SSPA & CO.
Chartered Accountants
1st Floor, " Arjun", Plot No. 6 A,
V. P. Road, Andheri (W),
Mumbai - 400 058. INDIA.
Tel. : 91 (22) 2670 4376
91 (22) 2670 3682
Fax : 91 (22) 2670 3916
Website : www.sspa.in

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Annexure A

August 19, 2021

The Board of Directors
Aarti Industries Limited
Plot Nos. 801, 801/23,
GIDC Estate, Phase III,
Vapi – 396 195,
Gujarat

The Board of Directors,
Aarti Pharmalabs Limited
Plot Nos.22/C/1 & 22/C/2,
GIDC Estate, Phase I,
District Valsad, Vapi – 396 195,
Gujarat

Dear Sir(s) / Madam(s),

Re: Fair equity share entitlement ratio for the proposed demerger of Pharma Business of Aarti Industries Limited into Aarti Pharmalabs Limited (formerly known as Aarti Organics Limited)

We refer to our engagement letter dated August 05, 2021 whereby SSPA & Co., Chartered Accountants (hereinafter referred to as 'SSPA' or 'We' or 'Our' or 'Us'), have been appointed by Aarti Industries Limited (hereinafter referred to as 'AIL' or 'Demerged Company') and Aarti Organics Limited name changed to Aarti Pharmalabs Limited to issue a report opining on the fair equity share entitlement ratio for the proposed demerger of 'Pharma Business' (hereinafter referred to as the 'Pharma Division' or the 'Demerged Undertaking') of AIL into Aarti Pharmalabs Limited (hereinafter referred to as 'APL' or 'Resulting Company').

AIL and APL are hereinafter collectively referred to as the 'Companies'.

1 SCOPE AND PURPOSE OF THIS REPORT

1.1 We have been informed by the management of AIL and APL (hereinafter referred to as the 'Management') that they are considering a proposal of demerger of 'Demerged Undertaking' of AIL into APL pursuant to a scheme of arrangement under sections 230 to 232 and other applicable provisions of the Companies Act, 2013, including rules and regulations made thereunder (hereinafter referred to as the 'Scheme').

Subject to necessary approvals, the Demerged Undertaking of AIL would be demerged into APL, with effect from appointed date of July 1, 2021 ('Appointed Date').

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AARTI INDUSTRIES LIMITED

AARTI PHARMALABS LIMITED MUMBAI

The proposed transaction is hereinafter referred to as the 'Proposed Demerger'.

1.2 Pursuant to the Scheme, as a consideration for the Proposed Demerger, APL will allot its equity shares of face value of INR 5 each fully paid up to the equity shareholders of AIL. As part of the Scheme, the existing equity shares of APL as held by AIL will be cancelled on demerger coming into effect.

1.3 In this regard, we have been requested to issue a report opining on the fair equity share entitlement ratio as recommended by the Management for the Proposed Demerger.

2 BACKGROUND

2.1 AARTI INDUSTRIES LIMITED

2.1.1 AIL is a leading Indian manufacturer of speciality chemicals and pharmaceuticals with a global footprint. AIL combines process chemistry competence (recipe focus) with a scale-up engineering competence (asset utilization) for creating a sustainable future.

Over the last decade, AIL has transformed from an Indian company servicing global markets to a global entity with state-of-the-art manufacturing facilities in India. AIL manufactures chemicals used in the downstream manufacturing of pharmaceuticals, agrochemicals, polymers, additives, surfactants, pigments and dyes.

The equity shares of AIL are listed on BSE Limited and The National Stock Exchange of India Limited.

2.1.2 Post March 31, 2021, AIL has issued bonus equity shares in the ratio of 1:1 in June 2021. Further AIL has completed Qualified Institutional Placement (QIP) in June 2021, whereby AIL has issued 1,40,35,087 equity shares at a price of INR 855 per share totalling to INR 1,200 crores.

The post issue of bonus equity shares and QIP the shareholding pattern of AIL as on June 30, 2021 is as follows:

Category of Shareholders	No. of shares *	% of holding
Promoters	16,27,74,644	44.90%
Public	19,97,29,391	55.10%
Total	**36,25,04,035**	**100.00%**

** Face value INR 5 each*

2.1.3 AIL earned consolidated revenue from operations for FY 2020-21 of INR 5,023.28 crores and paid-up equity capital as on June 30, 2021 is INR 181.25 crores comprising of 36,25,04,035 equity shares of INR 5 each.

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AARTI INDUSTRIES LIMITED

AARTI PHARMALABS LIMITED MUMBAI

2.2 PHARMA DIVISION OF AIL

2.2.1 Pharma Division of AIL is divided into three verticals i.e. a) manufacture of active pharmaceuticals intermediates ("APIs") b) manufacture of intermediaries and c) manufacture of xanthine derivatives.

2.2.2 The Pharma Division of the Demerged Company is having four APIs, manufacturing plants, two of which are approved by the United States Food and Drug Administration ("USFDA") and two of which are WHO/GMP certified. Additionally, the Demerged Undertaking has two dedicated research and development facilities for pharmaceuticals API.

2.2.3 After the effectiveness of the Scheme, the share capital of APL consisting of the fully paid-up new equity shares of APL issued as consideration in terms of this Proposed Scheme to the shareholders of AIL shall be listed on the Stock Exchanges in accordance with the provisions of SEBI Circular No. CFD/DIL3/CIR/2017/21, dated March 10, 2017, as amended from time to time.

2.3 AARTI PHARMALABS LIMITED

2.3.1 Aarti Pharmalabs Limited (formerly known as Aarti Organics Limited), an unlisted public limited company incorporated on November 22, 2019 which is a wholly owned subsidiary of AIL. APL is incorporated with an aim to engage in the business of manufacturing and trading of pharmaceuticals and allied products.

2.3.2 As part of the Scheme, the authorised equity share capital of APL comprising of 5,00,000 equity shares of face value INR 10 each would be reorganised to 10,00,000 equity shares of face value INR 5 each.

3 REGISTERED VALUER – SSPA & CO., CHARTERED ACCOUNTANTS

SSPA is a partnership firm, located at 1st Floor, Arjun Building, Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing various corporate consultancy services.

We are a firm of practising Chartered Accountants registered with The Institute of Chartered Accountants of India ('ICAI'). We are also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/06/2020/126.

4 SOURCES OF INFORMATION

4.1 For the purpose of this exercise, we have relied upon the following sources of information

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AARTI INDUSTRIES LIMITED ★

AARTI PHARMALABS LIMITED MUMBAI ★

received from the Management and information available in the public domain:

(a) Audited financial results of AIL for the quarter ended June 30, 2021.

(b) Audited balance sheet as on June 30, 2021 of APL and statement of profit and loss of APL for the quarter ended June 30, 2021.

(c) Management certified balance sheet of the Pharma Division of AIL as on June 30, 2021.

(d) Shareholding pattern of AIL and APL as on June 30, 2021.

(e) Draft Scheme of Arrangement.

(f) Such other information and explanations as we required and which have been provided by the Management, including Management Representation.

5 SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

5.1 Our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made. Further, our report containing recommendation of fair equity share entitlement ratio for the Proposed Demerger is in accordance with ICAI VS 2018 issued by The Institute of Chartered Accountants of India.

5.2 This report has been prepared for the Board of Directors of the Companies solely for the purpose of recommending the fair equity share entitlement ratio for the Proposed Demerger.

5.3 The report assumes that the Companies/Demerged Undertaking of AIL complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Companies/Demerged Undertaking of AIL will be managed in a competent and responsible manner. Further, as specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with any laws and litigations.

The draft of the present report was circulated to the Management (excluding the recommendation of fair equity share entitlement ratio) for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.

5.4 For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Companies / auditors / consultants, is that of the Companies. Also, with respect to

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AARTI INDUSTRIES LIMITED

AARTI PHARMALABS LIMITED MUMBAI

explanations and information sought from the Companies, we have been given to understand by the Management that they have not omitted any relevant and material information about the Companies. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our analysis/conclusions.

5.5 Our work does not constitute an audit, due diligence or certification of these information referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report and consequential impact on the present exercise. However, we have evaluated the information provided to us by the Companies through broad inquiry, analysis and review. However, nothing has come to our attention to indicate that the information provided / obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.

5.6 This report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies / Demerged Undertaking and any other matter, which may have an impact on the report including any significant changes that have taken place or are likely to take place in the financial position of the Companies / Demerged Undertaking. Events and transactions occurring after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.

5.7 We are independent of the Companies and have no current or expected interest in the Companies or its assets. The fee paid for our services in no way influenced the results of our analysis.

5.8 Our report is not, nor should it be construed as we are opining or certifying the compliance with the provisions of any law including companies, competition, taxation and capital market related laws or as regards any legal implications or issues arising in India or abroad from the Proposed Demerger.

5.9 Any person/party intending to provide finance/divest/invest in the shares/convertible instruments/business of the Companies / Demerged Undertaking shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

5.10 The decision to carry out the Proposed Demerger (including consideration thereof) lies entirely with the parties concerned and our work and our finding shall not constitute a

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

AARTI INDUSTRIES LIMITED

AARTI PHARMALABS LIMITED MUMBAI

recommendation as to whether or not the parties should carry out the Proposed Demerger.

5.11 Our report is meant for the purpose mentioned in Para 1 only and should not be used for any purpose other than the purpose mentioned therein. It is exclusively for the use of the Companies and may be submitted to National Company Law Tribunal/regulatory/statutory authority for obtaining requisite approvals. The report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall SSPA assume any responsibility to any third party to whom the report is disclosed or otherwise made available.

5.12 SSPA nor its partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which this report is being issued. We owe responsibility to the Companies that has appointed us under the terms of the engagement letter. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the client or companies, their directors, employees or agents.

6 BASIS FOR DETERMINATION OF EQUITY SHARE ENTITLEMENT RATIO

6.1 As mentioned in Para 1.2 above, in consideration for the Proposed Demerger, APL would issue equity shares to the equity shareholders of AIL.

6.2 Accordingly, the Management has recommended the following equity share entitlement ratio in consideration for the Proposed Demerger i.e. demerger of Demerged Undertaking of AIL into APL:

1 (One) equity share of INR 5 each fully paid up of APL for every 4 (Four) equity shares of INR 5 each fully paid up held in AIL

6.3 We understand from the Management that for the Proposed Demerger, the equity share entitlement ratio is decided based on the Management's desired capital structure of APL.

7 CONCLUSION

7.1 Based on our review, information made available to us and discussions with the Management, in our opinion, the aforementioned share entitlement ratio in consideration for the Proposed Demerger of Demerged Undertaking of AIL into APL is reasonable.

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

ARTI INDUSTRIES LIMITED

AARTI PHARMALABS LIMITED MUMBAI

7.2 We believe that the aforementioned share entitlement ratio is fair considering that all the shareholders of AIL are and will, upon Proposed Demerger, be the ultimate beneficial owners of APL in the same ratio (inter se) as they hold shares in AIL.

7.3 As mentioned above, post the Proposed Demerger all the shareholders of AIL are and will be the ultimate beneficial owners of APL in the same ratio (inter se) as they hold equity shares in AIL. Therefore, no relative valuation of Demerged Undertaking and of APL is required to be undertaken for the Proposed Demerger. Accordingly, valuation approaches as indicated in the format (as shown below) as prescribed by circular number NSE/CML/2017/12 of NSE and LIST/COMP/02/2017-18 of BSE have not been undertaken as they are not relevant in the instant case.

Valuation Approach	**Demerged Undertaking of AIL**		**APL**	
	Value per share (INR)	**Weight**	**Value per share (INR)**	**Weight**
Asset Approach	NA	NA	NA	NA
Income Approach	NA	NA	NA	NA
Market Approach	NA	NA	NA	NA
Relative value per share	**NA**		**NA**	

NA = Not Adopted / Not Applicable

Thank you,
Yours faithfully,

For SSPA & Co.
Chartered Accountants
ICAI Firm Registration Number: 128851W
IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126

S.A. Shah

Sujal Shah
Partner
ICAI Membership Number: 045816
Registered Valuer No.: IBBI/RV/06/2018/10140
UDIN: 21045816AAAAAZ8363

Place: Mumbai