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STRICTLY PRIVATE AND CONFIDENTIAL

August 19, 2021

To,
The Board of Directors,
Aarti Industries Limited,
Plot Nos. 801, 801/23,
GIDC Estate, Phase III,
Vapi – 396 195,
Gujarat

Dear Sirs/ Madams,

Sub: Fairness Opinion on Share Entitlement Ratio for the demerger of the Pharma Business of Aarti Industries Limited into Aarti Pharmalabs Limited (formerly known as Aarti Organics Limited) recommended by the Valuer pursuant to the Proposed Scheme

We refer to the engagement letter dated April 28, 2021 ("**Engagement Letter**") whereby Aarti Industries Limited ("**Demerged Company**" **or** "**AIL**") has engaged Inga Ventures Private Limited ("**Inga**"), to provide a fairness opinion to them on the Share Entitlement Ratio recommended by the report dated August 19, 2021 ("**Share Entitlement Ratio Report** ") issued by SSPA & Co., Chartered Accountants ("**Valuer**") for the proposed demerger of Pharma Business ("Pharma Division' or "**Demerged Undertaking**") from AIL into Aarti Pharmalabs Limited (formerly known as Aarti Organics Limited) ("**Resulting Company**" or "**APL**") as a going concern with effect from July 01, 2021 ("**Appointed Date**") vide a scheme of Demerger ("**Proposed Scheme**") under the provisions of Sections 230 to Section 232 of the Companies Act, 2013 read with other applicable provisions and rules thereunder ("**Proposed Demerger**"), wholly owned subsidiary of AIL.

As part of the Scheme, the existing equity shares of APL as held by AIL will be cancelled on demerger.

AIL & APL are hereinafter collectively referred to as the "**Companies**".

Company Background and Purpose

Aarti Industries Limited

AIL is a leading Indian manufacturer of specialty chemicals and pharmaceuticals with a global footprint. AIL combines process chemistry competence (recipe focus) with a scale-up engineering competence (asset utilisation) for creating a sustainable future.

Over the last decade, AIL has transformed from an Indian company servicing global markets to a global entity with state-of-the-art manufacturing facilities in India. AIL manufactures chemicals used in the downstream manufacturing of pharmaceuticals, agrochemicals, polymers, additives, surfactants, pigments and dyes.

The equity shares of AIL are listed on the BSE Limited and the National Stock Exchange of India Limited.

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Inga Ventures Pvt. Ltd. 1229 | Hubtown Solaris | N. S. Phadke Marg | Opp. Telli Galli | Andheri (E) | Mumbai - 400 069, India
Tel: +91-22-26816000 / 26826800 | Fax: +91-22-26816020 | Website: www.ingaventures.com
CIN : U67100MH2018PTC318359

AIL earned consolidated revenue from operations for FY 2020-21 of INR 5,023.28 crores and its paid-up equity capital as on March 31, 2021 is INR 87.12 crores comprising of 17,42,34,474 equity shares of INR 5 each.

Post March 31, 2021, AIL has issued bonus equity shares in the ratio of 1:1 in June 2021. Further AIL has completed Qualified Institutional Placement (QIP) in June 2021, whereby AIL has issued 1,40,35,087 equity shares at a price of INR 855 per shares totaling to INR 1,200 crores.
The post issue of bonus equity shares and QIP the shareholding pattern of AIL as on date is as follows:

Category of Shareholders	No of shares*	% of holding
Promoters	16,27,74,644	44.90%
Public	19,97,29,391	55.10%
Total	**36,25,04,035**	**100.00%**

Face value of INR 5 each

Pharma Business of AIL

Pharma Business of AIL, is divided into three verticals for the (a) manufacture of APIs; (b) manufacture of intermediates; and (c) manufacture of xanthine derivatives.

The Pharma Business of AIL is having four active pharmaceutical ingredients ("APIs") manufacturing plants, two of which are approved by the United States Food and Drug Administration ("USFDA") and two of which are WHO / GMP certified. Additionally, the Pharma Business of AIL is having two dedicated research and development facilities for pharmaceutical API business.

Aarti Pharmalabs Limited

Aarti Pharmalabs Limited (formerly known as Aarti Organics Limited), an unlisted public limited company incorporated on November 22, 2019 and is a wholly owned subsidiary of AIL, APL, is incorporated with an an object to engage in the business including manufacturing and trading of Pharmaceuticals and allied products.

As part of the Scheme, the existing authorised equity share capital of APL comprising of 5,00,000 equity shares of face value INR 10 each would be re-organised as 10,00,000 equity shares of face value INR 5 each

The proposal envisages, inter alia, the demerger of Demerged Undertaking of AIL into APL, whereby equity shares of APL will be issued to the shareholders of AIL. The Valuer has recommended share entitlement ratio ("**Share Entitlement Ratio**") of 1 (One) equity share of APL having a face value of INR 5/- each fully paid up for every 4 (four) equity shares of AIL having a face value of INR 5/- each fully paid up held in AIL.

After the effectiveness of this Proposed Scheme, the share capital of APL consisting of the fully paid-up new equity shares of APL issued as consideration in terms of this Proposed Scheme to the shareholders of AIL shall be listed on the Stock Exchanges in accordance with the provisions of SEBI Circular No. CFD/DIL3/CIR/2017/21, dated March 10, 2017, as amended from time to time.

Further, as an integral part of this Proposed Scheme, existing equity shares of APL as held by AIL, shall be cancelled on demerger coming into effect.

As consideration of the demerger of Demerged Undertaking of AIL into APL, eligible equity shareholders of AIL will be entitled to equity shares of APL in the same proportion in which they own shares in AIL as on the record date determined by AIL in the regard, creating a mirror shareholding.

AIL in terms of the Engagement Letter has requested us to issue our independent opinion as to the fairness of the Share Entitlement Ratio recommended by the Valuer ("**Fairness Opinion**").

Sources of Information

For arriving at the opinion set forth below, we have received from the management of the Companies ("the Management") and any information available in the public domain:

1. Share Entitlement Ratio Report issued by the Valuer,
2. Draft Scheme of Demerger pursuant to which the proposed demerger is to be undertaken,
3. Shareholding pattern of AIL and APL as on June 30, 2021,
4. Financial Statements of APL for the year ended March 31, 2021 and for the period ended June 30, 2021,
5. Audited financial results of AIL for the quarter and year ended March 31, 2021 and quarter ended June 30, 2021,
6. Management certified balance sheet of the Demerged Undertaking of AIL as on June 30, 2021,
7. Auditors report on quarterly standalone results of APL as at June 30, 2021,
8. Such other information and explanations as we required and which have been provided by the Management including Management Representations to understand the rationale and basis for arriving at the recommended share entitlement ratio,
9. Other relevant details regarding the Companies such as their history, past and present activities, future plans and prospects, existing shareholding pattern, and other relevant information and data, including information in the public domain, and
10. Such other Information received during discussion with the Valuer.

Scope Limitations

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by the Companies for the purposes of this Fairness Opinion. We express no opinion, and accordingly, accept no responsibility with respect to or for such information, or the assumptions on which it is based, and, we have simply accepted this information on an "as is" basis, and, have not verified the accuracy and/or the completeness of the same from our end.

We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of the Companies and its related parties (holding company / subsidiary /associates /joint ventures etc.) and neither express any opinion with respect

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thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of the Companies and its related parties.

We have not reviewed any internal management information statements or any non-public reports, and instead, with your consent, have relied upon information that was publicly available or provided or otherwise made available to us by Companies on an "as is" basis for the purposes of this Fairness Opinion. We are not experts in the evaluation of litigation or other actual or threatened claims, and accordingly, we have not evaluated any litigation or other actual or threatened claims.

We have assumed that there are no circumstances, that could materially affect the business or financial prospects of the Companies and its related parties.

We understand that the Management, during our discussion with them, would have drawn our attention to all such information and matters, which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents, no restrictions will be imposed or there will be no delays that will have a material adverse effect on the Proposed Scheme. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have an obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we were not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition, business combination or other extraordinary transaction involving Companies, its related parties or any of its assets, nor did we negotiate with any other party in this regard.

We express no opinion whatsoever and make no recommendation at all as to the Companies underlying decision to effect the Proposed Demerger. We also do not provide any recommendation to the holders of equity shares or secured or unsecured creditors of the Companies with respect to the Proposed Demerger. We also express no opinion, and accordingly, accept no responsibility for or as to the price at which the equity shares of AIL will trade following the announcement of the Proposed Demerger or as to the financial performance of AIL following the consummation of the Proposed Demerger. We express no opinion whatsoever and make no recommendations at all (and accordingly take no responsibility) as to whether shareholders / investors should buy, sell or hold any stake in the Companies or any of its related parties.

Our report is not, nor should it be construed as opining or certifying the compliance of the proposed transaction with the provisions of any law including companies, competition, taxation (including transfer pricing) and capital market related laws or as regards any legal implications or issues arising in India or abroad from such Proposed Demerger.

Conclusion

As understood, upon the Proposed Scheme being effective, all the eligible shareholders of AIL would also become the shareholders of APL and their shareholding in APL would mirror their existing shareholding in AIL prior to the demerger. Existing equity shares of APL as held by AIL will be cancelled on demerger coming into effect.

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Based on our examination of the Share Entitlement Ratio/Valuation Report, such other information / undertakings/representations provided to us by the Management and our independent analysis and evaluation of such information and subject to the scope limitations as mentioned hereinabove and to the best of our knowledge and belief, we are of the opinion that the recommendation made by the Valuer of the Share Entitlement Ratio is fair and reasonable which is as under:

The fair equity share entitlement ratio for the proposed demerger of Demerged Undertaking of AIL into APL is as under:

1 (One) equity share of APL of INR 5 each fully paid up for every 4 (four) equity shares of AIL of INR 5 each fully paid up held in AIL

As understood from the Management, that for the Proposed Demerger the equity share entitlement ratio is decided based on the Management's desired capital structure of APL

Distribution of the Fairness Opinion

The Fairness Opinion is addressed only to the Board of Directors of AIL and is for the purpose of submission to the Stock Exchanges under the SEBI Circular. Further, the Fairness Opinion may be disclosed on the website of the AIL and the Stock Exchanges and also be made part of the explanatory statement to be circulated to the shareholders and/or creditors of the Companies. The Fairness Opinion shall not otherwise be disclosed or referred publicly or to any other third party without Inga's prior written consent.

However, the Companies may provide a copy of the Fairness Opinion if requested / called upon by any regulatory authorities of India subject to the Companies promptly intimating Inga in writing about receipt of such request from the regulatory authority. The Fairness Opinion should be read in totality and not in parts. Further, this Fairness Opinion should not be used or quoted for any purpose other than the purpose mentioned hereinabove. If this Fairness Opinion is used by any person other than to whom it is addressed or for any purpose other than the purpose stated hereinabove, then, we will not be liable for any consequences thereof and shall not take any responsibility for the same. Neither this Fairness Opinion nor its contents may be referred to or quoted to / by any third party, in any registration statement, prospectus, offering memorandum, annual report, loan agreement or any other agreement or documents given to third parties.

In no circumstances however, will Inga or its management, directors, officers, employees, agents, advisors, representatives and controlling persons of Inga accept any responsibility or liability including any pecuniary or financial liability to any third party.

Yours truly,

For **Inga Ventures Private Limited**

Kavita Shah
Partner