



Date: 29 July 2019

To,
The Board of Directors,
Dr. Reddy's Laboratories Limited,
8-2-337, Road No. 3,
Banjara Hills, Hyderabad-500034

To,
The Board of Directors,
Dr. Reddy's Holdings Limited,
7-1-27, Ameerpet,
Hyderabad-500016

Subject: Recommendation of fair share exchange ratio for the proposed amalgamation/merger of Dr. Reddy's Holdings Limited into Dr. Reddy's Laboratories Limited

Dear Sir/ Madam,

We refer to our engagement letter whereby Dr. Reddy's Laboratories Limited (hereinafter referred to as 'DRL') and Dr. Reddy's Holdings Limited (hereinafter referred to as 'DRHL') have requested N S KUMAR & CO. (hereinafter referred to as 'NSK'), to recommend fair share exchange ratio for the proposed amalgamation/ merger of DRHL with DRL.

Please find enclosed the report (containing 6 pages) detailing our recommendation of fair share exchange ratio for the proposed amalgamation/ merger of DRHL with DRL, the methodologies employed and the assumptions used in our analysis.

This report sets out our scope of work, background, source of information, procedures performed by us and our opinion on the fair share exchange ratio.

SCOPE AND PURPOSE OF THIS REPORT

DRHL is a public limited company incorporated on 12 July 1994. It was formed with the purpose of holding investments. DRHL is the promoter holding company of DRL and holds 4,13,25,300 equity shares of DRL as at this report date. DRHL's paid up share capital consists of 8,04,080 fully paid up equity shares of the face value of INR 100 each.

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

With an intention to simplify the shareholding structure, reduction of multiple shareholding tiers of DRL in an efficient manner, demonstrate direct commitment to and engagement with DRL by Promoters Group, we understand that the management of DRL and DRHL (together hereinafter referred to as 'the Management') intends to merge DRHL with DRL under Sections 230-232 read with Section 66 and other applicable provisions of the Companies Act, 2013 and rules made thereunder under a scheme of amalgamation and arrangement (the 'Scheme').

It is in this regard, the Management has appointed NSK to submit a report, recommending a fair share exchange ratio for the proposed transaction. The Management has requested NSK to determine the fair share exchange ratio as at this report date ('Valuation Date').

The scope of our services is to conduct a relative (and not absolute) valuation exercise as at the Valuation Date to determine the fair share exchange ratio using internationally accepted valuation methodologies as may be applicable to the subject case and report on the same in accordance with generally accepted professional standards including in compliance with the Indian Valuation Standards (IVS) notified by the Institute of Chartered Accountants of India (ICAI).

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

SOURCES OF INFORMATION

A. Company specific information:

In connection with the valuation exercise, we have used the following information obtained from the Management and/ or gathered from public domain:

- Unaudited financial statements of DRHL for the year ended 31 March 2019;
- Latest shareholding pattern of DRL and DRHL; and
- Such other information and explanations as we required and which have been provided by the Management.

B. Industry and economy information:

- Information available in public domain and databases such as Moneycontrol, Capitaline, Bombay Stock Exchange (BSE), National Stock Exchange (NSE) etc.
- Such other information and documents as provided by Management.

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

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us.

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;
- shareholding pattern of the concerned entities;
- no additional outflow towards liabilities other than those recorded in the books of accounts of the concerned entities; and
- data detailed in the section – 'Sources of Information'.

A value analysis of this nature is based on information made available to us as of the date of this report, events occurring after that date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The ultimate analysis will have to be tempered by the exercise of judicious discretion by the valuer and judgment taking into account the relevant factors. The recommendation(s) rendered in this report only represents 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).

The determination of fair value is not a precise science and the conclusions arrived at in many cases, will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single fair value. While we have provided our recommendation of the fair share exchange ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion.

In the course of our analysis, we were provided with both written and verbal information, including market, technical, financial and operating data including information as detailed in the section – 'Sources of Information'.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification of:

- the accuracy of information made available to us by the Management, which formed a substantial basis for this report; and
- the accuracy of information that was publicly available.



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

We are not legal or regulatory advisors with respect to legal and regulatory matters for the transaction. We do not express any form of assurance that the financial information or other information as prepared and provided by the Management is accurate. Also, with respect to explanations and information sought from the advisors, 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.

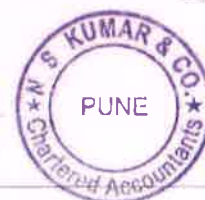
Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. Our conclusions are based on these assumptions and information given by/ on behalf of the Management. The Management has indicated to us that they have understood that any omissions, inaccuracies 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 this 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 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 assumes that the companies comply fully with relevant laws and regulations applicable in all their areas of operations and that the companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this report has given no consideration on to 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 audited financial statements of the companies.

This report does not look into the business/ commercial reasons behind the transaction nor the likely benefits arising out of the same. Similarly, this report does not address the relative merits of the transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. This report is restricted to estimation of fair share exchange ratio for the proposed transaction outlined above. The fee for our engagement is not contingent upon the results reported herein.

We owe responsibility only to the Board of Directors of DRL and DRHL 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.

This valuation report is subject to the laws of Republic of India.



Neither this report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the purpose of determining the fair share exchange ratio for the proposed transaction, without our prior written consent.

BASIS FOR DETERMINATION OF RATIO

As per publicly available information, DRHL currently holds 4,13,25,300 equity shares of DRL. Upon amalgamation of DRHL with DRL, the shareholders of DRHL would be entitled to 4,13,25,300 shares of DRL for 8.04.080 shares held by them in DRHL. Pursuant to the amalgamation, there would be no change in the paid-up capital of DRL.

Upon the Scheme becoming effective, there is no additional consideration being discharged under the Scheme except for shares of DRL being issued to the shareholders of DRHL in lieu of equal number of shares as held by DRHL in DRL which is being duly cancelled. Thus, for every fresh issue of share of DRL to the shareholders of DRHL, there is a corresponding cancellation of an existing DRL share as held by DRHL. Since there is no issuance of additional shares by DRL, we are of the opinion that the pricing provisions of chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 are not applicable in the subject case and we have therefore, not considered the same for our analysis. Further, the Scheme shall not have any adverse implications for DRHL, DRL or public shareholders of DRL.

As informed by the Management, all transaction related expenses including merger related costs, charges, taxes including stamp duties, levies and all other related expenses are to be borne by DRHL. Thus, DRL will not bear any expenses pursuant to the amalgamation. Further, we understand that these expenses are expected to be met out of the assets of DRHL (including cash and cash equivalents) other than the investments made in DRL ("Surplus Assets") and we have therefore, not considered the same for the purposes of our analysis. Any additional expenses over and above the Surplus Assets as stated above, would be borne by the Promoters of DRL.

Further, we understand that Promoters of DRL would jointly and severally indemnify, defend and hold harmless DRL (and any of its directors, officers, key managerial personnel, employees or any other person authorized by it, excluding the promoters) for losses, liabilities, costs, charges, expenses (whether or not resulting from third party claims), including those paid or suffered pursuant to any actions, proceedings, claims and including interests and penalties discharged by DRL which may devolve on DRL on account of amalgamation of DRHL with DRL but would not have been payable by DRL otherwise, in the form and manner as may be agreed amongst DRL and the shareholders of DRHL.

We have not considered any dividend income that DRHL may earn during the course of implementation of scheme for the purpose of our valuation analysis.



Also, there would be no change in the aggregate promoters' shareholding in DRL and the proposed transaction shall not adversely affect the interest of DRHL, DRL or other public shareholders of DRL.

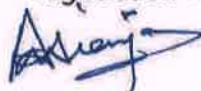
Further, valuation approaches and formats given for display of the workings, relative fair value per share and fair share exchange ratio under National Stock Exchange of India Limited circular number NSE/CML/2017/12 dated 01 June 2017 and BSE Limited circular number LIST/COMP/02/2017-18 dated 29 May 2017 have not been undertaken herein as they are not relevant in the instant case as there would merely be a cancellation and re-issue of same number of shares and thus, have not been reported in the format prescribed by the aforementioned circulars.

CONCLUSION

In light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above we recommend the share exchange ratio of **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**.

Respectfully Submitted,

N S KUMAR & CO.
Chartered Accountants
Firm Registration No. 139792W



Niranjana Kumar
Proprietor
Membership No. 121635
UDIN: 19121635AAAAAZ9453



Date: 29 July 2019
Place: Pune