



To
The Board of Directors
Ind-Swift Limited

Report of Audit Committee of Ind-Swift Limited on the Scheme of Arrangement for Amalgamation of Ind-Swift Limited ('Transferor Company') with Ind-Swift Laboratories Limited ('Transferee Company')

A meeting of Audit Committee of Ind-Swift Limited was held on 25th September, 2023 to consider and recommend the proposed Scheme of Arrangement for Amalgamation of Ind-Swift Limited ('Transferor Company') with Ind-Swift Laboratories Limited ('Transferee Company') under Sections 230 to 232 of the Companies Act, 2013, in accordance with the SEBI Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (SEBI Master Circular). The report of the Company is being made in order to comply with the requirements of the aforesaid SEBI Master Circular. The audit committee has considered and reviewed the scheme and drawn out the following major points:

1. Background:

- 1.1 **Ind-Swift Limited** ('Transferor Company'), bearing CIN L24230CH1986PLC006897 was incorporated on 06th June, 1986 under the provisions of Companies Act, 1956 having registered office at 781, Industrial Area Phase II, Chandigarh -160002. Transferor Company is engaged in the business of manufacturing of Pharmaceutical Products. ISL is a leading pharmaceutical manufacturer of Finished Dosages Form (FDF) with national and international presence based in Chandigarh. Its strength lies in innovative pharmaceutical products. The Transferor Company is listed on the bourses of BSE Limited and the National Stock Exchange of India Limited.
- 1.2 **Ind-Swift Laboratories Limited** ('Transferee Company') bearing CIN L24232CH1995PLC015553 was incorporated on 04th January, 1995 under the provisions of Companies Act, 1956 having registered office at SCO 850, Shivalik Enclave, NAC, Manimajra Chandigarh -160101. The Transferee Company is primarily engaged in inter alia in the business of manufacturing and marketing of Active Pharmaceutical Ingredients (APIs), Intermediates and Finished Dosages. The Transferee Company has recently entered into a Business Transfer Agreement (as defined hereinafter) with a Company namely Synthimed Labs Private Limited to sell its API and CRAMS business which is yet to be completed. The Transferee Company is also listed on the bourses of BSE Limited and the National Stock Exchange of India Limited.





1.3 The following documents were tabled at the meeting and reviewed by the Audit Committee:

- Draft Scheme on the proposed Scheme of Arrangement for Amalgamation of Ind-Swift Limited ('Transferor Company') with Ind-Swift Laboratories Limited ('Transferee Company');
- Valuation Report containing the Share Exchange Ratio dated 25th September, 2023 issued by Ajay Kumar Siwach, Registered Valuer-Securities or Financial Assets (Registration No. IBBI/RV/05/2019/11412);
- Fairness opinion dated 25th September, 2023 obtained from Ekadrisht Capital Private Limited, SEBI Registered, Category-I, Merchant Banker;

2. Need and rationale of the Scheme is as follows:

The committee noted the following salient features of the Scheme:

This Scheme of Amalgamation would result, inter-alia, in the following synergies for both the Transferor and Transferee companies and thereby preserving and creating value for its shareholders, creditors and various other stakeholders:

• **Expansion into the Formulation Business:**

The Transferee Company had been engaged in the API business and recently exited the API business. It intends to focus and grow the formulations business which offers significant potential and growth opportunities going forward. To establish its presence in the formulations business, it has already made certain investments in two joint ventures. Since the Transferor company is engaged in Formulations business for a while and has already build capacity for the same, the Proposed Amalgamation would augment and spearhead this strategic shift of the Transferee Company into formulations business inorganically by combining the present formulations business of the Transferor Company along with access to its resources and expertise, enabling a more comprehensive and competitive player in the pharmaceutical formulations market.

• **Takeover / Discharge of the debt of the Transferor Company and thereby relieve it from financial stress:**

The Transferor Company has been under severe financial stress and has been facing challenges in discharging its debt obligations, with a significant lump-sum payment due in March 2024. The Transferor Company has in the past made numerous efforts to raise funds to fulfil its debt repayment obligations without much success and thereby pushing the Transferor company to brink of an IBC process which may lead to disintegration of the promising formulation business and various stakeholders losing their value.



The Proposed Amalgamation will offer a bail out to the Transferor company from its debt obligation by providing the necessary funds to discharge its debt and ensure continuity of its formulation business and preservation of shareholder value, alleviating creditors/ lenders pressure and ensuring a stronger / debt free merged entity ready for the long haul.

- **Value creation for Shareholders:**

The Proposed Amalgamation is expected to contribute to economic value creation for both Transferor and Transferee companies. The shareholders of Transferor company will benefit from reduced finance costs, improved profitability and additional resources to fund the growth of formulations business. The shareholders of the Transferee company are expected to benefit from growth in the formulations business. Shareholders of both Company are also likely to benefit from the increased value created through business synergies, cost savings, reduction in administrative / operating costs and improved financial performance of the merged entity.

- **Simplification of Group structure:**

The Proposed Amalgamation would lead to simplification of the Group structure by reducing one listed company, and thereby eliminating inefficiency and cash trap on distribution of profits to shareholders in future. This will also lead to reduction of higher compliance/ reporting burden and administrative cost by reduction of one listed company. All of this will result in higher operational efficiencies and maximize value for the shareholders of both the companies.

- **Focused management, synergies, and Growth prospects:**

The Proposed Amalgamation would not only create economies of scale but also simplify management and strategic focus, leading to a better long-term performance. The Amalgamation will facilitate better and more efficient control over the business and financial conduct of the merged company allowing a more streamlined and coordinated approach to governance and strategic decision-making.

The combined entity, on the back of its financial stability is likely to attract more opportunities for organic and inorganic growth viz., partnerships, acquisitions, and market expansion, translating into enhanced financial prospects.

In summary, the amalgamation of the Transferor Company with the Transferee Company is driven by strategic business objectives of preserving businesses of both companies, build strong foundation and achieve market competitiveness by combing the collective strength of both the companies, achieving business and



operational synergies & efficiencies, improved financial stability and performance, and thereby preserving and creating long-term value for its various stakeholders.

This comprehensive rationale as above underscores the strategic motivations, expected benefits, and the context surrounding the Proposed Amalgamation, highlighting its alignment with both the companies' objectives and the interests of their various stakeholders.

3. Synergies of Business of the entities involved in the Scheme:

- 3.1 Rationalization and streamlining of the management structure and pooling of financial resources, managerial and technical expertise of the Transferee Company.
- 3.2 The Transferor Company is also engaged in the manufacturing of Pharmaceutical Products including FDF and amalgamation of Transferor Company with Transferee Company will create a synergy benefit wherein Transferee Company will get working business undertaking and combined business will get exposure of good working capital.
- 3.3 The proposed amalgamation would result in reduction of overheads, administrative, managerial and other expenditure and bring about operational rationalization, efficiency and optimum utilization of various resources.
- 3.4 The Transferor Company and Transferee Company are engaged in similar nature of business. Thus, the amalgamation would enable economies of scale by attaining critical mass and achieving cost saving. The amalgamation will thus eliminate a multi-layered structure and reduce managerial overlaps, which are necessarily involved in running multiple entities and also prevent cost duplication that can erode financial efficiencies of a holding structure and the resultant operations would be substantially cost-efficient.
- 3.5 Synergies created by scheme of arrangement would increase operational efficiency and integrate business functions.

4. Cost Benefit Analysis of the Scheme:

The present Scheme of Arrangement for Amalgamation is a tax neutral transaction. The Board of Directors of Transferor Company and the Transferee Company believe that the amalgamation of Transferor Company with Transferee Company is expected to enable better realization of potential of business and would also enable the Transferor Company in meeting its debt obligations.



5. Impact of the Scheme on the Shareholders:

The Audit Committee discussed and deliberated upon the rationale and expected benefits of the Scheme. The Audit Committee also reviewed the aforesaid Valuation Report in which share exchange ratio has been determined on the basis of financials of Transferor Companies and Transferee Company as on 31st March, 2023 and Fairness Opinion obtained from the Independent Merchant Bankers. The Committee noted the followings:

- 5.1 Upon approval of the Scheme by the National Company Law Tribunal, the Shareholders of Transferor Company as on record date shall be entitled to equity shares in the Transferee Company basis the share exchange ratio determined as per the aforementioned valuation report submitted to this committee., the shareholders of Transferor Company shall be allotted shares in the Transferee Company.
- 5.2 As per the valuation report, value per share of the Company is arrived at INR 22.91/- and that of the Transferee Company is INR 150.13/-. Based on this, the share exchange ratio is as follows:

Transferee Company, without further application, act or deed, shall issue and allot to each of the shareholders of Transferor Company (other than the shares already held therein immediately before the amalgamation by Transferee Company, its Nominee or Subsidiary Company), shares in proportion of 100 (Hundred) equity shares of face value of Rs. 10 (Ten) each in Transferee Company for every 655 (Six Hundred and Fifty-Five) equity shares of face value of Rs. 2 (Two) each held by them in Transferor Company pursuant to this Scheme of Amalgamation.

In light of the above, the Scheme will not adversely affect the rights or interest of any stakeholder of the Transferor Company including its shareholders or creditors.

6. Recommendations of the Audit Committee

The Audit Committee after due deliberations and due consideration of all terms of the Valuation Report of Registered Valuer and the Fairness Opinion of Independent Merchant Bankers, recommends the Scheme for favourable consideration by the Board of Directors of the Company, the Stock Exchange(s) and SEBI with following ratios –



Corporate 

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Transferee Company, without further application, act or deed, shall issue and allot to each of the shareholders of Transferor Company (other than the shares already held therein immediately before the amalgamation by Transferee Company, its Nominee or Subsidiary Company), shares in proportion of 100 (Hundred) equity shares of face value of Rs. 10 (Ten) each in Transferee Company for every 655 (Six Hundred and Fifty-Five) equity shares of face value of Rs. 2 (Two) each held by them in Transferor Company pursuant to this Scheme of Amalgamation.

By the order of Audit Committee
For Ind-Swift Limited



Bhupinder Singh
Chairman of Audit Committee

Date: 25th September, 2023
Place: Chandigarh