

REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF PIRAMAL ENTERPRISES LIMITED RECOMMENDING THE DRAFT COMPOSITE SCHEME OF ARRANGEMENT BETWEEN PIRAMAL ENTERPRISES LIMITED, PIRAMAL PHARMA LIMITED, CONVERGENCE CHEMICALS PRIVATE LIMITED, HEMMO PHARMACEUTICALS PRIVATE LIMITED, PHL FININVEST PRIVATE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS ("REPORT")

MEMBERS PRESENT:

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| 1. Mr. N. Vaghul | : | Chairman of the Committee of Independent Directors |
| 2. Mr. Kunal Bahl | : | Independent Director |
| 3. Mr. Gautam Banerjee | : | Independent Director |
| 4. Ms. Anjali Bansal | : | Independent Director |
| 5. Mr. Suhail Nathani | : | Independent Director |
| 6. Mr. S. Ramadorai | : | Independent Director |

1. BACKGROUND

1.1 A meeting of the Committee of Independent Directors ("Committee") was held on October 7, 2021 to consider and, if thought fit, recommend the proposed composite scheme of arrangement ("Scheme") between Piramal Enterprises Limited ("PEL" or "Company" or "Demerged Company" or "Amalgamated FS Company"), Piramal Pharma Limited ("PPL" or "Resulting Company" or "Amalgamated Pharma Company"), Convergence Chemicals Private Limited ("CCPL" or "Amalgamating Pharma Company 1"), Hemmo Pharmaceuticals Private Limited ("HPPL" or "Amalgamating Pharma Company 2"), PHL Fininvest Private Limited ("Amalgamating FS Company" or "PFPL") and their respective shareholders and creditors pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Act") and Sections 2(19AA) and 2(1B) of the Income-tax Act, 1961 ("IT Act").

1.2 The Scheme is a composite scheme of arrangement which *inter alia* provides for:

- (i) the transfer by way of demerger of the Demerged Undertaking (as defined in the Scheme) from the Demerged Company to the Resulting Company, a subsidiary of the Demerged Company, and the consequent issue of equity shares to shareholders of the Demerged Company by the Resulting Company ("Demerger"). Pursuant to the Demerger, all the shareholders of the Company will be allotted shares in the Resulting Company in proportion to their shareholding in the Company in accordance with the share entitlement ratio. Pursuant to the Demerger, the equity shares of the Resulting Company, forming part of the Demerged Undertaking, shall stand cancelled.

In connection with the Demerger, the Demerged Undertaking includes *inter alia* all businesses, undertakings, activities, operations and properties of the Demerged Company, of whatsoever nature and kind and wheresoever situated, exclusively related to or pertaining to the conduct of, or the activities of, the Pharma Business (as defined in the Scheme) conducted by the Demerged Company as a going concern, including but not limited to: (a) the equity shares held by the Demerged Company in the Resulting Company, representing the Demerged Company's strategic investment in the Resulting Company; and (b) the manufacturing facility situated at Mahad, India.

- (ii) the amalgamation of Amalgamating Pharma Company 1 and Amalgamating Pharma Company 2, both being wholly owned subsidiaries of the Amalgamated Pharma Company,



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into the Amalgamated Pharma Company and consequent dissolution of Amalgamating Pharma Company 1 and Amalgamating Pharma Company 2 without winding up and the cancellation of the equity shares of Amalgamating Pharma Company 1 and Amalgamating Pharma Company 2 held by the Amalgamated Pharma Company and its nominee shareholder ("**Pharma Amalgamations**").

- (iii) the amalgamation of Amalgamating FS Company, a wholly owned subsidiary of the Amalgamated FS Company, into the Amalgamated FS Company and consequent dissolution of Amalgamating FS Company without winding up and the cancellation of the equity shares of Amalgamating FS Company held by the Amalgamated FS Company and joint shareholders ("**FS Amalgamation**").

The Scheme will be presented before the National Company Law Tribunal (the "**NCLT**") under Sections 230-232 and other applicable provisions of the Act and the rules made thereunder, and will also be in compliance with Sections 2(19AA), 2(1B) and other applicable provisions of the IT Act.

- 1.3 Pursuant to the FS Amalgamation, PEL will obtain a certificate of registration/license as a non-banking financial company ("**NBFC**") from the Reserve Bank of India ("**RBI**") and PFPL will surrender its license.
- 1.4 This report of the Committee is made in order to comply with the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Master Circular bearing number SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 ("**SEBI Master Circular**") consolidating SEBI circulars dated March 10, 2017, March 23, 2017, May 26, 2017, September 21, 2017, January 3, 2018, September 12, 2019 and November 3, 2020 (collectively, the "**SEBI Circulars**").
- 1.5 The following documents which were placed at the above meeting were reviewed by the Committee:
- (i) Draft Scheme;
 - (ii) Registered Valuer's Report dated October 6, 2021, issued by Drushti R. Desai of Bansil S. Mehta & Co., Registered Valuer, IBBI Registration No. IBBI/RV/06/2019/10666 ("**Registered Valuer**"), recommending the share entitlement ratio under the Scheme ("**Registered Valuer's Report**");
 - (iii) Fairness Opinion dated October 7, 2021 issued by ICICI Securities Limited, a SEBI Registered Category-I Merchant Banker bearing Registration No. INM000011179 ("**Merchant Banker**"), on the Registered Valuer's Report ("**Fairness Opinion**"); and
 - (iv) Certificate dated October 7, 2021 issued by the Statutory Auditors of PEL confirming that the accounting treatment contained in the Scheme is in compliance *inter alia* with all the applicable accounting standards specified by the Central Government under Section 133 of the Act and other generally accepted accounting principles.

2. SALIENT FEATURES OF THE SCHEME

- 2.1 The Committee considered and noted that the salient features of the draft Scheme are as follows:

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- Preliminary

- (i) The proposed Scheme is divided into parts, with the key parts being:
 - (a) Part C, which deals with the Demerger;
 - (b) Part D, which deals with the amalgamation of CCPL and HPPL into PPL, i.e. the Pharma Amalgamations;
 - (c) Part E, which deals with the amalgamation of PFPL into the Company, i.e. the FS Amalgamation;
- (ii) Each Part of the Scheme is independent of other Parts and is severable in accordance with the provisions of the Scheme.
- (iii) The Demerger will be undertaken in compliance with Section 2(19AA) of the IT Act and the Pharma Amalgamation and FS Amalgamation will be undertaken in compliance with Section 2(1B) of the IT Act;
- (iv) The appointed date shall be the opening of business on April 1, 2022 or such other date as the NCLT may direct/allow ("**Appointed Date**");
- (v) The Scheme shall be effective from the 'Appointed Date' but shall be operative from the 'Effective Date'.
- (vi) The effective date ("**Effective Date**") shall be:
 - (a) for the Part C of the Scheme pertaining to the Demerger and Part D of the Scheme pertaining to the Pharma Amalgamations, the date or the last date of the dates on which all the relevant conditions precedent as described in the Scheme, occur or have been fulfilled, obtained or waived, as applicable, in accordance with the Scheme; and
 - (b) for the Part E of the Scheme pertaining to the FS Amalgamation, the date or the last date of the dates on which all the relevant conditions precedent as described in the Scheme, occur or have been fulfilled, obtained or waived, as applicable, in accordance with the Scheme.

- Demerger

- (vii) Upon effectiveness of the Scheme and with effect from the Appointed Date, the Demerged Undertaking (as defined in the Scheme) shall, subject to the provisions of the Scheme and pursuant to the Act, be transferred to and vested in PPL, in accordance with the Scheme;
- (viii) Upon effectiveness of the Scheme, the equity shareholders of the Company (as on a record date to be determined by the Boards of the Company and Resulting Company) will, in consideration for the Demerger, be issued and allotted equity shares in PPL as per the share entitlement ratio which will be approved by the Board. Pursuant to the Demerger, the equity shares of the Company, forming a part of the Demerged Undertaking shall stand cancelled, in the manner set out in the Scheme.

- Amalgamations

- (ix) As regards the Pharma Amalgamations, upon effectiveness of the Scheme and with effect

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from the Appointed Date, each of Amalgamating Pharma Company 1 and Amalgamating Pharma Company 2 shall stand amalgamated into the Amalgamated Pharma Company in the manner set out in the Scheme. Upon effectiveness of the Scheme, the equity shares of each of Amalgamating Pharma Company 1 and Amalgamating Pharma Company 2 held by the Amalgamated Pharma Company and its nominee, shall stand cancelled, in the manner set out in the Scheme. No new shares are to be issued or payment made in cash or in kind by the Amalgamated Pharma Company to the Amalgamating Pharma Company 1 or Amalgamating Pharma Company 2 in connection with the Pharma Amalgamations.

- (x) As regards the FS Amalgamation, upon effectiveness of the Scheme and with effect from the Appointed Date, the Amalgamating FS Company shall stand amalgamated into the Amalgamated FS Company in the manner set out in the Scheme. Upon effectiveness of the Scheme, the equity shares of the Amalgamating FS Company held by the Amalgamated FS Company and joint shareholders, shall stand cancelled, in the manner set out in the Scheme. No new shares are to be issued or payment made in cash or in kind by the Amalgamated FS Company to the Amalgamating FS Company in connection with the FS Amalgamation.

- (xi) On the Effective Date, each of Amalgamating Pharma Company 1, Amalgamating Pharma Company 2 and Amalgamating FS Company shall stand dissolved without being wound-up and without any further act or deed.

- General

- (xii) The Parts C, D and E of the Scheme are subject to various conditions precedent, including (a) the sanction or approval of relevant regulatory authorities; (b) approval of the requisite majority of members and/or creditors; (c) approvals/waivers from third parties, as may be required; (d) the receipt of a certificate of registration / license by PEL to operate as an NBFC from the RBI (as a condition precedent for Part E); and (e) the Scheme being sanctioned by the NCLT.

3. RATIONALE OF THE SCHEME

Below is the rationale for the proposed Scheme:

- 3.1 The businesses presently undertaken by PEL (directly and indirectly) comprise the pharmaceutical business and the financial services business, both of which have different requirements and are operated independent of each other as separate business verticals. The requirements of each business, including in terms of capital, operations, knowledge, nature of risk, competitive advantages and strategies, and regulatory compliances are very distinct when compared with the other. Each of these business verticals are significantly large and mature, and have a distinct attractiveness to divergent set of investors, strategic partners and other stakeholders. The depth, scale of operations and growth potential of these distinct businesses has been significantly augmented by the recent transactions undertaken in respect of the pharmaceutical business (being the strategic investment by the Carlyle Group) and the financial services business (being the merger of Dewan Housing Finance Corporation Limited and Piramal Capital & Housing Finance Limited, a wholly owned subsidiary of PEL).
- 3.2 Therefore, in the wake of the aforesaid landmark transactions, this being an opportune time to unlock the potential value of each business vertical, it is proposed through the Scheme, to: (i) completely segregate the pharmaceutical and the financial services businesses and create two strong and distinctive platforms and flagship listed entities; (ii) realign the pharmaceutical



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business and the financial services business to rationalize, simplify and streamline the group structure with the domestic pharmaceutical business being consolidated under PPL, and PEL continuing to focus primarily on the financial services business directly (with consolidation of the lending business across PEL and PFPL under PEL post the merger of PFPL) and indirectly (including through subsidiaries and associate companies).

- 3.3 The proposed Demerger will not only facilitate pursuit of scale and independent growth plans (organically and inorganically) with more focused management and flexibility as well as liquidity for shareholders (following the listing of the shares of PPL pursuant to the Scheme) but also insulate and de-risk both the businesses from each other and allow potential investors and other stakeholders the option of being associated with the business of their choice.
- 3.4 In order to comprehensively restructure and streamline the pharmaceutical business in India under PPL, it is also proposed to merge CCPL and HPPL into PPL, being wholly owned subsidiaries of PPL engaged in the pharmaceutical business, allowing the pharmaceutical business in India, currently conducted by PPL directly and through its Indian subsidiaries to be consolidated with PPL, which is also expected to enable faster decision making. Allergan India Private Limited, an associate company of PPL, will, however, continue to operate independently in the specialty pharmaceutical sector.
- 3.5 In addition to the above, to restructure the financial services business, it is proposed to merge PFPL with PEL. In addition to the establishment of a distinct platform with dedicated focus on the financial services business as mentioned above, the merger of PFPL, being a wholly owned subsidiary of PEL, will enable the consolidation of the lending business across PEL and PFPL in PEL and streamlining of the group structure in a manner that results in the creation of a single NBFC entity which is regulated by the RBI (subject to requisite approvals), and holds distinct entities engaged in diverse aspects of the financial services business such as housing finance, asset management and merchant banking.
- 3.6 In view of the abovementioned reasons and in order to avoid multiplicity of schemes and the consequent increase in cost, time, resources and effort that may have to be expended by the Companies, the NCLT and the appropriate authorities, it is considered desirable and expedient to implement the Scheme as a composite scheme.

4. SHARE ENTITLEMENT RATIO

The Registered Valuer's Report, *inter alia*, recommended the share entitlement ratio for the proposed Demerger of the Demerged Undertaking into the Resulting Company as follows:

"for every 1 (one) equity share of face and paid-up value of Rs. 2/- (Two) held in PEL, 4 (Four) equity shares of face and paid-up value of Rs. 10/- (Ten) in PPL" ("**Share Entitlement Ratio**")

5. SCHEME NOT DETRIMENTAL TO THE SHAREHOLDERS OF THE COMPANY

The Committee members discussed and deliberated upon the rationale and salient features of the Scheme.

The Company is directly involved in the Demerger and FS Amalgamation. As regards the Demerger, the shareholders of the Company would be issued and allotted a proportionate number of shares in PPL, in consideration for the transfer of Demerged Undertaking pursuant to the Demerger basis a share entitlement ratio recommended by the Registered Valuer and the share entitlement ratio has been confirmed in the Fairness Opinion by an Independent SEBI



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Registered Category-I Merchant Banker. These shares of PPL to be issued to the shareholders of the Company are proposed to be listed on the BSE Limited and the National Stock Exchange of India Limited (**collectively the "Stock Exchanges"**), subject to receipt of necessary approvals.

As regards FS Amalgamation, pursuant to the same, the equity shares of PFPL held by the Company and joint shareholders, shall stand cancelled. No new shares shall be issued, or payment of any kind be made by PEL as consideration in connection with PFPL amalgamating with the Company. Accordingly, there will be no impact on the shareholders of the Company due to the said FS Amalgamation.

Further, although the Company is not directly involved in the Pharma Amalgamations, the same would be relevant for the shareholders of the Company (in their capacity as shareholders of PPL, upon coming into effect of the Scheme). The Committee noted that pursuant to the Pharma Amalgamations, the equity shares of CCPL and HPPL held by PPL and its nominee, shall stand cancelled. No new shares shall be issued, or payment of any kind be made by PPL as consideration in connection with CCPL and HPPL amalgamating with PPL. Accordingly, there will be no impact on the shareholders of the Company (once they become shareholders of PPL) due to the said Pharma Amalgamations.

Thus, on the basis of the above, the Scheme is not detrimental to the shareholders of the Company.

6. **RECOMMENDATIONS OF THE COMMITTEE**

The Committee after due deliberations and due consideration of the terms of the draft Scheme, the above rationale, Registered Valuer's Report, Fairness Opinion and the specific points mentioned above including that the Scheme is not detrimental to the shareholders of the Company, recommends the draft Scheme for favourable consideration and approval by the Board, Stock Exchanges, SEBI, RBI and other appropriate authorities.

By Order of the Committee of Independent Directors of Piramal Enterprises Limited


N. Vaghul

Chairman of the Committee of Independent Directors

Date: October 7, 2021

Place: Mumbai

