



REPORT OF THE INDEPENDENT DIRECTORS OF NARAYANA HRUDAYALAYA LIMITED AT ITS MEETING HELD ON NOVEMBER 29, 2024 RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN NARAYANA HRUDAYALAYA LIMITED AND MERIDIAN MEDICAL RESEARCH & HOSPITAL LTD. AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

1. INDEPENDENT DIRECTORS PRESENT

S. No	Name of the Director	Designation
1	Mr. Shankar Arunachalam	Independent Director
2	Ms. Terri Smith Bresenham	Independent Director
3	Dr. Nachiket Mor	Independent Director
4	Ms. Nivruti Rai	Independent Director

The requisite quorum was present and remained till the end of the meeting.

2. BACKGROUND

- i. A meeting of the Committee of Independent Directors ("Committee") of Narayana Hrudayalaya Limited was held on **November 29, 2024** to consider and if thought fit, recommend to the Board of Directors of the Company, the draft Scheme of Arrangement between Narayana Hrudayalaya Limited ("NHL" or "Transferee Company" or "Company") and Meridian Medical Research & Hospital Ltd. ("MMRHL" or "Transferor Company") and their respective shareholders and creditors ("Scheme") for merger of the Transferor Company into the Transferee Company pursuant to Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Act"), read with the rules and regulations made thereunder.
- ii. The Company is incorporated under the provisions of the Companies Act, 1956. The equity shares of the Transferee Company are listed on the Bombay Stock Exchange ("BSE") and National Stock Exchange ("NSE"). (Collectively referred to as "Stock Exchanges"). The Non-Convertible Debentures ("NCDs") of NHL are listed on the Wholesale Debt Market Segment of BSE Limited.
- iii. The Scheme will be filed with the applicable jurisdictional National Company Law Tribunal ("NCLT") pursuant to Sections 230 to 232 and other applicable provisions of the Act and the rules and regulations issued thereunder and in compliance with provisions of Section 2(1B) of the Income-tax Act, 1961.



- iv. The Scheme is subject to receipt of approvals of the Board of Directors, Audit, Risk and Compliance Committee, Independent Directors, shareholders and creditors of the Transferor Company and the Transferee Company and approval of other regulatory authorities as may be required, *inter alia* of Stock Exchanges, Securities and Exchange Board of India ("SEBI") and the NCLT.
- v. This report of the Committee is submitted, in order to comply with the requirements of the Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 dated June 20, 2023 including any amendment thereof, from time to time ("SEBI Circular"), issued by SEBI read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") and any amendments thereof, Circular No. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000103 dated July 29, 2022 and updated as on December 01, 2022, and all other applicable circulars and regulations issued by SEBI in this respect under Regulations 37, 59A and 94A of SEBI LODR Regulations and the SEBI Circular (including any amendment(s) or modification(s) thereto).
- vi. The following documents were placed before the Committee:
- The draft Scheme;
 - Certificate from M/s. Deloitte Haskins & Sells LLP, Statutory Auditor of the Company, confirming that the accounting treatment mentioned in the Scheme is in compliance with the applicable Indian Accounting Standards as specified under Section 133 of the Act read with the Companies (Indian Accounting Standard) Rules, 2015;
 - Valuation report dated November 29, 2024, issued by Ms. Bhakti B. Shah, an independent Registered Valuer, *inter alia*, setting out the Share Exchange Ratio for issue of equity shares of the Transferee Company to the equity shareholders of the Transferor Company (other than the Transferee Company) pursuant to the Scheme; and
 - Fairness opinion dated November 29, 2024, issued by Kunvarji Finstock Private Limited, a SEBI Registered Merchant Banker on the Share Exchange Ratio recommended in the Valuation Report for the purpose of the Scheme ("Fairness Opinion"). They have issued an opinion covering, *inter-alia*, that as on the date hereof, the proposed Share Exchange Ratio as recommended by the Registered Valuer, which forms the basis for the proposed Scheme is fair and reasonable;

The Committee noted and approved for recommendation to the Board the aforementioned documents and the Share Exchange Ratio for the proposed merger of the Transferor Company into the Transferee Company.

Narayana Hrudayalaya Limited

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3. **RATIONALE OF THE SCHEME**

The Committee noted the rationale for the merger of the Transferor Company into the Transferee Company, as provided in the draft Scheme as under:

This arrangement is aimed at consolidating and optimizing the healthcare services provided by both entities on wholistic growth of the hospital chain. It is expected that the composite arrangement shall result in unlocking the following benefits:

- i. *Simplification of the overall group structure by eliminating multiple shareholding tiers within the group.*
- ii. *The Scheme will enable the Transferee Company to consolidate similar business operations, resulting in more efficient management and control through concentrated management efforts, resulting in streamlining of business processes, and operational synergies. By integrating the wide range of medical services and facilities offered by the Transferor Company with the extensive project management and healthcare establishment expertise of the Transferee Company, the unified entity can achieve greater operational efficiency and cost-effectiveness.*
- iii. *Further, the Scheme will lead to greater integration and enhanced financial strength and geographical reach for the merged entity, more efficient working capital management, increased market competitiveness, ultimately resulting in the maximization of overall shareholder value and value creation to the direct and indirect stakeholders of the Transferor and Transferee Company(s). Moreover, the Scheme will lead to elimination of inter-company transactions/ balances, and elimination of this leads to a stronger, more resilient financial position, the freed-up capital can be reallocated to other productive areas, further strengthening the company's financial stability and growth prospects.*
- iv. *Post the amalgamation, the unified cash flow management system provides an opportunity to reallocate resources effectively, reinvesting in areas that promise better returns. With shared financial goals, the consolidated business can leverage collective cash flow to fund organic and inorganic growth opportunities and to maximise shareholders value, thereby tapping the new and bigger business opportunities market is offering in an effective manner.*
- v. *The Scheme would generate economies in administrative and managerial costs by consolidating similar operations and resources. By pooling resources and expertise, the organization can undertake larger and more impactful community health programs, awareness campaigns, and educational*

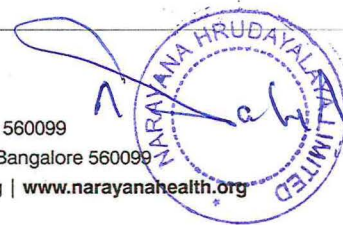
initiatives, ultimately contributing to the overall improvement of public health. Further, the consolidation of the Transferor Company and the Transferee Company by way of amalgamation would therefore lead to a more efficient utilization of capital, talent pooling and will result in creation of a single larger unified entity in place of various entities under the same management and control, thus resulting in efficient synergies of operations and reduction in servicing time.

- vi. A common Board of Directors would help the companies to frame converging strategies and a common compliance framework, thereby reducing duplication of administrative responsibilities and multiplicity of records and legal and regulatory compliances.

4. SALIENT FEATURES OF THE SCHEME

The Committee considered and observed that the draft Scheme provides for the following:

- i. The Scheme provides for the merger of the Transferor Company into the Transferee Company pursuant to Sections 230 to 232 and other applicable provisions of the Act and the rules and regulations made thereunder, and the consequent dissolution of the Transferor Companies without being wound up.
- ii. The Appointed Date for the purpose of the Scheme means April 1, 2024, or such other date as the NCLT, or any other Appropriate Authorities may direct/ fix.
- iii. The effectiveness of the Scheme is conditional upon fulfilment of the last of the actions specified herein below:
 - a. The Scheme being approved by the requisite majority of members and creditors of the Transferor Company and Transferee Company, in accordance with the SEBI Circular and the Act or dispensation having been received from NCLT in relation to obtaining such approval from the members and/or creditors or any Applicable Law permitting the respective Companies not to convene the meetings of its members and/or creditors;
 - b. The requisite consent, approval or permission of the Central Government or any Government Authorities, which by law may be necessary for the implementation of this Scheme;
 - c. Obtaining no-objection from the applicable Stock Exchange and/ or SEBI in relation to the Scheme under Regulation 37 and 59A, wherever applicable, of the SEBI LODR Regulations;
 - d. This Scheme being approved by the respective requisite majorities of the members and creditors of the Transferee Company and the Transferor Company as required under the Act and as may be directed by the NCLT or any other Governmental Authority as



may be applicable. Furthermore, as provided in Para I(A)(10)(a) and (b) of the SEBI Circular, the public shareholders of the Transferee Company shall be provided with e-voting facility, as prescribed in Para I(A)(10)(b) of the SEBI Circular, and the Scheme shall be acted upon only if the votes cast by the public shareholders of the Transferee Company in favour of the Scheme are more than the number of votes cast by the public shareholders of the Transferee Company against it;

- e. Receipt of no-objection from the holders of NCDs of Transferee Company as required under the Act and as may be directed by the NCLT or any other Governmental Authority as may be applicable in terms of Para (A)(10) read with Para 12 of Part I of Annex XII-A of SEBI Circular No. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000103 dated July 29, 2022 and updated as on December 01, 2022 and as amended from time to time.
- f. Approval by the NCLT or any other appropriate authority of Central Government or Governmental Authority as required under the Act or any other Applicable Law;
- g. All other Governmental Approvals, as may be required under the Applicable Law;
- h. The certified copies of the order of the NCLT sanctioning the Scheme, are filed with the Registrar of Companies by the Transferor Company and the Transferee Company; and
- i. Compliance with such other conditions as may be imposed by the NCLT or any other Appropriate Authorities or such other conditions as may be mutually agreed between Transferor Company and Transferee Company.

It is hereby clarified that submission of this Scheme to the NCLT and to the appropriate Governmental Authorities for their respective approvals is without prejudice to all rights, interests, titles or defenses that the Transferee Company and the Transferor Company may have under or pursuant to all Applicable Laws.

- iv. The last of the following dates shall be the “Effective Date” for the purpose of this Scheme:
 - a. the day on which the last of the aforesaid consents, approvals, permissions, resolutions, assignments and orders shall be obtained or passed; and
 - b. the certified true copy of the order of NCLT or any other Appropriate Authority, as may be applicable, sanctioning the Scheme, is filed with the Registrar of Companies, after the last of the approvals.



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- v. With effect from Appointed Date and upon the proposed Scheme becoming effective, the Transferor Company along with all assets, liabilities, contracts, employees, licenses, records, approvals etc. being integral parts of the Transferor Company shall stand transferred to and vest in or shall be deemed to have been transferred to and vested in the Transferee Company, as a going concern, without any further act, instrument or deed, together with all properties, assets, liabilities, rights, benefits and interest therein, subject to the provisions of the Scheme in accordance with Sections 230 to 232 of the Act and provisions of Section 2(1B) of the Income-tax Act, 1961 and other applicable provisions, if any.
- vi. The Transferee Company shall, upon the Scheme becoming effective and with effect from Appointed Date, record the assets and liabilities of the Transferor Companies (as appearing in the books of accounts of the Transferor Companies at the close of business on the day preceding the Effective Date of the Scheme) as vested in it, in accordance with the accounting treatment as prescribed by the Statutory Auditors of the Company in the Scheme.
- vii. In consideration of transfer and vesting of the Undertaking (*as defined in the Scheme*) of the Transferor Company to the Transferee Company in terms of provisions of the Scheme, the Transferee Company shall issue and allot Equity share(s) to the shareholders of the Transferor Company (other than the Transferee Company) whose names appear in the Register of Members as on Record Date (*as defined in the Scheme*), or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized, in the following Share Exchange Ratio:

"1 equity share Of Transferee Company of Rs.10/- each fully paid-up for every 2 equity shares of Transferor Company of Rs.10/- each fully paid-up"

The equity shares proposed to be issued and allotted by the Transferee Company will be listed on the Stock Exchanges.

No shares to the Transferee Company shall be allotted against shares held by the Transferee Company in the Transferor Company. The equity shares so held shall stand cancelled and extinguished without any further application, act or deed (*as provided in the Scheme*).

5. **SCHEME IS NOT DETRIMENTAL TO THE SHAREHOLDERS OF THE COMPANY**

- i. The Committee discussed and deliberated upon the rationale and salient features of the Scheme, Valuation Report, Fairness Opinion and other documents presented to the Committee. The Scheme is expected to create value and be beneficial to the shareholders of the Transferee Company leading to opportunity for growth and value creation in the long run and maximizing the value and returns to the shareholders, achieving cost and operational efficiencies.

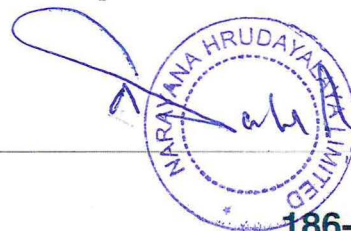
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- ii. In terms of the Scheme, the Transferee Company will issue equity shares to the shareholders of the Transferor Company (other than the Transferee Company) based on the Share Exchange Ratio (as provided above) and pursuant to the Scheme becoming effective, shareholders of Transferor Company shall become shareholders of the Transferee Company.
- iii. The shares will be issued by the Transferee Company to the shareholders of the Transferor Company (other than the Transferee Company) in the same proportion to those whose names appear in the Register of Members as on Record Date (as defined in the Scheme), or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized, subject to receipt of regulatory approvals. Further, such shares issued as a consideration pursuant to the Scheme, shall be listed on the Stock Exchanges.

In light of the aforementioned rationale of the Scheme and other related matters, the Committee is of the informed opinion that the proposed Scheme is not detrimental to the interests of the shareholders of the Company including minority shareholders.

6. **RECOMMENDATION OF THE COMMITTEE**

In view of the above, the Committee after due deliberations and due consideration of all the terms of the draft Scheme, Valuation Report, Fairness Opinion, draft accounting treatment certificate, unanimously recommends the draft Scheme for favourable consideration and approval of the Board of Directors, shareholders, creditors, Stock Exchange(s), SEBI and other statutory and regulatory authorities including the NCLT.

Further, as mentioned in Para 5, the Committee is of the informed opinion that the proposed Scheme is not detrimental to the interests of the shareholders of the Company including minority shareholders.

By order of Committee of Independent Directors
Narayana Hrudayalaya Limited




Dr. Nachiket Mor

For and on behalf of the Chairman of the Committee of Independent Directors

DIN: 00043646

Date: November 29, 2024

Place: Bengaluru