



Registered Office: Elder House, Plot No. C-9, Dalia Industrial Estate, Off Veera Desai Road,
Andheri (West), Mumbai 400 053

POSTAL BALLOT NOTICE

Notice issued pursuant to Section 180(1)(a) of the Companies Act, 2013 read with Section 192A of the Companies Act, 1956 and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011

Dear Shareholders,

Notice is hereby given to the shareholders of the Company ("**Shareholders**") pursuant to Section 180(1)(a) of the Companies Act, 2013 ("**Companies Act, 2013**") read with Section 192A of the Companies Act, 1956 ("**Companies Act, 1956**") and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 ("**Postal Ballot Rules**"), as amended from time to time, to consider and if thought fit to pass the resolutions herein below as a Special Resolution by way of postal ballot.

The resolutions together with the explanatory Statement containing all material facts and reasons for the proposed Special Business pursuant to Section 102(1) of the Companies Act, 2013 read with Section 192A (2) of the Companies Act, 1956 are being sent herewith along with a postal ballot form ("**Postal Ballot Form**") and a self-addressed, postage pre-paid business reply envelope for your consideration and voting.

The board of directors of the Company ("**Board**") has appointed Mr. Devendra Kumar Meena of **DKM & Associates**, Company Secretaries as scrutinizer ("**Scrutinizer**") who will be responsible for the fair and transparent conduct of ballot through the postal ballot process.

Shareholders desiring to exercise their vote by postal ballot are requested to carefully read the instructions before filling the Postal Ballot Form and return the duly completed Postal Ballot Form (no other copy or photocopy of the said Postal Ballot Form will be accepted) in the attached self-addressed postage pre-paid business reply envelope. The Postal Ballot Form(s) should reach the Scrutinizer on or before Wednesday the 5th day of February 2014 to be eligible for being considered, failing which, it will be strictly treated as if no reply has been received from the Shareholder.

The Company is pleased to offer e-voting facility as an alternative way to record votes of its individual Shareholders. The procedure for availing the e-voting facility is described as a separate section of the instructions page. Kindly note that while exercising their vote, equity Shareholders can opt for only one of the two modes i.e. either through the Postal Ballot Form or e-voting. If you are opting for e-voting, then do not vote through the Postal Ballot Form and vice-versa.

The Scrutinizer will submit his report to the Chairman of the Board after completion of the scrutiny of the Postal Ballot Forms received. The result of voting by postal ballot will be declared by the Chairman of the Board, or in his absence, by any other person authorized by the Chairman of the Board Monday the 10th day of February 2014 at the registered office of the Company. Additionally, the result will also be announced to the stock exchanges where the equity shares of the Company are listed and shall be hosted on the website of the Company <http://www.elderindia.com/>. The resolution will be taken as passed effectively on the date of announcement of the result by the Chairman of the Company or by the authorized person, if the result of the postal ballot indicates that the requisite majority of the Shareholders had assented to the resolution.

PROPOSED SPECIAL RESOLUTION

SPECIAL BUSINESS:

Transfer of Company's India and Nepal Branded Formulations Business relating to teams A2, B-Gynae, B-CP

To consider and, if thought fit, pass the following resolutions as Special Resolution:

"RESOLVED THAT pursuant to Section 180(1)(a) of the Companies Act, 2013 ("**Companies Act, 2013**") read with Section 192A of the Companies Act, 1956 ("**Companies Act, 1956**") and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 ("**Postal Ballot Rules**"), as amended from time to time, the Memorandum and Articles of Association of the Company and subject to such other permissions, consents and approvals, if any, including without limitation from any relevant Government authorities and the Company's lenders, and in each case, subject to such conditions as may be prescribed by them, and any other conditions which may be necessary or desirable in the opinion of the board of directors of the Company (hereinafter referred to as the "**Board**"), the consent, authority and approval of the Shareholders be and is hereby accorded to the Board (including any Committee of the Board thereof) to transfer, sell, assign, convey or otherwise dispose Company's business of sales, marketing and distribution of the products forming part of teams A2, B-Gynae, B-CP through sales force or otherwise in India and Nepal (excluding exports from India and Nepal), including assignment of the trademarks relating to the products forming part of the above mentioned teams, along with

goodwill attached there to and related assets and liabilities ("**Identified Business**") to Torrent Pharmaceuticals Limited, a company incorporated and registered under the provisions of the Companies Act, 1956 and having its registered office at Torrent House, Off Ashram Road, Ahmedabad 380 009 ("**Buyer**") for a total lumpsum cash consideration of Rs 2,004 crores (Rupees Two thousand and four crores only) as a going concern as and by way of slump sale (as defined in Section 2(42C) of the Income Tax Act, 1961)."

"RESOLVED FURTHER THAT any one of Mr. Alok Saxena, Managing Director & Chief Executive Officer, Mr. Yusuf Karim Khan, Executive Director and Mr. S. P. Date, Company Secretary of the Company, be and are hereby individually authorized, to do and perform or cause to be done all such acts, deeds, matters and things, as may be required or deemed necessary or incidental thereto, including finalizing and executing necessary agreements, deeds of assignment and such other documents/agreements as may be necessary or expedient in the discretion of the Board, and to delegate all or any of the powers or authorities herein conferred to any Director(s) or other official(s) of the Company, or to engage any advisor, consultant, or agent to assist in connection with the transactions contemplated herein."

**By Order of the Board
For Elder Pharmaceuticals Limited**

S.P. Date
Company Secretary

Place : Mumbai
Date : 30th December 2013

**Registered office:
Elder House, Plot No. C-9,
Dalia Industrial Estate,
Off Veera Desai Road,
Andheri (West),
Mumbai 400 053**

NOTES AND EXPLANATORY STATEMENT

NOTES:

1. The Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 read with Section 192A (2) of the Companies Act, 1956 setting out material facts are appended herein below.
2. The Notice is being sent to all the Shareholders, whose names appear on the register of members/list of beneficial owners as received from National Securities Depository Limited (NSDL)/Central Depository Services (India) Limited (CDSL) on 31st December 2013. Shareholders' voting rights shall be in proportion to his/her/its share of the paid-up share capital of the Company.
3. In accordance with Section 180(1) (a) of the Companies Act, 2013 read with Section 192A of the Companies Act, 1956 and the Postal Ballot Rules, the item of business as set out in the notice above is sought to be passed through postal ballot.
4. The date of dispatch of the Postal Ballot Notice ("**Postal Ballot Notice**") will be announced through advertisement in newspapers.
5. The Shareholders' are requested to exercise their voting rights by using the attached Postal Ballot Form or e-voting only. No other form or photocopy of the Postal Ballot Form is permitted.
6. Postal Ballot Form and the self-addressed postage pre-paid business reply envelope are enclosed.
7. Shareholders are requested to cast their votes on the resolution only through one mode (Postal Ballot Form or e-vote). If you are opting for e-voting, then do not vote through the Postal Ballot Form and vice-versa.
8. All relevant documents referred in the Explanatory Statement shall be open for inspection at the registered office of the Company on all working days between 11.00 a.m. to 3.00 p.m. up to the date of declaration of the result of postal ballot.

EXPLANATORY STATEMENT AND REASONS FOR THE PROPOSED RESOLUTION ACCOMPANYING THE NOTICE DATED 30TH DECEMBER 2013, PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013 READ WITH SECTION 192A OF THE COMPANIES ACT, 1956

Strategic Rationale

The Board of Directors of the Company at its meeting held on July 11, 2013, with a view to reducing the debt of the Company, had approved the proposal for carrying out restructuring of Company's business involving either raising of capital, hiving off of assets or other strategic options.

The year 2013, was a tough year for the Company, economic recovery being slower than expected. Current economic growth has been subdued due to a series of tight fiscal, heightened finance/ interest cost and monetary policies, which has adversely impacted the pharmaceutical industry.

Like most domestic pharmaceutical companies, we have been facing a slowdown in growth due to multiplicity of factors beyond our control for over a year now, weighing heavily on the overall performance and resulting in a cash flow mismatch for the past 9-11 months due to the following reasons:

1. There has been a steep rise in our finance costs in the past one year;
2. Depreciation of Indian Rupee v/s US Dollar has had adverse impact on the procurement costs of the Company.
3. Our step down wholly owned subsidiary in Bulgaria still being in a developing phase, required funds to support its operations;
4. All of our products being prescription only drugs had little price elasticity;

Uncertainty surrounding the National Product Pricing Policy (NPPP) and the stockists & other intermediaries of the supply chain were passive in stocking inventory for certain period of time. As a result our sales for the months of December 2012 to September 2013 suffered in tandem with many other pharmaceutical companies.

Accordingly, the Board has deliberated several options to enable the Company to address the above mentioned concerns, to reduce its indebtedness and to focus on the other businesses, including exports, anti-infectives, in-licensing, etc. and to unlock shareholder value. In this context, the Board has resolved to transfer its business of sales, marketing and distribution of the products forming part of teams A2, B-Gynae, B-CP through sales force or otherwise in India and Nepal (excluding exports from India and Nepal), including assignment of the trademarks relating to the products forming part of the above mentioned teams, along with goodwill attached thereto ("**Identified Business**"), of the Company to Torrent Pharmaceuticals Limited, a company incorporated and registered under the provisions of the Companies Act, 1956 and having its registered office at Torrent House, Off Ashram Road, Ahmedabad 380 009 ("**Buyer**"), for a total lumpsum cash consideration of Rs 2,004 crores (Rupees Two thousand and four crores only) as a going concern as and by way of slump sale (as defined in Section 2(42C) of the Income Tax Act, 1961) ("**Transaction**"), subject to such terms and conditions as the Board may consider fit. Based on the advice of its advisers, the Board is of the view that the Transaction should result in a viable and sustainable structure for the Company and the Identified Business (having regard to the interests of all stakeholders including the Company's shareholders ("**Shareholders**") and employees) and should assist in creating a platform that will enable the Company to implement its long term strategy to achieve:

- Substantial reduction of Company's debt, thereby reduction in finance/ interest cost;
- Focus on strengthening the business retained with the Company including the anti-infectives' vertical, in-licence portfolio besides looking at expanding presence in global markets through increased exports;
- Grow its business in the UK and Bulgaria through its step down subsidiaries viz. NeutraHealth Ltd. and Elder Biomeda EAD, respectively;
- Reduce expenses such as HR cost, Admin cost, Sales Promotion cost through restructuring, restructurisation, rationalization both of brands and people;
- Fuller utilization of plant capacities by contract manufacturing and own production for the domestic and export markets;
- Explore the possibility of entering new therapeutic areas such as Central Nervous System, Cardiovascular segments;
- Accelerate development of new products in our Research & Development Laboratory that our customers want and value.

Subsequent to the proposed Transaction, the Company will continue to develop new products in anti-infectives' and injectables' verticals and other therapeutic segments to build a strong business for a better prospective. The success of the Company in anti-infectives and other therapeutic segments gives it confidence that it will continue to create profitable growth for creating greater value for its shareholders.

The Following are the salient features of the Business Transfer Agreement:

1. As a part of the deal, Torrent would acquire the Company's domestic formulations business in India & Nepal that comprises of 30 brands in segments such as women's healthcare, wound care and pain management, etc. as and by way of slump sale on a going concern basis. The Company will continue with the same business in other jurisdictions, except India and Nepal.
2. The Company will retain all manufacturing plants and facilities and would continue to manufacture products for Torrent for a period of three years.
3. The field and other employees relating to the Identified Business shall also be transferred as part of the Transaction.
4. The Company has agreed to non-compete restrictions in certain identified therapeutic areas of the Identified Business for a term of 3 years, save and except for identified therapeutic areas relating to Chymoral and Shelcal for which the non-compete term is 5 years.
5. Assuming all necessary approvals are obtained, the Transaction is expected to be completed by 31st March 2013.

Approvals

The proposed Transaction is subject to the approval of the Shareholders under section 180(1)(a) of the Companies Act, 2013 read with section 192A of the Companies Act, 1956 and the Board finally settling and agreeing to the final terms and conditions at which the Transaction may take place.

Mode of transfer, key terms and additional benefits

Accordingly, it is proposed to obtain approval of the Shareholders under section 180(1)(a) of the Companies Act, 2013 read with section 192A of the Companies Act, 1956 by passing Special Resolutions, through Postal Ballot, to approve the Transaction and the consequent transfer of Identified Business to the Buyer by way of slump sale as a 'going concern'. None of the Directors of the Company may be deemed to be concerned or interested in the resolution, except to the extent of their respective shareholding in the Company, if any. For this purpose, the Company has entered into a Business Transfer Agreement with the Buyer.

As Mrs. Sneh Saxena, Mr. Alok Saxena, Mr. Anuj Saxena, Mrs. Niti Saxena, Mrs Shalini Kumar, Mr. Karan Kumar, Indarts Exports Private Limited, and Semit Pharmaceuticals & Chemicals Ltd, being part of the relatives / directors / shareholders, have agreed to similar non-compete restrictions as on the Company, they are deemed to be concerned or interested in the above resolutions.

All the other Directors of the Company are not concerned or interested in the above resolutions.

The Board recommends for passing the resolution set out in the Notice for approval of the Shareholders as a Special Resolution.

**By Order of the Board
For Elder Pharmaceuticals Limited**

S.P. Date
Company Secretary

Place : Mumbai
Date : 30th December 2013

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