

Date: 28 January 2021

To,
The Board of Directors,
Cipla Limited
Cipla House, Peninsula Business Park,
Ganpatrao Kadam Marg,
Lower Parel (West), Mumbai – 400 013

To,
The Board of Directors
Cipla Health Limited
FOFB-11, B Wing, Fourth Floor,
Art Guild House, Phoenix Market City,
Lal Bahadur Shastri (L.B.S) Marg,
Kurla (West), Mumbai – 400 070

To,
The Board of Directors
Cipla Biotech Limited
L-147/B, Verna Industrial Area,
Verna, South Goa,
Goa – 403 722

Subject: Valuation report on proposed demerger of the 'US Business' and 'Consumer Business' of Cipla Limited into its wholly owned subsidiaries i.e. Cipla Biotech Limited and Cipla Health Limited respectively, pursuant to the Scheme of Arrangement under the relevant provisions of the Companies Act, 2013.

Dear Sir,

We refer to the engagement letter and discussions held with the Management of Cipla Limited (hereinafter referred to as 'CL' or 'Demerged Company'), Cipla Biotech Limited (hereinafter referred to as 'CBL' or 'Resulting Company 1') and Cipla Health Limited (hereinafter referred to as 'CHL' or 'Resulting Company 2'), wherein the Management of CL, CBL and CHL has requested Niranjan Kumar, Registered Valuer- Securities or Financial Assets ('NK', 'we' or 'us') to issue a valuation report for the proposed demerger of the US Business (hereinafter referred to as 'Demerged Undertaking 1') and Consumer Business (hereinafter referred to as 'Demerged Undertaking 2') of CL into its wholly owned subsidiaries i.e. CBL and CHL respectively.

Hereinafter, the aforesaid proposed transaction shall be referred to as the 'proposed demerger', the Management including the Board of Directors of CL, CBL and CHL, together, shall be referred to as 'the Management'; Demerged Company, Resulting Company 1 and Resulting Company 2 shall together be referred to as 'Transacting Companies'; and Resulting Company 1 and Resulting Company 2 shall together be referred to as 'Resulting Companies'.

Please find enclosed the report comprising 7 pages detailing our recommendation on consideration for the proposed demerger.

This report sets out our scope of work, background, procedures performed by us, source of information and our recommendation on consideration for the proposed demerger.

BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT

Cipla Limited ('CL' or 'Demerged Company') was incorporated on 17 August 1935 and is engaged in the business of manufacturing and sale of pharmaceutical products. The equity shares of the Company are listed on NSE and BSE; and its Global Depository Receipts (GDR) are listed on Luxembourg Stock Exchange.

Cipla Biotech Limited ('CBL' or 'Resulting Company 1') was incorporated on 20 August 2008 and is engaged in the business of research and 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 CL.

Cipla Health Limited ('CHL' or 'Resulting Company 2') was incorporated on 27 August 2015 and 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 CL.

The Management of Transacting Companies, are contemplating a proposal to demerge 'US Business' (i.e. Demerged Undertaking 1) and 'Consumer Business' (i.e. Demerged Undertaking 2) of CL (Demerged Company) into its wholly owned subsidiaries i.e. CBL (Resulting Company 1) and CHL (Resulting Company 2) respectively (transaction referred to as 'proposed demerger') in accordance with the provisions of Section 230 to 232 of the Companies Act, 2013 or any statutory modifications, re-enactment or amendments thereof for the time being in force (the Act) read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 (the Rules), as amended from time to time and all other applicable provisions, if any, of the Act and any other applicable law for the time being in force including the applicable provisions of the SEBI Guidelines and the rules framed therein with respect to the proposed demerger and in a manner provided in the Draft Scheme of Arrangement (hereinafter referred to as 'the Scheme'). As per the Scheme, it is proposed that since the Resulting Companies are wholly owned subsidiaries of the Demerged Company no consideration is proposed to be issued for the proposed demerger to the shareholders of Demerged Company i.e. Resulting Companies are not issuing any shares or paying any consideration, directly or indirectly, to either the Demerged Company or to its shareholders.

This report is our deliverable for the said engagement and is subject to the scope, assumptions, qualifications, exclusions, limitations and disclaimers detailed above and hereinafter. As such, the report is to be read in totality and in conjunction with the relevant documents referred to therein.



SHAREHOLDING PATTERN OF TRANSACTING COMPANIES

a) Cipla Limited ('CL')

The equity shareholding pattern of CL as at 31 December 2020 is set out below:

Name of shareholder	Number of equity shares (Face value of INR 2 each)	Percentage %
Promoter and promoter group	29,54,85,596	36.64%
Public	50,95,93,036	63.19%
Non promoter - non public*	13,76,597	0.17%
Total	80,64,55,229	100.00%

* Shares underlying Depository Receipts with The Bank of New York Mellon.

Note: Post 31 December 2020, CL has allotted 5,217 equity shares pursuant to the exercise of options by the option holders under the ESOP Scheme of CL.

b) Cipla Biotech Limited ('CBL')

The equity shareholding pattern of CBL as at the report date is set out below:

Name of shareholder	Number of equity shares (Face value of INR 10 each)	Percentage %
Cipla Limited	25,87,08,433	100.00%
Total	25,87,08,433	100.00%

c) Cipla Health Limited ('CHL')

The equity shareholding pattern of CHL as at the report date is set out below:

Name of shareholder	Number of equity shares (Face value of INR 10 each)	Percentage %
Cipla Limited	23,25,213	100.00%
Total	23,25,213	100.00%

Notes:

1. The shareholders of CHL had approved a scheme for grant of options, to eligible employees, to apply for equity shares of the company via the Cipla Health Limited Employee Stock Option Scheme 2016 ('CHL ESOS') on 22 March 2016, as amended from time to time, pursuant to which 82,411 employee stock options (ESOPs) are outstanding as at the report date.
2. As per the Scheme, post demerger of Demerged Undertaking 2 into CHL, appropriate adjustments will be made to CHL ESOPs to account for the Demerged Undertaking being transferred.



SOURCES OF INFORMATION

In connection with the preparation of this report, we have used and relied on the following sources of information:

Company specific information:

Information provided by the Management which includes:

- Latest shareholding pattern of CBL, CHL and CL;
- Draft copy of the Scheme pursuant to which the proposed demerger is to be undertaken;

Besides the above listing, there may be other information provided by the Management which may not have been perused by us in detail, if not considered relevant for our defined scope.

We have also considered/ obtained such other analysis, review, explanations and information considered reasonably necessary for our exercise, from the Management.

PROCEDURES ADOPTED

Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including, but not necessarily limited to the following:

- Reviewed the draft copy of the Scheme ;
- Discussions with the Management to obtain requisite explanation and clarification of data provided;
- Analysis of other facts and data as considered necessary.

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SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

This report, its contents and the results herein are specific and subject to:

- the purpose of valuation agreed as per the terms of this engagement;
- the date of this report;
- draft scheme of arrangement;
- data detailed in the section- Sources of Information.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Management till the date of this report and other sources, and the said recommendation(s) shall be considered to be in the nature of non-binding advice (our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

In the course of our analysis, we were provided with both written and verbal information by the Management as detailed in the section – Sources of Information.

We have not carried out a due diligence or audit or review of the Transacting Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided.

Also, with respect to explanations and information sought from the Management, we have been given to understand by the Management that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.

Our conclusions are based on these assumptions and information given by/ on behalf of the Management. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our recommendation. Accordingly, we assume no responsibility for any errors in the information furnished by the Management and their impact on the report. Also, we assume no responsibility for technical information (if any) furnished by the Management. However, nothing has come to our attention to indicate that the information provided was materially misstated/ incorrect or would not afford reasonable grounds upon which to base the report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

This report has been prepared for the Management of the Transacting Companies solely for the purpose of filing the same with relevant statutory authorities. This report should not be used for any other purpose without our prior written consent.



We would like to emphasize that under the Proposed Demerger, 'Demerged Undertaking 1' and 'Demerged Undertaking 2' of CL is proposed to be demerged into its wholly owned subsidiaries viz. CBL and CHL respectively. CL currently enjoys the entire economic interest of both the Resulting Company 1 and Resulting Company 2. Further based on the discussion with the Management, we understand that they do not have any plans to change the shareholding pattern of the Resulting Companies prior to the Scheme implementation. We understand that as part of the Scheme an appropriate adjustment to ESOPs entitlement ratio would be undertaken to adjust for the effect of the Demerged Undertaking 2 being transferred to CHL without consideration.

CL would continue to enjoy the entire economic interest over the Resulting Companies even after the proposed demerger is implemented and therefore, transfer without consideration to the Demerged Company or its shareholders would not have any bearing on the ultimate economic interest post implementation of the proposed demerger i.e. inter-se economic interest of the shareholders of CL, in the Resulting Companies upon proposed demerger would remain same and not vary.

We owe responsibility only to the Board of Directors of CBL, CHL and CL, who have appointed us, and nobody else. We do not accept any liability to any third party in relation to the issue of this report. It is understood that this analysis does not represent a fairness opinion. In no circumstance shall the liability of NK exceed the amount as agreed in our Engagement Letter.

The fee for the Engagement is not contingent upon the results reported.

This valuation report is subject to the laws of India.

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VALUE ANALYSIS RECOMMENDATION

The Resulting Companies shall not be required to issue any shares or pay any consideration to the Demerged Company or its shareholders as CBL and CHL are both wholly owned subsidiaries of CL.

We must emphasize that since CHL and CBL are wholly owned subsidiaries of CL, the Scheme will not be detrimental to the shareholders of Demerged Company.

CONCLUSION

In our opinion, since CHL and CBL are wholly owned subsidiaries of CL, CHL and CBL shall not be required to issue any shares or pay any consideration to CL or its shareholders and the economic interest and rights of the shareholders of CL will not in any way be affected and the Scheme will not be detrimental to the shareholders of the CL.

Respectfully submitted,



Date: 28 January 2021
Place: Pune

Niranjana Kumar
Registered Valuer- Securities or Financial Assets
IBBI Registration Number: IBBI/RV/06/2018/10137
ICAIRVO/06/RV-P000021/2018-19
UDIN: 21121635AAAAAR5478