**REPORT ON THE RECOMMENDATION OF THE AUDIT COMMITTEE ("AUDIT COMMITTEE") OF SUVEN PHARMACEUTICALS LIMITED ("TRANSFEREE COMPANY") ON THE DRAFT SCHEME OF AMALGAMATION OF COHANCE LIFESCIENCES LIMITED ("TRANSFEROR COMPANY") INTO AND WITH THE TRANSFEREE COMPANY AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS ("SCHEME OF AMALGAMATION")**

**Members present:**

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| **1. Shri Vinod Rao** | - | **Independent Director** |
| **2. Shri. KG Ananthakrishnan** | - | **Independent Director** |

## SCHEME OF AMALGAMATION

### Background

1. Cohance Lifesciences Limited ("**Transferor Company**") (*formerly known as AI Pharmed Consultancy India Limited*) is a public limited company incorporated under the Companies Act, 2013, having its registered office at 215 Atrium, C Wing, 8th Floor, 819-821, Andheri Kurla Road, Chakala, Andheri East, Chakala MIDC, Mumbai, Maharashtra, 400093, India and its corporate identity number is U24100MH2020PLC402958. The Transferor Company is, *inter alia*, engaged in the business of: (a) end-to-end contract development and manufacturing of intermediates and active pharmaceutical ingredients ("**APIs**") for innovator customers; (b) manufacturing of intermediates, APIs, finished dosage formulations for pharmaceutical companies; (c) manufacturing of specialty chemicals, including electronic chemicals; and (d) undertaking clinical research studies, catering to both domestic and international markets, thereby providing products and services across all phases of a molecule's lifecycle from development to genericization.

2. Suven Pharmaceuticals Limited ("**Transferee Company**") is a public limited company incorporated under the Companies Act, 2013, having its registered office at 8-2-334, Sde Serene Chambers, 3rd Floor Avenue 7, Road No. 5, Banjara Hills, Hyderabad, Telangana, 500034, India, and its corporate identity number is L24299TG2018PLC128171. The Transferee Company is in the process of filing the requisite forms with the RoC, Mumbai to give effect to shift of registered office to 215 Atrium, C Wing, 8th Floor, 819-821, Andheri Kurla Road, Chakala, Andheri East, Chakala MIDC, Mumbai, Maharashtra, 400093, India. The Transferee Company is, *inter alia*, engaged in the business of: (a) contract development, manufacturing and manufacturing process development of intermediates for innovator customers; (b) manufacturing of specialty chemicals including agrochemicals; (c) manufacturing of APIs and formulations, providing analytical services (including without limitation the assessment of compounds, concentration level etc.) and method development services; and (d) process improvement services for both pharmaceutical and specialty chemicals companies.

(Transferor Company and Transferee Company collectively referred to as the "**Amalgamating Companies**").

3. A meeting of the Audit Committee of the Transferee Company was held on 29 February 2024 to consider and recommend the proposed Scheme of Amalgamation of the Transferor Company into and with the Transferee Company under Sections 230 to 232 of the Companies Act, 2013, SEBI Master Circular dated 20 June 2023 bearing reference number SEBI/HO/CFD/POD-2/P/CIR/2023/93 and all amendments thereto (the "**SEBI Master Circular**") and other

applicable provisions, if any, under applicable law involving the amalgamation of the Transferor Company into and with the Transferee Company ("**Proposed Amalgamation**") subject to the approval/no-objections of the National Stock Exchange of India Limited ("**NSE**") and BSE Limited ("**BSE**") (NSE and BSE collectively referred to as the "**Stock Exchanges**"), the Securities and Exchange Board of India ("**SEBI**"), the relevant jurisdictional National Company Law Tribunal ("**NCLT**"), Department of Pharmaceuticals (if such approval is required pursuant to applicable laws) and such other regulatory authorities, as may be applicable.

**Requirements of the SEBI Master Circular**:

4. This report of the Audit Committee is made in order to comply with the requirements of the SEBI Master Circular.

**Documents placed before the Audit Committee**:

5. The Audit Committee has discussed and has made this report after perusing the following documents in detail:

(a) the draft scheme of amalgamation of Cohance Lifesciences Limited ("**Transferor Company**") into and with Suven Pharmaceuticals Limited ("**Company**" or "**Transferee Company**") ("**Scheme**");

(b) a letter agreement to be executed between Jusmiral Holdings Limited (promoter of the Transferor Company) ("**Indemnifying Party**") and the Transferee Company ("**Indemnified Party**") to record certain terms regarding indemnification of the Indemnified Party by the Indemnifying Party ("**Letter Agreement**");

(c) the valuation report dated 29 February 2024 issued jointly by PwC Business Consulting Services LLP, Registered Valuers, (IBBI Registered Valuer Number IBBI/RV-E/02/2022/158) and BDO Valuation Advisory LLP, Registered Valuers, (IBBI Registered Valuer Number IBBI/RV-E/02/2019/103), recommending the fair share exchange ratio ("**Joint Valuation Report**");

(d) the fairness opinion dated 29 February 2024 from Kotak Mahindra Capital Company Limited, SEBI registered Category I Merchant Banker (the "**Fairness Opinion**"), providing its opinion on the fairness of the Share Exchange Ratio from a financial point of view, as recommended in the Joint Valuation Report;

(e) the certificate dated 29 February 2024 issued by Karvy & Co. Chartered Accountants (ICAI Firm Registration Number: 001757S), the statutory auditor of the Transferee Company, pursuant to paragraph A(5) of Part I of the SEBI Master Circular dated 20 June 2023 bearing reference number SEBI/HO/CFD/POD-2/P/CIR/2023/93 and all amendments thereto (the "**SEBI Master Circular**"), certifying that the accounting treatment contained in the Scheme is in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Listing Regulations**") and circulars issued thereunder and all the applicable Accounting Standards notified by the Central Government under section 133 of the Companies Act, 2013 read with the rules made thereunder and other Generally Accepted Accounting Principles;

(f) financial, tax and legal due diligence reports; and

(g) other presentations, reports, documents and information made to/ furnished before the Audit Committee pertaining to the draft Scheme.

**Salient features of the Scheme**

6. The Audit Committee noted the salient features of the Scheme which, *inter alia,* are as follows:

(a) the Transferor Company will amalgamate with and into the Transferee Company, upon which the Transferor Company will dissolve without winding up;

(b) the Appointed Date for the Scheme shall be the Effective Date (*as defined below in this sub-paragraph*), or such other date as may be approved by the board of directors of the Amalgamating Companies. Further, the effective date for the Scheme shall be the opening business hours of the first day of the month immediately succeeding the month in which the last of the conditions to the effectiveness of the Scheme, as set out in the Scheme (and mentioned in sub-paragraph (g) below) are fulfilled, obtained or otherwise duly waived (**"Effective Date"**);

(c) upon the amalgamation of the Transferor Company into the Transferee Company pursuant to the Scheme becoming effective on the Effective Date, the Transferee Company will issue New Equity Shares (*as defined in the Scheme*) to the shareholders of the Transferor Company on the Record Date (*as defined in the Scheme*), in accordance with the Share Exchange Ratio (*as set out in paragraph 11 of this report below*) approved by the board of directors of the Transferor Company and the Transferee Company and pursuant to Sections 230 to 232, and other relevant provisions of the Companies Act, 2013 and other applicable laws, in the manner provided for in the Scheme;

(d) the New Equity Shares that will be issued to the shareholders of the Transferor Company pursuant to the Proposed Amalgamation are proposed to be listed on the Stock Exchanges;

(e) transfer of authorised share capital of the Transferor Company to the Transferee Company and consequential increase in the authorised share capital of the Transferee Company;

(f) the Transferee Company shall account for the amalgamation of the Transferor Company, together, in its books of accounts as per the 'Pooling of Interest Method' in accordance with accounting principles as laid down in Appendix C the Indian Accounting Standard 103 (Business Combinations), notified under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015, as may be amended from time to time, in the books of accounts of the Transferee Company; and

(g) the Scheme is conditional and subject to, where applicable:

i) the Scheme being approved by the requisite majority of each classes of members and/or creditors (where applicable) of the Transferor Company and the Transferee Company (and in relation to the Transferee Company, through e-voting) in accordance with the Companies Act, 2013, other applicable laws and as may be directed by the relevant jurisdictional NCLT;

ii) the votes cast by the public shareholders of the Transferee Company in favour of the Scheme being more than the number of votes cast by the public shareholders of the Transferee Company against the Scheme;

iii) the relevant jurisdictional NCLT having accorded its sanction to the Scheme;

iv) receipt of approval from the Department of Pharmaceuticals in relation to the acquisition of New Equity Shares by the shareholders of the Transferor Company, in the Transferee Company pursuant to the Scheme, if such approval is required

pursuant to applicable laws, in the form and manner acceptable to the Amalgamating Companies;

v) satisfaction of the conditions, if any, as set out in the approval provided by the Department of Pharmaceuticals under sub-paragraph (iv) above which needs to be satisfied on or prior to the Effective Date in accordance with the terms thereunder;

vi) receipt of no-objection letters by the Transferee Company from the BSE and the NSE in accordance with the SEBI Listing Regulations and the SEBI Master Circular in respect of the Scheme (prior to filing the Scheme with the relevant jurisdictional NCLT), which shall be in form and substance acceptable to the Amalgamating Companies, each acting reasonably and in good faith; and

vii) receipt of such other sanctions and approvals including sanction of any other Governmental Authority or stock exchange(s) as may be required by applicable law in respect of the Scheme, which shall be in form and substance acceptable to the Amalgamating Companies.

**Need for and rationale of the draft Scheme**

7. The Audit Committee noted the need and the rationale of the Scheme and that the Proposed Amalgamation would be in the best interest of the Transferor Company and Transferee Company and their respective stakeholders as the Proposed Amalgamation will yield advantages as set out below:

(a) The Transferor Company is, *inter alia*, engaged in the business of: (i) end-to-end contract development and manufacturing of intermediates and APIs for innovator customers; (ii) manufacturing of intermediates, APIs, finished dosage formulations for pharmaceutical companies; (iii) manufacturing of specialty chemicals, including electronic chemicals; and (iv) undertaking clinical research studies, catering to both domestic and international markets, thereby providing products and services across all phases of a molecule's lifecycle from development to genericization.

(b) The Transferee Company is, *inter alia*, engaged in the business of: (i) contract development, manufacturing and manufacturing process development of intermediates for innovator customers; (ii) manufacturing of specialty chemicals including agrochemicals; (iii) manufacturing of APIs and formulations, providing analytical services (including without limitation the assessment of compounds, concentration level etc.) and method development services; and (iv) process improvement services for both pharmaceutical and specialty chemicals companies.

(c) The Proposed Amalgamation will result in creating a diversified contract development and manufacturing organization ("**CDMO**") leader from India with 3 (three) engines of growth: (i) pharmaceutical CDMO; (ii) specialty chemical CDMO; and (iii) API (including formulations), providing the ability to drive a relatively steady growth profile for the business.

(d) The Proposed Amalgamation will result in the Transferee Company having end-to-end capabilities to service the entire lifecycle of a molecule for innovators from clinical development to commercialisation to post genericization for starting materials, intermediates and APIs.

(e) There are multiple examples of global contemporaries with similar end-to-end capabilities, business mix and service lines, who have demonstrated scaling up globally.

(f) Following the Proposed Amalgamation, the Transferee Company will continue to have the best-in-class industry leading financial metrics, and will have significant benefits such as:

i) *Scale*: It will become one of the leading diversified end-to-end CDMO players in India, and will have multiple benefits in terms of attracting quality talent, customers and investor base;

ii) *Customer relationships*: It will benefit from the complementary set of customers and have 1.5x deeper innovator relationships vs. standalone with broader capabilities;

iii) *Access to niche chemistry capabilities*: It will have enhanced capabilities such as antibody drug conjugates, which can be leveraged to sell to innovator customers; and

iv) *Access to best-in-class good manufacturing practices ("**GMP**") facilities*: It will result in increased sales to its existing customers by gaining access to multiple GMP facilities which have been audited by the United States Food and Drug Administration (the "**US FDA**").

**Synergies of business of the entities involved in the Scheme:**

8. The Audit Committee noted the synergies of business of the entities involved in the Scheme which are as under:

(a) The Proposed Amalgamation will result in multiple synergy benefits that can help accelerate growth and improve margins, as set forth below, thus creating value for the respective stakeholders of the Amalgamating Companies, and this Scheme is in the interest of the Amalgamating Companies and their respective stakeholders:

i) *Capabilities*: The integration of the Transferor Company with the Transferee Company is expected to:

I. provide a broader bouquet of chemistry and scientific capabilities across the entire platform including adding niche capabilities such as anti-drug conjugates and electronic chemicals to market to customers; and

II. demonstrate scale to customers with a higher number of US FDA approved facilities and an increased ability to invest for customers.

ii) *Revenue Synergies*: The Proposed Amalgamation is intended to create revenue synergies, such as:

I. Cross-sell: Potential for cross-sell to customers, leveraging Transferor Company capabilities to sell to Transferee Company customers (e.g. antibody drug conjugates platform technology), and for the Transferee Company to sell pharmaceutical CDMO intermediates to the Transferor Company's innovator customers;

II. Lifecycle management: The opportunity for the management of the Transferor Company to support the Transferee Company's customers in lifecycle management of key molecules; and

III. Backward integration: To create the ability for the Transferor Company to supply APIs for the Transferee Company's formulation customers.

iii) *Cost Synergies*: The Proposed Amalgamation is intended to create cost synergies, such as:

I. Procurement: Realize savings in common spend by sourcing material given the similar nature of business;

II. General and administrative optimization: Optimize general and administrative costs across both platforms as the business scales; and

III. Best-in-class cost management: Learning from each plant / facility on improving low-cost manufacturing.

iv) The Proposed Amalgamation will result in sharing best practices across commercial, back-end and operational areas of the Amalgamating Companies.

**Impact of the Scheme on the shareholders:**

9. The Audit Committee noted the impact of the Scheme on the shareholders of the Transferee Company which, is as follows:

(a) The equity shares will be issued by the Transferee Company on account of the Scheme which will result in dilution of the existing shareholding in the Transferee Company and the equity shareholders of the Transferee Company in turn will benefit on account of the rationale and synergies as more particularly outlined in paragraphs 7 and 8 above.

(b) The Transferee Company will issue and allot equity shares, as fully paid-up to the equity shareholders of the Transferor Company, in accordance with the Share Exchange Ratio (*as set out in paragraph 11 of this report below*) and in the manner provided for in the Scheme. The equity shares to be issued by the Transferee Company to the equity shareholders of the Transferor Company pursuant to the Scheme shall rank *pari-passu* in all respects with the then existing equity shares of the Transferee Company.

Based on the above, the Audit Committee of the Transferee Company is of the informed opinion, the Scheme will be advantageous and beneficial to the Transferee Company and its shareholders/stakeholders.

**Cost benefit analysis of the Scheme:**

10. The Audit Committee noted the cost benefit analysis of the Scheme which, *inter alia*, is as follows:

i) The Scheme is expected to increase the economic value for the Amalgamating Companies involved in the Scheme and their stakeholders primarily on account of the advantages and synergies as more particularly outlined in paragraphs 7 and 8 above.

ii) While the proposed Scheme would lead to transaction costs related to its implementation, the benefits of the Scheme would outweigh the cost for the Company and its stakeholders.

SUVEN PHARMACEUTICALS LIMITED * HYD *

**Recommendation of the Audit Committee**

11. The Audit Committee reviewed the Joint Valuation Report and noted the valuation and recommended the share exchange ratio for the Proposed Amalgamation (**"Share Exchange Ratio"**) as under:

In consideration for the Proposed Amalgamation, the Transferee Company shall issue and allot fully paid-up equity shares to all the equity shareholders of the Transferor Company in the following ratio:

> 11 (Eleven) fully paid-up equity shares of face value of INR 1/- each of the Transferee Company for every 295 (Two Hundred and Ninety Five) fully paid-up equity shares of face value of INR 10/- each in the Transferor Company as on the Record Date (*as defined in the Scheme*).

12. Further, Kotak Mahindra Capital Company Limited, an independent SEBI registered Category I Merchant Banker, has issued a fairness opinion stating that the Share Exchange Ratio is fair from a financial point of view.

13. The Audit Committee after due deliberations and after taking into consideration the Joint Valuation Report, the Share Exchange Ratio, the Fairness Opinion, all the terms of the draft Scheme, rationale of the draft Scheme, synergies of business of the entities involved in the Scheme, cost benefit analysis of the Scheme, impact of the Scheme on shareholders of the Transferee Company and other documents presented before the Audit Committee, recommends the draft Scheme for favourable consideration by the board of directors of the Transferee Company, shareholders of the Transferee Company and creditors of the Transferee Company (as may be applicable) for its approval and for favourable consideration and approval (as required) by the Stock Exchanges, SEBI and other regulatory authorities, as may be required.

14. In order for the Transferee Company to comply with the requirements of the extent regulations applicable to the Proposed Amalgamation, this report of the Audit Committee may please be taken on record by the board of directors of the Transferee Company while considering the Scheme for approval and further authorisations.

**For and on behalf of the Audit Committee of Suven Pharmaceuticals Limited**

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**Chairperson** – Audit Committee
**Name**: Vinod Rao
**Place**: Mumbai
**Date**: 29 February 2024