Annexure – 3

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16 November 2016

Board of Directors
Cadila Healthcare Limited
Zydus Tower, Satellite Cross Roads,
Sarkhej – Gandhinagar Highway,
Ahmedabad – 380 015,
Gujarat, India

Sub: Report on the NAV valuation of the India Human Formulations Undertaking of Cadila Healthcare Limited for the proposed transfer to its wholly owned subsidiary

Dear Sirs,

We refer to the engagement letter dated 12 August 2016, wherein the Board of Directors ("Management") of Cadila Healthcare Limited ("CHL", or "You", or "Client") has engaged B S R & Associates LLP ("B S R" or "We") for performing the NAV valuation of the India Human Formulations Undertaking ("Specified Business"), for the purpose of proposed transfer of the Specified Business on slump sale basis to Zydus Healthcare Limited ("Proposed Transaction").

The NAV valuation is carried out as at 31 March 2016 ("Valuation Date").

SCOPE AND PURPOSE OF THE VALUATION REPORT

We understand that CHL proposes to transfer the Specified Business on slump sale basis to Zydus Healthcare Limited (previously known as German Remedies Limited) ("Zydus").

The Proposed Transaction is expected to be carried out by way of a scheme of arrangement under Section 391 – 394 of the Companies Act, 2013 and applicable provisions prescribed by the Securities and Exchange Board of India ("SEBI").

Further, we understand that CHL is proposing to transfer the Specified Business at book value and hence the valuation is required as per the Net Asset Value.

This valuation report ("Valuation Report") is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such the Valuation Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

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For, Cadila Healthcare Limited
Company Secretary

BACKGROUND

CHL is engaged in the business of research and development, manufacture, marketing, sale, trading and export of drugs and pharmaceuticals. CHL's product portfolio includes active pharmaceutical ingredients, human formulations and veterinary. CHL has its registered office in Ahmedabad, India.

The equity shares of CHL are listed on the BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE").

The Specified Business is engaged in marketing and selling products relating to human formulations in India. Some of the divisions, amongst others, under the Specified Business are (i) Fortiza, (ii) Medica, (iii) Liva, (iv) Respicare, etc.

Zydus is engaged in the business of manufacturing and marketing of pharmaceutical products in areas of female healthcare, respiratory care, gastroenterology, cardiovascular care, etc. Zydus is a wholly owned subsidiary of Cadila Healthcare Limited ("Cadila") and has its registered office in Ahmedabad, India.

SOURCES OF INFORMATION

In connection with preparing this Valuation Report, we have received the following information from the Management:

- Draft Scheme of Arrangement pertaining to the Proposed Transaction.
- Carved out unaudited statement of assets and liabilities as at 31 March 2016 of the Specified Business.
- Other information, explanations and representations that were required and provided by the Management.
- Such other analysis, reviews and inquires as we considered necessary.

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For, Cadila Healthcare Limited
Company Secretary

B S R & Associates LLP
1st Floor, Lodha Excelus, Apollo Mills Compound, N.M. Joshi Marg, Mahalaxmi, Mumbai-400 011, India.
Chartered Accountants

SCOPE AND LIMITATIONS OF WORK

B S R has been appointed to carry out the NAV valuation of the Specified Business based on book value of the net assets as at 31 March 2016.

This Valuation Report is based on and relies solely on the carved out unaudited statement of assets and liabilities as at 31 March 2016 of the Specified Business. B S R has read, analysed and discussed but not independently verified the financial statements and underlying data and accordingly provide no opinion on the factual basis of the same. If there were any omissions, inaccuracies or misrepresentations of the information provided by the Management, it may have a material effect on our findings.

Our work did not constitute an audit of the carved out financial statements and accordingly, we do not express any opinion on the truth and fairness of the financial position as indicated in this Valuation Report. Similarly, our work did not constitute validation of the carved out financial statements of the Specified Business and accordingly, we do not express any opinion on the same.

For the purpose of this Engagement and Valuation Report, we have made no investigation of, and assume no responsibility for the title to, or liabilities against the Specified Business. The value contained herein is not intended to represent the NAV of the Specified Business at any time other than 31 March 2016, as per the agreed scope of our engagement. Our conclusion of value assumes that the title to the assets and liabilities of Specified Business reflected in the unaudited carved out financial statements as on 31 March 2016 is intact as at the date of this Valuation Report. For the purposes of this Engagement, we are not required to carry out a valuation of tangible/ intangible assets of the Specified Business.

Although we have read, analysed and discussed the information relating to the Specified Business, prepared and provided to us by the Management for the purpose of making the Valuation Report, we have not commented on the appropriateness of or independently verified the assumptions or information provided to us, for arriving at the valuation.

Neither B S R nor any of its affiliates are responsible for updating this Valuation Report because of events or transactions occurring subsequent to the date of this Valuation Report. B S R has not considered any finding made by other external agencies in carrying out this valuation.

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

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For, Cadila Healthcare Limited

Company Secretary

The Valuation Report assumes that the Specified Business complies fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated; and that the Specified Business will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Valuation Report has given no consideration to the following matters –

- Matters of a legal nature, including issues of legal title and compliance with local laws, and
- Litigation and other contingent liabilities that are not recorded in the carved out statement of assets and liabilities of the Specified Business as on 31 March 2016.

No enquiry into the Specified Business' claim to title of assets or property has been made for the purpose of this valuation. With regard to the Specified Business' claim to title of assets or property, we have relied solely on representations, whether verbal or otherwise, made by the Management to us for the purpose of this Valuation Report. We have not verified such representations against any title documents or any agreements evidencing right or interest in or over such assets or property, and have assumed the Specified Business' claim to such rights, title or interest as valid for the purpose of this Valuation Report. No Information has been given to us about liens or encumbrances against the assets, if any, beyond the loans disclosed in the accounts. Accordingly, no due diligence into any right, title or interest in property or assets was undertaken and no responsibility is assumed in this respect or in relation to legal validity of any such claims.

We express no opinion or recommendation as to how the shareholders of CHL should vote at any shareholders' meeting(s) to be held in connection with the proposed Transaction.

Our Valuation Report is confidential to the Client and will be issued by us on the express understanding that it shall not be copied, disclosed or circulated or referred to in correspondence or discussion with any third party or used for any purpose other than the proposed Transaction without B S R's prior written consent.

This Valuation Report is prepared on the basis of the sources of information listed hereinafter in this Valuation Report. B S R has relied upon written representation provided by the Management and that the information contained in the Valuation Report is materially accurate and complete, fair in its manner of portrayal and therefore forms a reliable basis for the valuation.

The Valuation Report should be read in whole and cannot be split in parts. The outcome of the valuation can only lead to proper conclusions if the Valuation Report as a whole is taken into account.

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For, Cadila Healthcare Limited

Company Secretary

VALUATION SUMMARY

As discussed above, the Management is proposing transfer of the Specified Business to its wholly owned subsidiary at book value. Hence, we have only considered the net asset value ("NAV") method for the valuation.

The NAV is arrived based on the carved out unaudited statement of assets and liabilities as at 31 March 2016 of the Specified Business.

The summary of the NAV valuation of the Specified Business is presented below:

Specified Business	
INR million	**31-Mar-2016**
Assets	
Net Tangible Assets	456
Net Intangible Assets	36
Capital work in progress	70
Long term loans and advances	260
Current assets	
Inventory	1,190
Sundry debtors	925
Cash and bank	209
Short term loans and advances	96
Other current assets	9
Total assets	**3,251**
Liabilities	
Long term provisions	(436)
Other long term liabilities	(64)
Current liabilities	
Trade payables	(1,655)
Other current liabilities	(363)
Short term provisions	(40)
Total liabilities	**(2,558)**
Net assets value before adjustments	**693**
Adjustments	
Less: Contingent liabilities	-
Net asset value	**693**

Note: As represented by Management, the Specified Business has contingent liabilities pertaining to certain business, legal and employee related matters, etc. We understand that the probability of materialization of the aforementioned liabilities is remote.

CONCLUSION

Based on, the Scope and Limitations of our work, Sources of Information, valuation methodology and approach, the net asset value of the Specified Business as at 31 March 2016 is INR 693 million (INR Six Hundred Ninety Three million only).

Respectfully submitted,

For B S R & Associates LLP
Chartered Accountants
Firm Registration No. 116231W

Mahek Vikamsey
ICAI Membership No. 108235
Place: Mumbai
Date: 16 November 2016

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For, Cadila Healthcare Limited

Company Secretary