

**REPORT OF THE AUDIT COMMITTEE MEETING OF LYKA LABS LIMITED, FOR RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF LYKA HEATHCARE LIMITED (THE TRANSFEROR COMPANY) WITH LYKA LABS LIMITED (THE TRANSFEREE COMPANY) AT ITS MEETING HELD ON 29<sup>TH</sup> MAY, 2017, MONDAY AT ADMINISTRATIVE OFFICE AT 101 SHIV SHAKTI, INDUSTRIAL ESTATE, ANDHERI KURLA ROAD, ANDHERI EAST, MUMBAI 400059**

**Members Present:**

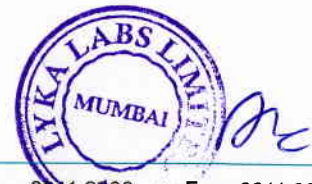
1. Mr. Ajit S Bagadia - Chairman
2. Mr. Vinod S Shanbhag
3. Mr. Yatin N Shah
4. Mr. Atit N Shukla
5. Mr. Narendra I Gandhi

**In Attendance:**

1. Mr Kunal N Gandhi CEO
2. Mr Yogesh B Shah CFO
3. Mr Piyush G Hindia Company Secretary

**1. BACKGROUND**

- i) The draft Scheme of Amalgamation of LYKA HEATHCARE LIMITED [LHL] (the Transferor Company) with LYKA LABS LIMITED [LLL] (the Transferee Company) and the respective shareholders (Scheme) was placed before the Audit Committee for its consideration and recommendation to the Board of Directors of the Company as required vide SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ("Circular").
- ii) The following documents were placed before the Audit Committee for their perusal:
  - a) Draft Scheme of Amalgamation
  - b) Audited Financial Statements of LHL and LLL for the Financial Years 2013-14, 2014-15 and 2015-16.
  - c) Certificate issued by M/s. M A Parikh & Co., Chartered Accountants, Statutory Auditors of the Company as required under para I(A)(5)(a) of Annexure I of the Circular, to the effect that the accounting treatment contained in the Scheme is in compliance with all the Accounting Standards specified by the Central



Government under Section 133 of the Companies Act, 2013 read with the rules framed thereunder or the Accounting Standards issued by ICAI, as applicable, and other generally accepted accounting principles.

iii) The Audit Committee also took note of the fact that as per circular no CFD/DIL3/CIR/2017/21 of 10<sup>th</sup> March, 2017, issued by SEBI, the valuation report and consequently Merchant Bankers fairness opinion, in this case is not applicable since it involves the amalgamation of LHL, the wholly owned subsidiary of LLL with LLL and there are no shares to be issued on account of amalgamation under the scheme. The report of the Audit Committee is made in compliance with the said circular.

## 2. PROPOSED SCHEME OF AMALGAMATION

### i) Salient Features of the Scheme:

The salient features of the Draft Scheme are as under:

- a) Scheme provides for the amalgamation of LHL (Transferor Company) the wholly owned subsidiary of LLL with LLL (Transferee Company) pursuant to Section 230 to 232 of the Companies Act 2013.
- b) The Transferor Company is a wholly owned subsidiary of the Transferee Company, thus pursuant to the Scheme no new shares shall be issued subsequent to sanction of the Scheme by National Company Law Tribunal, Mumbai/Ahmedabad Bench,
- c) Upon coming into effect of the Scheme, the Undertaking of the Transferor Company shall without any further act, instrument or deed be merged and transferred to and vested in or be deemed to have been transferred to and vested as a going concern in the Transferee Company pursuant to the applicable provisions of the Act on and from the Appointed Date.
- d) Upon the scheme being effective, the Authorized Share Capital of the Transferor Company shall be consolidated with the Authorized Share Capital of the Transferee Company as per the provisions of Companies Act 2013 and applicable rules for amalgamation.



## ii) RATIONAL E AND BENEFITS:

The Audit Committee noted that LHL and LLL are dealing in Pharmaceutical Products and therefore they can be conveniently amalgamated and enhance the business value of amalgamated company. It also noted the rationale and benefits that may be derived from the said amalgamation which are summarized as below:

- Greater integration and greater financial strength and flexibility for the amalgamated entity, which would result in maximising overall shareholder value, and will improve the competitive position of the combined entity.
- Greater efficiency in cash management of the amalgamated entity, and unfettered access to cash flow generated by the combined business which can be deployed more efficiently to fund organic and inorganic growth opportunities, to maximize shareholder value.
- Improved organizational capability and leadership, arising from the pooling of human capital who have the diverse skills, talent and vast experience to compete successfully in an increasingly competitive industry.
- Greater access by the amalgamated company to different market segments in the conduct of its business.
- Cost savings are expected to flow from more focused operational efforts, rationalization, standardisation and simplification of business processes, and the elimination of duplication, and rationalization of administrative expenses.
- Achieving economies of scale.

Thus, as a whole, amalgamation of LHL with LLL in terms of the Scheme will be beneficial for both the companies, their shareholders, their creditors, employees, customers and all others concerned with the two companies.



### 3. RECOMMENDATION OF THE AUDIT COMMITTEE

Having considered the aforesaid documents, the Audit Committee found the Scheme to be in the best interest of all the stakeholders of the Company and do hereby recommend the Scheme, taking into consideration that there would be no issuance of shares, for favourable consideration by the Board of Directors of the Company, the National Stock Exchange of India Limited, the BSE (Bombay Stock Exchange) Limited, the Securities and Exchange Board of India and other appropriate authorities.

**For and on behalf of the Audit Committee  
Lyka Labs Limited**

*A. Bagadia*



**Mr. Ajit Bagadia**

**Chairman**

**Date:** *29/5/2017*

**Place:** *Mumbai*