



January 28, 2021

The Board of Directors

Cipla Limited,

Cipla House, Peninsula Business Park,
Ganpatrao Kadam Marg, Lower Parel
Mumbai – 400 013

Dear Sirs,

Sub: Proposed scheme of arrangement between Cipla Limited (“Cipla” or the “Company” or the “Demerged Company”), Cipla BioTec Limited (“CBL” or the “Resulting Company 1”), Cipla Health Limited (“CHL” or the “Resulting Company 2” and along with Resulting Company 1 as the “Resulting Companies”) and their respective shareholders and creditors

The Company has requested us to issue a fairness opinion (“**Opinion**”) from a financial point of view of Nil Consideration (*as defined below*) in relation to Demerger 1 (*as defined below*) and Demerger 2 (*as defined below*) of the Scheme (*as defined below*).

Background of the Companies

Cipla is engaged in the business of manufacturing and sale of pharmaceuticals products. The equity shares of Cipla are listed on BSE Limited and National Stock Exchange of India Limited and global depository receipts of Cipla are listed on Luxembourg Stock Exchange.

CBL is 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. CBL is a wholly owned subsidiary of Cipla. The equity shares of CBL are not listed on any stock exchange.

CHL is engaged in the business of development, manufacture and marketing of Nicotex and Nicogum, Cofsils, Unobiotics, MamaXpert, Prolyte and Ciphands and other brands. CHL is a wholly owned subsidiary of Cipla. The equity shares of CHL are not listed on any stock exchange.

Proposed Transaction

A scheme of arrangement is being proposed to be entered between Cipla, CBL, CHL and their respective shareholders and creditors (“**Scheme**”), under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 providing the following:

- a) demerger of the Demerged Undertaking 1 (as set out in the Scheme) involving US business (as set out in the Scheme) into the Resulting Company 1 (“**Demerger 1**”);
- b) demerger of the Demerged Undertaking 2 (as set out in the Scheme) involving consumer business (as set out in the Scheme) into the Resulting Company 2 (“**Demerger 2**”)

Our scope is restricted to providing an Opinion on the Nil Consideration for Demerger 1 and for Demerger 2.

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In arriving at our Opinion, we have reviewed business information and shareholding of Cipla, CBL and CHL. Based on discussions with management, we understand that they do not have any plans to change the shareholding pattern of Resulting Companies prior to the implementation of Scheme. Further, the Board of Directors of Resulting Company 2 had approved a scheme for grant of employee stock options (“**ESOPs**”), to eligible employees, to apply for equity shares at the time of Liquidity Event of the Resulting Company 2 via Cipla Health Limited Employee Stock Option Scheme 2016 (“**ESOP Scheme**”), on 22nd March 2016, as amended from time to time, pursuant to which 82,411 ESOPs are outstanding as on the date of this fairness opinion. We have also reviewed the existing terms of ESOP Scheme of Resulting Company 2.

We have also reviewed certain publicly available information, and have taken into account such other matters as we deemed necessary including our assessment of general economic, market and monetary conditions. We have also reviewed the valuation report dated January 28, 2021 issued by Niranjana Kumar (Registered Valuer) (“**Valuer**”) recommending the following:

- Since CHL and CBL are wholly owned subsidiaries of Demerged Company, CHL and CBL shall not be required to issue any shares or pay any consideration (“**Nil Consideration**”) to Demerged Company or its shareholders and the economic interest and rights of the shareholders of Demerged Company will not in any way be affected and the Scheme will not be detrimental to the shareholders of the Demerged Company.

We have also assumed that the final Scheme will be substantially the same as the scheme discussed with and reviewed by us. The Scheme provides for appropriate adjustment being made to the employee stock options granted (whether vested or not) by the Resulting Company 2 to the eligible employees, pursuant to the terms of ESOP Scheme that have not lapsed, 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. We understand that this will be undertaken to reflect the realignment of the economic interest of the option grantee and shareholders of the Resulting Company 2 pursuant to the demerger of Demerged Undertaking 2 into the Resulting Company 2.

We have received management representation letter from Cipla dated January 28, 2021.

Further, we have had discussions with Valuer, on such matters which we believed were necessary or appropriate for the purpose of issuing this Opinion.

Based on our examination and according to the information and explanation provided to us, we note that the Scheme inter-alia involves Demerger 1 and Demerger 2.

We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable and we would urge Cipla, CBL and CHL to carry out an independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment. We have further assumed that the proposed Scheme would be carried out in compliance with applicable laws, rules and regulations.

In giving our Opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of all information supplied or otherwise made available to us either in oral or written form, discussed with or reviewed by or for us, or publicly available. We have been given to understand that all information that was relevant for the purpose of our exercise was disclosed to us. We have not conducted any evaluation or appraisal of any assets or liabilities of Cipla, CBL or CHL nor have we evaluated the solvency or fair value of Cipla, CBL or CHL, under any laws relating to

bankruptcy, insolvency or similar matters. In addition, we have not assumed any obligation to conduct any physical inspection of the properties or facilities of Cipla, CBL or CHL.

Our Opinion does not factor overall economic environment risk and other risks and is purely based on the information and representations provided to us. We have not assumed the risk of any material adverse change having an impact on the businesses of Cipla, CBL and CHL in arriving at our final Opinion.

We express no view as to, and our Opinion does not address, the underlying business decision of Cipla, CBL and CHL to effect the proposed Scheme or the merits of the proposed Scheme. Our Opinion does not constitute a recommendation to any shareholder or creditor of Cipla, CBL or CHL as to how such shareholder or creditor should vote on the proposed Scheme or any matter related thereto. In addition, this Opinion does not address the fairness to, or any other consideration, to the creditors or other constituencies of CBL or CHL. We are not expressing any opinion herein as to the prices at which the equity shares of Cipla will trade following the announcement or consummation of the proposed Scheme or as to the prices at which the equity shares of Cipla may be transacted.

Our Opinion is subject to appropriate adjustment being made to the employee stock options granted (whether vested or not) by the Resulting Company 2 to the eligible employees, pursuant to the terms of ESOP Scheme that have not lapsed, 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.

We will receive a fee for our services in connection with the delivery of this Opinion from Cipla. In addition, Cipla has agreed to indemnify us from any claims arising out of our engagement in providing the Opinion.

We and our affiliates in the past five years have provided, and currently provide, services to Cipla, CBL and CHL and their affiliates unrelated to the proposed Scheme for which services we and such affiliates have received and expect to receive compensation, including, without limitation as lenders and creditors to Cipla, CBL and CHL (as the case may be).

In the ordinary course of business, we and our affiliates may actively trade or hold securities of companies that may be the subject matter of this transaction for our own account or for the account of our customers and, accordingly, may at any time hold long or short position in such securities. In addition, we and our affiliates maintain relationships with Cipla, CBL and CHL and their respective affiliates. We have been given to understand by the management of Cipla that the proposed Scheme will be treated as unpublished price sensitive information ("**UPSI**") as per the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015 (the "**Insider Regulations**") and that we being fiduciary will abide by the provisions of Insider Regulations.

This Opinion is provided solely for the benefit of the Board of Directors of Cipla, and shall not confer rights or remedies upon, any shareholder of Cipla, or any other person other than the members of the Board of Directors of Cipla, or any other company involved in the Scheme or be used for any other purpose. This Opinion may not be used or relied upon by nor is it issued for the benefit of any third party for any purpose whatsoever or disclosed, referred to or communicated by you (in whole or in part) except with our prior written consent in each instance. Provided however, this opinion may only be disclosed as may be required under any applicable law in India and may be kept open for inspection by shareholders of Cipla, but we take no responsibility or liability for or arising out of any such disclosure. We specifically disclaim any responsibility to any third party to whom this Opinion may be shown or who may acquire a copy of this Opinion.





Investment Banking

The laws of India govern all matters arising out of or relating to this Opinion (including, without limitation, its interpretation, construction, performance, and enforcement).

With respect to any suit, action or any other proceedings relating to this Opinion the courts of competent jurisdiction at India shall have exclusive jurisdiction.

On the basis of and subject to the foregoing, it is our view that, as of the date hereof, following are fair and reasonable from a financial point of view:

- Proposed Nil Consideration by Resulting Company 1 and Resulting Company 2 to Demerged Company or its shareholders under the Scheme for Demerger 1 and Demerger 2 respectively.

Yours faithfully,

For **Kotak Mahindra Capital Company Limited**

A handwritten signature in black ink, appearing to be "V. K. S.", written over the company name.

Authorised Signatory