



A detailed note on the Scheme

A. DESCRIPTION OF COMPANIES

(a) The Demerged Company viz. Alembic Limited (AL) was incorporated on 30/07/1907, under the name and style Alembic Chemical Works Company Limited under the provisions of the Indian Companies Act, VI of 1882. The name of the Company was changed to Alembic Limited and the Demerged Company obtained a new Incorporation certificate on 31st May, 1999. The Equity Shares of AL are presently listed on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). The Demerged Company is presently engaged in manufacturing and marketing of fermentation and chemistry based Active Pharmaceuticals Ingredients (API) at Vadodara Plant and is also engaged in power generation through its co-generation power plant and through wind mills. The Company is also engaged in leasing out real estate and holding certain strategic and long term Investments. It is also engaged in manufacturing, marketing and trading of branded & generic Formulations and Active Pharmaceuticals Ingredients (API) at other manufacturing facilities. It is also engaged in research & development activities.

(b) The Resulting Company viz. Alembic Pharma Limited (APL) was incorporated on 16/06/2010 under the name and style "Alembic Pharma Limited". The main object of APL is to manufacture, sale, purchase, deal in various pharmaceuticals products, bulk drugs, medicines, chemicals, raw materials, Intermediates for various pharmaceutical products and to engage in business of healthcares, life-sciences, research and development, contract manufacturing in India and/or abroad.

B. RATIONALE AND OBJECTIVE OF THE SCHEME OF ARRANGEMENT

a) Alembic Limited is a leading pharmaceutical company with a global vision. Alembic is into the top bracket of Indian pharmaceutical companies with many of its brands amongst the top five in their respective categories. With such competitive advantages, the Company is uniquely poised in its pursuit of being amongst the largest Indian pharmaceutical companies. Its business comprises of (i) manufacturing, marketing and trading of formulations & bulk drugs (Active Pharmaceutical Ingredients or APIs) and R & D Activities (the Pharmaceutical Undertaking), (ii) manufacture of predominantly fermentation and chemistry based bulk drugs (APIs) at its Vadodara Undertaking and (iii) power generation through its co-generation power plant and through wind mills (the Power Business). The Company also has some real estate in Vadodara which can be potentially developed.

ALEMBIC LIMITED

REGD. OFFICE : ALEMBIC ROAD, VADODARA-390 003. • TEL. : (0265) 2280550, 2280550 • FAX : (0265) 2282605
www.alembic-india.com • E-mail: alembic@alembic.co.in

An ISO 9002 & ISO 14001 Company



- b) The Pharmaceutical Undertaking is poised for significant growth. The international pharmaceutical industry is seeing greater share of generics with a large number of drugs expected to go off patent in the next few years offering tremendous growth opportunities to well managed and focused Indian pharmaceutical companies. The domestic pharmaceutical industry is also witnessing double digit growth riding on increasing economic development, increasing per capita income and greater focus on healthcare. However, in order to capitalize on the available opportunities there is a need for specialized attention, focus, resources, etc. Further this business is capable of attracting different set of investors, strategic partners, lenders and other stakeholders. Therefore, it is proposed to demerge the Pharmaceutical Undertaking into a separate company (Alembic Pharma Limited). As a new company the Pharmaceutical Undertaking will have the necessary independence, accountability and freedom to chart its own course of growth without the legacy of the other businesses / activities of the Company.
- c) The Vadodara Undertaking of Alembic Limited consisting of the assets (hereinafter referred to as "the Assets") more particularly described in Schedule II is engaged in the business of manufacture of predominantly fermentation and chemistry based bulk drugs (APIs) and is currently going through many challenges. The Vadodara Undertaking was established many decades ago and hence, some of its plant, machineries and other equipments are very old. Further, being an old facility, it is not designed in line with present regulatory and business requirements. The business is facing stiff price competition from Chinese manufacturers. The Company together with other manufacturers had applied for levy of anti dumping duty on such imports, which has not been favourably considered by the Government of India. In view of this situation the Vadodara Undertaking needs to be reorganized and right sized to enable it to survive the competitive pressures. The activities of the Vadodara Undertaking will also need greater focus and other restructuring measures to make it cost efficient and competitive. The Assets of the Vadodara Undertaking which are carried at historical costs do not reflect their true value and it has become imperative to revalue them so as to reflect their fair values.
- d) The Company owns some land area at Vadodara which can be potentially used for real estate development in future. Similarly the Power Business also has good opportunity for growth and consolidation
- e) The risk-reward profile and the competition involved in each of these businesses is distinct from each other and consequently each business or undertaking is capable of attracting a different set of investors, strategic partners, lenders and other stakeholders. There are also differences in the manner in which each of these businesses are

ALEMBIC LIMITED

REGD. OFFICE : ALEMBIC ROAD, VADODARA-390 003. • TEL. : (0265) 2280550, 2280880 • FAX : (0265) 2282536
www.alembic-india.com • E-mail : alembic@alembic.co.in

An ISO 9002 & ISO 14001 Company



required to be managed. The demerger will create two separate entities with management focus on clearly laid out objectives, pursuant to which Alembic Pharma Limited would focus on the Pharmaceutical Undertaking consisting of the business of manufacturing, marketing and trading of formulations & APIs and Research & Development activities and Alembic Limited would focus on its existing business and activities other than the Pharmaceutical Undertaking.

- f) It is believed that the proposed demerger will create enhanced value for shareholders and allow a focused strategy in operations, which would be in the best interest of both AL & APL, its shareholders, creditors and all persons connected with AL and APL. The demerger proposed by this Scheme of Arrangement will enable investors to separately hold investments in businesses with different investment characteristics thereby enabling them to select investments which would best suit their investment strategies and risk profiles.
- g) The demerger will also provide scope for independent collaboration and expansion without committing the existing organization in its entirety.
- h) The demerger will facilitate more transparent benchmarking of the Companies with their peers in their respective industries.
- i) The Board of Directors of the Demerged Company and Resulting Company are of the opinion that the demerger would benefit the shareholders, employees and other stakeholders of the Demerged Company and the Resulting Company.
- j) With the aforesaid rationale and objectives, it is proposed to demerge AL's Pharmaceutical Undertaking comprising manufacturing, marketing and trading of Formulations & API and research & development activities from AL to APL and reorganize the Vadodara Undertaking.

C. OPERATION OF THE SCHEME

- a) In furtherance of the rationale and objectives mentioned above, this Scheme of Arrangement provides for:
 - (i) The Demerger of the Pharmaceutical Undertaking from Demerged Company to the Resulting Company;
 - (ii) The reorganization of the capital of the Demerged Company and the Resulting Company;
 - (iii) Reorganization of the Vadodara Undertaking of Alembic Limited.

ALEMBIC LIMITED

REGD. OFFICE : ALEMBIC ROAD, VADODARA-390 003. • TEL. : (0265) 2280200, 2280180 • FAX : (0265) 2282505

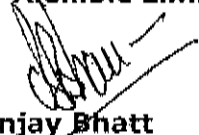
www.alembic-india.com • E-mail: alembic@alembic.co.in

An ISO 9002 & ISO 14001 Company



- b) The Demerger of the Pharmaceutical Undertaking of the Demerged Company under this Scheme of Arrangement will be effected under the provisions of Sections 391 to 394 of the Companies Act, 1956. The Demerger complies with the provisions of Section 2(19AA) of the Income Tax Act, 1961, such that:
- (i) All the properties of the Pharmaceutical Undertaking (as defined hereinafter) being transferred by the Demerged Company immediately before the Demerger become the properties of the Resulting Company by virtue of the Demerger;
 - (ii) All the liabilities relating to the Pharmaceutical Undertaking being transferred by the Demerged Company, immediately before the Demerger become the liabilities of the Resulting Company by virtue of the Demerger;
 - (iii) The properties and the liabilities, if any, relating to the Pharmaceutical Undertaking being transferred by the Demerged Company are transferred to the Resulting Company at the values appearing in the books of account of the Demerged Company immediately before the Demerger;
 - (iv) The Resulting Company issues shares to the shareholders of the Demerged Company in consideration of the Demerger on a proportionate basis;
 - (v) All the shareholders of the Demerged Company shall become the shareholders of the Resulting Company by virtue of the Demerger; and
 - (vi) The transfer of the Pharmaceutical Undertaking will be on a going concern basis.
- c) This Scheme has been drawn up to comply with the conditions relating to "Demerger" as specified under Section 2(19AA) of the Income Tax Act, 1961. If any terms or provisions of the Scheme are inconsistent with the provisions of Section 2(19AA) and related provisions of the Income Tax Act, 1961, the provisions of Section 2(19AA) and related provisions of the Income Tax, 1961 shall prevail and the Scheme shall stand modified to the extent necessary to comply with Section 2(19AA) and the related provisions of the Income Tax Act, 1961; such modification shall not affect other parts of the Scheme.

For **Alembic Limited**


Sanjay Bhatt
 Company Secretary

ALEMBIC LIMITED

REGD. OFFICE : ALEMBIC ROAD, VADODARA-390 003. • TEL. : (0265) 2280560, 2280880 • FAX : (0265) 2282566
www.alembic-india.com • E-mail: alembic@alembic.co.in

An ISO 9002 & ISO 14001 Company



Annexure-5

Net Worth of the Company and the Resulting Company, pre and post scheme of arrangement

(Rs. In Lacs)

Particulars	Demerged Company(Alembic Limited)		Resulting Company(Alembic Pharmaceuticals Limited)
	Pre	Post	Post
Total Share Capital	2670	2670	3770
Reserves and Surplus	28904	7522	17612
Net Worth	31574	10192	21382

For Alembic Limited


Sanjay Bhatt
 Company Secretary

ALEMBIC LIMITED

REGD. OFFICE : ALEMBIC ROAD, VADODARA-390 003. • TEL. : (0265) 2280650, 2280680 • FAX : (0265) 2282506
www.alembic-india.com • E-mail : alembic@alembic.co.in

An ISO 9002 & ISO 14001 Company



Alembic Limited

As per Clause No.10 of the Scheme of Arrangement the Equity Shareholders of Alembic Limited will be allotted 1(one) equity share of face value of Rs.2/- by Alembic Pharmaceuticals Limited against every 1(one) equity share held by him in the Company.

The relevant portion of Clause No.10 is reproduced hereunder:

"Upon the Scheme becoming finally effective, in consideration of the transfer of and vesting of the Pharmaceutical Undertaking of the Demerged Company in the Resulting Company, the Resulting Company shall, subject to the provisions of the Scheme and without any further application, act, instrument or deed, issue and allot at par to every member of the Demerged Company, holding fully paid up Equity Shares in the Demerged Company and whose name appears in the Register of members of the Demerged Company on the Record Date or to his / her heirs, executors, administrators or the successors-in-title, as the case may be, in respect of every 1 (One) Equity Share of face value Rs.2/- (Rupees Two only) each held by him in the Demerged Company, 1 (One) Equity Share of face value Rs.2/- (Rupees Two Only) each shall be credited as fully paid-up in the Equity Share Capital of the Resulting Company."

Fractional Entitlement:

There will not be any fractional shares since Alembic Pharmaceuticals Limited will allot 1(one) equity share of face value of Rs.2/- against every 1(one) equity shares held in the Company.

For Alembic Limited

Sanjay Bhatt
Company Secretary

ALEMBIC LIMITED

REGD. OFFICE : ALEMBIC ROAD, VADODARA-390 003. • TEL. : (0265) 2280550, 2280889 • FAX : (0265) 2282506
www.alembic-india.com • E-mail : alembic@alembic.co.in

An ISO 9002 & ISO 14001 Company