Annexure 12

REPORT OF COMMITTEE OF INDEPENDENT DIRECTORS ("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 RAMMURTHY	Chairman
2.	Shri BHAVESH VORA	Member
3.	Shri GANAPATI DADASAHEB YADAV	Member
4.	Shri LALIT KUMAR NAIK	Member
5.	Shri PREMCHANDRA AMOLAK SETHI	Member
6.	Smt. PRITI PARAS SAVLA	Member
7.	Shri VINAY G NAYAK	Member
	Shri Raj Sarraf	Company Secretary

[In accordance with the Standard 7.2.1.2 of Secretarial Standard-1, name of members present, are recorded in logical manner such as; Chairman and Independent Directors in Alphabetical Order]

1. Background

1. A meeting of the Committee of Independent Directors ("**Committee**") of Aarti Industries Limited was held on August 19, 2021 at 10:30 a.m. to consider and, if thought fit, recommend the draft Scheme of Arrangement (**"Scheme"**) between Aarti Industries Limited (the **"Demerged Company, AIL"**), Aarti Pharmalabs Limited (the **"Resulting Company**, APL") (formerly known as Aarti Organics Limited) and their respective shareholders and creditors 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.

   The Scheme is subject to approvals of Board of Directors, Shareholders of Company involved and approval of other regulatory authorities as may be required, including those of the BSE Limited, National Stock Exchange of India Limited (collectively referred as "**Stock Exchanges**"), Securities and Exchange Board of India and National Company Law Tribunal.

   In terms of the SEBI Circular, a report from the Committee is required recommending the draft Scheme, taking into consideration *inter alia* that the Scheme is not detrimental to the Shareholders of the Demerged Company. This report of the Committee is made in order to comply with the requirements of SEBI LODR Regulations and SEBI Circular.

   The following documents were placed before the Committee:
   a. Draft Scheme of Arrangement;
   b. Report on Share Entitlement Ratio dated August 19, 2021, issued by SSPA & Co. Chartered Accountants (IBBI Registration No. IBBI/RV/06/2018/10140) for determination of Share Entitlement Ratios under the Scheme ("**Fair Share Entitlement Report**");
   c. Fairness Opinion dated August 19, 2021 prepared by Inga Ventures Private Limited, an Independent SEBI registered Category-1 Merchant Banker, providing fairness opinion on the

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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; and

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 ;

2. Salient Features of the Scheme

The 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;

b. 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 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:

   a. The requisite consents, no-objections and approvals of the Stock Exchanges and SEBI to the Scheme in terms of the SEBI Circular.

   b. 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;

   c. 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

   d. 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. Rationale of the Scheme of Arrangement

The Committee noted the rationale for the demerger of the Demerged Undertaking from the Demerged Company into Resulting Company, as provided in the draft Scheme of Arrangement, and 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

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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.

4. Scheme is Not Detrimental to the Shareholders of Demerged Company.

The Committee members discussed and deliberated upon the rationale and salient features of the Scheme, the Fair Share Entitlement Report, Fairness Opinion and other documents presented before the Committee. In terms of the Scheme, the Resulting Company will issue equity shares to the shareholders of the Demerged Company based on the share entitlement ratio. The shares will be issued by the Resulting Company in the same proportion in which the shareholders hold the shares in the Demerged Company as on record date (subject to receipt of regulatory approvals). The overall economic interest of the equity shareholders of the Demerged Company shall remain the same in both the Companies. As there is no proposed change in the shareholding pattern of the Company pursuant to the proposed Scheme, the Committee is of the informed opinion that the proposed Scheme is in the best interests of the Shareholders of the Company and not detrimental to the interest of the Shareholders, including the minority shareholders of the Company.

5. Recommendation of the Committee:

The Committee after due deliberations and due consideration of all the terms of the draft Scheme, Valuation Report, Fairness Opinion Report, Accounting Treatment Certificate, Statutory 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 and the specific points mentioned above including interest of Shareholders of the Company, recommends the draft Scheme for favourable consideration and approval by the Board, Stock Exchange(s), The Securities Exchange Board of India and other appropriate authorities.

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For and on behalf of Committee of Independent Director
For Aarti Industries Limited

KVS Shyamsunder
(Independent Director)
Chairman of the Committee