

The Board of Directors
The Ajanta Pharma Limited
Ajanta House, 98 Govt Industrial Area
Kandivali (W)
MUMBAI 400 067

3 November 2020

Dear Sirs

Independent Auditors' Report in respect of proposed buy-back of equity shares by Ajanta Pharma Limited in terms of clause (xi) of Schedule I of Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018, as amended

1. This report is issued in accordance with the terms of our engagement letter dated 9 July 2018 and addendum to engagement letter dated 25 October 2020 with Ajanta Pharma Limited ("the Company").
2. The Board of Directors of the Company have approved a proposed buy-back of equity shares by the Company at its meeting held on 3 November 2020, in pursuance of the provisions of Section 68, 69 and 70 of the Companies Act, 2013 ('the Act') read with the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018, as amended ("SEBI Buy-back Regulations"). The accompanying Statement of permissible capital payment (including premium) ('Annexure A') as at 31 March 2020 (hereinafter referred as the "Statement") is prepared by the management of the Company, which we have initiated for identification purpose only.

Management's Responsibility for the Statement

3. The preparation of the Statement in accordance with Section 68(2) of the Act and in compliance with Section 68, 69 and 70 of the Act and SEBI Buy-back Regulations, is the responsibility of the Management of the Company, including the computation of the amount of the permissible capital payment, the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Statement and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Auditors' Responsibility

4. Pursuant to the requirements of the SEBI Buy-back Regulations, it is our responsibility to provide reasonable assurance whether:
 - i. we have inquired into the state of affairs of the Company in relation to its latest audited standalone and audited consolidated financial statements as at and for the year ended 31 March 2020;
 - ii. the amount of permissible capital payment (including premium) as stated in Annexure A for the proposed buy-back of equity shares has been properly determined considering the audited standalone financial statements and audited consolidated financial statements in accordance with Section 68(2) of the Act; and
 - iii. the Board of Directors of the Company in their meeting dated 3 November 2020, have formed the opinion as specified in clause (x) of Schedule I to the SEBI Buy-back Regulations on reasonable grounds and that the Company will not, having regard to its state of affairs, be rendered insolvent within a period of one year from that date.

Auditors' Responsibility (Continued)

5. The audited standalone financial statements and audited consolidated financial statements referred to in paragraph 5 above, which we have considered for the purpose of this report, have been audited by us, on which we have issued an unmodified audit opinion vide our reports dated 20 May 2020.
6. Our engagement involves performing procedures to obtain sufficient appropriate evidence on the above reporting. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated with the above reporting. We accordingly performed the following procedures:
 - i. Examined that the amount of permissible capital payment (including premium) for the buy-back as detailed in Annexure A is in accordance with the provisions of Section 68(2) of the Act;
 - ii. Inquired into the state of affairs of the Company with reference to the audited standalone financial statements and audited consolidated financial statements as at and for the period ended 31 March 2020;
 - iii. Traced the amounts of paid-up equity share capital, retained earnings and general Reserves as mentioned in Annexure A from the audited standalone financial statements and audited consolidated financial statements as at and for the year ended 31 March 2020;
 - iv. Verified the arithmetical accuracy of the amounts mentioned in Annexure A; and
 - v. We have obtained appropriate representations from the Management of the Company.
7. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes' (Revised 2016) issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
8. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
9. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Opinion

10. Based on inquiries conducted and our examination as above, we report that:
 - a) We have inquired into the state of affairs of the Company in relation to its audited standalone financial statements and audited consolidated financial statements as at and for the year ended 31 March 2020;
 - b) The amount of permissible capital payment towards the proposed buy-back of equity shares as computed in the Statement attached herewith is, in our view properly determined in accordance with Section 68(2) of the Act. The amounts of share capital and free reserves have been extracted from the audited standalone financial statements and audited consolidated financial statements of the Company as at and for the year ended 31 March 2020; and

Opinion (Continued)

- c) The Board of Directors of the Company, in their meeting held on 3 November 2020 have formed their opinion as specified in clause (x) of Schedule I to the SEBI Buy-back Regulations, on reasonable grounds and that the Company, having regard to its state of affairs, will not be rendered insolvent within a period of one year from the date of passing the Board meeting resolution dated 3 November 2020.
11. Based on the representations made by the management, and other information and explanations given to us, which to the best of our knowledge and belief were necessary for this purpose, we are not aware of anything to indicate that the opinion expressed by the Directors in the declaration as to any of the matters mentioned in the declaration is unreasonable in circumstances as at the date of declaration.

Restriction on Use

12. This report has been issued at the request of the Company solely for use of the Company (i) in connection with the proposed buy-back of equity shares of the Company in pursuance to the provisions of Sections 68 and other applicable provisions of the Act and SEBI Buy-back Regulations, (ii) to enable the Board of Directors of the Company to include in the public announcement, draft letter of offer, letter of offer and other documents pertaining to buy-back to be sent to the shareholders of the Company or filed with (a) the Registrar of Companies, Securities and Exchange Board of India, stock exchanges, public shareholders and any other regulatory authority as per applicable law and (b) the Central Depository Services (India) Limited, National Securities Depository Limited and (iii) for providing to the managers, each for the purpose of extinguishment of equity shares and may not be suitable for any other purpose.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

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MARAR

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Sreeja Marar

Partner

Membership No: 111410

UDIN: 20111410AAAACN9825

Mumbai
3 November 2020

Annexure A – Statement of permissible capital payment (including premium)

Computation of amount of permissible capital payment towards buy back of equity shares of Ajanta Pharma Limited in accordance with proviso to Section 68 (2) of the Companies Act, 2013 (the “Act”) and proviso to Regulation 4(i) of the Buyback Regulations:

Particulars	Amount extracted from the latest audited standalone financial statement as at March 31, 2020	Amount extracted from the latest audited consolidated financial statement as at March 31, 2020
	Amount in INR crores	Amount in INR crores
Paid up equity share capital (87,261,270 Equity Shares of INR 2 each, fully paid up) [A]	17.54[^]	17.54[^]
Free reserves #:		
- General reserve	879.62	951.18
- Retained earnings	1,565.51	1,617.18
Total free reserves [B]	2,445.13	2,568.36
Total [A + B]	2,462.67	2,585.90
Maximum amount permissible for buyback as per the Act and Buyback Regulations (i.e.10% of aggregate of fully paid up equity share capital and free reserves) with Board of Directors’ approval	246.27	258.59
Buyback offer size permitted by Board Resolution dated 3 November 2020	135.98	
Buyback offer size as a percentage of total paid up capital and free reserves	5.52%	5.26%

[^]The amount includes INR 0.09 crores on account of forfeiture of equity shares.

#Free reserves are as per sub clause 43 of Section 2 and explanation II to Section 68 of the Act.

@ Securities premium has not been considered for above calculation as per Companies Act, 2013. However, the same would be utilized for the buyback of shares based on Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018.

For Ajanta Pharma Limited

Arvind
Kanhaiyala
Agrawal
Date: 2020.11.03
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Arvind Agrawal
Chief Financial Officer

Mumbai
3 November 2020

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