

**REPORT OF THE AUDIT COMMITTEE OF SEQUENT SCIENTIFIC LIMITED (THE
"COMPANY") RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT
AMONGST THE COMPANY, STRIDES SHASUN LIMITED, SSL PHARMA SCIENCES
LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

Directors Present:

- | | | |
|----|------------------------|-------------|
| 1. | Dr. Gopakumar G Nair | Chairperson |
| 2. | Dr. Kausalya Santhanam | Member |
| 3. | Mr. Narendra Mairpady | Member |

In Attendance:

Mr. Manish Gupta	Managing Director
Mr. Sharat Narasapur	Joint Managing Director
Mr. Tushar Mistry	Chief Financial Officer
Mr. Krupesh Mehta	Company Secretary

1. **Background**

A meeting of the Audit Committee of the Company was held on March 20, 2017 to consider and if thought fit, recommend the draft of the composite scheme of arrangement amongst Strides Shasun Limited ("**Strides**"), SSL Pharma Sciences Limited ("**SSL Pharma**"), and the Company and their respective shareholders and creditors ("**Scheme**") which provides for the transfer by way of demerger of the commodity active pharmaceutical ingredients business of Strides ("**Commodity API Business**") and human active pharmaceutical ingredients business of the Company ("**Human API Business**") to SSL Pharma with effect from October 1, 2017, being the Appointed Date under the Scheme, and the consequent issue of equity shares by the SSL Pharma to the shareholders of the Company and Strides, under Sections 230-232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 (including those of the Companies Act, 1956 that continue to remain in force, collectively the "**Act**").

This report of the Audit Committee is made in order to comply with the requirements of circular no. Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 issued by the Securities and Exchange Board of India.

The following documents were placed before the Audit Committee:

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SeQuent Scientific Limited

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e-mail: infor@sequent.in www.sequent.in L99999MH1985PLC036685

Regd. Office : 301, 'Dosti Pinnacle', Plot No. E7, Road No. 22, Wagle Estate Indl. Area, Thane (W) - 400 604, India. Tel.: +91-22-41114777 Fax: +91-22-41114754

Tarapur Plant : W-150, W-151, W-152, W-136, W-137, W-138, W-139, MIDC Ind. Area, Tarapur, Boisar, Dist. Thane - 401 504. Tel. : 02525-276111 Telefax : 02525-276112

Manglore Plant : 120,A & B Industrial Area, Baikempady, New Mangalore -575011, Karnataka. Tel -0824-2402100

- (i) Joint Valuation report dated March 20, 2017 issued by Price Waterhouse & Co LLP, Chartered Accountants (appointed by the Company) and S.R. Batliboi & Co. LLP, Chartered Accountants (appointed by Strides Shasun) ("**Joint Valuation Report**");
- (ii) Fairness opinion dated March 20, 2017 issued by Keynote Corporate Services Limited, SEBI registered Merchant Banker
- (iii) Draft certificates from Deloitte Haskins and Sells the statutory auditors of the Company certifying that the accounting treatment in the draft Scheme is in accordance with the accounting standards and applicable law; and

2. **Proposed Scheme**

Mr. Manish Gupta, Managing Director and Mr. Tushar Mistry, Chief Financial Officer made a presentation to the Audit Committee on the proposed Composite Scheme of Arrangement, including the rationale, which *inter alia*, are as follows:

- (i) The hive-off of the Human API business of the Company will allow the Management to focus on the Animal health business and will allow SSL Pharma management to provide the required focus for the API Business.
- (ii) The consolidation of the Human API Business of the Company and Commodity API business of Strides Shasun Limited into a separate entity will create a standalone active pharmaceutical ingredients' company in India with critical size and is expected to unlock value by enabling the business activities to be carried out with greater focus and specialization for sustained growth.



Continuation Sheet

Demerger is expected to enhance shareholder value for shareholders of the Company.

Representative from M/s. Price Waterhouse & Co LLP, Chartered Accountants, then made a presentation to the Audit Committee explaining the methodology adopted by them in arriving at the share entitlement ratios in respect of the Scheme. Upon completion of the presentations, a sealed envelope containing the Joint Valuation Report was handed over to the Chairman of the Audit Committee.

The Audit Committee noted that S.R. Batliboi & Co., LLP, Chartered Accountants and Price Waterhouse & Co. LLP, Chartered Accountants, Joint Valuers of the Company, recommended that:

"1 (one) equity share of SSL Pharma of Rs. 10/- (Rupees Ten only) each, fully paid up to be issued for every 25 (Twenty-Five) equity share of Rs. 2/- (Rupees Two only) each held by equity shareholders of the Company."

Representative from Keynote Corporate Services Limited, a SEBI registered Merchant Banker, engaged to provide a fairness opinion on the share entitlement Ratio confirmed that in their opinion, the share entitlement ratio is fair, from a financial point of view to the Company, Strides, SSL Pharma and their respective shareholders.

The draft Auditors certificate was placed before the Audit Committee which confirms that the accounting treatment contained in the Draft Scheme of Arrangement is in compliance with all the accounting standards and applicable law.

3. Recommendation of the Audit Committee

In light of the aforesaid, the Audit Committee recommends the draft Scheme, taking into consideration the valuation report and the fairness opinion, to the board of directors of the Company for its approval and for favourable consideration by the BSE Limited, National Stock Exchange of India Limited and the Securities and Exchange Board of India.

Place: Mumbai
Date: March 20, 2017



Gopakumar Nair
Chairman of the Audit Committee

