

Private and Confidential

## KEYNOTE

25  
YEARS  
OF CREATING  
VALUE  
THROUGH  
RELATIONSHIPS  
AND  
TRUST

29<sup>th</sup> July 2019

The Board of Directors,  
Dr. Reddy's Laboratories Limited  
8-2-337, Road No.3, Banjara Hills,  
Hyderabad – 500 034, Telangana.

The Board of Directors,  
Dr. Reddy's Holdings Limited  
7-1-27, Ameerpet,  
Hyderabad – 500 016, Telangana.

Dear Sir/Madam,

**Reg: Fairness Opinion in connection with the proposed amalgamation of Dr. Reddy's Holdings Limited (the "Amalgamating Company" or "DRHL") with Dr. Reddy's Laboratories Limited (the "Amalgamated Company" or "DRL")**

Keynote Financial Services Limited ("Keynote" or "we" or "us") is a Category I Merchant Banker registered with Securities Exchange Board of India ("SEBI"). We understand that the Management of DRL and DRHL are contemplating amalgamation of DRHL with DRL wherein it is considering a Scheme of Amalgamation and Arrangement ("Scheme") under Sections 230 - 232 read with Section 66 and other applicable provisions of the Companies Act, 2013 and rules made thereunder.

In consideration of the amalgamation of DRHL with DRL pursuant to the Scheme, 4,13,25,300 fully paid up equity shares of the face value of INR 5 each of DRL shall be issued and allotted as fully paid up equity shares to the equity shareholders of DRHL, in proportion to their holding of 8,04,080 fully paid up equity shares of the face value of INR 100 each in DRHL (referred to as the "Share Exchange Ratio").

In connection with the aforesaid, we have been requested by the Management of DRL and DRHL to issue a Fairness Opinion as of the date hereof, as to the fairness of the Share Exchange Ratio to the Equity Shareholders of DRHL. We have perused the documents/ information provided by you in respect of the said Amalgamation and the Valuation Report as issued by N S Kumar & Co., Chartered Accountants ("NSK") dated July 29, 2019 and state as follows:

Company Profiles:

**Dr. Reddy's Holdings Limited** is a public limited company incorporated on 12 July 1994. It is formed for the purpose of holding investments. DRHL is the promoter holding company of DRL and holds 4,13,25,300 (24.88%) equity shares of DRL as at the report date.

**Dr. Reddy's Laboratories Limited** is a public limited company incorporated on 24 February 1984 and is an integrated pharmaceutical company, committed to providing affordable and innovative medicines for healthier lives. Through its three businesses - pharmaceutical services and active ingredients, global

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**Keynote Financial Services Limited**

(formerly known as Keynote Corporate Services Limited)

The Ruby, 9th Floor, Senapati Bapat Marg, Dadar (West), Mumbai - 400028

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generics and proprietary products, DRL offers a portfolio of products and services including active pharmaceutical ingredients, custom pharmaceutical services, generics, biosimilars and differentiated formulations. The equity shares of the DRL are listed on the BSE Limited and the National Stock Exchange of India Limited, and its American Depository Receipts are listed on the New York Stock Exchange Inc.

## Rationale of the Report:

It is proposed to amalgamate DRHL with DRL by this Scheme, as a result of which the shareholders of DRHL viz. Promoters shall directly hold shares in DRL.

The Amalgamation will lead to simplification of the shareholding structure and reduction of shareholding tiers. The said Amalgamation shall, demonstrate direct commitment to and engagement with DRL of / by the Promoters.

The Promoter Group cumulatively would continue to hold the same number of shares in DRL, pre and post the amalgamation.

## Sources of Information:

For arriving at the Fairness Opinion set forth below, we have relied upon the following sources of information:

- Draft Scheme of Amalgamation and Arrangement between DRHL and DRL and their respective shareholders under Sections 230 - 232 read with Section 66, and other applicable provisions under Companies Act, 2013;
- Valuation Report by NSK dated July 29, 2019; and
- Audited Financial Statements of DRHL and DRL for year ending March 31, 2019;

In addition to the above, we have also obtained such other information and explanations, which were considered relevant for the purpose of our Analysis.

## Our Recommendation:

NSK has recommended the following share exchange ratio:

**"4,13,25,300 fully paid up equity shares of the face value of INR 5 each of DRL shall be issued and allotted as fully paid up equity shares to the equity shareholders of DRHL, in proportion to their holding of 8,04,080 fully paid up equity shares of the face value of INR 100 each in DRHL"**

The aforesaid amalgamation and arrangement shall be undertaken pursuant to the Draft Scheme of Amalgamation and Arrangement, and shall be subject to receipt of approval from the jurisdictional National Company Law Tribunal or such other competent authority as may be applicable and other statutory approvals as may be required.

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The Share Exchange Ratio as recommended by N S Kumar & Co., Chartered Accountants in relation to the proposed Draft Scheme of Amalgamation and Arrangement is Fair and Reasonable to the equity shareholders of DRHL and DRL in our opinion.

### Exclusions and Limitations:

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by DRL and DRHL for the purpose of this opinion. Our work does not constitute an audit or certification or due diligence of the working results, financial statements, financial estimates or estimates of value to be realized for the assets of DRL and DRHL. We have solely relied upon the information provided to us by DRL and DRHL. We have not reviewed any books or records of DRL and DRHL (other than those provided or made available to us). We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of DRL and DRHL and neither express any opinion with respect thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of DRL and DRHL. We have not reviewed any internal management information statements or any non-public reports, and, instead, with your consent we have relied upon information which was publicly available or provided or otherwise made available to us by DRL and DRHL for the purpose of this opinion. We are not experts in the evaluation of litigation or other actual or threaten claims and hence have not commented on the effect of such litigation or claims on this opinion. We are not legal, tax, regulatory or actuarial advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of DRL and DRHL with respect to these matters. In addition, we have assumed that the Draft Scheme of Amalgamation and Arrangement will be approved by the regulatory authorities and that the proposed Transaction will be consummated substantially in accordance with the terms set forth in the Draft Scheme of Amalgamation and Arrangement.

We understand that the management of DRL and DRHL would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Draft Scheme of Amalgamation and Arrangement, no restrictions will be imposed that will have a material adverse effect on the benefits of the Transaction that DRL and DRHL may have contemplated. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we are not authorized to solicit, and did not solicit, interests for any party with respect to the acquisition, business combination or other extraordinary transaction involving DRL, DRHL or any of their assets, nor did we negotiate with any other party in this regard.

In the ordinary course of business, Keynote is engaged in securities trading, securities brokerage and investment activities, as well as providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of Keynote may at any time

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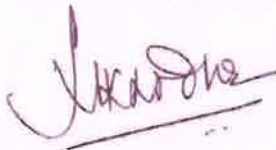
hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the Transaction.

The Fairness Opinion is addressed to the Board of Directors of DRL and DRHL and is for the purpose of submission to the Stock Exchanges under the SEBI Circular. Further, the Fairness Opinion may be disclosed on the websites of DRL and DRHL and the Stock Exchanges and also be made part of the explanatory statement to be circulated to the shareholders and/ or creditors of the DRL and DRHL (in case of meetings of shareholders and/ or creditors are conducted). The Fairness Opinion should be read in totality and not in parts. The Fairness Opinion shall not otherwise be disclosed or referred to publicly or to any other third party without Keynote's prior written consent. If this Fairness Opinion is used by any person other than whom it is addressed or for any purpose other than the purpose state hereinabove, then we will not be liable for any consequences thereof.

We express no opinion whatever and make no recommendation at all as to DRL's and DRHL's underlying decision to effect to the proposed Transaction or as to how the holders of equity shares or preference shares or secured or unsecured creditors of DRL and DRHL should vote at their respective meetings, if any, held in connection with the Transaction. We do not express and should not be deemed to have expressed any views on any other terms of Transaction. We also express no opinion and accordingly accept no responsibility for or as to the prices at which the equity shares of DRL will trade following the announcement of the Transaction or as to the financial performance of DRL following the consummation of the Transaction.

In no circumstances however, will Keynote Corporate Services Limited or its associates, directors or employees accept any responsibility or liability to any third party and in the unforeseen event of any such responsibility or liability being imposed on Keynote Financial Services Limited or its associates, directors or employees by any third party, DRL and DRHL and their affiliates shall indemnify them.

For **KEYNOTE FINANCIAL SERVICES LTD**



**Keynote Financial Services Limited**  
SEBI Registration No. INM000003606  
(Category – I Merchant Banker)

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