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# QUINTESSENCE ENTERPRISES PVT. LTD.

SEBI Registered Category-I Merchant Banker



CERTIFIED TRUE COPY

The Board of Directors  
M/s. NATCO Pharma Limited  
NATCO House, Road No.2, Banjara Hills,  
Hyderabad 500033, Telangana.

For NATCO Pharma Limited

M. ADINARAYANA  
Company Secretary &  
Vice President (Legal & Corp Affairs)

Dear Sirs,

22nd May, 2015.

Sub: Fairness opinion on the Equity Share Entitlement Ratio for the proposed Scheme of Amalgamation between Natco Pharma Limited, Natco Organics Limited and their respective Shareholders

We, **Quintessence Enterprises Pvt. Ltd., ('QEPL')**, refer to our offer letter dated 20<sup>th</sup> May, 2015 which has been duly accepted by you, whereby you have appointed us as an independent Merchant Banker for furnishing a 'Fairness Opinion' on the Certificate of Exchange ratio issued by the Valuer, Mr. A Sarath Babu, Chartered Accountant dated 21<sup>st</sup> May, 2015, pursuant to Clause 24 (f) of listing Agreement for the proposed Scheme of Amalgamation of M/s Natco Organics Limited with M/s Natco Pharma Limited.

## **MERCHANT BANKER - QUINTESSENCE ENTERPRISE PVT LTD (QEPL)**

QEPL formed in 1999, is a Category - I, Merchant Banking company, based in Hyderabad, Andhra Pradesh, having its registered office at 'NANDANAM' 8-2-603/1/VP, Plot No. 8A, Road No. 10, Banjara Hills, Hyderabad - 500034, and Administrative office at 8-2-603/B/33/A/9, B - 201, Zahera Nagar, Road No. 10, Banjara Hills, Hyderabad - 500034. It is SEBI registered with Registration Code INM000011997 valid till 31/07/2017, as Category I Merchant Banker.

## **BACKGROUND/ PURPOSE**

We understand that the managements of M/s Natco Organics Limited and M/s Natco Pharma Limited are proposing a Scheme of Amalgamation wherein M/s Natco Organics Limited will be amalgamated with the parent company M/s Natco Pharma Limited with effect from the appointed date which is 1<sup>st</sup> April, 2015. This is proposed to be achieved by a Scheme of Amalgamation under the provisions of Sec 391-394 of the Companies Act, 1956 and any amendments and/or re-enactment thereof, for the time being in force.

Fairness Opinion on valuation of Natco Pharma and Natco Organics



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For the above purpose the Management of M/s Natco Pharma Limited has appointed CA A Sarath Babu, B.Sc; FCA, Chartered Accountant to prepare a report recommending the Equity Share Entitlement Ratio as per the requirement of SEBI Circular CIR/CFD/DIL/5/2013 dated February 4, 2013.

In this connection we have been requested by Natco Pharma Limited, transferee company to render our professional services by issuing a fairness opinion as per clause 24(h) of the Listing Agreement on the Equity Share Entitlement ratio as recommended by the Valuer in his report dated May 21, 2015.

The Transferor Company Natco Organics Limited is a wholly owned subsidiary of the Transferee Company and the entire Share Capital is held by the Transferee Company only. Accordingly there would be no issue of equity shares of the Transferee Company to the shareholders of the Transferor Company. Pursuant to the vesting of the undertaking in the Transferee Company the equity shares of the Transferor Company shall automatically stand cancelled and extinguished.

As per the Valuer in such a situation no valuation is required and the above Scheme seems to be fair and reasonable since the shareholders of Natco Pharma Limited will continue to remain the beneficial owners of M/s Natco Pharma Limited in the same proportion they held before the Scheme

Based on the Valuer's certificate we feel that the Scheme is fair and reasonable

#### **RATIONALE OF THE SCHEME**

The Transferor Company and the Transferee Company propose this Scheme for the following reasons:

- (i) Consolidation of operations of the Transferor Company and the Transferee Company leading to integrated supply chain, thereby providing further synergies;
- (ii) Unified branding of "NATCO" in markets which follow both branded and generics business models thereby leveraging the available infrastructure for strengthening the position in such markets;
- (iii) Providing flexibility in the overall organizational structure thereby enabling to achieve operational and management efficiency;
- (iv) Realignment of the corporate structure of the NATCO group in line with its business objectives in order to enhance the long term value of the shareholders; and
- (v) Harmonization of the product pipeline enabling transfer of products across markets thereby de-risking business profile of the Transferee Company;





## COMPANIES

"Transferor Company" means **M/s. NATCO Organics Limited** incorporated under the Act having its registered office at New No.37, Old No.18/2, 1<sup>st</sup> Main Road, CIT Colony, Mylapore, Chennai 600004, Tamil Nadu, India  
The capital structure of the Transferor Company as at 31.03.2015 is as follows:

Particulars	Amount (In Rs.)
Authorised 8,00,00,000 Equity Shares of Rs. 10/- each	80,00,00,000
Issued, Subscribed and Paid-up 7,96,93,945 Equity Shares of Rs. 10 each, fully paid-up	79,69,39,450

"Transferee Company" means **M/s. NATCO Pharma Limited**, a company incorporated under the Act having its registered office at NATCO House, Road No.2, Banjara Hills, Hyderabad 500033, Telangana.

The capital structure of the Transferor Company as at 31.03.2015 is as follows:

Particulars	Amount (In Rs.)
Authorised 40,000,000 Equity Shares of Rs. 10/- each	40,00,00,000
Issued, Subscribed and Paid-up 3,32,34,849 Equity Shares of Rs. 10 each, fully paid-up	33,23,48,490





## EFFECT OF AMALGAMATION

The Transferor Company is a wholly owned subsidiary of the Transferee Company and the entire Share Capital is held by the Transferee Company only. Accordingly there would be no issue of equity shares of the Transferee Company to the shareholders of the Transferor Company. Pursuant to the vesting of the undertaking in the Transferee Company the equity shares of the Transferor Company shall automatically stand cancelled and extinguished. Towards consideration necessary entries will be passed in the books of accounts to reflect the investments made in the transferor company in an appropriate manner in consultation with the statutory auditors of the company.

With effect from the Appointed Date and upon the Scheme becoming effective the Transferor Company shall stand dissolved without being wound up.

## SOURCES OF INFORMATION

- A copy of the Memorandum and Articles of Association of both the companies
- Audited financial statements of the years ending 2013, 2014 and 2015, of both the companies
- Shareholding pattern before and after the Scheme
- A draft copy of the Scheme of Amalgamation.
- A certified copy of the Board Resolutions of both the companies
- A Share Entitlement Ratio Report dated 21st May, 2015, by CA A Sarath Babu, B.Sc; FCA, Chartered Accountant, Membership no. 15639, Plot no.14, Road no. 3, Vivekananda Nagar, Kukatpally, Hyderabad - 500072.

## OPINION ON SHARE ENTITLEMENT RATIO REPORT

As Merchant Bankers furnishing an opinion about the fairness of the valuation done by the valuer, based on the information, material, data made available to us including the Share Entitlement Ratio report and workings to the best of our knowledge and belief, the methodology applied and the valuation arrived at by CA A Sarath Babu, Chartered Accountant is **Fair**.





## LIMITATIONS & CAVEATS OF THE FAIRNESS OPINION

The assignment did not include the following:

- Our fairness opinion is based on the information made available to us by the management of Natco Pharma Limited. Any subsequent changes to the financial and other information provided to us, may affect the result of value analysis set out in this report.
- This report forms a fairness opinion on the valuation done by the valuer, CA A Sarath Babu, Chartered Accountant to arrive at the valuation for the proposed Scheme of Amalgamation, and thus constitutes a limited Fairness Opinion report from QEPL.
- Our fairness opinion includes review of audited financial statements of Natco Pharma Limited based on the information as mentioned by us in our report giving sources of information.
- We have reviewed the information made available to us for over all consistency and have not carried out any detailed tests in the nature of audit to establish the accuracy of such statements and information. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of the company.
- Our Fairness Opinion should not be construed as investment advice, specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.
- The information contained in this report is selective and is subject to updations, expansions, revisions and amendment, it does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent
- In rendering this Opinion, QEPL has not provided legal, regulatory, tax, accounting or actuarial advice and accordingly QEPL does not assume any responsibility in respect thereof. Further QEPL has assumed that the Scheme of Amalgamation will be implemented on the terms and conditions as set out in the draft Scheme of Amalgamation, without any material changes to or waiver of its terms and conditions.





- We hereby declare that we do not have any direct or indirect interest in the Companies / assets valued.
- This report is intended only for the sole use and information of both the companies and only in connection with the Scheme of Amalgamation including for the purpose of obtaining judicial and regulatory approvals for the Scheme of Amalgamation. We are not responsible in any way to any other person/party for any decision of such person or party based on this report. Any person /party intending to provide finance / invest in the shares / business of any of the companies or their subsidiaries / joint venture / associates shall do so after seeking their own professional advice and after carrying out their own due diligence procedure to ensure that they are making an informed decision.
- It is hereby notified that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the Scheme of Amalgamation as aforesaid can be done only with our prior permission in writing
- We acknowledge that this report will be shared to the extent as may be required with the relevant High Court, Stock Exchanges, advisors of the Companies in relation to the Scheme, as well as the Statutory authorities.


It may further be noted that in no circumstances shall the liability of Quintessence Enterprises Private Limited (QEPL), its directors or employees related to the service provided in connection with this value analysis, exceed the amount paid to us as our fees for this opinion.

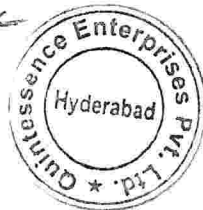
We highly appreciate the co-operation and support received by us from your representatives during preparation of the said Fairness Opinion Report

Thanking you,

Yours faithfully,

For and on behalf of  
**Quintessence Enterprises Private Limited**

  
**Lavanya Chandra**  
**Executive Director**



22/05/2015  
Hyderabad.