Annexure 4

REPORT OF AUDIT COMMITTEE RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN AARTI INDUSTRIES LIMITED ('DEMERGED COMPANY') AND AARTI PHARMALABS LIMITED (FORMERLY KNOWN AS AARTI ORGANICS LIMITED) ('RESULTING COMPANY') AND THEIR RESPECTIVE SHAREHOLDERS ("SCHEME").

Members Present:

1.	Shri KVS SHYAMSUNDER	Chairman
2.	Shri BHAVESH VORA	Member
3.	Shri GANAPATI DADASAHEB YADAV	Member
4.	Shri PARIMAL HASMUKHLAL DESAI	Member
5.	Shri PREMCHAND AMOLAK SETHI	Member
6.	Smt. PRITI PARAS SAVLA	Member
7.	Shri RAJENDRA VALLABHAJI GOGRI	Member
8.	Shri RASHESH C GOGRI	Member
	Shri Raj Sarraf	Company Secretary

By Invitation:

1.	Smt. HETAL GOGRI GALA	Executive Director
2.	Shri MANOJ MULJI CHHEDA	Executive Director
3.	Shri NARENDRA J SALVI	Executive Director
4.	Shri RENIL RAJENDRA GOGRI	Executive Director
5.	Shri MILIND BHAVE	Representative of Statutory Auditors
6.	Shri CHETAN GANDHI	Chief Financial Officer

1. **Background**

1. A meeting of the Audit Committee was held on August 19, 2021 to consider and, if thought fit, recommend the proposed Scheme of Arrangement (**"Scheme"**) between Aarti Industries Limited (the **"Demerged Company, AIL"**) and Aarti Pharmalabs Limited (the "**Resulting Company, APL** ") and their respective shareholders wherein the Pharma Business and allied activities (the **"Demerged Undertaking"**) of the Demerged Company would stand transferred to and vested in Resulting Company with effect from the appointed date i.e. July 1, 2021 in accordance with the terms of the Scheme and pursuant to the provisions of Sections 230 to 232 read with applicable provisions of the Companies Act, 2013 (**"Act"**) and the rules and regulations made thereunder, as amended from time to time (including any statutory modification(s) or re-enactment thereof for the time being in force) and regulation 11, 37 and 94 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015 ("**SEBI LODR Regulations**") and the Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 issued by the Securities and Exchange Board of India ("**SEBI Circular**"), as amended from time to time.

AARTI INDUSTRIES LIMITED

2. The Demerged Company is incorporated under the provisions of the Companies Act, 1956. The equity shares of the Demerged Company are listed on BSE Limited and National Stock Exchange of India Limited (collectively referred as "**Stock Exchanges**").

3. This report of the Audit Committee is made in order to comply with the requirements of SEBI LODR Regulations and SEBI Circular.

4. The following documents were placed before the Audit Committee:

   a. Draft Scheme of Arrangement;
   b. Valuation Report dated August 19, 2021, issued by SSPA & Co. Chartered Accountants (IBBI Registration No. IBBI/RV/06/2018/10140) for determination of Share Entitlement Ratio under the Scheme ("**Valuation Report**");
   c. Fairness Opinion dated August 19, 2021 issued by Inga Ventures Private Limited, an Independent SEBI registered Category-1 Merchant Banker, providing fairness opinion on the valuation of the shares and the share entitlement ratio as recommended in the Valuation Report. ("**Fairness Opinion**");
   d. Certificate dated August 19, 2021 issued by Kirtane & Pandit LLP Chartered Accountants, Statutory Auditors of Demerged Company confirming that the accounting treatment contained in the Scheme is in compliance with all the applicable accounting standards specified by the Central Government under Section 133 of Companies Act, 2013 and other generally accepted accounting principles;
   e. Undertaking on non-applicability of para I(A)(10)(a) and I(A)(10)(b) of Part I of the SEBI Circular and the draft auditor's certificate, certifying the said undertaking; and
   f. Audited financial statements of the Demerged Company and the Resulting Company for the period ending June 30, 2021, year ending March 31, 2021, March 31, 2020 and March 31, 2019.

2. Proposed Scheme:

1. Salient Features

The Audit Committee considered and observed that the draft Scheme provides for the following:

a. Demerger of the Demerged Undertaking of Demerged Company and vesting the same with and into the Resulting Company, on a going concern basis;

The Appointed Date means the opening of business hours on July 1, 2021 or such other date as may be approved by the National Company Law Tribunal, Ahmedabad bench ("NCLT"); and

c. In consideration of the proposed Scheme, the Resulting Company will issue and allot equity shares, to each shareholder of the Demerged Company, whose names appear in the register of members of Demerged Company on the record date as may be fixed for the purpose by the Board of Resulting Company in consultation with the Demerged Company (hereinafter referred to as "the Record Date").

d. The equity shares proposed to be allotted by the Resulting Company will be listed on BSE Limited and National Stock Exchange of India Limited, a recognized Stock Exchanges having nationwide trading platform.

e. The Demerged Company and the Resulting Company shall follow the method of accounting as per the applicable accounting principles as prescribed under the Companies (Indian

AARTI INDUSTRIES LIMITED

Accounting standards) Rules, 2015 (Ind AS) as notified under Section 133 of the Act, as may be amended from time to time and relevant clarifications issued by Institute of Chartered Accountants of India.

f. This Scheme is and shall be conditional upon and subject to:
   i. The requisite consents, no-objections and approvals of the Stock Exchanges and SEBI to the Scheme in terms of the SEBI Circular.
   ii. The approval of the Scheme by the respective requisite majorities in number and value of the shareholders of the Companies in accordance with section 230 to 232 of the Act;
   iii. The Scheme being sanctioned by the Tribunal in terms of sections 230 to 232 and other relevant provisions of the Act and the requisite orders of the Tribunal and
   iv. Certified copies of the orders of the Tribunal sanctioning this Scheme being filed with the relevant Registrar of Companies by Demerged Company and Resultant Company as per the provisions of the Companies Act.

3. Need and Rationale of the Scheme of Arrangement

The Audit Committee noted the rationale and need for the demerger of the Demerged Undertaking from the Demerged Company into Resulting Company, as provided in the draft Scheme of Arrangement, which is reproduced hereunder:

AIL basically has 2 (Two) business verticals i.e., speciality chemicals and pharmaceuticals with divergent business profile, growth potential, risk-rewards, regulatory and capital requirements and are largely independent of each other.

a) The Demerged Undertaking relates to Pharma manufacturing units, allied activities, investments and cash balance & cash equivalents for future Capital Expenditures of Demerged Undertaking. In order to create overall value for the shareholders and also to enable management of the Company to focus and adopt the relevant strategies necessary for promoting growth and expansion, it is proposed that the Demerged Undertaking, (as specifically set out in the Scheme), be demerged and transferred to the Resulting Company under the terms and conditions of this Scheme.

b) The shareholders of AIL, pursuant to the demerger, will get Equity Shares of Resulting Company for the values of Business Transferred in the manner set out under this Scheme.

c) The demerger will also result in AIL and APL achieving operational efficiencies by streamlining of the relevant businesses.

d) By demerger of the Demerged Undertaking into Resulting Company, the financial resources will be conveniently raised in accordance with the requirement of the business.

e) The demerger will enable APL to expand its presence in the fast-moving Pharma Business in India and abroad.

f) The demerger will result into two dedicated and focused business segments i.e. Speciality Chemical and Pharma without any risk or overlap of one business over the other.

The Scheme shall be in the beneficial interest of the shareholders of the companies. The Scheme shall not be in any manner prejudicial to the interest of the concerned members, creditors, employees or general public at large.

AARTI INDUSTRIES LIMITED

4. Synergies of business of the entities involved in the scheme:

The Committee reviewed the Scheme and noted that the demerger would result in achieving efficiency in operational processes implementation of independent strategies specifically designed for the two businesses and in optimizing profitability.
The Committee also noted that the Pharma Business has attractive expansion plans and by vesting the Pharma Business, the Demerged Company would be able to face on long term growth and expansion of the Pharma Business.
Thus, the re-structuring is proposed to result into enhanced development and growth of the business of the Company with independent focus on each business segment and more productive utilization of such resources which would be beneficial for all stakeholders.

5. Cost benefits analysis of the scheme are as under:

There are no social or environmental impact of the proposed re-structuring. Except the transaction cost, there are no additional costs involved for the proposed re-structuring. The Committee is of the opinion that the expected synergies and benefits in pursuance of the restructuring would offset the impact of such costs for the Company.

6. Impact of the scheme on the shareholders are as under:

a. The shareholders of the Demerged Company as on the Record Date shall be entitled to equity shares in the Resulting Company basis the share entitlement ratio determined by SSPA & Co. Chartered Accountants in the Valuation Report submitted to this Committee. Subsequent to which the Shareholders of the Demerged Company in addition to the shares held in the Demerged Company shall also become shareholders in the Resulting Company.
b. The Scheme will not adversely affect the rights or interest of any shareholder of the Demerged and Resulting Company or their respective shareholders or creditors, in any manner whatsoever.

7. Recommendation of the Audit Committee:

Taking into consideration the Scheme, Valuation Report, Fairness Opinion, Accounting Treatment Certificate, Auditor certificate certifying the company undertaking on non-applicability of the Para I(A)(10)(a) and I(A)(10)(b) of Part I of the SEBI Circular, Audited Financial statements of Demerged and Resulting Company and other documents, as placed, the Audit Committee recommends the draft Scheme for favourable consideration by the Board of Directors of the Company, Stock Exchanges and the Securities Exchange Board of India and other appropriate authorities.

For and on behalf of the Audit Committee
of Aarti Industries Limited

AARTI INDUSTRIES LIMITED

KVS Shyamsunder
(DIN 00502621)
Chairman of the Audit Committee