

**REPORT OF THE AUDIT COMMITTEE OF SEQUENT SCIENTIFIC LIMITED RECOMMENDING THE COMPOSITE SCHEME OF AMALGAMATION AMONGST SEQUENT SCIENTIFIC LIMITED, SYMED LABS LIMITED, VANDANA LIFE SCIENCES PRIVATE LIMITED, APPCURE LABS PRIVATE LIMITED, VINDHYA PHARMA (INDIA) PRIVATE LIMITED, S.V. LABS PRIVATE LIMITED, VINDHYA ORGANICS PRIVATE LIMITED, VIYASH LIFE SCIENCES PRIVATE LIMITED AND GENINN LIFE SCIENCES PRIVATE LIMITED AND SEQUENT RESEARCH LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS UNDER SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013**

---

The following members of the Audit Committee (“Committee”) of Sequent Scientific Limited (“Company”)

1. Mr. Milind Sarwate, Independent Director and Chairman of the Committee
2. Dr. Kausalya Santhanam, Independent Director
3. Dr. Kamal Sharma, Independent Director

**1. Background**

- 1.1 A meeting of the Audit Committee was held on September 26, 2024 at 05.15 PM, to, *inter alia*, consider and recommend, the Composite Scheme of Amalgamation amongst Sequent Scientific Limited (“Amalgamated Company” or “Company” or “Sequent”), Symed Labs Limited (“Transferor Company 1”), Vandana Life Sciences Private Limited (“Transferor Company 2”), Appcure Labs Private Limited (“Transferor Company 3”), Vindhya Pharma (India) Private Limited (“Transferor Company 4”), S.V. Labs Private Limited (“Transferor Company 5”), Vindhya Organics Private Limited (“Transferor Company 6”), Viyash Life Sciences Private Limited (“Transferee Company 1” or “Amalgamating Company 1”) and Geninn Life Sciences Private Limited (“Transferee Company 2” / “Transferor Company 7”) and Sequent Research Limited (“Amalgamating Company 2”) (collectively, “Companies”) and their respective shareholders and creditors under Section 230 to 232 and other applicable provisions of the Companies Act, 2013 (“Act”) and the rules made thereunder. Capitalized terms used and not defined herein shall have the meaning ascribed to them in the Scheme.
- 1.2 The Company is a listed public limited company whose shares are listed on BSE Limited and the National Stock Exchange of India Limited (collectively, “Stock Exchanges”).
- 1.3 In terms of the SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (“SEBI Scheme Circular”), the Committee is required to provide a report recommending the draft Scheme taking into consideration *inter alia* the valuation report. This report of the Committee is also required to, in terms of the SEBI Scheme Circular comment on the (a) need for the merger/ amalgamation / arrangement; (b) rationale of the Scheme, (c) synergies of business of the entities involved in the Scheme, (d) the impact of the Scheme on the shareholders, and (e) cost benefit analysis of the Scheme.
- 1.4 The Scheme shall be filed with the relevant jurisdictional National Company Law Tribunal as per Section 230 to 232 of the Act and has been drawn in compliance with Section 2(1B) and other



applicable provisions of the Income-tax Act, 1961 and other applicable laws including the SEBI Scheme Circular.

1.5 This Report is made in compliance with the SEBI Scheme Circular.

## 2. Documents perused by the Committee

2.1 In connection with the Scheme, *inter alia*, the following documents were provided to the Committee for its consideration:

- (i) Draft Scheme;
- (ii) Valuation report dated September 26, 2024, issued jointly by KPMG Valuation Services LLP, a Registered Valuer (Securities or Financial Assets) bearing IBBI Registration No. – IBBI Registration No. IBBI/RV-E/06/2020/115 and PWC BCS Valuation Advisors LLP, Registered Valuers (IBBI Registration No. IBBI/RV-E/02/2022/158) recommending the Share Exchange Ratio 1, Share Exchange Ratio 2 (collectively, “**Share Exchange Ratios**”) and Warrant Exchange Ratio (“**Valuation Report**”);
- (iii) Fairness opinion dated September 26, 2024 from ICICI Securities Limited (SEBI Registered Category 1 Merchant Banker with Regn No. INM000011179 providing its opinion on the Share Exchange Ratios and Warrant Exchange Ratio in the Valuation Report (“**Fairness Opinion**”);
- (iv) Pricing certificate dated September 26, 2024 issued by RMD & Co, Chartered Accountants as per provisions of SEBI ICDR Regulations;
- (v) Draft certificate issued by M/s S R B C & Co, LLP, Chartered Accountants, statutory auditors of the Company, confirming that the accounting treatment contained in the Draft Scheme is in compliance with the applicable accounting standards specified by the Central Government under Section 133 of the Act read with applicable rules, and/or the accounting standards issued by the Institute of Chartered Accountants of India and other generally accepted accounting principles;
- (vi) The following presentations were made to the Committee:
  - a) Scheme synopsis by Mr. Rajaram Narayanan, Managing Director & CEO of the Company;
  - b) Financial and tax due diligence by KPMG KPMG India Services LLP;
  - c) Salient features of the Scheme and legal due diligence findings by AZB & Partners;
  - d) Valuation report by KPMG Valuation Services LLP and PWC BCS Valuation Advisors LLP; and
  - e) Fairness Opinion by ICICI Securities Limited.

### 3. Salient features of the Scheme

#### 3.1 The Scheme, amongst others, contemplates the following:

- (i) reduction of share capital of the Transferee Company 1 by cancelling the partly paid-up equity shares of the Transferee Company 1;
- (ii) amalgamation of the Transferor Company 1, Transferor Company 2, Transferor Company 3, Transferor Company 4 and Transferor Company 5 (“**Transferor Companies**”) with Transferee Company 1, and the consequent dissolution without being wound up of Transferor Companies and matters incidental thereto;
- (iii) amalgamation of the Transferor Company 6 with Transferee Company 2, and the consequent dissolution without being wound up of Transferor Company 6 and matters incidental thereto;
- (iv) amalgamation of the Transferor Company 7 with Transferee Company 1, and the consequent dissolution without being wound up of Transferor Company 7, issue of Merger Consideration Shares 1 by Transferee Company 1 to the shareholders of Transferor Company 7, in consideration thereof and matters incidental thereto; and
- (v) amalgamation of the Amalgamating Company 1 and Amalgamating Company 2 (collectively, “**Amalgamating Companies**”) with the Amalgamated Company; the consequent dissolution without being wound up of the Amalgamating Companies, issue of Merger Consideration Shares 2 by the Amalgamated Company to the shareholders of Amalgamating Company 1, issuance of Amalgamated Company Warrants by the Amalgamated Company to the Warrant Holders, in consideration thereof and matters incidental thereto.

#### 3.2 The Appointed Date for the Scheme is April 1, 2025.

#### 3.3 The Scheme is conditional upon and subject to the following conditions precedent:

- (i) the Stock Exchanges having issued their observation / no-objection letters as required under the SEBI LODR Regulations read with the SEBI Scheme Circular;
- (ii) the Scheme being approved by the respective requisite majority of each class of members and creditors of the Companies as applicable or as may be required under the Act and as may be directed by the Tribunal;
- (iii) the Scheme being approved by the public shareholders of the Amalgamated Company through e-voting in terms of paragraph 10(a) of Part I of the SEBI Scheme Circular and the votes cast by the public shareholders of the Amalgamated Company in favour of the Scheme being more than the number of votes cast by public shareholders of the Amalgamated Company against this Scheme;





- (iv) approval for this Scheme from the Competition Commission of India;
- (v) the sanction of the Scheme by the Tribunal under Sections 230 to 232 and other relevant provisions of the Act and receipt of the Sanction Order;
- (vi) the satisfaction (or waiver in writing) of such other conditions precedent as mutually agreed amongst *inter alios* the Companies in writing; and
- (vii) the certified copies of the Sanction Order having been filed by the Companies with the RoC.

**4. Need for the merger/demerger/amalgamation/arrangement, and rationale /synergy of the Scheme**

The Committee noted the need and the rationale of the Scheme and that the proposed Scheme would be in the best interest of the Companies and their respective shareholders as it will yield advantages as set out below:

- 4.1 Sequent is a leading animal health pharmaceuticals company with a global footprint, presence in formulations and API segments across multiple markets and customers. Sequent has 7 (seven) state-of-the-art manufacturing facilities globally, 5 (five) Research and Development (R&D) centres and presence across over 100 (One Hundred) markets.
- 4.2 Viyash Group Companies, together constitute an integrated, R&D & intellectual property driven global pharmaceuticals business with a strong customer base across over 150 (one hundred fifty) countries. Viyash has over 200 (two hundred) R&D scientists. Viyash has a strong focus on intellectual property with over 175 (One Hundred Seventy Five) filed patents and over 30 (thirty) granted patents. The Viyash Group Companies have 9 (nine) plants (all approved by the United States Food and Drug Administration) with end-to-end manufacturing & development capabilities.
- 4.3 The amalgamation proposed under the Scheme would combine the inherent capabilities of Viyash and Sequent to create a platform with leadership in animal pharmaceuticals, end-to-end integrated capabilities across the larger global pharmaceuticals market with a strong operating and R&D backbone. The combined entity will leverage the individual businesses' strengths through the following ways:
  - 4.3.1 *Access to global innovator & big pharmaceuticals customers:* The combined entity can leverage each other's global marquee customer base with an opportunity to participate in the larger global pharmaceuticals market;
  - 4.3.2 *Leverage technical skills:* The combined entity can leverage Viyash's strong product development, R&D, regulatory, and manufacturing capabilities to accelerate new product development and new product launches and take a wider basket of products and services to their customers;



- 4.4 The proposed Scheme would be in the best interests of the Companies and their respective shareholders, employees, creditors, and other stakeholders as the Scheme will yield advantages as set out inter alia below:
- 4.4.1 *Expanded marketing presence across geographies:* The combined business will have access to a larger business development team with expertise in innovator pharmaceutical companies globally;
  - 4.4.2 *Backward integration:* Viyash is backward integrated for multiple steps for most products and is already a qualified supplier for intermediates to SeQuent for one of the largest API that SeQuent manufactures for the US market;
  - 4.4.3 *Procurement synergies:* Both companies have multiple common input materials (solvents, catalysts). Combined purchasing for these can reduce raw material costs & improve Gross Margins;
  - 4.4.4 *Enhanced R&D and new product pipeline:* Viyash has over 200 (two hundred) R&D resources with well-equipped analytical labs. Viyash's infrastructure can deliver 15 (Fifteen) new products per year across intermediates, apis and formulations. the combined entity will have the operating base and financial strength to accelerate investment in these areas;
  - 4.4.5 *Indirect Costs:* Multiple shared functions such as Supply Chain, Finance, HR, IT. Opportunity to improve profitability as business scales through operating leverage;
  - 4.4.6 *Scale benefits:* Combined business to have 16 (sixteen) manufacturing plants with 10 (ten) US FDA approved plants and strong regulatory track record;
  - 4.4.7 *Financial Strength:* Combined business will have a more efficient capital structure with high cash flow generation and ability to incur capex for growth.

The Committee concurred with the rationale and synergies for the Scheme as stated above. It was observed that the Scheme will result in synergies between the businesses of the Companies, including operational synergies on the supply side and cost synergies through *inter alia* general and administrative optimization, class cost management and in terms of procurement.

## 5. Impact of the Scheme on the shareholders

- 5.1 The Committee reviewed the Valuation Report and noted the valuation and the Share Exchange Ratios and Warrant Exchange Ratio for the proposed amalgamation as recommended by the valuer. In consideration for the amalgamation, the following issuances of securities are proposed:

- (i) In respect of amalgamation of the Transferor Company 7 with Transferee Company 1, the Transferee Company 1 shall issue Merger Consideration Shares 1 to the shareholders of Transferor Company 7 as per the following Share Exchange Ratio 1:

*Each Eligible Shareholder 1 will receive 47 (forty seven) fully paid-up equity shares of the face value of INR 10 each for every 1 (one) fully paid-up equity shares of INR 10 each held by such member in the Transferor Company 7.*

- (ii) In respect of amalgamation of the Amalgamating Company 1 with the Amalgamated Company, the Company shall issue and allot:

- (a) Merger Consideration Shares 2 to the shareholders of Amalgamating Company 1 as per the following Share Exchange Ratio 2:

*Each Eligible Shareholder 2 will receive 56 (fifty six) equity shares of the Amalgamated Company, credited as fully paid-up equity shares of the face value of INR 2 each, for every 100 (One Hundred) fully paid-up equity shares of INR 10 each held by such member in the Amalgamating Company 1.*

- (b) Amalgamated Company Warrants to the Warrant Holders as per the following Warrant Exchange Ratio:

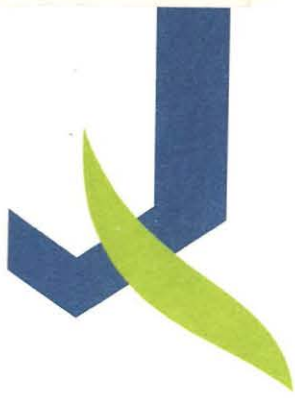
*Every Warrant Holder will receive, 56 (Fifty Six) share warrants of the Amalgamated Company (at the Warrant Price i.e. INR 181.94) for every 100 (One Hundred) share warrants of the Amalgamating Company 1.*

- (iii) No consideration would be payable for (a) amalgamation of the Transferor Companies with the Transferee Company 1 as these are direct / indirect wholly owned subsidiaries of the Transferee Company 1, (b) amalgamation of Amalgamating Company 2 with the Company, as the Amalgamating Company 2 is a wholly owned subsidiary of the Company. Further, all equity shares of the Transferee Company 1 which are partly paid-up immediately prior to the Effective Date 1, shall stand cancelled without any further act or deed as an integral part of the Scheme. In lieu of such cancellation, the Transferee Company 1 shall pay the amount paid-up on such partly paid-up equity shares to the relevant shareholders holding such partly paid-up equity shares immediately prior to the Effective Date 1, provided that the Transferee Company 1 shall be entitled to set-off for such amounts any loans or other payments due from such shareholders to Transferee Company 1.

5.2 The equity shares of the Company to be issued and allotted to the shareholders of the Amalgamating Company 1 shall rank *pari passu* in all respects with the then existing equity shares of the Company and shall be listed on the Stock Exchanges after obtaining requisite approvals.

5.3 The Committee noted that the Scheme is intended to create value for stakeholders including respective shareholders, customers and employees as the combined business would benefit from





increased scale, innovations in technology and expanded reach with integrated growth opportunities, higher cross selling opportunities to a larger base of customers, improvement in productivity and operational efficiencies, among others.

5.4 Accordingly, the Committee is of the informed opinion that the Scheme will be advantageous and beneficial to the Company and its stakeholders/ shareholders.

#### **6. Cost benefit analysis of the Scheme**

6.1 The Committee noted that as per the Scheme, the amalgamation will create cost synergies such as (a) Procurement: both companies have multiple common input materials (solvents, catalysts). combined purchasing for these can reduce raw material costs & improve gross margins; (b) Financial strength: combined business will have a more efficient capital structure with high cash flow generation and ability to incur capex for growth, (c) Indirect costs: multiple shared functions such as Supply Chain, Finance, HR, IT. Opportunity to improve profitability as business scales through operating leverage.

6.2 While the proposed Scheme would lead to transaction costs related to its implementation, the benefits of the Scheme would far outweigh the cost for the Company and its stakeholders.

#### **7. Recommendation of the Committee**

7.1 The Committee reviewed the Valuation Report and noted the valuation and the Share Exchange Ratios and the Warrant Exchange Ratio. No special valuation difficulties were noted. Further, the Committee also noted the Fairness Opinion from ICICI Securities Limited in respect of the Valuation Report.

7.2 Basis the above, the Committee after due deliberations and after taking into consideration the Valuation Report, Fairness Opinion, all the terms of the draft Scheme, need for the merger/ amalgamation / arrangement; rationale of the Scheme, synergies of business of the entities involved in the Scheme, the impact of the Scheme on the shareholders, and cost benefit analysis of the Scheme, and other documents presented before the Committee, recommends the draft Scheme for approval.

**For and on behalf of Audit Committee of SeQuent Scientific Limited**

**Milind Sarwate**  
**Chairman of the Audit Committee**  
**DIN:** 00109854  
**Date:** September 26, 2024  
**Place:** Thane, Maharashtra