

NOTE ON THE SCHEME OF ARRANGEMENT

A. Description of Companies and their business

- I. Shasun Pharmaceuticals Limited (“**Shasun**” or the “**Transferor Company**” as more particularly defined hereunder) is a company incorporated under the provisions of the Act (as defined hereinafter) and having its registered office at Chennai. The Corporate Identification Number of the Transferor Company is L24117TN1976PLC007122. The equity shares of the Transferor Company are listed on the Stock Exchanges (as defined hereinafter). The Transferor Company develops, manufactures and sells generic pharmaceutical products and active pharmaceutical ingredients within and outside India. It is also engaged in the contract research and manufacturing services business, which provides chemistry and analytical services within and outside India, and offers formulation, development and manufacturing services for solid dosage products to pharmaceutical customers. In addition, the company is involved in research and development services, manufacturing, sales, marketing and distribution of recombinant biopharmaceutical products (both drug substance and drug product) in any form. It exports its products to North America, Europe, Asia, and Latin America.
- II. Strides Arcolab Limited (“**Strides**” or the “**Transferee Company**”) is a company incorporated under the provisions of the Act and having its registered office at Mumbai. The Corporate Identification number of the Transferee Company is L24230MH1990PLC057062. The Transferee Company is a global pharmaceutical company with business interests in pharma generics, branded generics and biogenerics and offers soft gel capsules, hard gel capsules, liquid-filled hard gel capsules, tablets, ointments, creams, sachets, liquids and syrups. The company develops generic pharmaceutical products in therapeutic segments, such as immunosuppressants, anti-virals, antibiotics and complex vitamins. In addition, it supplies drugs to global agencies in the anti-retroviral and anti-malarial segments. The company sells its products in North America, Europe, Africa, Australia, South-East Asia, Latin America and India.

B. Rationale for the Scheme

This Scheme of Amalgamation provides for the amalgamation of the Transferor Company with the Transferee Company pursuant to Sections 391 to 394 and other relevant provisions of the Act.

The amalgamation of the Transferor Company with the Transferee Company would *inter alia* result in the following benefits:

- (i) The amalgamation will create a vertically integrated pharma company of scale with a strong presence in front ended regulated market finished dosage formulations, emerging markets branded generics, institutional business, active pharmaceutical ingredients and contract research and manufacturing services;



- (ii) The amalgamation will significantly enhance the finished dosage formulations portfolio in niche and complex domains with a pipeline of over 100 (one hundred) products and accelerate product filings with a combined research and development strength of over 400 (four hundred) personnel;
- (iii) The amalgamation will significantly de-risk operations with the combined entity having 12 (twelve) manufacturing facilities, including 3 (three) finished dosage formulations manufacturing facilities approved by the US Food and Drug Administration, 2 (two) active pharmaceutical ingredients manufacturing facilities approved by the US Food and Drug Administration, 1 (one) contract research and manufacturing services facility approved by the US Food and Drug Administration and 6 (six) manufacturing facilities catering to the emerging markets;
- (iv) The amalgamated entity will leverage the Transferor Company's best in class active pharmaceutical ingredients manufacturing capacities and shift focus towards niche active pharmaceutical ingredients aligned with the portfolio and pipeline for finished dosage formulations;
- (v) The amalgamation will create significant synergistic opportunities in operations and cost savings through economies of scale; and
- (vi) The amalgamated entity will be amongst the top 15 (fifteen) listed Indian pharma companies by revenue with increased scale and visibility to drive future growth.

In view of the aforesaid, the Board of Directors of the Transferor Company as well as the Board of Directors of the Transferee Company have considered and proposed the amalgamation of the entire undertaking and business of the Transferor Company with the Transferee Company in order to benefit the stakeholders of both companies. Accordingly, the Board of Directors of both the companies have formulated this Scheme of Amalgamation for the transfer and vesting of the entire undertaking and business of the Transferor Company with and into the Transferee Company pursuant to the provisions of Section 391 to Section 394 and other relevant provisions of the Act.

C. SHARE CAPITAL

Transferor Company

- (i) The share capital structure of the Transferor Company as on November 5, 2015:

Authorized Share Capital	Rupees
<u>Equity</u> 7,50,00,000 equity shares of Rs. 2/- each	Rs. 15,00,00,000
<u>Preference</u> 10,00,000 redeemable preference shares of Rs. 100/- (Rupees Hundred Only) each	Rs. 10,00,00,000
Total	Rs. 25,00,00,000
Issued, Subscribed and Paid-up Share Capital	Rupees
<u>Equity</u> 6,72,55,452 equity shares of Rs 2/- each fully paid up	Rs. 13,45,10,904



- (ii) The equity shares of the Transferor Company are listed on the National Stock Exchange of India Limited and BSE Limited.

Transferee Company

- (i) The share capital structure of the Transferee Company as on November 5, 2015:

Authorized Share Capital	Rupees
Equity Shares 8,97,50,000 equity shares of Rs. 10/- each	89,75,00,000
Preference Shares 6,20,000 cumulative preference shares of Rs. 1,000/- each	62,00,00,000
Total	1,51,75,00,000
Issued, Subscribed and Paid-up Share Capital	Rupees
Equity Shares 5,96,25,621 equity shares of Rs. 10/- each	59,62,56,210

- (ii) The equity shares of the Transferor Company are listed on the National Stock Exchange of India Limited and BSE Limited.

D. ISSUE OF EQUITY SHARES BY TRANSFEREE COMPANY

- Upon the effectiveness of the Scheme, in consideration of the transfer of and vesting of the Undertaking of the Transferor Company in the Transferee Company and in terms of the Scheme, the Transferee Company shall, without any further application, act, instrument or deed, issue and allot to the equity shareholders of the Transferor Company (whose names are registered in the Register of Members of the Transferor Company on the Record Date, or his/her/its legal heirs, executors or administrators or, as the case may be, successors), equity shares of face value of Rs. 10/- (Rupees Ten) each credited as fully paid up of the Transferee Company in the ratio of 5 (five) equity shares of the face value of Rs. 10/- (Rupees Ten) each of the Transferee Company for every 16 (sixteen) equity shares of Rs. 2/- (Rupees Two) credited as fully paid-up (the “**Share Exchange Ratio**”) held on the Record Date by such equity shareholders or their respective legal heirs, executors or administrators or, as the case may be, successors in the Transferor Company (the “**New Equity Shares**”)
- Where New Equity Shares are to be allotted to heirs, executors or administrators or as the case may be, to successors of deceased equity shareholders of the Transferor Company, the concerned heirs, executors, administrators or successors shall be obliged to produce evidence of title satisfactory to the Board of Directors of the Transferee Company.
- In the event of any increase in the issued, subscribed or paid up share capital of the Transferor Company or the Transferee Company or issuance of any instruments convertible into equity shares or restructuring of their respective equity share capital including by way of share split/ consolidation/ issue of bonus shares, free distribution of shares or instruments convertible into equity shares or other similar action in



relation to the share capital of the Transferor Company or the Transferee Company at any time before the Record Date, the Share Exchange Ratio shall be adjusted appropriately to take into account the effect of such issuance or corporate actions and assuming conversion of any such issued instruments convertible into equity shares.

- iv. The New Equity Shares issued in terms of the Scheme shall, in compliance with the applicable regulations, be listed and admitted to trading on the NSE and BSE, where the equity shares of Transferee Company are listed and admitted to trading. The Transferee Company shall enter into such arrangements and give such confirmations and/or undertakings as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of such stock exchanges. The New Equity Shares allotted pursuant to this Scheme shall remain frozen in the depositories system till relevant directions in relation to listing/trading are provided by the relevant stock exchanges.
- v. Upon the New Equity Shares being issued and allotted to the shareholders of the Transferor Company, the shares held by the said members of the Transferor Company in the Transferor Company, whether in the physical form or in the dematerialized form, shall be deemed to have been automatically cancelled and be of no effect, without any further act, deed or instrument.
- vi. In so far as the New Equity Shares are concerned, the same will be distributed in dematerialized form to the equity shareholders of the Transferor Company, provided that all details relating to the account with the depository participant are available to the Transferee Company. All those equity shareholders who hold equity shares of the Transferor Company and do not provide their details relating to the account with the depository participant will be distributed New Equity Shares in the physical/certificate form unless such details are communicated in writing by the shareholders on or before such date as may be determined by the board of the Transferee Company or committee thereof.
- vii. Upon the coming into effect of the Scheme, the New Equity Shares of the Transferee Company to be issued and allotted to the members of the Transferor Company as provided in the Scheme shall be subject to the provisions of the memorandum of association and articles of association of the Transferee Company and shall rank *pari passu* from the date of allotment in all respects with the existing equity shares of the Transferee Company including entitlement in respect of dividends. Provided however that the lock-in period, if any, as per applicable Law outstanding on the equity shares of the Transferor Company held by any of its shareholders shall continue to be applicable on the New Equity Shares held by such shareholder for the remainder of the period stipulated under applicable Law. The issue and allotment of the New Equity Shares by the Transferee Company to the members of the Transferor Company as provided in this Scheme is an integral part hereof and shall be deemed to have been carried out pursuant to and in accordance with all provisions of the Act and other applicable Law which may otherwise have been applicable to the issue and allotment of the New Equity Shares.
- viii. No fractional certificates, entitlements or credits shall be issued or given by the Transferee Company in respect of the fractional entitlements, if any, to which the shareholders of the Transferor Company are entitled on the issue and allotment of



equity shares by the Transferee Company in accordance with this Scheme. If any members of the Transferor Company have a shareholding such that such members become entitled to a fraction of a New Equity Share, the Board of Directors of the Transferee Company may:

- (i) consolidate all such fractional entitlements to which the shareholders of the Transferor Company may be entitled on issue and allotment of the New Equity Shares of the Transferee Company as aforesaid and shall, without any further application, act, instrument or deed, issue and allot such fractional entitlements directly to a nominee to be appointed by the Board of Directors of the Transferee Company, who shall hold such fractional entitlements with all additions or accretions thereto in trust for the benefit of the respective shareholders to whom they belong and their respective heirs, executors, administrators or successors for the specific purpose of selling such fractional entitlements in the market at such price or prices and at such time or times as the nominee may in its sole discretion decide and on such sale pay to the Transferee Company the net sale proceeds thereof and any additions and accretions, whereupon the Transferee Company shall, subject to withholding tax and expenses, if any, distribute such sale proceeds to the concerned shareholders of the Transferor Company in proportion to their respective fractional entitlements; or
- (ii) adopt any other procedure as permitted under applicable Law to deal with such fractional entitlements.

For STRIDES ARCOLAB LIMITED,

Manjula R.

**MANJULA. R
ASST. COMPANY SECRETARY**

