

SCHEME OF ARRANGEMENT

BETWEEN

CIPLA LIMITED
("CIPLA or Demerged Company")

AND

CIPLA BIOTEC LIMITED
("CBL or Resulting Company 1")

AND

CIPLA HEALTH LIMITED
("CHL or Resulting Company 2")

AND

THEIR RESPECTIVE SHAREHOLDERS
UNDER SECTION 230-232 AND OTHER APPLICABLE PROVISIONS OF
COMPANIES ACT, 2013

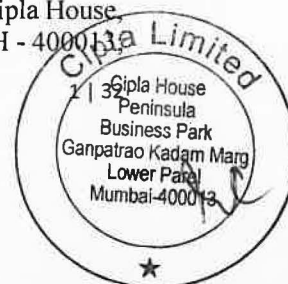
A. PREAMBLE

This Scheme of Arrangement is presented under sections 230 to 232 of the Companies Act, 2013 and other applicable provisions, if any, of the said Act read with applicable Rules made thereunder, for the demerger of Demerged Undertaking 1 (*as defined hereinafter*) and Demerged Undertaking 2 (*as defined hereinafter*) of Cipla Limited (hereinafter referred to as the "**Demerged Company**") into Cipla BioTec Limited and Cipla Health Limited respectively (hereinafter collectively referred to as the "**Resulting Companies**") as per the terms and conditions mentioned herein (hereinafter referred to as the "**Scheme**").

B. BACKGROUND OF THE COMPANIES

1. Cipla Limited ("**Demerged Company**" or "**Cipla**") is:

- i. a public limited company incorporated on 17th August 1935 under the Indian Companies Act, 1913 having CIN L24239MH1935PLC002380 and registered office at Cipla House, Peninsula Business Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai, MH - 400013.



- ii. engaged in business of manufacturing and sale of pharmaceuticals products; and
 - iii. having its equity shares listed on Stock Exchanges (*as defined hereinafter*) and Global Depository Receipts listed on Luxembourg Stock Exchange.
2. Cipla BioTec Limited ("**Resulting Company 1**" or "**CBL**") is:
- i. a public limited company, incorporated on 20th August 2008 under the Companies Act, 1956 having CIN U24239GA2008PLC007374 and registered office at L-147/B, Verna Industrial Area, Verna, South Goa, GA - 403722;
 - ii. primarily engaged in the business of research & development and manufacture of pharmaceutical products including biopharmaceuticals and providing various services in the nature of Contract Research, Contract Manufacturing, etc.
 - iii. a wholly owned subsidiary of Cipla Limited.
3. Cipla Health Limited ("**Resulting Company 2**" or "**CHL**") is:
- i. a public limited company incorporated on 27th August 2015 under the Companies Act, 2013 having CIN U24100MH2015PLC267880 and registered office at FOFB-11, B Wing, Fourth Floor, Art Guild House, Phoenix Market City, L.B.S Marg, Kurla (West), Mumbai - 400070;
 - ii. engaged in business of development, manufacture and marketing of Nicotex and Nicogum, Cofsils, Unobiotics, MamaXpert, Prolyte and Ciphands and other brands; and
 - iii. a wholly owned subsidiary of Cipla Limited.

C. RATIONALE OF THE SCHEME

Over more than 85 years, Cipla has expanded globally in line with its promising vision of 'Caring for Life'. The Company today operates across 80+ countries globally with varying types of regulatory frameworks. Over the last 5 years, Cipla has decided to deepen its focus and build further dominance in the strategic markets of India, US, South Africa, Europe and key territories across Emerging markets. This requires Cipla to ensure efficient processes throughout the entire value chain.

As Cipla is embarking on the growth agenda in coming years with a focus on OneIndia strategy for the domestic market and targeted sharp launch momentum in US, the proposed restructuring is aimed at ensuring (a) a simplified group structure and operational footprint, and (b) a market-aligned logical organization of resources.

A brief rationale for proposed structure is given below:

(A) Rationale for demerger of Demerged Undertaking 1 into CBL:

- In line with the aforementioned strategy, Cipla has decided to adopt a simpler group structure which enables efficient execution of this strategy by subsidiarizing the India based operations of the US business. Such subsidiarization helps improve the focus on US business and enables multiple strategic options to drive further expansion in the future including potential capital raises and other avenues to deepen the presence in the market.



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It also enables the US business to run the operations in a more cohesive manner including better management of product development, manufacturing & quality and supply chain within the existing group structure. The consolidation is intended also to better leverage the strong sterile capabilities and manufacturing environment of CBL and to develop complex dosage forms such as onco-injectables, ophthalmic products and peptides injectables, with minimal augmentation.

(B) Rationale for demerger of Demerged Undertaking 2 into CHL:

- In order to consolidate its consumer business as a part of the OneIndia strategy, Cipla is demerging its Demerged Undertaking 2 including select set of brands which have high consumerisation potential, to its consumer healthcare subsidiary i.e. Cipla Health Limited to drive substantial portfolio expansion and build a large consumer business. The brands being transitioned have been built over the years in a meticulous manner and have wide distribution reach throughout India. This demerger and combination with the CHL business will boost the portfolio breadth, build stronger consumer pull and facilitate sharp & focused investments through the capabilities built by CHL.

The proposed scheme is in the interest of the shareholders, creditors, employees, and other stakeholders in each of the Parties (*as defined hereinafter*).

- D.** Further, under the Scheme, there is no arrangement proposed to be entered into with the creditors, either secured and/or unsecured creditors of the Demerged Company and/or Resulting Companies. No compromise is offered under this Scheme to any of the creditors of the Demerged Company and/or Resulting Companies. The liability towards the creditors of the Demerged Company and/or Resulting Companies under the Scheme, is neither being reduced nor being extinguished and such liability with respect to Demerged Undertaking 1 and Demerged Undertaking 2 shall be assumed and discharged by the Resulting Company 1 and Resulting Company 2 respectively, in their ordinary course of business

E. PARTS OF THE SCHEME

This Scheme is divided into the following parts:

- Part I** sets out the definitions, interpretation, share capital of the companies that are parties to the Scheme and the effective date of the Scheme;
- Part II** sets out the provisions for the demerger of Demerged Undertaking 1 (*as defined hereinafter*) of the Demerged Company and its transfer and vesting into Resulting Company 1;
- Part III** sets out the provisions for the demerger of Demerged Undertaking 2 (*as defined hereinafter*) of the Demerged Company and its transfer and vesting into Resulting Company 2; and
- Part IV** sets out the general terms and conditions that would be applicable to this Scheme.



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PART I

DEFINITIONS, INTERPRETATION, SHARE CAPITAL AND DATE OF TAKING EFFECT OF THE SCHEME

1. DEFINITIONS:

In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively assigned to them:

- 1.1. “**Act**” means the Companies Act, 2013 (18 of 2013), the rules made thereunder and will include any statutory amendment(s), modification(s) or re-enactment(s) thereof for the time being in force;
- 1.2. “**ANDA**” means an abbreviated new drug application that contains data submitted to the FDA by Cipla for the review and potential approval of a generic drug product which once approved would permit Cipla to manufacture and market a generic drug product comparable to an innovator drug product in dosage form, strength, route of administration, quality, performance characteristics, and intended use, to be listed in FDA’s approved drug products with Therapeutic Equivalence Evaluations (Orange Book) upon such approval;
- 1.3. “**Appointed Date**” means opening of business hours of 01st April 2021 or such other date as may be approved by the National Company Law Tribunal;
- 1.4. “**Applicable Law**” or “**Law**” means any applicable foreign, Indian central, state, provincial, local, municipal or other law including applicable provisions of all (a) constitutions, decrees, treaties, statutes, laws (including the common law) codes, notifications, rules, regulations, policies, guidelines, circulars, directions, directives, ordinances or orders of any appropriate authority, statutory authority, court, tribunal having jurisdiction over the Parties; (b) permits and approvals; and (c) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any appropriate authority having jurisdiction over the Parties as may be in force from time to time;
- 1.5. “**Board of Directors**” or “**Board**” in relation to the Demerged Company and the Resulting Companies, as the case may be, means the board of directors of such Party/company, and shall include a committee of directors or any person authorized by such board of directors or such committee of directors duly constituted and authorized for the purposes of matters pertaining to this Scheme or any other matter relating thereto;
- 1.6. “**Contract**” means any contract, lease, commitment, agreement, instrument, product license and Intellectual Property licenses, legally binding arrangement or understanding, whether written or oral, including contracts for product and Intellectual Property in-licensing and out-licensing and for tenancies and licenses, deeds, bonds, incentives, benefits, exemptions, entitlements, arrangements, escrow arrangements, credit agreement, bond, debenture, note, mortgage, indenture, guarantee, security agreement, lease or other contract, commitment, agreement, instrument, license, or other legally binding arrangement or understanding, whether written or oral;
- 1.7. “**Copyrights**” means rights associated with works of authorship, including exclusive exploitation rights, copyrights, moral rights and all registrations and applications therefor and all extensions, restorations, and renewals thereof.

“**Demerged Company**” or “**Cipla**” means Cipla Limited, a public limited company incorporated under the provisions of the Indian Companies Act, 1913, having CIN:



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L24239MH1935PLC002380 and registered office at Cipla House, Peninsula Business Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai – 400013, Maharashtra, India;

- 1.9. **“Effective Date”** means the last of the dates on which the certified copies of the Order of the NCLT sanctioning the Scheme is filed with the Registrar of Companies, Maharashtra at Mumbai by Demerged Company and Resulting Company 2; and with Registrar of Companies, Goa, Daman & Diu at Goa by Resulting Company 1. References in this Scheme to “upon the Scheme becoming effective”, or “upon effectiveness of the Scheme” and other similar expressions shall mean the Effective Date
- 1.10. **“Encumbrance”** means (a) any charge, lien (statutory or other), or mortgage, any easement, encroachment, right of way, right of first refusal or other encumbrance or security interest securing any obligation of any Person; (b) pre-emption right, option, right to acquire, right to set off or other third party right or claim of any kind, including any restriction on use, voting, transfer, receipt of income or exercise; (c) any hypothecation, title retention, restriction, power of sale or other preferential arrangement; or (d) any agreement to create any of the above; and the term “Encumber” shall be construed accordingly;
- 1.11. **“FDA”** means the U.S. Food and Drug Administration, or any successor agency or authority thereto;
- 1.12. **“FFDCA”** means the United States Federal Food, Drug, and Cosmetic Act, together with any rule, regulation, interpretation or guidance document lawfully issued or promulgated by the FDA thereunder;
- 1.13. **“Health Care Laws”** means (i) the FFDCA and the regulations promulgated thereunder, (ii) the Public Health Service Act and the regulations promulgated thereunder, (iii) all federal and state health care fraud and abuse laws, including the Federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b(b)), the civil False Claims Act (31 U.S.C. § 3729 et seq.), the administrative False Claims Law (42 U.S.C. § 1320a-7b(a)), the Anti-Inducement Law (42 U.S.C. § 1320a-7a(a)(5)), the exclusion laws (42 U.S.C. § 1320a-7), and the regulations promulgated pursuant to such statutes, (iv) the Health Insurance Portability and Accountability Act of 1996, as amended, and the regulations promulgated thereunder (collectively, “HIPAA”) and state health information privacy laws, (v) the Controlled Substances Act (21 U.S.C. § 801 et seq.), (vi) Titles XVIII (42 U.S.C. § 1395 et seq.) and XIX (42 U.S.C. § 1396 et seq.) of the Social Security Act and the regulations promulgated thereunder, (vii) other applicable health care Laws administered by the FDA and other relevant Governmental Entities, such as those governing or relating to good laboratory practices, good clinical practices, recordkeeping, the manufacture, import, export, testing, development, approval, processing, reporting, packaging, labeling, storage, distribution and use of any compounds or products manufactured by or on behalf of the Company, including, without limitation, informed consent requirements, adverse drug reaction reporting requirements, applicable regulations at 21 C.F.R. Parts 50, 54, 56, 58, 312, 314, and the FDA’s current Good Manufacturing Practice Regulations at 21 C.F.R. Parts 210 and 211 for products sold in the U.S., and the respective counterparts thereof promulgated by Governmental Entities in countries outside the U.S. and (viii) any and all other applicable federal, state, local, foreign, supranational health care Laws, rules and regulations, ordinances, judgments, decrees, orders, writs, and injunctions, each of (i) through (viii) as may be amended from time to time.



1.14. **“Demerged Undertaking 1”** means the India based US business of the Demerged Company as identified by the board of directors of Demerged Company and Resulting Company 1, to be transferred to Resulting Company 1 on a going concern basis with effect from the Appointed Date, comprising, inter alia, of all assets, properties, liabilities, permits, licenses, registrations, approvals, contracts, and employees, in relation to and pertaining to such US business and shall include without limitation:

- (a) all properties and assets of the Demerged Undertaking 1 including all movable or immovable (*including but not limited to the identified plants located at Pithampur, Indore*), freehold, leasehold or licensed, tenancy rights, hire purchase and lease arrangements, real or personal, corporeal or incorporeal or otherwise, present, future, contingent, tangible or intangible, furniture, fixtures, office equipment, appliances, accessories, vehicles, investments, stocks, sundry debtors, deposits, provisions, advances, recoverables, receivables, title, interest, cash and bank balances, bills of exchange, covenants, all earnest monies, security deposits, or other entitlements, funds, powers, authorities, licenses, registrations, quotas, allotments, consents, privileges, liberties, advantages, easements and all the rights, title, interests, goodwill, benefits, fiscal incentives, entitlement and advantages, contingent rights or benefits belonging to or in the ownership, power, possession or the control of or vested in or granted in favor of or held for the benefit of or enjoyed by the Demerged Company with respect to Demerged Undertaking 1;
- (b) all contracts, agreements, schemes, arrangements and any other instruments for the purpose of carrying on the business of Demerged Undertaking 1;
- (c) all tax credits, refunds, reimbursements, claims, concessions, exemptions, benefits under Tax Laws including sales tax deferrals and minimum alternate tax paid under section 115JA/115JB of the Income-tax Act, advance taxes, tax deducted at source, right to carry forward and set-off accumulated losses and unabsorbed depreciation, if any, deferred tax assets, minimum alternate tax credit, goods and service tax credit, deductions and benefits under the Income-tax Act or any other taxation statute enjoyed by the Demerged Company with respect to Demerged Undertaking 1;
- (d) all debts, borrowings and liabilities, whether present, future or contingent or deferred tax liabilities, whether secured or unsecured, of the Demerged Undertaking 1;
- (e) all Permits, licenses, approvals, registrations, quotas, incentives, powers, authorities, allotments, consents, rights, benefits, advantages, municipal permissions, trademarks, designs, copyrights, patents, Drug Master File (“DMF”), ANDA, Pre ANDA Development and other intellectual property rights of the Demerged Company pertaining to Demerged Undertaking 1, whether registered or unregistered and powers of every kind, nature and description whatsoever, whether from the government bodies or otherwise, pertaining to or relating to Demerged Undertaking 1;
- (f) all books, records, files, papers, process information, computer programs, software licenses (whether proprietary or otherwise), drawings, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information, and other records whether in physical or electronic form in connection with or relating to Demerged Undertaking 1; and
- (g) all permanent and/or temporary employees, workmen, staff, contract staff or workers of the Demerged Company engaged in the business of Demerged Undertaking 1.



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It is clarified that Cipla would retain the ownership and license with respect to any technical know-how, manufacturing processes, intellectual property, copyright, trade marks, designs, data master files DMFs, clinical research studies, bio equivalence studies and all other rights associated with or contained in the transferred ANDA's and Pre ANDA developments under this scheme for its business in non-US markets.

Any question that may arise as to whether a specific asset or liability pertains or does not pertain to the Demerged Undertaking 1 or whether it arises out of the activities or operations of the Demerged Undertaking 1 shall be decided by the Board of Directors of the Demerged Company and the Resulting Company 1.

Further the Board of Directors of the Demerged Company and the Resulting Company 1 may mutually decide the modalities/commercial arrangement between the said companies with regard to utilization of resources to ensure smooth transition and functioning of the respective businesses

1.15. **"Demerged Undertaking 2"** means the consumer business of the Demerged Company as identified by the board of directors of Demerged Company and Resulting Company 2, on a going concern basis, comprising, *inter alia*, of all assets, properties, liabilities, permits, licenses, registrations, approvals, contracts, and employees, in relation to and pertaining to such consumer business and shall include without limitation:

- (a) all properties and assets of the Demerged Undertaking 2 including all movable or immovable, freehold, leasehold or licensed, tenancy rights, hire purchase and lease arrangements, real or personal, corporeal or incorporeal or otherwise, present, future, contingent, tangible or intangible, furniture, fixtures, office equipment, appliances, accessories, vehicles, investments, stocks, sundry debtors, deposits, provisions, advances, recoverables, receivables, title, interest, cash and bank balances, bills of exchange, covenants, all earnest monies, security deposits, or other entitlements, funds, powers, authorities, licenses, registrations, quotas, allotments, consents, privileges, liberties, advantages, easements and all the rights, title, interests, goodwill, benefits, fiscal incentives, entitlement and advantages, contingent rights or benefits belonging to or in the ownership, power, possession or the control of or vested in or granted in favor of or held for the benefit of or enjoyed by the Demerged Company with respect to Demerged Undertaking 2;
- (b) all contracts, agreements, schemes, arrangements and any other instruments for the purpose of carrying on the business of Demerged Undertaking 2;
- (c) all tax credits, refunds, reimbursements, claims, concessions, exemptions, benefits under Tax Laws including sales tax deferrals and minimum alternate tax paid under section 115JA/115JB of the Income-tax Act, advance taxes, tax deducted at source, right to carry forward and set-off accumulated losses and unabsorbed depreciation, if any, deferred tax assets, minimum alternate tax credit, goods and service tax credit, deductions and benefits under the Income-tax Act or any other taxation statute enjoyed by the Demerged Company with respect to Demerged Undertaking 2;
- (d) all debts, borrowings and liabilities, whether present, future or contingent or deferred tax liabilities, whether secured or unsecured, of the Demerged Undertaking 2;
- (c) all Permits, licenses, approvals, registrations, quotas, incentives, powers, authorities, allotments, consents, rights, benefits, advantages, municipal permissions, trademarks, designs, copyrights, patents, brands and other Intellectual Property rights of the Demerged Company pertaining to Demerged Undertaking 2, whether registered or



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unregistered and powers of every kind, nature and description whatsoever, whether from the government bodies or otherwise, pertaining to or relating to Demerged Undertaking 2;

- (f) all books, records, files, papers, process information, computer programs, software licenses (whether proprietary or otherwise), drawings, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information, and other records whether in physical or electronic form in connection with or relating to Demerged Undertaking 2; and
- (g) all permanent and/or temporary employees, workmen, staff, contract staff or workers of the Demerged Company engaged in the business of Demerged Undertaking 2 as may be determined by the board of directors of Demerged Company.

Any question that may arise as to whether a specific asset or liability pertains or does not pertain to the Demerged Undertaking 2 or whether it arises out of the activities or operations of the Demerged Undertaking 2 shall be decided by the Board of Directors of the Demerged Company and the Resulting Company 2.

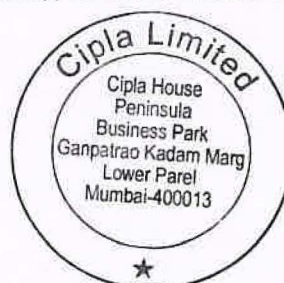
Further the Board of Directors of the Demerged Company and the Resulting Company 2 may mutually decide the modalities/commercial arrangement between the said companies with regard to utilization of companies to ensure smooth transition and functioning of the respective businesses;

- 1.16. **"Income-tax Act"** means the Income-tax Act, 1961 (43 of 1961), the rules made thereunder and will include any statutory amendment(s), modification(s) or re-enactment(s) thereof for the time being in force;
- 1.17. **"Intellectual Property"** means all intellectual property and other proprietary rights of any kind or nature, in the US or India jurisdiction, whether registered or unregistered, whether protected, created or arising under any Law, including the following: (i) patent rights, (ii) industrial design rights, and all registrations thereof, applications therefor and renewals and extensions of the foregoing, (iii) Marks, (iv) Copyrights, (v) Know-How and Other Information, all other intellectual property and proprietary rights, (vii) all tangible embodiments of any of the foregoing and (viii) all rights, benefits, and priorities afforded under Applicable Law with respect to any of the foregoing;
- 1.18. **"Know-How and Other Information"** means information, know-how, inventions, discoveries, compositions, formulations, formulas, practices, procedures, processes, methods, knowledge, trade secrets, technology, techniques, designs, drawings, correspondence, computer programs, Software documents, apparatus, results, strategies, regulatory documentation and submissions, and information pertaining to, or made in association with, filings with any Governmental Entity or patent office, data (including pharmacological, toxicological, non-clinical, pre-clinical and clinical data, analytical and quality control data, manufacturing data and descriptions, market data, financial data or descriptions), databases, data collections, data sets, curated data content, and data layers, devices, assays, specifications, physical, chemical and biological materials and compounds, compound libraries, and the like, in written, electronic, oral or other tangible or intangible form, whether or not patentable;



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- 1.19. **"Marks"** means all trademarks, trade names, trade dress, service marks, service names, logos, corporate names, product configuration rights, business symbols, brand names, certification marks, or domain names, and other indications of origin, whether registered or unregistered, and all registrations and applications therefor and all renewals of any of the foregoing, together with the goodwill associated any of with the foregoing.
- 1.20. **"NCLT"** means the National Company Law Tribunal as constituted and authorized as per the provisions of the Act for approving any scheme of arrangement, compromise or reconstruction of companies under Sections 230 to 232 of Companies Act, 2013;
- 1.21. **"NDA"** means a new drug application including all amendments and supplements to the application, submitted to the FDA under Section 505(b) of the FFDCA (21 U.S.C. § 355(b)).
- 1.22. **"Parties"** shall mean collectively the Demerged Company and the Resulting Companies;
- 1.23. **"Pre-ANDA Development"** means drug development activities, including preclinical and clinical activities, test method development and stability testing, assay development and audit development, toxicology, formulation, manufacturing and distribution of compounds and products for use in clinical trials including placebos and comparators as the case may be, scale-up, quality assurance and quality control development, statistical analysis, clinical studies, packaging development, and regulatory affairs and include all Intellectual Property, Know How and Other Information subsisting in or emerging out of such development activities, either complete or in progress;
- 1.24. **"Remaining Business"** or **"Remaining Business of the Demerged Company"** means all the business, units, divisions, undertakings, and assets and liabilities of the Demerged Company other than the Demerged Undertaking 1 and Demerged Undertaking 2;
- 1.25. **"Resulting Company 1"** or **"CBL"** means Cipla BioTec Limited, a public limited company incorporated on 20th August 2008 under the Companies Act, 1956 having CIN U24239GA2008PLC007374 and registered office at L-147/B, Verna Industrial Area, Verna, South Goa, GA - 403722;
- 1.26. **"Resulting Company 2"** or **"CHL"** means Cipla Health Limited, a public limited company incorporated on 27th August 2015 under the Companies Act, 2013 having CIN U24100MH2015PLC267880 and registered office at FOFB-11, B Wing, Fourth Floor, Art Guild House, Phoenix Market City, L.B.S Marg, Kurla (West), Mumbai - 400070;
- 1.27. **"Resulting Companies"** means Resulting Company 1 and Resulting Company 2, collectively;
- 1.28. **"SEBI"** means the Securities and Exchange Board of India;
- 1.29. **"SEBI Circular"** means the circular issued by the SEBI, being Circular SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020, and any amendments thereof, modifications issued pursuant to regulations 11, 37 and 94 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015;
- 1.30. **"Scheme"** or **"this Scheme"** means this Scheme of Arrangement in its present form submitted to the NCLT or with any modification(s) made under Clause 25 of the Scheme as approved by the NCLT;



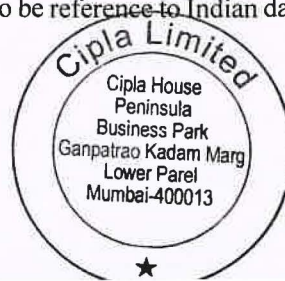
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- 1.31. **“Software”** means software (including firmware and other software embedded in hardware devices), software code (including source code and executable or object code), subroutines, interfaces, including application programming interfaces, and algorithms necessary for continuing the business of the Demerged Undertaking 1 or Demerged Undertaking 2;
- 1.32. **“Software License”** means a license associated with the Software;
- 1.33. **“Stock Exchanges”** means BSE Limited and National Stock Exchange of India Limited, as may be applicable;
- 1.34. **“Tax Laws”** means all Applicable Laws dealing with Taxes including but not limited to income-tax, wealth tax, sales tax / value added tax, service tax, goods and service tax, excise duty, customs duty or any other levy of similar nature.
- 1.35. **“US”** means the United States of America, its territories and possessions, including Puerto Rico.

2. **INTERPRETATION:**

In this Scheme, unless the context otherwise requires:

- (a) the words “including”, “include” or “includes” shall be interpreted in a manner as though the words “without limitation” immediately followed the same;
- (b) any document or agreement includes a reference to that document or agreement as varied, amended, supplemented, substituted, novated or assigned, from time to time, in accordance with the provisions of such a document or agreement;
- (c) the words “other”, “or otherwise” and “whatsoever” shall not be construed *ejusdem generis* or be construed as any limitation upon the generality of any preceding words or matters specifically referred to;
- (d) headings are inserted for ease of reference only and shall not affect the construction or interpretation of the relevant provisions of this Scheme;
- (e) the term “Clause” or “Sub-Clause” refers to the specified clause of this Scheme, as the case may be;
- (f) reference to any legislation, statute, regulation, rule, notification, or any other provision of law means and includes references to such legal provisions as amended, supplemented or re-enacted from time to time, and any reference to legislation or statute includes any sub-ordinate legislation made from time to time under such a legislation or statute and regulations, rules, notifications or circulars issued under such a legislation or statute;
- (g) words denoting the singular shall include the plural and vice versa;
- (h) unless otherwise defined, the reference to the word “days” shall mean calendar days; and
- (i) reference to dates and times shall be construed to be reference to Indian dates and times.



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All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning ascribed to them under the Act, the Income-tax Act, the Securities Contract Regulation Act, 1956, the Depositories Act, 1996 and other Applicable Laws, rules, regulations, byelaws, as the case may be or any statutory modification or re-enactment thereof from time to time.

3. **SHARE CAPITAL**

a) **Demerged Company**

The authorised share capital and the issued, subscribed and fully paid-up share capital of the Demerged Company, as on 31st March 2020 is as under:

Share Capital	Amount (in Rs)
Authorised Share Capital	
87,50,00,000 equity shares of Rs. 2/- each	1,75,00,00,000
Total	1,75,00,00,000
Issued, Subscribed and Fully Paid-up Share Capital	
80,62,35,329 equity shares of Rs. 2/- each	1,61,24,70,658
Total	1,61,24,70,658

The authorised share capital and the issued, subscribed and fully paid-up share capital of Demerged Company, as on 31st December 2020 is as under:

Share Capital	Amount (in Rs)
Authorised Share Capital	
87,50,00,000 equity shares of Rs. 2/- each	1,75,00,00,000
Total	1,75,00,00,000
Issued, Subscribed and Fully Paid-up Share Capital	
80,64,55,229 equity shares of Rs. 2/- each	1,61,29,10,458
Total	1,61,29,10,458

Subsequent to the above date, there has been no change in the authorized, issued, subscribed and paid-up share capital of the Demerged Company till the date of approval of the Scheme by the Board of the Demerged Company except for the allotment of 5217 equity shares of Rs. 2/- each pursuant to exercise of stock options as per the Cipla-Employee Stock Option Scheme 2013-A.

The Demerged Company has outstanding employee stock options under its existing stock option scheme(s), the exercise of which may result in an increase in the issued, subscribed and paid-up share capital of the Demerged Company.

The equity shares of Demerged Company are listed on the Stock Exchanges and its Global Depository Receipts are listed on Luxembourg Stock Exchange.

b) **CBL**

The authorised share capital and the issued, subscribed and fully paid-up share capital of Resulting Company 1, as on 31st March 2020 is as under:



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Share Capital	Amount (in Rs)
Authorised Share Capital	
27,50,00,000 equity shares of Rs. 10/- each	2,75,00,00,000
Total	2,75,00,00,000
Issued, Subscribed and Fully Paid-up Share Capital	
25,87,08,433 equity shares of Rs. 10/- each	2,58,70,84,330
Total	2,58,70,84,330

Subsequent to the above dates, there has been no change in the authorised, issued, subscribed and paid-up share capital of Resulting Company 1 till the date of approval of the Scheme by the Board of Resulting Company 1.

c) **CHL**

The authorised share capital and the issued, subscribed and fully paid-up share capital of Resulting Company 2, as on 31st March 2020 is as under:

Share Capital	Amount (in Rs)
Authorised Share Capital	
50,00,000 equity shares of Rs.10/- each	5,00,00,000
10,00,000 preference shares of Rs. 50/- each	5,00,00,000
Total	10,00,00,000
Issued, Subscribed and Fully paid-up Share Capital	
16,70,847 equity shares of Rs.10/- each;	1,67,08,470
5,34,658 Series A CCPS of Rs. 50/- each; and	2,67,32,900
33,039 Series A1 CCPS of Rs. 50/- each	16,51,950
Total	4,50,93,320

The authorised share capital and the issued, subscribed and fully paid-up share capital of Resulting Company 2, as on 31st December 2020 is as under:

Share Capital	Amount (in Rs)
Authorised Share Capital	
50,00,000 equity shares of Rs.10/- each	5,00,00,000
10,00,000 preference shares of Rs. 50/- each	5,00,00,000
Total	10,00,00,000
Issued, Subscribed and Fully paid-up Share Capital	
23,25,213 equity shares of Rs.10/- each	2,32,52,130
Total	2,32,52,130

Subsequent to the above date, there has been no change in the authorized, issued, subscribed and paid-up share capital of Resulting Company 2 till the date of approval of the Scheme by the Board of Resulting Company 2.



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Resulting Company 2 has outstanding employee stock options under its existing stock option scheme(s), the exercise of which may result in an increase in the issued and paid-up share capital of the Resulting Company 2.

4. **DATE OF TAKING EFFECT AND OPERATIVE DATE**

The Scheme set out herein along with the modification(s), if any, made as per Clause 25, shall be effective from the Appointed Date but shall be operative from the Effective Date.

PART II

**DEMERGER AND VESTING OF DEMERGED UNDERTAKING 1 OF THE
DEMURGED COMPANY INTO RESULTING COMPANY 1**

5. **DEMERGER AND VESTING OF THE DEMERGED UNDERTAKING 1**

- 5.1. Upon the Scheme becoming effective and with effect from the Appointed Date and subject to the provisions of this Scheme and pursuant to Sections 230 to 232 of the Act, the Demerged Undertaking 1 shall, without any further act, instrument or deed, be transferred to, and be vested in or be deemed to have been transferred to and vested in Resulting Company 1, as a *going concern*, so as to vest in the Resulting Company 1 the assets, liabilities, contracts, arrangements, employees, permits, records, etc. of the Demerger Undertaking 1 in the manner provided in this Scheme.
- 5.2. In respect of such of the assets and properties forming part of the Demerged Undertaking 1 which are movable in nature (including but not limited to all intangible assets) or are otherwise capable of transfer by delivery or possession or by endorsement, the same shall stand transferred by the Demerged Company to Resulting Company 1 upon coming into effect of this Scheme and shall, *ipso facto* and without any other order to this effect, become the assets and properties of Resulting Company 1 without requiring any deed or instrument of conveyance for transfer of the same.
- 5.3. Subject to Clause 5.4 below, with respect to the assets of the Demerged Undertaking 1 other than those referred to in Clause 5.2 above, including all rights, title and interests in the agreements (including agreements for lease or license of the properties), investments in shares, mutual funds, bonds and any other securities, sundry debtors, claims from customers or otherwise, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with any appropriate authority, customers and other Persons, whether or not the same is held in the name of the Demerged Company, the same shall, without any further act, instrument or deed, be transferred to and vested in and / or be deemed to be transferred to and vested in the Resulting Company 1, with effect from the Appointed Date by operation of law as transmission in favour of Resulting Company 1. With regard to the licenses of the properties, Resulting Company 1 will enter into novation agreements, if it is so required.
- 5.4. In respect of such of the assets and properties forming part of the Demerged Undertaking 1 which are immovable in nature, whether freehold or leasehold, and any documents of title, rights, agreements to sell/agreements of sale and easements in relation thereto, same shall stand transferred to and be vested in Resulting Company 1 with effect from the Appointed Date, without any act or deed done by the Demerged Company or Resulting Company 1, and without any approval or acknowledgement of any third party. With effect from the Appointed Date, the Resulting Company 1 shall be entitled to exercise all rights and privileges and be liable to pay all taxes and charges and fulfil all obligations, in relation to or applicable to such immovable properties. The mutation/substitution of the title to such immovable properties shall be made



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and duly recorded in the name of the Resulting Company 1 by the appropriate authorities pursuant to the sanction of the Scheme by the NCLT and in accordance with the terms hereof. The Demerged Company shall take all steps as may be necessary to ensure that lawful, peaceful and unencumbered possession, right, title, interest of its immovable property is given to the Resulting Company 1.

5.5. Notwithstanding anything contained in this Scheme, with respect to the immovable properties comprised in the Demerged Undertaking 1 in the nature of land and buildings situated in India, whether owned or leased, for the purpose of, *inter alia*, payment of stamp duty, registration fees or other similar taxes or fees and vesting in Resulting Company 1, if Resulting Company 1 so decides, the Demerged Company and Resulting Company 1, whether before or after the Effective Date, may execute and register or cause to be executed and registered, separate deeds of conveyance or deeds of assignment of lease, as the case may be, in favor of Resulting Company 1 in respect of such immovable properties. Each of the immovable properties, only for the purposes of the payment of stamp duty, registration fees or other similar taxes or fees (if required under Applicable Law), shall be deemed to be conveyed at a value determined by the relevant authorities in accordance with the applicable circle rates. The transfer of such immovable properties shall form an integral part of this Scheme.

5.6. Upon the Scheme coming into effect and with effect from the Appointed Date:

5.6.1. all rights, entitlements, licenses, applications and registrations relating to the Intellectual Property, rights of every kind and description, whether registered or unregistered or pending registration, and the goodwill arising therefrom, relatable to the Demerged Undertaking 1, to which either the Demerged Company is a party or to the benefit of which the Demerged Company may be eligible or entitled, shall become the rights, entitlement or property of Resulting Company 1 and shall be enforceable by or against Resulting Company 1, as fully and effectually as if, instead of the Demerged Company, Resulting Company 1 had been a party or beneficiary or obligee thereto or the holder or owner thereof;

5.6.2. the Resulting Company 1 shall until such time it remains a wholly owned subsidiary of the Demerged Company continue to use the "Cipla" Mark under an implied and continuing Intellectual Property license. If and when the Resulting Company 1 ceases to be a wholly owned subsidiary of the Demerged Company, the respective Boards will discuss and mutually agree upon the terms and conditions for Resulting Company 1 to continue use of the "Cipla" Mark, subject to receipt of necessary approvals;

5.6.3. all relevant regulatory approvals, filings and developments-in-progress comprising of NDAs, ANDAs (including as applicable Pre-ANDA Development programs and underlying Know-How and Other Information) held by the Demerged Company shall by appropriate application by the Demerged Company and Resulting Company 1 as appropriate to the FDA with a letter of acceptance and commitment to all agreements and conditions as prescribed in the FDA manual of policies and procedures (MAPP) transfer their ownership due to this corporate demerger to the Resulting Company 1 causing the Orange Book staff in the FDA Office of Generic Drugs to process the request to so transfer and indicating an effective date of transfer. The Resulting Company 1 shall upon such transfer be responsible for and strictly comply with the requirements of the Health Care Laws administered by the FFDCA. All Software and Software Licenses underlying these NDAs, ANDAs and Pre-ANDA Development programs shall be simultaneous to transfer by the FDA be transferred by the Demerged Company to the Resulting Company 1, upon consent of licensors if necessary;

5.6.4. Resulting Company 1 shall advise FDA about any change and accordingly amend conditions in the NDAs, ANDAs (including as applicable Pre-ANDA Development



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programs and underlying Know-How and Other Information) in the drug products' label or labeling, brand or ownership of its manufacturer, packer, or distributor;

- 5.6.5. all relevant licenses issued by the federal, state and local authorities including but not limited to under the FFDCA and Health Care Laws in the name of the Demerged Company relating to Demerged Undertaking 1 to be updated to indicate the name of the Resulting Company 1, upon appropriate application to the competent authorities; and
 - 5.6.6. the Resulting Company 1 shall take steps to either obtain new pharmacovigilance (PV) national drug code (NDC) and Dun & Bradstreet (DUNS) numbers or to revise the details of the holder to itself.
6. Upon effectiveness of the Scheme:
- 6.1. the Demerged Company may, at its sole discretion but without being obliged to, give notice in such form as it may deem fit and proper, to such Persons, as the case may be, that any debt, receivable, bill, credit, loan, advance, debenture or deposit relating to the Demerged Undertaking 1 stands transferred to and vested in Resulting Company 1 and that appropriate modification should be made in their respective books / records to reflect the aforesaid changes;
 - 6.2. all liabilities relating to and comprised in the Demerged Undertaking 1 of Demerged Company as on Appointed Date including all secured and unsecured debts (whether in Indian rupees or foreign currency), sundry creditors, liabilities (including contingent liabilities), duties and obligations and undertakings of the Demerged Company of every kind, nature and description whatsoever and howsoever arising, raised or incurred or utilised for its business activities and operations of Demerged Undertaking 1, shall, stand transferred to and vested in or deemed to be transferred to and vested in the Resulting Company 1, without any further act, instrument, deed, matter or thing;
 - 6.3. in so far as any Encumbrance in respect of liabilities is concerned, such Encumbrance shall, without any further act, instrument or deed being required to be taken or modified, be extended to and shall operate only over the assets comprised in the Demerged Undertaking 1 which have been Encumbered in respect of the liabilities as transferred to Resulting Company 1 pursuant to the Scheme. Provided that if any of the assets comprised in the Demerged Undertaking 1 which are being transferred to Resulting Company 1 pursuant to this Scheme have not been Encumbered in respect of the above liabilities, such assets shall remain unencumbered and the existing Encumbrance referred to above shall not be extended to and shall not operate over such assets. The absence of any formal amendment which may be required by a lender or trustee or third party shall not affect the operation of the above;
 - 6.4. for the avoidance of doubt, it is hereby clarified that in so far as the assets comprising the Remaining Business and Demerged Undertaking 2 are concerned, the Encumbrance, if any, over such assets relating to the liabilities shall without any further act, instrument or deed being required, be released and the Demerged Company shall be discharged from the obligations and Encumbrances relating to the same;
 - 6.5. in so far as the assets comprised in the Demerged Undertaking 1 are concerned, the Encumbrance over such assets relating to any loans, borrowings or other debts which are not transferred to Resulting Company 1 pursuant to this Scheme and which continue with the Demerged Company shall without any further act, instrument or deed be released from such Encumbrance and shall no longer be available as security in relation to such liabilities;



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- 6.6. if the Demerged Company is entitled to any unutilized credits (including accumulated losses and unabsorbed depreciation), benefits under the state or central fiscal/investment incentive schemes and policies or concessions relating to the Demerged Undertaking 1 under any Tax law or Applicable Law, Resulting Company 1 shall be entitled, as an integral part of the Scheme, to claim such benefit or incentives or unutilised credits as the case may be without any specific approval or permission. Without prejudice to the generality of the foregoing, in respect of unutilized input credits of goods and service tax of the Demerged Company, the portion which will be attributed to the Demerged Undertaking 1 and be transferred to Resulting Company 1 shall be determined by the Board of the Demerged Company in accordance with the Applicable Law;
- 6.7. subject to Clause 6 and any other provisions of the Scheme, in respect of any refund, benefit, incentive, grant or subsidy in relation to or in connection with the Demerged Undertaking 1, the Demerged Company shall, if so required by Resulting Company 1, issue notices in such form as Resulting Company 1 may deem fit and proper, stating that pursuant to the NCLT having sanctioned this Scheme, the relevant refund, benefit, incentive, grant or subsidy be paid or made good to or held on account of Resulting Company 1, as the Person entitled thereto, to the end and intent that the right of the Demerged Company to recover or realise the same stands transferred to Resulting Company 1 and that appropriate entries should be passed in their respective books to record the aforesaid changes;
- 6.8. on and from the Effective Date, all cheques and other negotiable instruments and payment orders received or presented for encashment which are in the name of the Demerged Company and are in relation to or in connection with the Demerged Undertaking 1, shall be accepted by the bankers of Resulting Company 1 and credited to the account of Resulting Company 1, if and when presented by Resulting Company 1; and
- 6.9. the Resulting Company 1 shall at any time upon the Scheme coming into effect and in accordance with the provisions hereof, if so, required under any Law or otherwise execute deeds of confirmation or other writings or arrangements with any party to any contract or arrangement in relation to the Demerged Undertaking 1 to which the Demerged Company has been a party, in order to give formal effect to the above provisions.
- 6.10. Upon the Scheme coming into effect on the Effective Date and with effect from Appointed Date, in relation to the assets forming part of the Demerged Undertaking 1, if any, separate documents is required for vesting of such assets in the Resulting Company 1, or which the Demerged Company and/ or the Resulting Company 1 otherwise desire to be vested separately, the Demerged Company and the Resulting Company 1 will execute such deeds, documents or such other instruments, if any, as may be mutually agreed.
- 6.11. It is hereby clarified that if any assets of the Demerged Undertaking 1, cannot be transferred to the Resulting Company 1 for any reason whatsoever, the Demerged Company shall hold such asset in trust for the benefit of the Resulting Company 1.

7. CONTRACTS, DEEDS AND OTHER INSTRUMENTS

- 7.1. Upon coming into effect of this Scheme and subject to the provisions of this Scheme, all Contracts of whatsoever nature in relation to Demerged Undertaking 1 of the



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Demerged Company to which the Demerged Company is a party or to the benefit of which the Demerged Company may be eligible and which are subsisting or having effect immediately before the Effective Date, shall be in full force and effect on or against or in favour, as the case may be, of the Resulting Company 1 and may be enforced as fully and effectually as if, instead of the Demerged Company, the Resulting Company 1 had been a party or beneficiary or obligee thereto.

- 7.2. The Resulting Company 1 or the Demerged Company may, if so required, under any law or otherwise, execute deeds, confirmations or other writings, confirmations, assignments or novations or tripartite arrangements with any party to any contract or arrangements to which the Demerged Company is a party or any writings as may be necessary to be executed in order to give formal effect to the above provisions.
- 7.3. It is hereby clarified that if any contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in relation to the Demerged Undertaking 1 to which the Demerged Company is a party, cannot be transferred to the Resulting Company 1 for any reason whatsoever, the Demerged Company shall hold such contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of the Resulting Company 1.
- 7.4. Upon the Scheme coming into effect on the Effective Date and with effect from Appointed Date, all consents, agreements, permissions, all statutory or regulatory licenses, certificates, insurance covers, clearances, authorities and power of attorney given by, issued to or executed in favour of the Demerged Company in relation to the Demerged Undertaking 1, shall stand transferred to the Resulting Company 1 in accordance with Applicable Laws, as if the same were originally given by, issued to or executed in favour of the Resulting Company 1, and the Resulting Company 1 shall be bound by the terms thereof, the obligations and duties thereunder, and the rights and benefits under the same shall be available to the Resulting Company 1. In so far as the various incentives, subsidies, schemes, special status and other benefits or privileges enjoyed, granted by any governmental body, local authority, or by any other person, or availed by the Demerged Company in relation to the Demerged Undertaking 1 are concerned, the same shall vest with and be available to the Resulting Company 1 on the same terms and conditions as applicable to the Demerged Company, as if the same had been allotted and/ or granted and/ or sanctioned and/ or allowed to the Resulting Company 1.

8. **EMPLOYEES AND STAFF**

- 8.1. Upon the effectiveness of this Scheme and with effect from the Effective Date, Resulting Company 1 undertakes to engage, without any interruption in service, all employees of the Demerged Company engaged in or in relation to the Demerged Undertaking 1, on terms and conditions no less favourable than those on which they are engaged by the Demerged Company. Resulting Company 1 undertakes to continue to abide by any agreement, settlement or arrangement entered into or deemed to have been entered into by the Demerged Company with any of the aforesaid employees or union representing them. Resulting Company 1 agrees that the services of all such employees with the Demerged Company prior to the effectiveness of the Scheme shall be taken into account for the purposes of all existing benefits to which the said employees may be eligible, including for the purpose of payment of any retrenchment compensation, gratuity and other retiral or terminal benefits. The decision on whether or not an employee is part of the Demerged Undertaking 1 shall be decided by the Board of Directors of the Demerged Company, and such decision shall be final and binding on all concerned Parties.



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- 8.2. The accumulated balances, if any, standing to the credit of the aforesaid employees in the existing provident fund, gratuity fund and superannuation fund of which they are members, as the case may be, will be transferred respectively to such provident fund, gratuity fund and superannuation funds nominated by Resulting Company 1 and/or such new provident fund, gratuity fund and superannuation fund to be established or as required under Applicable Law and the Resulting Company 1 shall cause such transfer to be recognized by the appropriate authorities. Pending the transfer as aforesaid, the provident fund, gratuity fund and superannuation fund dues of the said employees would be continued to be deposited in the existing provident fund, gratuity fund and superannuation fund respectively of the Demerged Company.
- 8.3. With effect from the date of filing of the Scheme with the NCLT and up to and including the Effective Date, the Demerged Company shall not vary the terms and conditions of employment of any of the employees of the Demerged Company pertaining to the Demerged Undertaking 1 except in the ordinary course of business or without the prior consent of the Board of Directors of Resulting Company 1 or pursuant to any pre-existing obligation undertaken by the Demerged Company.

9. LEGAL PROCEEDINGS

- 9.1. Upon coming into effect of this Scheme, all legal or other proceedings before any statutory or quasi-judicial authority or tribunal including but not limited to paragraph IV patent litigation under the Hatch-Waxman Act of 1984 ("**Proceedings**") by or against the Demerged Company under any statute, pending on the Appointed Date, relating to the Demerged Undertaking 1, shall be continued and enforced by or against the Resulting Company 1 after the Effective Date, to the extent legally permissible. To the extent such Proceedings cannot be taken over by the Resulting Company 1, the Proceedings shall be pursued by the Demerged Company as per the instructions of and entirely at the costs and expenses of the Resulting Company 1. In the event that such liability is incurred or such claim or demand is made upon the Demerged Company pertaining to the Demerged Undertaking 1, then the Resulting Company 1 shall reimburse and indemnify the Demerged Company for any payments made in relation to the same. The Demerged Company and the Resulting Company 1 shall take appropriate steps in the respective court or forum of the Proceedings before which they are pending to appropriately substitute the name of the plaintiff, defendant, petitioner, respondent or other in the cause title respectively from that of the Demerged Company to the name of the Resulting Company 1, on due approval or sanction of such court or forum as appropriate.
- 9.2. Any Proceedings by or against the Demerged Company under any statute, pending on the Appointed Date, whether or not in respect of any matter arising before the Effective Date relating to the Remaining Business (including those relating to any property, right, power, liability, obligation or duties of the Demerged Company in respect of the Remaining business) shall be continued and enforced by or against the Demerged Company. The Resulting Company 1 shall in no event be responsible or liable for or in relation to any such Proceeding by or against the Demerged Company.

10. TAXES

- 10.1. On the Scheme becoming effective, the Demerged Company and Resulting Company 1 are expressly permitted to revise their respective returns pertaining to income tax, service tax, sales tax, VAT and other tax returns, and claim refunds and/or credits



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including credits relating to tax deducted at source, as applicable pursuant to the provisions of this Scheme.

- 10.2. Any refunds or credits, under the direct or indirect tax laws or other applicable laws or regulations dealing with taxes, duties and levies due to the Demerged Company relating to Demerged Undertaking 1 consequent to the assessment made on the Demerged Company (including any refund for which no credit is taken in the accounts of the Demerged Company) as on the date immediately preceding the Appointed Date shall belong to and be received by the Resulting Company 1 upon this Scheme becoming effective.
- 10.3. The tax payments (including but not limited to income tax, goods and service tax and others) whether by way of tax deducted at source, advance tax or otherwise howsoever, by the Demerged Company relating to Demerged Undertaking 1 after the Appointed Date, shall be deemed to be paid by the Resulting Company 1 and shall, in all proceedings, be dealt with accordingly.
- 10.4. Further, any tax deducted at source by Demerged Company with respect to Demerged Undertaking 1 on transactions with the Resulting Company 1, if any (from Appointed Date to Effective Date) shall be deemed to be advance tax paid by the Resulting Company 1 and shall, in all proceedings, be dealt with accordingly.
- 10.5. Upon the Scheme coming into effect, any obligation of tax at source on any payment made by or to be made by the Demerged Company relating to Demerged Undertaking 1 shall be made or deemed to have been made and duly complied with by the Resulting Company 1.
- 10.6. If the Demerged Company is entitled to any unutilized tax credits and losses (including but not limited accumulated losses, unabsorbed depreciation), any expenditure of a capital nature on scientific research under section 35(1)(iv) of the Income-tax Act, any other deductions and benefits under the Income-tax Act, as well as any recognition of the In-house Research and Development unit with the Department of Scientific and Industrial Research or any Government Authority and benefits under investment incentive schemes and policies including deduction under Section 35(2AB) of Income-tax Act or concessions relating to the Demerged Undertaking 1 under any tax law or applicable law, the Resulting Company 1 shall be entitled, as an integral part of the scheme, to claim such benefits or incentives or unutilized credits or deductions and set off and carry forward the unabsorbed losses and depreciation as the case may be without any specific approval and permission. It is further clarified that the Resulting Company 1 shall be entitled to claim deduction under Section 43B of the Income-tax Act in respect of unpaid liabilities transferred to it as part of the Demerged Undertaking 1 to the extent not claimed by the Demerged Company.
- 10.7. In accordance with relevant central or state legislation dealing with indirect taxes, as are prevalent on the Effective Date, the unutilized credit relating to indirect taxes paid on inputs or capital goods lying to the account of the Demerged Undertaking 1, shall be permitted to be transferred to the credit of the Resulting Company 1, as if such unutilized credits were lying to the account of the Resulting Company 1. The Resulting Company 1 shall accordingly be entitled to set off all such credits.

11. **CONSIDERATION**

The Resulting Company 1 is a wholly owned subsidiary of the Demerged Company. This Part II of the Scheme is intended to transfer the Demerged Undertaking 1 of the Demerged Company



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to the Resulting Company 1 and does not involve any movement, transfer or vesting of assets or liabilities to any company outside the group. Hence, the Resulting Company 1 is not required to pay or provide for any consideration and therefore, the Resulting Company 1 is not issuing any shares or paying any consideration, directly or indirectly, to either the Demerged Company or to its shareholders.

12. ACCOUNTING TREATMENT

Upon the scheme becoming effective, the Demerged Company and Resulting Company 1 shall comply with generally accepted accounting practices in India, provisions of the Act and accounting standards as notified by Section 133 of the Act under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time, in relation to the underlying transactions in the Scheme.

12.1. Accounting Treatment in books of Demerged Company

Upon Scheme becoming effective, the Demerged Company shall account for the Demerger of Demerged Undertaking 1 in its books of account in the following manner:

- 12.1.1. Reduce the assets and liabilities of the Demerged Undertaking 1 transferred and vested in the Resulting Company 1 pursuant to this Scheme at their respective carrying amounts.
- 12.1.2. The carrying amount of inter-corporate balances including Loans, advances, amount receivable or payable inter-se between the Demerged Company and Resulting Company 1 pertaining to Demerged Undertaking 1 pursuant to this Scheme, if any, appearing in the books shall stand cancelled, and there shall be no further obligations / outstanding rights in that behalf.
- 12.1.3. The difference between the carrying amounts of assets and carrying amounts of liabilities of the Demerged Undertaking 1 demerged from the Demerged Company pursuant to this Scheme shall be added to the carrying value of the investment in Resulting Company 1 in the books of the Demerged Company.

12.2. Accounting Treatment in books of Resulting Company 1

The Resulting Company 1 shall give effect of the arrangement in its books of accounts in accordance with accounting prescribed under "pooling of interest" method in accordance with the principles laid down in Appendix C of Indian Accounting Standard (Ind AS) 103–Business Combinations as notified under Section 133 of the Companies Act, 2013, read together with the Companies (Indian Accounting Standard) Rules, 2015.

Upon Scheme becoming effective, the Resulting Company 1 shall account for the Demerger of Demerged Undertaking 1 in its books of account in the following manner:

- 12.2.1. All the assets and liabilities of Demerged Undertaking 1 shall be recorded in the financial statements of the Resulting Company 1 at the carrying value as appearing in the financial statements of the Demerged Company.
- 12.2.2. The carrying amount of inter-corporate balances including Loans, advances, amount receivable or payable inter-se between the Demerged Company and Resulting Company 1 pertaining to Demerged Undertaking 1 pursuant to this Scheme, if any, appearing in the books shall stand cancelled, and there shall be no further obligations / outstanding rights in that behalf.
- 12.2.3. No adjustments are made to reflect fair values or recognise any new assets or liabilities acquired from the Demerged Company. Further, the accounting policies of the Demerged Company and



Resulting Company 1 are same and therefore no adjustment is required for harmonising accounting policies.

- 12.2.4. The comparative financial information in respect of prior periods presented in the financial statements of the Resulting Company 1 shall be restated for the accounting impact of arrangement as stated above, as if the arrangement had occurred from the beginning of such comparative period presented in the financial statements.
- 12.2.5. The difference between the carrying amounts of the assets and liabilities of the Demerged Undertaking 1 as recorded by the Resulting Company 1 shall be recorded as the capital reserves and presented separately from other capital reserves, if any, of the Resulting Company 1.

PART III

DEMERGER AND VESTING OF THE DEMERGED UNDERTAKING 2 OF THE DEMURGED COMPANY INTO RESULTING COMPANY 2

13. DEMERGER AND VESTING OF THE DEMERGED UNDERTAKING 2

- 13.1. Upon the Scheme becoming effective and with effect from the Appointed Date and subject to the provisions of this Scheme and pursuant to Sections 230 to 232 of the Act, the Demerged Undertaking 2 shall, without any further act, instrument or deed, be transferred to, and be vested in or be deemed to have been transferred to and vested in Resulting Company 2, as a *going concern*, so as to vest in the Resulting Company 2 the assets, liabilities, contracts, arrangements, employees, Permits, records, etc. of Demerged Undertaking 2 in the manner provided in this Scheme.
- 13.2. In respect of such of the assets and properties forming part of the Demerged Undertaking 2 which are movable in nature (including but not limited to all intangible assets) or are otherwise capable of transfer by delivery or possession or by endorsement, the same shall stand transferred by the Demerged Company to Resulting Company 2 upon coming into effect of this Scheme and shall, *ipso facto* and without any other order to this effect, become the assets and properties of Resulting Company 2 without requiring any deed or instrument of conveyance for transfer of the same.
- 13.3. Subject to Clause 13.4 below, with respect to the assets of the Demerged Undertaking 2 other than those referred to in Clause 13.2 above, including all rights, title and interests in the agreements (including agreements for lease or license of the properties), investments in shares, mutual funds, bonds and any other securities, sundry debtors, claims from customers or otherwise, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances and deposits, if any, with any appropriate authority, customers and other Persons, whether or not the same is held in the name of the Demerged Company, the same shall, without any further act, instrument or deed, be transferred to and vested in and/or be deemed to be transferred to and vested in the Resulting Company 2, with effect from the Appointed Date by operation of law as transmission in favour of Resulting Company 2. With regard to the licenses of the properties, Resulting Company 2 will enter into novation agreements, if it is so required.
- 13.4. In respect of such of the assets and properties forming part of the Demerged Undertaking 2 which are immovable in nature, whether freehold or leasehold, and any documents of title, rights, agreements to sell/agreements of sale and easements in relation thereto, same shall stand transferred to and be vested in Resulting Company 2 with effect from the Appointed Date, without any act or deed done by the Demerged Company or Resulting Company 2, and without any approval or acknowledgement of



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any third party. With effect from the Appointed Date, the Resulting Company 2 shall be entitled to exercise all rights and privileges and be liable to pay all taxes and charges and fulfil all obligations, in relation to or applicable to such immovable properties. The mutation/substitution of the title to such immovable properties shall be made and duly recorded in the name of the Resulting Company 2 by the appropriate authorities pursuant to the sanction of the Scheme by the NCLT and in accordance with the terms hereof. The Demerged Company shall take all steps as may be necessary to ensure that lawful, peaceful and unencumbered possession, right, title, interest of its immovable property is given to the Resulting Company 2.

- 13.5. Notwithstanding anything contained in this Scheme, with respect to the immovable properties comprised in the Demerged Undertaking 2 in the nature of land and buildings situated in India, whether owned or leased, for the purpose of, *inter alia*, payment of stamp duty, registration fees or other similar taxes or fees and vesting in Resulting Company 2, if Resulting Company 2 so decides, the Parties, whether before or after the Effective Date, may execute and register or cause to be executed and registered, separate deeds of conveyance or deeds of assignment of lease, as the case may be, in favour of Resulting Company 2 in respect of such immovable properties. Each of the immovable properties, only for the purposes of the payment of stamp duty (if required under Applicable Law), registration fees or other similar taxes or fees shall be deemed to be conveyed at a value determined by the relevant authorities in accordance with the applicable circle rates. The transfer of such immovable properties shall form an integral part of this Scheme.

- 13.6. Upon the Scheme coming into effect and with effect from the Appointed Date:

- 13.6.1. All rights, entitlements, licenses, applications and registrations relating to the Intellectual Property, rights of every kind and description, whether registered or unregistered or pending registration, and the goodwill arising therefrom, relatable to the Demerged Undertaking 2, to which either the Demerged Company is a party or to the benefit of which the Demerged Company may be eligible or entitled, shall become the rights, entitlement or property of Resulting Company 2 and shall be enforceable by or against Resulting Company 2, as fully and effectually as if, instead of the Demerged Company, Resulting Company 2 had been a party or beneficiary or obligee thereto or the holder or owner thereof;

- 13.7. Upon effectiveness of the Scheme:

- 13.7.1 The Demerged Company may, at its sole discretion but without being obliged to, give notice in such form as it may deem fit and proper, to such Persons, as the case may be, that any debt, receivable, bill, credit, loan, advance, debenture or deposit relating to the Demerged Undertaking 2 stands transferred to and vested in Resulting Company 2 and that appropriate modification should be made in their respective books and records to reflect the aforesaid changes.

- 13.7.2 Upon effectiveness of the Scheme, all liabilities relating to and comprised in the Demerged Undertaking 2 of Demerged Company as on Appointed Date including all secured and unsecured debts (whether in Indian rupees or foreign currency), sundry creditors, liabilities (including contingent liabilities), duties and obligations and undertakings of the Demerged Company of every kind, nature and description whatsoever and howsoever arising, raised or incurred or utilised for its business activities and operations of Demerged Undertaking 2, shall, stand transferred to and vested in or



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deemed to be transferred to and vested in the Resulting Company 2, without any further act, instrument, deed, matter or thing.

- 13.7.3 In so far as any Encumbrance in respect of liabilities is concerned, such Encumbrance shall, without any further act, instrument or deed being required to be taken or modified, be extended to and shall operate only over the assets comprised in the Demerged Undertaking 2 which have been Encumbered in respect of the liabilities as transferred to Resulting Company 2 pursuant to the Scheme. Provided that if any of the assets comprised in the Demerged Undertaking 2 which are being transferred to Resulting Company 2 pursuant to this Scheme have not been Encumbered in respect of the above liabilities, such assets shall remain unencumbered and the existing Encumbrance referred to above shall not be extended to and shall not operate over such assets. The absence of any formal amendment which may be required by a lender or trustee or third party shall not affect the operation of the above.
- 13.7.4 For the avoidance of doubt, it is hereby clarified that in so far as the assets comprising the Remaining Business and Demerged Undertaking 1 are concerned, the Encumbrance, if any, over such assets relating to the liabilities shall without any further act, instrument or deed being required, be released and the Demerged Company shall be discharged from the obligations and Encumbrances relating to the same. Further, in so far as the assets comprised in the Demerged Undertaking 2 are concerned, the Encumbrance over such assets relating to any loans, borrowings or other debts which are not transferred to Resulting Company 2 pursuant to this Scheme and which continue with the Demerged Company shall without any further act, instrument or deed be released from such Encumbrance and shall no longer be available as security in relation to such liabilities.
- 13.7.5 If the Demerged Company is entitled to any unutilized credits (including accumulated losses and unabsorbed depreciation) benefits under the state or central fiscal or investment incentive schemes and policies or concessions relating to the Demerged Undertaking 2 under any Tax law or Applicable Law, Resulting Company 2 shall be entitled, as an integral part of the Scheme, to claim such benefit or incentives or unutilised credits as the case may be without any specific approval or permission. Without prejudice to the generality of the foregoing, in respect of unutilized input credits of goods and service tax of the Demerged Company, the portion which will be attributed to the Demerged Undertaking 2 and be transferred to Resulting Company 2 shall be determined by the Board of the Demerged Company in accordance with the Applicable Law.
- 13.7.6 Subject to Clause 13 and any other provisions of the Scheme, in respect of any refund, benefit, incentive, grant or subsidy in relation to or in connection with the Demerged Undertaking 2, the Demerged Company shall, if so required by Resulting Company 2, issue notices in such form as Resulting Company 2 may deem fit and proper, stating that pursuant to the NCLT having sanctioned this Scheme, the relevant refund, benefit, incentive, grant or subsidy be paid or made good to or held on account of Resulting Company 2, as the Person entitled thereto, to the end and intent that the right of the Demerged Company to recover or realise the same stands transferred to Resulting Company 2 and that appropriate entries should be passed in their respective books to record the aforesaid changes.



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- 13.7.7 On and from the Effective Date, all cheques and other negotiable instruments and payment orders received or presented for encashment which are in the name of the Demerged Company and are in relation to or in connection with the Demerged Undertaking 2, shall be accepted by the bankers of Resulting Company 2 and credited to the account of Resulting Company 2, if and when presented by Resulting Company 2.
- 13.7.8 Resulting Company 2 shall at any time upon the Scheme coming into effect and in accordance with the provisions hereof and as required by Law or otherwise, execute deeds of confirmation or other writings or arrangements with any party to any contract or arrangement in relation to the Demerged Undertaking 2 to which the Demerged Company has been a party, in order to give formal effect to the above provisions.
- 13.7.9 Upon the Scheme coming into effect on the Effective Date and with effect from Appointed Date, in relation to the assets forming part of the Demerged Undertaking 2, if any, separate documents is required for vesting of such assets in the Resulting Company 2, or which the Demerged Company and/ or the Resulting Company 2 otherwise desire to be vested separately, the Demerged Company and the Resulting Company 2 will execute such deeds, documents or such other instruments, if any, as may be mutually agreed.
- 13.7.10 It is hereby clarified that if any assets of the Demerged Undertaking 2, cannot be transferred to the Resulting Company 2 for any reason whatsoever, the Demerged Company shall hold such asset in trust for the benefit of the Resulting Company 2.

14. CONTRACTS, DEEDS AND OTHER INSTRUMENTS

- 14.1. Upon coming into effect of this Scheme and subject to the provisions of this Scheme, all Contracts in relation to Demerged Undertaking 2 of the Demerged Company to which the Demerged Company is a party or to the benefit of which the Demerged Company may be eligible and which are subsisting or having effect immediately before the Effective Date, shall be in full force and effect on or against or in favour, as the case may be, of the Resulting Company 2 and may be enforced as fully and effectually as if, instead of the Demerged Company, the Resulting Company 2 had been a party or beneficiary or obligee thereto.
- 14.2. The Resulting Company 2 or the Demerged Company may, if so required, under any law or otherwise, execute deeds, confirmations or other writings, confirmations, assignments or novations or tripartite arrangements with any party to any contract or arrangements to which the Demerged Company is a party or any writings as may be necessary to be executed in order to give formal effect to the above provisions.
- 14.3. It is hereby clarified that if any contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in relation to the Demerged Undertaking 2 to which the Demerged Company is a party, cannot be transferred to the Resulting Company 2 for any reason whatsoever, the Demerged Company shall hold such contract, deeds, bonds, agreements, schemes, arrangements or other instruments of whatsoever nature in trust for the benefit of the Resulting Company 2.
- 14.4. Upon the Scheme coming into effect on the Effective Date and with effect from Appointed Date, all consents, agreements, permissions, all statutory or regulatory



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licenses, certificates, insurance covers, clearances, authorities and power of attorney given by, issued to or executed in favour of the Demerged Company in relation to the Demerged Undertaking 2, shall stand transferred to the Resulting Company 2 in accordance with Applicable Laws, as if the same were originally given by, issued to or executed in favour of the Resulting Company 2, and the Resulting Company 2 shall be bound by the terms thereof, the obligations and duties thereunder, and the rights and benefits under the same shall be available to the Resulting Company 2. In so far as the various incentives, subsidies, schemes, special status and other benefits or privileges enjoyed, granted by any governmental body, local authority, or by any other person, or availed by the Demerged Company in relation to the Demerged Undertaking 2 are concerned, the same shall vest with and be available to the Resulting Company 2 on the same terms and conditions as applicable to the Demerged Company, as if the same had been allotted and/ or granted and/ or sanctioned and/ or allowed to the Resulting Company 2.

- 14.5. Further it is clarified that the Demerged Company and the Resulting Company 2 may mutually at their discretion enter into any commercial arrangement (including royalty arrangements) as they may deem appropriate after taking necessary approvals.

15. **EMPLOYEES AND STAFF**

- 15.1. Upon the effectiveness of this Scheme and with effect from the Effective Date, Resulting Company 2 undertakes to engage, without any interruption in service, all employees of the Demerged Company engaged in or in relation to the Demerged Undertaking 2, on terms and conditions no less favourable than those on which they are engaged by the Demerged Company. Resulting Company 2 undertakes to continue to abide by any agreement, settlement or arrangement entered into or deemed to have been entered into by the Demerged Company with any of the aforesaid employees or union representing them. Resulting Company 2 agrees that the services of all such employees with the Demerged Company prior to the effectiveness of the Scheme shall be taken into account for the purposes of all existing benefits to which the said employees may be eligible, including for the purpose of payment of any retrenchment compensation, gratuity and other retiral or terminal benefits. The decision on whether or not an employee is part of the Demerged Undertaking 2 shall be decided by the Board of Directors of Demerged Company, and such decision shall be final and binding on all concerned Parties.
- 15.2. The accumulated balances, if any, standing to the credit of the aforesaid employees in the existing provident fund, gratuity fund and superannuation fund of which they are members, as the case may be, will be transferred respectively to such provident fund, gratuity fund and superannuation funds nominated by Resulting Company 2 and/or such new provident fund, gratuity fund and superannuation fund to be established in accordance with Applicable Law and caused to be recognized by the appropriate authorities, by Resulting Company 2. Pending the transfer as aforesaid, the provident fund, gratuity fund and superannuation fund dues of the said employees would be continued to be deposited in the existing provident fund, gratuity fund and superannuation fund respectively of the Demerged Company.
- 15.3. With effect from the date of filing of the Scheme with the NCLT and up to and including the Effective Date, the Demerged Company shall not vary the terms and conditions of employment of any of the employees of the Demerged Company pertaining to the Demerged Undertaking 2 except in the ordinary course of business



or without the prior consent of the Board of Directors of Resulting Company 2 or pursuant to any pre-existing obligation undertaken by the Demerged Company.

16. **EMPLOYEE STOCK OPTION**

The employee stock options granted (whether vested or not) by the Resulting Company 2 to the eligible employees pursuant to the terms of the Cipla Health Limited Employee Stock Option Scheme 2016, as amended from time to time ("**ESOP Scheme**") that have not lapsed, shall be appropriately adjusted by the Board of Directors or the Nomination and Remuneration Committee or such other duly constituted committee of the board of directors of Resulting Company 2 as per the provisions of the ESOP Scheme. This will be undertaken to reflect the realignment of the economic interest of the said option grantees and shareholders of the Resulting Company 2 pursuant to the demerger of Demerged Undertaking 2 into the Resulting Company 2.

17. **LEGAL PROCEEDINGS**

17.1. Upon coming into effect of this Scheme, all legal or other proceedings before any statutory or quasi-judicial authority or tribunal under any statute, pending on the Appointed Date, relating to the Demerged Undertaking 2, shall be continued and enforced by or against the Resulting company 2 after the Effective Date, to the extent legally permissible. To the extent such Proceedings cannot be taken over by the Resulting Company 2, the Proceedings shall be pursued by the Demerged Company as per the instructions of and entirely at the costs and expenses of the Resulting company 2. In the event that such liability is incurred or such claim or demand is made upon the Demerged Company pertaining to the Demerged Undertaking 2, then the Resulting Company 2 shall reimburse and indemnify the Demerged Company for any payments made in relation to the same. The Demerged Company and the Resulting Company 2 shall take appropriate steps in the respective court or forum of the Proceedings before which they are pending to appropriately substitute the name of the plaintiff, defendant, petitioner, respondent or other in the cause title respectively from that of the Demerged Company to the name of the Resulting Company 2, on due approval or sanction of such court or forum as appropriate.

17.2. Any Proceedings by or against the Demerged Company under any statute, pending on the Appointed Date, whether or not in respect of any matter arising before the Effective Date relating to the Remaining Business (including those relating to any property, right, power, liability, obligation or duties of the Demerged Company in respect of the Remaining business) shall be continued and enforced by or against the Demerged Company. The Resulting Company 2 shall in no event be responsible or liable for or in relation to any such Proceeding by or against the Demerged Company.

18. **TAXES**

18.1. On the Scheme becoming effective, the Demerged Company and Resulting Company 2 are expressly permitted to revise their respective returns pertaining to income tax, service tax, sales tax, VAT and other tax returns, and claim refunds and/or credits including credits relating to tax deducted at source, as applicable pursuant to the provisions of this Scheme.

18.2. Any refunds or credits, under the direct or indirect tax laws or other applicable laws and regulations dealing with taxes, duties and levies due to Demerged Company relating to Demerged Undertaking 2 consequent to the assessment made on Demerged



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Company (including any refund for which no credit is taken in the accounts of the Demerged Company) as on the date immediately preceding the Appointed Date shall belong to and be received by the Resulting Company 2 upon this Scheme becoming effective.

- 18.3. The tax payments (including but not limited to income tax, goods and service tax and others) whether by way of tax deducted at source, advance tax or otherwise howsoever, by the Demerged Company relating to Demerged Undertaking 2 after the Appointed Date, shall be deemed to be paid by the Resulting Company 2 and shall, in all proceedings, be dealt with accordingly.
- 18.4. Further, any tax deducted at source by Demerged Company with respect to Demerged Undertaking 2 on transactions with the Resulting Company 2, if any (from Appointed Date to Effective Date) shall be deemed to be advance tax paid by the Resulting Company 2 and shall, in all proceedings, be dealt with accordingly.
- 18.5. Upon the Scheme coming into effect, any obligation of tax at source on any payment made by or to be made by the Demerged Company relating to Demerged Undertaking 2 shall be made or deemed to have been made and duly complied with by the Resulting Company 2.
- 18.6. If the Demerged Company is entitled to any unutilized tax credits and losses (including but not limited accumulated losses, unabsorbed depreciation), any expenditure of a capital nature on scientific research under section 35(1)(iv) of the Income-tax Act, any other deductions and benefits under the Income-tax Act, as well as any recognition of the In-house Research and Development unit with the Department of Scientific & Industrial Research or any Government Authority and benefits under investment incentive schemes and policies including deduction under Section 35(2AB) of Income-tax Act or concessions relating to the Demerged Undertaking 2 under any tax law or applicable law, the Resulting Company 2 shall be entitled, as an integral part of the scheme, to claim such benefits or incentives or unutilized credits or deductions and set off and carry forward the unabsorbed losses and depreciation as the case may be without any specific approval and permission. It is further clarified that the Resulting Company 2 shall be entitled to claim deduction under Section 43B of the Income-tax Act in respect of unpaid liabilities transferred to it as part of the Demerged Undertaking 2 to the extent not claimed by the Demerged Company.
- 18.7. In accordance with relevant central or state legislation dealing with indirect taxes, as are prevalent on the Effective Date, the unutilized credit relating to indirect taxes paid on inputs or capital goods lying to the account of the Demerged Undertaking 2, shall be permitted to be transferred to the credit of the Resulting Company 2, as if such unutilized credits were lying to the account of the Resulting Company 2. The Resulting Company 2 shall accordingly be entitled to set off all such credits.

19. **CONSIDERATION**

The Resulting Company 2 is a wholly owned subsidiary of the Demerged Company. This Part III of the Scheme is intended to transfer the Demerged Undertaking 2 of the Demerged Company to the Resulting Company 2 and does not involve any movement, transfer or vesting of assets or liabilities to any company outside the group. Hence, the Resulting Company 2 is not required to pay or provide for any consideration and therefore, the Resulting Company 2 is not issuing any shares or paying any consideration, directly or indirectly, to either the Demerged Company or to its shareholders.



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20. ACCOUNTING TREATMENT

Upon the Scheme becoming effective, the Demerged Company and Resulting Company 2 shall comply with generally accepted accounting practices in India, provisions of the Act and accounting standards as notified by Section 133 of the Act under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time, in relation to the underlying transactions in the Scheme.

20.1. Accounting Treatment in books of Demerged Company

Upon Scheme becoming effective, the Demerged Company shall account for the Demerger of Demerged Undertaking 2 in its books of account in the following manner:

- 20.1.1. The Demerged Company shall reduce the assets and liabilities of the Demerged Undertaking 2 transferred and vested in the Resulting Company 2 pursuant to this Scheme at their respective carrying amounts.
- 20.1.2. The carrying amount of inter-corporate balances including Loans, advances, amount receivable or payable inter-se between the Demerged Company and Resulting Company 2 pertaining to Demerged Undertaking 2 pursuant to this Scheme, if any, appearing in the books shall stand cancelled, and there shall be no further obligations / outstanding rights in that behalf.
- 20.1.3. The difference between the carrying amounts of assets and carrying amounts of liabilities of the Demerged Undertaking 2 demerged from the Demerged Company pursuant to this Scheme shall be added to the carrying value of the investment in Resulting Company 2 in the books of the Demerged Company.

20.2. Accounting Treatment in books of Resulting Company 2

The Resulting Company 2 shall give effect of the arrangement in its books of accounts in accordance with accounting prescribed under “pooling of interest” method in accordance with the principles laid down in Appendix C of Indian Accounting Standard (Ind AS) 103–Business Combinations as notified under Section 133 of the Companies Act, 2013, read together with the Companies (Indian Accounting Standard) Rules, 2015.

Upon Scheme becoming effective, the Resulting Company 2 shall account for the Demerger of Demerged Undertaking 2 in its books of account in the following manner:

- 20.2.1. All the assets and liabilities of Demerged Undertaking 2 shall be recorded in the financial statements of the Resulting Company 2 at the carrying value as appearing in the financial statements of the Demerged Company.
- 20.2.2. The carrying amount of inter-corporate balances including Loans, advances, amount receivable or payable inter-se between the Demerged Company and Resulting Company 2 pertaining to Demerged Undertaking 2 pursuant to this Scheme, if any, appearing in the books shall stand cancelled, and there shall be no further obligations / outstanding rights in that behalf.
- 20.2.3. No adjustments are made to reflect fair values or recognise any new assets or liabilities acquired from the Demerged Company. Further, the accounting policies of the Demerged Company and Resulting Company 2 are same and therefore, no adjustment is required for harmonising accounting policies.



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- 20.2.4. The comparative financial information in respect of prior periods presented in the financial statements of the Resulting Company 2 shall be restated for the accounting impact of arrangement as stated above, as if the arrangement had occurred from the beginning of such comparative period presented in the financial statements.
- 20.2.5. The difference between the carrying amounts of the assets and liabilities of the Demerged Undertaking 2 as recorded by the Resulting Company 2 shall be recorded as capital reserves and presented separately from other capital reserves, if any, of the Resulting Company 2.

PART IV

GENERAL TERMS AND CONDITIONS

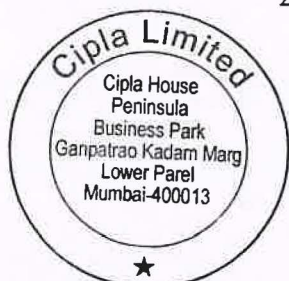
21. DIVIDENDS

- 21.1. The Parties shall be entitled to declare and pay dividends to their respective shareholders in the ordinary course of business, whether interim or final.
- 21.2. It is clarified that the aforesaid provisions in respect of declaration of dividends (whether interim or final) are enabling provisions only and shall not be deemed to confer any right on any shareholder of any of the Parties, as the case may be, to demand or claim or be entitled to any dividends which, subject to the provisions of the Act, shall be entirely at the discretion of the Board of Directors of respective Parties, and subject to approval, if required, of the shareholders of the respective Parties.

22. BUSINESS UNTIL EFFECTIVE DATES AND AFTER EFFECTIVE DATE

With effect from the Appointed date and up to and including the Effective Date:

- 22.1. The Demerged Company shall, with respect to the Demerged Undertaking 1 and Demerged Undertaking 2, carry on the business with reasonable diligence and business prudence and in the same manner as the Demerged Company had been doing hitherto;
- 22.2. All profits accruing to the Demerged Company or losses including tax losses, arising or incurred by the Demerged Company in relation to the Demerged Undertaking 1 and Demerged Undertaking 2 for the period commencing from the Appointed Date to the Effective Date shall, for all purposes, be treated as profit or loss, as the case may be, of the Resulting Company 1 and Resulting Company 2 respectively.
- 22.3. All assets acquired by the Demerged Company after the Appointed Date and prior to the Effective Date for operation of or pertaining to the Demerged Undertaking 1 and Demerged Undertaking 2 shall be deemed to have been acquired in trust for and on behalf of the Resulting Company 1 and Resulting Company 2 respectively and shall also stand transferred to and vested in the Resulting Company 1 and Resulting Company 2 respectively, upon the coming into effect of this Scheme.
- 22.4. For the avoidance of doubt and without prejudice to the generality of the applicable provisions of the Scheme, it is clarified as follow:
- 22.4.1. With effect from the Effective Date, Resulting Company 1 and Resulting Company 2 shall be entitled to use all packed and labeled goods, packing materials, cartons, stickers, wrappers, labels, containers, point of sale



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material, sign boards, samples, closures and other publicity material lying unused with the Demerged Company or its vendors, suppliers or third party or in its supply chain or distribution channel and which the Demerged Company is entitled to use under any statute or regulation, till such time as all of such stock exhaust without making any amendment on those goods or materials.

- 22.4.2. With a view to avoid any disruption of business, to ensure continuity of operations and exports and to maintain the same quality of product, with effect from the Effective Date and till such time all critical licenses, product registrations, marketing authorizations, permits, quotas, approvals, incentives and subsidies of the Demerged Company is transferred, recorded, effected and/or perfected, in the record of the relevant government and regulatory authorities in all applicable jurisdictions in favour of Resulting Companies, the Resulting Companies shall carry on and be deemed to have been carrying on all the business and activities of the Demerged Company in the name and style of the Demerged Company and under the relevant licenses, product registrations, marketing authorizations, permits, quotas, approvals, incentives and subsidies of the Demerged Company. Further, during such period, Resulting Companies can procure or use or manufacture, all material and product including packed or labeled goods, packing materials, cartons, stickers, wrappers, labels, containers, point of sale material, sign board, samples, closures, other publicity material and others in the name and form or format of the Demerged Company.

23. **PROPERTY IN TRUST**

Notwithstanding anything contained in this Scheme, on or after the Effective Date, until any property, asset, license, approval, permission, Contract and rights and benefits arising therefrom pertaining to the Demerged Undertaking 1 and Demerged Undertaking 2, are transferred, vested, recorded, effected and/or perfected, in the records of any appropriate authority, regulatory bodies or otherwise, in favour of the Resulting Company 1 and Resulting Company 2, as the case may be, Resulting Company 1 and Resulting Company 2 are deemed to be authorized to enjoy the property, asset or the rights and benefits arising from the license, approval, permission, Contract as if they were the owner of the property or asset or as if they were the original party to the license, approval, permission or Contract. For removal of doubts, it is clarified that till entry is made in the records of the appropriate authorities and till such time as may be mutually agreed by the relevant Parties, the Demerged Company or will continue to hold the property and/or the asset, license, permission, approval or Contract and rights and benefits arising therefrom, as the case may be, in trust for and on behalf of the Resulting Companies.

24. **APPLICATION AND PETITIONS TO THE NCLT**

- 24.1. The Parties shall dispatch, make and file all applications and petitions under Sections 230 to 232 and other applicable provisions of the Act before the NCLT, under whose jurisdiction the registered offices of the respective Parties are situated, for sanction of this Scheme under the provisions of Applicable Law and shall apply for such approvals as may be required under Applicable Law.
- 24.2. The Parties shall be entitled, pending the sanction of the Scheme, to apply to any appropriate authority, if required, under any Applicable Law for such consents and approvals which the Parties may require to own the assets and/or liabilities of the Demerged Undertaking and to carry on the business of the Demerged Undertaking.



25. **MODIFICATION OR AMENDMENTS TO THIS SCHEME**

- 25.1. Subject to approval of the NCLT, the Parties through its Board, may make, or assent to, any alteration or modification to this Scheme or to any conditions or limitations or orders, which the NCLT or any other Competent Authority may deem fit to direct, approve or impose and may give such directions as they may consider necessary, to settle any doubt, question or difficulty, arising under the Scheme or in regard to its implementation or in any manner connected therewith and to do and to execute all such acts, deeds, matters and things necessary for putting this Scheme into effect, or to review the portion relating to the satisfaction of the conditions to this Scheme and if necessary, to waive any of those (to the extent permitted under Law) for bringing this Scheme into effect. The shareholders approving the scheme shall be deemed to have given their consent to the proposed modification to the scheme without any further recourse to them.
- 25.2. If any part or provision of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the decision of the Board of Directors of the Parties, affect the validity of implementation of the other parts and/or provisions of the Scheme. If any part or provision of this Scheme hereof is invalid, ruled illegal by any Court of competent jurisdiction, or unenforceable under present or future laws, then it is the intention of the Parties that such part or provision, as the case may be, shall be severable from the remainder of the Scheme, and the Scheme shall not be affected thereby, unless the deletion of such part or provision, as the case may be, shall cause this Scheme to become materially adverse to the Parties, in which case the Parties shall attempt to bring about a modification in the Scheme, as will best preserve for the Parties, the benefits and obligations of the Scheme, including but not limited to such part or provision.

26. **SCHEME CONDITIONAL ON APPROVALS /SANCTIONS**

The Scheme is conditional upon and subject to:

- 26.1. The approval by the requisite majority of the shareholders and/or creditors (as may be required) of the Parties, as required under Applicable Laws;
- 26.2. The Stock Exchanges issuing their observation or no-objection letters and SEBI issuing its comments on the Scheme, as required under Applicable Laws.
- 26.3. The requisite sanction or approval of the NCLT being obtained and/or granted in relation to any of the matters in respect of which such sanction or approval is required;
- 26.4. Sanctions and Orders under the applicable provisions of the Act and the Applicable Laws being obtained by the Parties from the appropriate authorities;
- 26.5. Certified copies of the orders of the NCLT, sanctioning the Scheme being filed with the respective Registrar of Companies;
- 26.6. Approvals, if any from any government or regulatory authority or appropriate authority, or contracting party or from such other authorities, as the Board of Directors may consider relevant, to ensure that business of Demerged Undertaking 1 and Demerged



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Undertaking 2 demerged with Resulting Company 1 and Resulting Company 2 respectively, could be carried on in an effective manner; and

26.7. All other sanctions and approvals as may be required by Applicable Law in respect of this Scheme being obtained.

27. **COSTS**

All costs, charges, levies and expenses (including, but not limited to, any taxes and duties, stamp duty, registration charges, or other similar taxes or fees of the Parties in relation to or in connection with or incidental to this Scheme or the implementation thereof shall be borne and paid for by the Resulting Companies unless otherwise determined by the Boards of Directors of the Parties.

28. **SEVERABILITY**

28.1. If any part of this Scheme is found to be invalid for any reason whatsoever, the same shall not, subject to the decision of Parties, affect the validity or implementation of the other parts and/or provisions of this Scheme.

28.2. In the event of any inconsistency between any of the terms and conditions of any earlier arrangement amongst the Parties and their respective shareholders, and the terms and conditions of this Scheme, the latter shall prevail.

29. **EFFECT OF NON-RECEIPT OF APPROVALS**

In the event of any of the said sanctions and approvals referred to in Clause 26 not being obtained and/or the Scheme not being sanctioned by the NCLT or such other appropriate authority, if any, this Scheme shall stand revoked, cancelled and be of no effect, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and/or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise under Applicable Law and agreed between the respective parties to this Scheme.

30. **BINDING EFFECT**

Upon the Scheme becoming effective, the same shall be binding on the Demerged Company, Resulting Company 1, Resulting Company 2, Governmental Authority and all concerned parties without any further act, deed, matter or thing.

31. **SAVING OF CONCLUDED TRANSACTIONS**

Nothing in this Scheme shall affect any transaction or proceeding already concluded or liabilities incurred by the Demerged Company in relation to the Demerged Undertaking 1 and Demerged Undertaking 2 on or after the Appointed Date but before the Effective Date, to the end and intent that the Resulting Companies shall accept and adopt all acts, deeds and things done and executed by the Demerged Company in respect thereto as done and executed on behalf of the Resulting Companies.



Certified True Copy
For Cipla Limited
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Company Secretary