Annexure - 5

Dalmia Securities Private Limited

STRICTLY PRIVATE & CONFIDENTIAL

DSPL/CPL /FO/1 **16th November, 2016**

The Board of Directors
Cadila Healthcare Limited
Zydus Tower, Satellite Cross Roads,
Sarkhej - Gandhinagar Highway ,
Ahmedabad,Gujarat,380015

Dear Sirs,

Subject: Fairness Opinion for the proposed transfer of India Human Formulations Undertakingof Cadila Healthcare Limited(Transferor Company) on slump sale basisto its wholly owned subsidiary Zydus Healthcare Limited (ZHL) (Transferee Company), pursuant to the proposed Scheme ('Draft Scheme' or 'Scheme') in terms of Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015.

Please refer to the engagement letter no. DSPL/CHL/FO/1 dated November 16 2016 appointing Dalmia Securities Private Limited, to furnish Fairness Opinion,pursuant to Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015, for the proposed in terms of provisions of section 391 to 394 of the Companies Act 1956 ('the Act') and other applicable provisions of the Act and /or Rules/Regulations made there under:

1. **Background**

1.1 **Cadila Healthcare Limited ('CHL' or 'the Transferor Company')**

CHL, is a company incorporated on 15th day of May 1995, under the provisions of the Act, in the name of Cadila Healthcare Private Limited, having CIN L24230GJ1995PLC025878. The name of Cadila Healthcare Private Limited was changed to Cadila Healthcare Limited with effect from 17th

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For, Cadila Healthcare Limited
Company Secretary

day of July 1996. CHL is a listed public limited company having its registered office at Zydus Tower, Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad–380 015 and the equity shares of the Transferor Company are listed on National Stock Exchange of India Limited ('NSE') and BSE Limited ('BSE').

CHL is engaged in the business of R&D, manufacture and marketing of drugs and pharmaceuticals (both domestic and international markets). The company has, inter-alia, India Human Formulations Undertakingthat is manufacturing,selling and marketing human formulations,in India, for various medical requirements. The plant of the India Human Formulations is located in GIDC Vatva, while the R&D activity for this business unit is at Pharmaceutical Technology Centre (PTC) situated in Ahmedabad.

1.2 Shareholding pattern of CHL as on September 30,2016 is as under:

Category	Shareholding of equity shares (%)
Promoters	74.79
Public	25.21
Total	**100.00**

1.3 Summary of Financials (standalone) of CHL is as under:

Year ending March 31 (INR Cr)	2016	2015	2014
Total Revenue	7,169.40	5,469.64	4,042.11
Total Expenditure	4,735.90	4,005.00	3,405.00
PBDT	2,654.70	1,676.48	1,073.07
Profit Before Tax	2,433.50	1,464.63	945.67
Profit After Tax	1,977.30	1,271.12	903.59

Source:Annual reports of CHL and filing with BSE/NSE

1.4 <u>Zydus Healthcare Limited ('ZHL') (Transferee Company):</u>

ZHL is a company incorporated on 2nd day of August 1989 under the provisions of the Act in the name of GR Exports Limited in the State of Maharashtra. After several name changes, during the intervening period, the company is presently known as Zydus Healthcare Limited. The registered

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office of ZHLwas shifted from the State of Maharashtra to the State of Gujarat with effect from 2nd day of April 2014. ZHL is an unlisted public limited company having its registered office at Zydus Tower, Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad–380015 and it is a wholly owned subsidiary of the Transferor Company. ZHL is engaged in the business of manufacturing, marketing and selling of human formulations in India with manufacturing plants in the State of Sikkim. ZHL's existing business is similar to the business of India Human Formulations Undertaking of the CHL.

2. Proposed Scheme:

2.1 We have been informed that Zydus Group intends to consolidate its formulation business into ZHL in order to iner-alia, bring focused and concentrated efforts to grow the operations of both CHL and ZHL.

2.2 Accordingly, it is proposed to transfer the India Human Formulations Undertakingof CHL to ZHL, a wholly owned subsidiary of CHL with effect from April 1,2016 (hereinafter referred to as 'Appointed Date') pursuant to the Draft Scheme under section 391-394 of theCompanies Act 1956 by way of a slump sale for a lump sum consideration. The Draft Scheme would need approval from the jurisdictional High Court and other regulatory authorities, etc as applicable.

2.3 The Salient features of the Draft Scheme are as under:

a. Upon the coming into effect of this Scheme and with effect from the Appointed Date and subject to the provisions of this Scheme in relation to the mode of transfer and vesting, India Human Formulations Undertaking(including all the estate, assets, rights, claims, title, interest and authorities including accretions and appurtenances of the India Human Formulations Undertaking) shall, without any further act, instrument, deed, matter or thing, be transferred to and vested in the ZHLor be deemed to have been transferred to and vested in ZHL on a going concern basis by way of a Slump Sale.

b. Upon the coming into effect of this Scheme, all debts, duties, obligations and liabilities (including contingent liabilities) of CHL relating to the India Human Formulations Undertakingshall without any further act, instrument or deed be and stand transferred to ZHL.

c. Upon the Scheme coming into effect and in consideration of the transfer and vesting of the India Human Formulations Undertakingby way of Slump Sale on a going concern basis ZHL shall pay a

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lump sum cash consideration of INR 693 million(RupeesSix Hundred and Ninety Threemillions) to CHL, representing the net asset value i.e., book value of the assets and liabilities being transferred pertaining to the India Human Formulations Undertakingas on the Appointed Date.Such consideration is based on the net book value of the assets of the India Human Formulations Undertakingas on March 31,2016.

3. **Scope of Engagement**

For the aforesaid purpose, CHL has appointed B S R & Associates LLP ("B S R") for deciding the Net Asset Value of the India Human Formulations Undertaking.

Further, CHL appointed us to issue a fairness opinion for the intended Scheme pursuant to Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015. This report is intended only for the sole use of CHLand ZHL in connection with the Draft Scheme including for the purpose of obtaining judicial and regulatory approvals for the Scheme.

4. **Sources of Information**

We have relied on the following information in issuing this fairness opinion for the purpose of the arrangement:

- Draft Scheme under Section 391 to 394 of the Companies Act, 1956:
- Copy of Memorandum and Article of Association of CHL
- Shareholding pattern of CHL as on March 31, 2016 respectively.
- Audited financial statement of the Companyfor the years ending March 31, 2016,March 31, 2015 andMarch 31, 2014respectively.
- Valuation report dated November 16,2016 issued by M/s. BSR& Associates LLP
- Such other information, documents, data, reports, discussions and verbal &written explanations from CHL and ZHL as well as advisors for the proposed Scheme, public domain websites, as were considered relevant for the purpose of the Fairness Opinion.

5. **Key Facts from the Valuation Report:**

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a. The valuation of the India Human Formulations Undertakingof CHL has been conducted by the NAV method.

b. For arriving at NAV, BSR& Associates LLP has relied on the carved out unaudited statement of assets and liabilities as on 31 March 2016 of the India Human Formulations Undertaking. The carved out statement has been provided as a representation by the Management of CHL, the Transferor Company.

c. Since the India Human Formulations Undertaking proposed to be transferred to ZHL, a wholly owned subsidiary, as a slump sale, the valuation of the business using NAV is considered reasonable as it would not make substantial impact on the financials of CHL, the Transferor Company.

d. BSR & Associates LLP has arrived at the NAV of Rs.693million as value of the India Human Formulations Undertaking. (*Valuation sheet at Annexure 1*).

6. Exclusions and Limitations

Our report is subject to the scope limitations detailed hereinafter.

The report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

6.1. In the course of the present exercise, we were provided with both written and verbal information, including financial data. Our report is based on the information furnished to us being complete and accurate in all material respects. We have relied upon the historical financials and the information and representations furnished to us without carrying out any audit or other tests to verify its accuracy with limited independent appraisal. Also, we have been given to understand by the managements of the companies that they have not omitted any relevant and material factors. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. We assume no responsibility whatsoever for any errors in the above information furnished by the companies and their impact on the present exercise.

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Company Secretary

6.2. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the companies.

6.3. Our work does not constitute an audit, due diligence or verification of historical financials including the working results of the Companies or their business referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report.

6.4. We express no opinion whatsoever and make no recommendation at all to the companies underlying decision to effect the Draft Scheme or as to how the holders of equity shares or secured or unsecured creditors of the Companies should vote at their respective meetings held in connection with the Draft Scheme. We do not express and should not be deemed to have expressed any views on any other term of the Draft Scheme. We also express no opinion and accordingly accept no responsibility or as to the prices at which the equity shares of CHL will trade following the announcement of the Draft Scheme or as to the financial performance of CHL following the consummation of the Draft Scheme.

6.5. Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed Scheme with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.

6.6. No investigation of the companies claim to the title of assets or property owned by the companies has been made for the purpose of this fairness opinion. With regard to the companies claim we have relied solely on representation, whether verbal or otherwise made, by the management to us for purpose of this report.

6.7. Our analysis and results are also specific to the date of this report. An exercise of this nature involves consideration of various factors. This report is issued on the understanding that the companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies, their businesses, and any other matter, which may have an impact on our opinion for the proposed Scheme, including any significant changes that have taken place or are likely to take place in the financial position of the Companies or their businesses subsequent to the proposed Appointed Date for the Draft Scheme. We have no responsibility to update this report for events and circumstances occurring after the date of this

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report. We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof.

6.8. This report has been issued for the sole purpose to facilitate the Company to comply with Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 and it shall not be valid for any other purpose.

7. Opinion & Conclusion

In light of the forgoing and subject to the caveats as detailed hereinbefore, we as a Merchant Banker hereby certify that in our opinion the proposed valuation of the India Human Formulations Undertakingat Rs.693-million, to be transferred to Zydus Healthcare Limited, as a slump sale, as per the proposed Draft Scheme of Arrangement is fair and reasonable.

(JEYAKUMAR.S)
Chief Operating Officer (Investment Banking)
Dalmia Securities Private Limited
SEBI Registration No: INM000011476

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Annexure 1 - Net Asset Value of Specified Undertaking

Specified Business	
INR million	**31-Mar-2016**
Assets	
Net Tangible Assets	456
Net Intangible Assets	30
Capital work in progress	70
Long term loans and advances	260
Current assets	
Inventory	1,190
Sundry debtors	525
Cash and bank	209
Short term loans and advances	98
Other current assets	9
Total assets	3,251
Liabilities	
Long term provisions	(436)
Other long term liabilities	(164)
Current liabilities	
Trade payables	(1,855)
Other current liabilities	(303)
Short term provisions	(40)
Total liabilities	(2,558)
Net assets value before adjustments	693
Adjustments	
Less: Contingent liabilities	-
Net asset value	693

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