



**REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF SOLARA ACTIVE PHARMA SCIENCES LIMITED (THE 'COMPANY') RECOMMENDING THE DRAFT COMPOSITE SCHEME OF AMALGAMATION (MERGER BY ABSORPTION) CUM DEMERGER AND ARRANGEMENT AMONGST HYDRA ACTIVE PHARMA SCIENCES PRIVATE LIMITED AND AURORE LIFE SCIENCES PRIVATE LIMITED ANDEMPYREAN LIFESCIENCES PRIVATE LIMITED AND THE COMPANY AND THEIR RESPECTIVE SHAREHOLDERS.**

**PRESENT:**

Mr. Nirmal Bhogilal	- Chairman
Ms. Vineeta Rai	- Member
Mr. R. Ramakrishnan	- Member
Dr. Kausalya Santhanam	- Member

**I. BACKGROUND**

The Committee of Independent Directors, at its meetings held on 9<sup>th</sup> April 2021, 22<sup>nd</sup> July 2021 and 25<sup>th</sup> August 2021, had considered and made the recommendation to the Board for approval of the draft Composite Scheme of Amalgamation (Merger by Absorption) of Aurore Life Sciences Private Limited ("Aurore Life Sciences") and Emphyrean Lifesciences Private Limited ("Emphyrean") and Hydra Active Pharma Sciences Private Limited ("Hydra") with Solara Active Pharma Sciences Limited ("Solara") and their respective shareholders whereby Hydra, Emphyrean and Aurore Life Sciences, along with its investment in Aurore Pharmaceuticals Private Limited ("APPL"), were getting merged with Solara.

Due to an outstanding issue with the minority shareholder of APPL, a revised proposal has been made to withdraw the aforementioned scheme and instead consolidate businesses of Hydra, Emphyrean and Aurore Life Sciences with Solara excluding investments held in APPL by Aurore Life Sciences as a part of Phase I. The Company may explore the option of consolidating the business of APPL with Solara as part of Phase II at an appropriate time

Accordingly, a revised Proposal had been placed before the Committee of Independent Directors at their meeting held on 11<sup>th</sup> November 2021 which was considered and the recommendation had been made to the Board for approval of the draft Composite Scheme of Amalgamation (Merger by Absorption) cum Demerger and Arrangement amongst Hydra Active Pharma Sciences Private Limited ("Hydra" or the "Amalgamating Company 1" or "Transferor Company 1") and Aurore Life Sciences Private Limited ("Aurore Life Sciences" or the "Amalgamated Company 1" or "Transferee Company 1" or "Demerged Company") and Emphyrean Lifesciences Private Limited ("Emphyrean" or the "Amalgamating Company 2" or "Transferor Company 2") and Solara Active Pharma Sciences Limited ("Solara" or the "Company" or "Amalgamated Company 2" or "Transferee Company 2" or "Resulting Company") (Hydra, Emphyrean, Solara and Aurore Life Sciences are collectively referred to as "Companies") and their respective shareholders (hereinafter referred to as "the Scheme").

The Company is a public company incorporated and domiciled in India engaged in the business of manufacturing, research and development and marketing of Active Pharmaceutical Ingredients (APIs). The Company has a wide network of manufacturing, trading and other incidental operations in India and International markets.

The Transferor Company 1, Transferor Company 2 and the Demerged Company are also engaged in the pure play API Business. They have their own network of manufacturing, trading, research and other incidental operations in India and International markets.

This Report of Committee of Independent Directors is made in order to comply with the provisions of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020.

The draft Scheme was placed before the Committee of Independent Directors to consider and recommend the same to the Board of Directors of the Company after taking into account that the Scheme is not detrimental to the Shareholders of the Company alongwith the following draft documents:

The reports of valuation reports, board report, and fairness opinion presented at the meeting. The Committee was informed that audit of financial statements of ALS, ELS and HAPS as on 30<sup>th</sup> September, 2021 are in final stage and the reports are based on management certified financial statements of ALS, ELS and HAPS. Further, the Committee was informed that as the audit of aforesaid financial statements of ALS, ELS and HAPS are in final stage, no change in valuation would be expected.

## **II. RATIONALE**

The Committee of Independent Directors noted the rationale of the draft Scheme, which is as follows:

*"The Transferor Company 1, Transferor Company 2, Demerged Company and Transferee Company 2 are engaged in similar lines of business and complement each other. With an intent to expand the business and achieve larger product portfolio, economies of scale, efficiency, optimisation of logistic and distribution network and other related economies by consolidating the business operations being managed by different management teams, the Board of Directors of the all the Companies propose to consolidate the business of Transferor Company 1, Transferor Company 2 and Demerged Undertaking of the Demerged Company with the Transferee Company 2. The proposed Scheme would inter alia have the following benefits:*

1. *Enable the consolidation of the API business of the Demerged Company and Transferor Company 2 with the Transferee Company 2 and would create one of the largest API players in the industry and will facilitate in focused growth, operational efficiency, integration synergies and better supervision of the business.*
2. *Enhance business potential and increased capability to offer a wider portfolio of products with a diversified resource base and deeper client relationships.*
3. *Significantly de-risk operations with the combined entity having seven manufacturing facilities, three Research & Development Centres and footprint in 75 + countries enabling a wider market reach and customer offerings.*
4. *Improve organizational capability and leadership, arising from the pooling of human capital who have the diverse skills, talent and vast experience to compete successfully in an increasingly competitive industry.*





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5. *Enable greater access to different market segments in conduct of its business and addition of new products in the portfolio would improve the competitive position of the combined entity.*
6. *Add new Research and Development capabilities, new products pipeline and capabilities and would also bring in large Contract Research and Manufacturing business innovator relationship.*
7. *Result in financial resources being efficiently merged and pooled leading to more effective and centralized management of funds, greater economies of scale, stronger base for future growth and reduction of administrative overheads.*
8. *Further, the synergies arising out of the consolidation of business will lead to enhancement of net worth of the combined business and enhancement in earnings and cash flow would optimize the value of the Transferee Company 2 and enhance the shareholder's value.*
9. *Moreover, the Scheme is expected to increase the long-term value for all the shareholders of the Transferor Company 1, Transferor Company 2, Demerged Company and Transferee Company 2. Further, the public shareholders of the Transferee Company 2 will have an opportunity to participate in the profit and growth of the businesses of Transferor Company 1, Transferor Company 2 and Demerged Undertaking of the Demerged Company which are currently unlisted.*

The Committee of Independent Directors is of the informed opinion that the proposed rationale of the Scheme will be beneficial for the Company and its shareholders.

### **III. SALIENT FEATURES OF THE SCHEME**

The Committee of Independent Directors considered and observed the following salient features in relation to the draft Scheme:

- i. The Scheme provides for:
  - A. Redemption of the Redeemable Preference Shares of Transferor Company 1 (Part II of the Scheme)
  - B. Amalgamation of the Transferor Company 1 with the Transferee Company 1 (Part III of the Scheme)
  - C. Demerger of the Demerged Undertaking (API Business Undertaking) from Demerged Company into the Resulting Company (Part IV of the Scheme)
  - D. Amalgamation of the Transferor Company 2 with the Transferee Company 2 (Part V of the Scheme)
- ii. The Scheme shall be effective from the opening of business hours of 1<sup>st</sup> October 2021 i.e. "Appointed Date".
- iii. The Scheme will come into effect subject to approval of Stock Exchanges, Hon'ble Jurisdictional National Company Law Tribunal, shareholders and such other statutory authorities as may be required.
- iv. Pursuant to the demerger of Demerged Undertaking of Demerged Company into the Company, the Company shall issue shares to the shareholders of the Demerged Company as follows:

#### **To the shareholders of Demerged Company**

*"1,122 (One Thousand One Hundred and Twenty-Two) fully paid up equity shares of INR 10 (Rupees Ten only) each of Resulting Company, credited as fully paid up, for every 10,000 (Ten*

*Thousand) fully paid up equity shares of INR 10 (Rupees Ten only) each of the Demerged Company held by such shareholders.”*

- v. Further, upon amalgamation of Transferor Company 2 with Solara, no shares would be issued since the entire share capital of Transferor Company 2 shall be held by the Solara pursuant to the demerger from Demerged Company into Solara.
- vi. The Company shall account for the demerger of Demerged Undertaking from Demerged Company into Solara and Amalgamation of Transferor Company 2 with Solara in accordance with the applicable method of accounting prescribed under the Indian Accounting Standard (Ind AS) 103 – “Business Combination” notified under Section 133 of the Act read with the applicable rules issued thereunder and as amended from time to time.

#### **IV. VALUATION AND SWAP RATIO**

The Committee of Independent Directors perused the following documents in relation to the Scheme:

- i. Draft Scheme
- ii. Independent Valuation Report dated 11<sup>th</sup> November, 2021 issued by Niranjana Kumar, Registered Valuer – Securities or Financial Assets; and
- iii. Fairness Opinion dated 11<sup>th</sup> November, 2021 issued by ICICI Securities Limited, an Independent SEBI Registered Merchant Banker

The Committee of Independent Directors notes that pursuant to the demerger of Demerged Undertaking of Demerged Company into the Company, the Company shall issue shares to the shareholders of the Demerged Company as follows:

#### **To the shareholders of Demerged Company**

*“1,122 (One Thousand One Hundred and Twenty-Two) fully paid up equity shares of INR 10 (Rupees Ten only) each of Resulting Company, credited as fully paid up, for every 10,000 (Ten Thousand) fully paid up equity shares of INR 10 (Rupees Ten only) each of the Demerged Company held by such shareholders.”*

Further, upon amalgamation of Transferor Company 2 with Solara, no shares would be issued since the entire share capital of Transferor Company 2 shall be held by the Solara pursuant to the demerger from Demerged Company into Solara.

Further, the Independent SEBI Registered Merchant Bankers have confirmed that the swap ratio determined in the Scheme is fair and reasonable to the Shareholders and Companies.

Based on the above, the Committee of Independent Directors is of the informed opinion that the proposed Scheme is beneficial for the Shareholders of the Company and not detrimental to the interest of the Shareholders of the Company or the Company.



Communication Address:

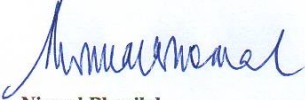
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**V. RECOMMENDATIONS OF THE INDEPENDENT DIRECTORS' COMMITTEE**

The Committee of Independent Directors after due deliberations and due consideration of all the terms of the draft Scheme, Valuation report, Fairness Opinion Report and the specific points mentioned above including interest of Shareholders of the Company, recommends the draft Scheme for favourable consideration by the Board of Directors of the Company, the shareholders of the Company, the BSE, the NSE, the Securities and Exchange Board of India and other statutory / regulatory authorities including NCLT.

**By Order of the Committee of Independent Directors**

**For and on behalf of Committee of Independent Directors of  
Solara Active Pharma Sciences Limited**



**Nirmal Bhogilal**  
**Chairman of the Meeting**

Date: 11<sup>th</sup> Noyember, 2021  
Place: Mumbai



**REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF SOLARA ACTIVE PHARMA SCIENCES LIMITED (THE 'COMPANY') IN CONNECTION WITH THE DRAFT COMPOSITE SCHEME OF AMALGAMATION (MERGER BY ABSORPTION) CUM DEMERGER AND ARRANGEMENT AMONGST HYDRA ACTIVE PHARMA SCIENCES PRIVATE LIMITED AND AURORE LIFE SCIENCES PRIVATE LIMITED ANDEMPYREAN LIFESCIENCES PRIVATE LIMITED AND THE COMPANY AND THEIR RESPECTIVE SHAREHOLDERS.**

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**Present:**

Mr. Nirmal Bhogilal	- Chairman
Ms. Vineeta Rai	- Member
Mr. R. Ramakrishnan	- Member
Dr. Kausalya Santhanam	- Member

**I. BACKGROUND**

The Committee of Independent Directors (the 'Committee'), at its meeting held on 11<sup>th</sup> November 2021, had considered and made the recommendation to the Board for approval of the draft Composite Scheme of Amalgamation (Merger by Absorption) cum Demerger and Arrangement amongst Hydra Active Pharma Sciences Private Limited ("Hydra" or the "Amalgamating Company 1" or "Transferor Company 1") and Aurore Life Sciences Private Limited ("Aurore Life Sciences" or the "Amalgamated Company 1" or "Transferee Company 1" or "Demerged Company") and Emyrean Lifesciences Private Limited ("Emyrean" or the "Amalgamating Company 2" or "Transferor Company 2") and Solara Active Pharma Sciences Limited ("Solara" or the "Company" or "Amalgamated Company 2" or "Transferee Company 2" or "Resulting Company") (Hydra, Emyrean, Solara and Aurore Life Sciences are collectively referred to as "Companies" or the "Transacting Companies") and their respective shareholders (hereinafter referred to as "the Scheme").

In the aforesaid meeting, the valuation report (dated 11<sup>th</sup> November 2021 issued by Mr. Niranjan Kumar, Registered Valuer – Securities or Financial Assets) as well as the fairness opinion (dated 11<sup>th</sup> November 2021 issued by ICICI Securities Limited, an Independent SEBI Registered Merchant Banker) was presented to the Committee. The Committee was informed that audit of financial statement of ALS, ELS and HAPS as on 30<sup>th</sup> September 2021 are in final stage and the reports are based on management certified financial statements of ALS, ELS and HAPS. Further, the Committee was informed that as the audit of aforesaid financial statements of ALS, ELS and HAPS were in final stage, no change in valuation would be expected.

In the above connection, on the request of the management of the respective transacting companies to ensure compliance with the requirement of Stock Exchange for considering audited financials of unlisted companies by the valuer for preparation of valuation report, a letter has been issued by Mr. Niranjan Kumar as well as ICICI Securities Limited (both dated 25<sup>th</sup> November 2021). The letters certify that, on perusal of the audited accounts of Hydra, Aurore Life Sciences and Emyrean for the six month period ending on 30<sup>th</sup> September 2021, there has been no change in the unaudited accounts vis-à-vis the audited accounts and therefore the share exchange ratio recommended in the respective Reports dated 11<sup>th</sup> November 2021 would remain same



**SOLARA**  
Active Pharma Sciences

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as at the valuation date (i.e., 11<sup>th</sup> November 2021) if audited accounts of Hydra, Aurore Life Sciences and Hydra had been considered. The aforesaid letters were presented to the Committee in the meeting held on 26<sup>th</sup> November 2021.

**II. RECOMMENDATIONS OF THE COMMITTEE OF INDEPENDENT DIRECTORS**

The Committee of Independent Directors, after due deliberations and due consideration, takes on record the aforesaid Letters dated 25<sup>th</sup> November 2021 issued by Mr. Niranjan Kumar as well as ICICI Securities Limited and recommends continuing with the Share Exchange Ratio for the Scheme as approved by the Board of Directors in its meeting held on 11<sup>th</sup> November 2021.

**By Order of the Committee of Independent Directors**

**For and on behalf of Committee of Independent Directors of  
Solara Active Pharma Sciences Limited**

  
**Nirmal Bhogilal**  
**Chairman of the Meeting**

Date: 26<sup>th</sup> November 2021  
Place: Mumbai