall become a wholly owned subsidiary of SAPSL. Therefore, the shares held by SAPSL (post effectiveness of Part IV of the Scheme) in ELPL would get cancelled and no equity shares would be required to be issued to the equity shareholders of ELPL (i.e. SAPSL) for the proposed amalgamation as defined under Part V of the Scheme. We have therefore not carried out independent valuation of ELPL for the purpose of arriving at share exchange ratio for Part V of the Scheme.



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Date: 25 November 2021

To,
The Board of Directors
Solara Active Pharma Sciences Limited
201, Devavrata, Sector 17, Vashi,
Navi Mumbai, Maharashtra

To,
The Board of Directors
Hydra Active Pharma Sciences Private Limited
First Floor, Fine Mansion, 203, D.N. Road, Fort,
Mumbai, Maharashtra

To,
The Board of Directors
Aurore Life Sciences Private Limited
Jubilee Heights, Plot No. 68 & 69, 2nd Floor,
Survey No. 66 & 67, Madhapur,
Hyderabad, Telangana

To,
The Board of Directors
Empyrean Lifesciences Private Limited
First Floor, Fine Mansion, 203, D.N. Road, Fort,
Mumbai, Maharashtra

Dear Sir/ Madam,

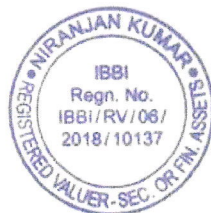
This is with reference to the report previously issued by us dated 11 November 2021 recommending the share exchange/ entitlement ratio for i) the proposed amalgamation of Hydra Active Pharma Sciences Private Limited ('HAPSPL') with Aurore Life Sciences Private Limited ('ALSPL'); ii) the proposed demerger of the 'API Business' of Aurore Life Sciences Private Limited into Solara Active Pharma Sciences Limited ('SAPSL') and iii) the proposed amalgamation of Empyrean Lifesciences Private Limited ('ELPL') with Solara Active Pharma Sciences Limited ('SAPSL'). HAPSPL, ALSPL and ELPL referred to as 'Transferor Companies'; SAPSL referred to as 'Transferee Company'; and Transferor Companies and Transferee Company shall together be referred to as 'Transacting Companies'.

While arriving at the share exchange/ entitlement ratio recommended in the report dated 11 November 2021, we had relied on/ considered the unaudited provisional financial statement of Transferor Companies and limited reviewed financial statement of Transferee Company for the six months period ended 30 September 2021. We have subsequently been provided with the audited financial statement of the Transferee Companies.

We have perused the audited financial statement of HAPSPL, ALSPL and ELPL for the six months period ended 30 September 2021 approved by Board of Directors (BOD) on 11 November 2021 in case of HAPSPL; 11 November 2021 in case of ELPL and 11 November 2021 in case of ALSPL. We noted that there is no change in the unaudited financial statements shared and considered by us vis-à-vis the audited financial statements and therefore the share exchange ratio recommended by us in our report dated 11 November 2021 would remain same as at the valuation date (i.e. report date) had we considered audited financial statement of Transferor Companies.

This letter has been issued at the request of the Management of SAPSL for conforming compliance with the requirement of Stock Exchanges of considering the audited financial statements of unlisted companies for preparation of valuation report.

Respectfully submitted,



Niranjan Kumar
Registered Valuer- Securities or Financial Assets
IBBI Registration Number: IBBI/RV/06/2018/10137
ICAIRVO/06/RV-P000021/2018-19
UDIN: 21121635AAAAHG8930

Date: 25 November 2021

Place: Pune