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Annexure - III

REPORT OF THE AUDIT COMMITTEE OF ORTIN LABORATORIES LIMITED HELD ON THURSDAY, 31ST AUGUST, 2017 AT 3.00 P.M. AT THE REGISTERED OFFICE OF THE COMPANY AT D. NO: 1-2-593/29, GROUND FLOOR, STREET NO.4, GAGAN MAHAL COLONY, DOMALGUDA, HYDERABAD - 500029, TELANGANA RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT (DEMERGER) BETWEEN ORTIN LABORATORIES LIMITED AND VINEET LABORATORIES LIMITED

Members Present:

1. Mr. J.R.K Panduranga Rao - Chairperson (Independent Non-Executive Director)
2. Mr. K. Pradyumna Teja - Member (Independent Non-Executive Director)
3. Dr. B. Gopal Reddy - Member (Independent Non-Executive Director)

Special invitees:

1. Mr. S. Murali Krishna Murthy - Managing Director
2. Mr. G.Venkata Ramana - Joint Managing Director
3. Mr. B. Satyanarayana Raju - Whole-time Director and CFO (Chief Financial Officer)
4. Mr. S. Sarveswar Reddy - S.S. Reddy & Associates (Practicing Company Secretaries)

1. Background

Meeting of the Audit Committee of M/s Ortin Laboratories Limited ("the Company" or "Demerged Company" or "OLL") was held on Thursday, 31st August, 2017 to consider and recommend the proposed demerger of Demerged Undertaking of the Demerged Company (i.e. Ortin Laboratories Limited) into the Resulting Company (i.e., Vineet Laboratories Limited or VLL) and reduction of paid up equity share capital of Ortin Laboratories Limited, to be implemented as per the terms and conditions mentioned in the Scheme of Arrangement ("Scheme") entered into between OLL and VLL and their respective shareholders and creditors under Sections 230-232 read with section 66 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 and rules framed there under and in compliance with the provisions of section 2(19AA) of the Income tax Act, 1961.

The Securities and Exchange Board of India vide its circular bearing reference No. CFD/DIL3/CIR/2017/21 dated 10th March 2017 ("SEBI Circular"), has, among other requirements, sought a report from the Audit Committee of the Listed Company recommending the Draft Scheme of Arrangement (Demerger) after taking into consideration, inter alia, the Valuation Report and Fairness Opinion. This report of the Audit Committee is made in order to comply with such requirement under the SEBI Circular.

The following documents were placed before the Audit Committee:

- Minutes of the restructuring committee recommending the scheme of arrangement, valuation report, fairness opinion and other documents.

[Handwritten Signature]

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CIN : L24110TG1986PLC006885

[Handwritten Signature]



- Draft Scheme of Arrangement duly initialed by the Managing Director and Joint Managing Director of the Company for the purpose of identification;
- Valuation Report prepared by M.M. Reddy & Co., Chartered Accountants, Hyderabad ("Valuers");
- Fairness Opinion with regard to the above mentioned Valuation Report duly provided by M/s Quintessence Enterprises Private Limited and Certificate obtained from the Statutory Auditors of the Company M/s Mathesh & Ramana, Chartered Accountants (on the accounting treatment);

2. Proposed Scheme of Demerger

The Audit Committee noted the rationale and the benefits of the Scheme; which inter-alia includes the following:

- In order to enable the management of Ortin Laboratories Limited to ensure better management focus on its core business of manufacturing of pharmaceutical formulations, trading of chemicals, surgical and medicines, etc., the Proposed Scheme envisages to demerge its non-core activities i.e. API Intermediates along with related assets and liabilities into the VLL.
- The proposed segregation of the non-core activities and assets of the Demerged Company shall have the following benefits:
 - Enhance the value for the shareholders.
 - Each business would be treated as the independent business opportunities, pursue efficient capital allocation and attract different sets of investors, strategic partners, lenders and other stakeholders.

3. Recommendation of the Audit Committee

Upon detailed deliberation on the Draft Scheme of Arrangement (Demerger) taking into consideration the Valuation Report and Fairness Opinion and the recommendation of the Restructuring Committee, the Audit Committee hereby unanimously recommends the Board of Directors of the Company for its approval to the Scheme of Arrangement among OLL, VLL and their respective shareholders and creditors and for favorable consideration by the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) and Securities and Exchange Board of India (SEBI).

For and on behalf of the Audit Committee

Ortin Laboratories Limited



J.R. K. Panduranga Rao
Chairman


