Annexure 5

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REPORT OF THE AUDIT COMMITTEE OF ALEMBIC PHARMACEUTICALS LIMITED RECOMMENDING THE SCHEME OF ARRANGEMENT BETWEEN ALEMBIC PHARMACEUTICALS LIMITED ('COMPANY') AND ITS SHAREHOLDERS ('SCHEME')

Members Present:

1. Mr. Paresh Saraiya, Chairman
2. Mr. K. G. Ramanathan, Member
3. Mr. Pranav Parikh, Member
4. Dr. Archana Hingorani, Member
5. Mr. Ashok Kumar Barat, Member

In Attendance:

1. Mr. Charandeep Singh Saluja, Company Secretary

Invitees:

1. Mr. Vishal Doshi, Partner of M/s. K C Mehta & Co LLP, Statutory Auditors
2. Mr. R. K. Baheti, Director - Finance & CFO
3. Mr. Mitanshu Shah, Head – Finance
4. Mr. Ajay Kumar Desai, Sr. VP – Finance
5. Mr. Nilesh Mistry, Head – Accounts
6. Mr. Rasesh Shah, Head – Corporate Secretarial

1. Background:

1.1. A meeting of the Audit Committee of the Company was held on 2nd March, 2023 to, inter alia, consider and recommend the draft Scheme of Arrangement between Alembic Pharmaceuticals Limited ('**Company**') and its shareholders ('**Scheme**') pursuant to provisions of Section 230 and other applicable provisions of the Companies Act, 2013 read with rules framed thereunder ('**Act**').

1.2. The Scheme provides for reorganization of General Reserve (as defined in the Scheme) of the Company, inter alia, providing for utilization of the amounts standing to the credit of the General Reserve of the Company in the manner as stated in the Scheme, pursuant to the provisions of Section 230 and other applicable provisions of the Act. The Scheme also provides for various other matters incidental or consequential thereto or otherwise integrally connected therewith. The Appointed Date of the Scheme is opening hours of 1st January, 2023.

ALEMBIC PHARMACEUTICALS LIMITED VADODARA 390003

1.3. The equity shares of the Company are listed on National Stock Exchange of India Limited ("**NSE**") and BSE Limited ("**BSE**") (NSE and BSE are herein collectively referred to as "**Stock Exchanges**"). The Company will be filing the draft Scheme along with the necessary documents / information with the Stock Exchanges for their No-objection Letter pursuant to Regulation 37 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI LODR Regulations**") and applicable statutory provisions.

1.4. In terms of SEBI master circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000655 dated 23rd November 2021 covering all circulars issued by SEBI under SEBI LODR Regulations in relation to scheme of arrangement including any amendments or modifications thereof ('**SEBI Scheme Circular**') read with applicable provisions of the SEBI LODR Regulations, a report from Audit Committee is required recommending the draft Scheme, and, inter alia, commenting on the need / rationale of the Scheme, impact of the Scheme on the shareholders and cost benefit analysis of the Scheme. This report of Audit Committee is made in order to comply with the requirements of the SEBI LODR Regulations.

2. Documents perused by the Audit Committee

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

a. The draft Scheme;

b. Draft certificate issued by M/s. K C Mehta & Co LLP, Chartered Accountants, the statutory auditors of the Company, as required under SEBI Scheme Circular certifying that the accounting treatment as specified in Clause 10 of the draft Scheme is in compliance with the applicable Indian Accounting Standards specified by the Central Government under Section 133 of the Act; and

c. Draft undertaking of the Company stating the reasons for non-applicability of requirements of Part I (A)(10)(a) read with conditions prescribed in Part I (A)(10)(b) of the SEBI Scheme Circular and also the draft certificate issued by M/s. K C Mehta & Co LLP, Chartered Accountants, the statutory auditors of the Company on the Company's said undertaking.

2.2. The Audit Committee noted that the requirement of Valuation Report and / or Fairness Opinion as stated in the SEBI Scheme Circular are not applicable to the proposed Scheme.

ALEMBIC PHARMACEUTICALS LIMITED VADODARA 390003.

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CIN : L24230GJ2010PLC061123

3. Need and Rationale of the proposed Scheme:

3.1. The Audit Committee noted the need and rationale of the Scheme, which is as follows:

a. Over the years, the Company has built up significant General Reserve through transfer of profits to the reserves in accordance with provisions of the erstwhile Companies Act, 1956 and erstwhile rules notified thereunder, namely, the Companies (Transfer of Profits to Reserves) Rules, 1975 or on voluntarily basis whether before or after the coming into effect of the Companies Act, 2013.

b. The Company is of the view that the funds represented by the General Reserve are in excess of the Company's anticipated operational and business needs in the foreseeable future. Thus, these reserves can be utilized to create further shareholder's value, in such manner and to such extent, as the Board of Directors of the Company in its sole discretion, may decide, from time to time and in accordance with the provisions of the Act and other Applicable Laws.

c. The Scheme is in the interest of all stakeholders of the Company.

4. Salient Features of the Proposed Scheme:

The Audit Committee noted the salient features of the Scheme, which, inter alia, are as under:

4.1. Appointed Date of the proposed Scheme is opening hours of 1st January, 2023.

4.2. The Scheme duly approved by Stock Exchanges, SEBI, NCLT and/or such other competent authority, with or without modifications, shall be effective from the Appointed Date but shall be operative from the Effective Date.

4.3. Upon the Scheme becoming effective and on and with effect from the Appointed Date, in addition to provisions of clause 11 of the Scheme, the balance amounts standing to the credit of General Reserve shall be reclassified, transferred to and shall form part of the Retained Earnings of the Company for the previous financial years, arrived at after providing for depreciation in accordance with the provisions of the Act and remaining undistributed in the manner provided in the Act and other Applicable Laws.

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4.4. Further, upon the Scheme becoming effective and with effect from the Appointed Date, an amount, to the extent of and equivalent to the Identified CWIP (as defined in the Scheme) transferred to the Statement of Profit and Loss of the Company of the financial year 2022-23, net of the deferred tax effect, if any, arising due to such Identified CWIP, shall be utilised from General Reserve in order to maintain the accumulated unconditional distributable profits that existed before giving effect of write-off and impairment of Identified CWIP, in a manner permitted under the Act.

4.5. The Scheme shall be subject to requisite approvals from the shareholders and creditors of the Company, as may be directed by NCLT, unless the same is dispensed by NCLT.

4.6. The costs, charges, expenses, taxes including duties, levies in connection with the Scheme would be borne by the Company.

5. Synergies of business of the entities involved in the Scheme:

The proposed Scheme does not involve any merger/ demerger/ reorganization of the business of the Company with any other company. It only provides for reorganization of General Reserve of the Company.

6. Impact of the Scheme on the shareholders of the Company:

6.1. There is no outflow of / payout of funds of the Company pursuant to the Scheme and hence, the interest of the shareholders is not adversely affected. Further, the Scheme shall not in any manner involve distribution of capital or capital reserves.

6.2. The reduction and reorganization of General Reserve of the Company would not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital.

6.3. Further, pursuant to the Scheme, there will be no change in the shareholding pattern of the Company.

6.4. Based on the above, the Audit Committee is of the view that the Scheme is in the best interests of the shareholders of the Company.

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7. Cost benefit analysis of the proposed Scheme

Although the proposed Scheme would lead to incurring of some costs by the Company, the benefits of the Scheme over a period of time would outweigh such costs given the long term benefits for all stakeholders of the Company.

8. Recommendation of the Audit Committee

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme, certificate(s) issued by the Statutory Auditors of the Company and in view of above stated factors including the need and rationale of the Scheme, benefits and impact of the Scheme on the shareholders and in particular the fact that the Scheme is not detrimental to the interests of the shareholders of the Company, recommends the draft Scheme to the Board of Directors of the Company for its favourable consideration and approval.

By and order of the Audit Committee,

For and behalf of **Alembic Pharmaceuticals Limited**

Paresh M. Saraiya

ALEMBIC PHARMACEUTICALS LIMITED VADODARA 390003.

Paresh Saraiya
Chairman, Audit Committee
DIN: 00063971

Place: Vadodara
Date: 2nd March, 2023

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