REPORT

ON

THE PROPORTION OF

THE NET BOOK VALUE OF THE ASSETS TRANSFERRED IN A DEMERGER (i.e. DEMERGED UNDERTAKING)

TO PIRAMAL PHARMA LIMITED ("PPL")

("the Resulting Company")

TO

THE NET WORTH OF

PIRAMAL ENTERPRISES LIMITED ("PEL")

("the Demerged Company")

IMMEDIATELY BEFORE THE DEMERGER

Issued by:
BANSI S. MEHTA & CO.
CHARTERED ACCOUNTANTS
METRO HOUSE, 3rd FLOOR,
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MUMBAI-400 020.

1. Background

Piramal Enterprises Limited ("**PEL**" or "the "**Demerged Company**") was incorporated on April 26, 1947 under the provisions of the Indian Companies Act, 1913, and is a public limited company within the meaning of the Act. PEL is engaged in the business of (i) providing financial services, including wholesale and retail lending services, directly and indirectly; and (ii) the pharmaceutical sector, directly and indirectly, including through its subsidiary, PPL, comprising (a) contract development and manufacturing organization services, ranging from discovery clinical development to commercial manufacturing of active pharmaceutical ingredients vitamins and mineral pre-mixes and formulations; (b) manufacturing, selling and distributing complex hospital generics including inhalation anaesthesia, injectable anaesthesia, intrathecal spasticity and pain management and select antibiotics; and (c) manufacturing, marketing and distributing consumer healthcare products. The equity shares of PEL are listed on NSE and BSE.

The Pharma Business Undertaking (which includes the Mahad Facility, Super Distribution arrangements, and all the equity shares held by the Demerged Company in the Resulting Company, representing the Demerged Company's strategic investment in the Resulting Company) of PEL are to be demerged as a going concern into Piramal Pharma Limited ("**PPL**" or the "**Resulting Company**") under a Composite Scheme of Amalgamation and Arrangement **("the Scheme")** pursuant to Sections 230 to Section 232 and other relevant provisions of the Companies Act, 2013 ("Co. Act") as approved by the Hon'ble National Company Law Tribunal, Mumbai Bench ("**NCLT**") vide its order dated August 16, 2022. The **Appointed Date** of the demerger as approved by NCLT is April 1, 2022 and thus, w.e.f. the said date the Pharma Business of PEL would be regarded as demerged into the Resulting Company (*viz.* PPL).

Under the said demerger, the shareholders of PEL will be allotted shares in PPL in the ratio of 4 (Four) fully paid equity share of the face and paid-up value of Rs. 10 (Ten) in PPL for every 1 (One) fully paid equity share in PEL of the face and paid-up value of Rs. 2 (Two).

Since upon demerger, the shares of PPL are allotted to the shareholders of PEL, the 'cost of acquisition' of shares of PPL in the hands of the shareholders is to be determined in accordance with the provisions of Section 49(2C) of the Income-tax Act, 1961 **("the Act")** and that of PEL in accordance with the provisions of Section 49(2D) of the Act.

2. Requirements of Sections 49(2C) and 49(2D) of the Act

2.1. Section 49(2C) – Cost of Acquisition of Shares in the Resulting Company

Section 49(2C) provides that the 'cost of acquisition' of the shares in the resulting company is to be computed by applying the proportion of, the "net book value" of the assets of the demerged undertaking to the "net worth" of the demerged company immediately before the demerger, to the cost of acquisition of the original shares held in the demerged company.

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To put in a formula, the **Cost of Acquisition of shares in the resulting company**

=	**Net Book Value** of Assets transferred under the demerger / **Net Worth** of the demerged company immediately prior to the demerger	X	Original Cost of Acquisition of shares in the demerged company

In the instant case, based on the formula prescribed, the Cost of Acquisition of the shares in PPL issued to the shareholders of PEL will be computed as under:

=	**Net Book Value** of Pharma Business Undertaking transferred to PPL under the demerger / **Net Worth** of the PEL immediately prior to the demerger	X	Original Cost of Acquisition of shares in PEL

2.2. Section 49(2D) – Cost of Acquisition of original shares held in demerged company

Section 49(2D) provides that the cost of acquisition of the original shares held by the shareholder in the demerged company shall be deemed to have been reduced by the amount so arrived at under Section 49(2C) of the Act.

To put in a formula, the Cost of Acquisition of original shares held in the demerged company in the resulting company

=	Cost of Acquisition of original shares in demerged company (pre-demerger)	(-)	Cost of acquisition of shares in resulting company arrived at u/s 49(2C) of the Act

Thus, in the instant case, based on the formula prescribed, the Cost of Acquisition of the original shares held by the shareholders in PEL will be computed as under:

=	Cost of Acquisition of original shares in PEL (pre-demerger)	(-)	Cost of acquisition of shares in PPL arrived at u/s 49(2C) of the Act

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3. **Terms of Reference**

We have been approached by the management of PEL, to give a report on the proportion of the "net book value" of the assets transferred to PPL (i.e. Pharma Business Undertaking of PEL) to the "net worth" of PEL immediately prior to demerger, so to enable the shareholders to compute cost of acquisition of the shares of PPL and PEL in terms of the aforesaid formulae provided under Sections 49(2C) and 49(2D) of the Act. The same has since been confirmed by engagement letter dated August 19, 2022.

4. **Data Obtained**

For carrying out this assignment, apart from the discussions with the taxation and finance team of PEL, we have obtained the following data:

(a) Copy of the Composite Scheme of Arrangement;

(b) Copy of the NCLT Order dated August 16, 2022 approving the Scheme;

(c) Audited Financial Statement of PEL for FY 2021-22;

(d) Management certified columnar Balance Sheet giving bifurcation of the asset and liabilities immediately prior to the Appointed Date (i.e. as at March 31, 2022) into:

- The assets and liabilities of the Pharma Business Undertaking;
- The balance assets and liabilities of the residual PEL

5. **Computation**

5.1. **Net Book Value ("NBV") of assets transferred to PPL (i.e. Pharma Business of PEL):**

5.1.1. Section 49(2C) has been introduced in the statute to give effect to the subject of "demerger" which is defined under Section 2(19AA) of the Act. One of the conditions for a demerger to qualify under Section 2(19AA) is that all the property and the liabilities of the undertaking being demerged are transferred at their values in the books of account immediately before the demerger. Thus, the requirement for transfer at the respective book values applies to both – the assets as well as the liabilities of the demerged undertaking. Therefore, on a harmonious construction, the term NBV appearing in Section 49(2C) must consider both – the assets and the liabilities of the demerged undertaking. In other words, NBV for the purpose of Section 49(2C) should mean book value of net assets of the demerged undertaking. Indeed, if only assets of the demerged undertaking are considered for the purpose of determining the proportion of cost of shares between demerged company and resulting company, it would give a distorted picture, considering the following:

- Under the demerger, both assets and liabilities are transferred and therefore, proportion of cost of shares between demerged company and resulting company ought to be *qua* both assets and liabilities and not just assets;
- Under Section 49(2C), for the denominator of the formula, 'net worth' of the demerged company has to be considered and not 'capital employed'. If only assets

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are considered in the denominator, then mathematically, to compute the correct proportion of the cost of shares between demerged company and the resulting company, the denominator should have been the capital employed, which is sum total of own funds, reserves and liabilities and not just net worth, which as per accounting formula can be computed either as assets less liabilities or as own funds plus reserves.

5.1.2. ***Accordingly, for the purpose of this report, NBV of the Pharma Business Undertaking of PEL has been computed after aggregating the book values of all the assets and reducing therefrom the book values of all the liabilities of the demerged undertaking.***

5.1.3. For the purpose of computing the book value of liabilities, it is significant to note *Explanation* 2 at the foot of Section 2(19AA), which reads as under:

> "*Explanation 2 – For the purposes of this clause, the liabilities referred to in sub clause (ii), shall include –*
>
> *(a) the liabilities which arise out of the activities or operations of the undertaking;*
> *(b) the specific loans or borrowings (including debentures) raised, incurred and utilised solely for the activities or operations of the undertaking; and*
> *(c) in cases, other than those referred to in clause (a) or clause (b), so much of the amounts of general or multipurpose borrowings, if any, of the demerged company as stand in the same proportion which the value of the assets transferred in a demerger bears to the total value of the assets of such demerged company immediately before the demerger.*"

We are given to understand that the liabilities appearing in the segmental data of Pharma Business provided to us are in accordance with the above quoted Explanation 2.

5.1.4. We have reduced the aggregate book value of the liabilities from the book value of assets to arrive at the NBV of the demerged undertaking as at March 31, 2022, which works out to be **Rs. 1,520.35 crores**. The computation of **Net Book Value of assets transferred to PPL** is set out at **<u>Annexure – 1</u>** annexed to and forming part of this Report.

5.2. Net Worth of PEL immediately prior to Demerger (i.e. as at March 31, 2022):

5.2.1. The Explanation below Section 49(2E) of the Act, defines the term "net worth" for the purpose of section 49 to mean "*the aggregate of the* ***paid-up share capital*** *and* ***general reserves as appearing in the books of account*** *of the demerged company immediately*

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before the demerger".

5.2.2. **<u>Meaning of "paid-up share capital":</u>**

The term paid-up share capital is not defined in the Act. However, the same is defined under section 2(64) of the Co. Act to mean "*such aggregate amount of money credited as paid-up as is equivalent to the amount received as paid-up in respect of shares issued and also includes any amount credited as paid-up in respect of shares of the company, but does not include any other amount received in respect of such shares, by whatever name called;*"

The term is also defined in the **Guidance Note ("GN") issued in 1983 on 'Terms Used in Financial Statement'** issued by the Institute of Chartered Accountants of India ("ICAI") to mean "*That part of the subscribed share capital for which consideration in cash or otherwise has been received. This includes bonus shares allotted by the corporate enterprise.*"

5.2.3. **<u>Meaning of "general reserves":</u>**

The term "general reserve" has not been defined under the Act and is neither defined under the Companies Act. It would be worthwhile to make a reference to the aforesaid GN issued by ICAI.

The said GN defined the term "Reserve" to mean "*<u>The portion of earnings; receipts or other surplus of an enterprise (whether capital or revenue) appropriated by the management for a general or specific purpose other than a provision for depreciation or diminution in the value of assets or for a known liability</u>. The reserve are primarily of two types: capital reserve and revenue reserves*" Thus, a reserve signifies earnings (capital or revenue) appropriated by the management for a general or a specific purpose.

Further, the GN defines the term "general reserve" to mean "*A revenue reserve which is not earmarked for a specific purpose*".

The term 'revenue reserve' is defined in the GN to mean "*Any reserve other than a capital reserve*".

Further, the term 'capital reserve' is defined in the GN to mean "*A reserve of a corporate enterprise which is not available for distribution as dividend*".

In light of the foregoing, it can be said that a "general reserve" has the following characteristics:

(i) It is created out of earnings, receipts or other surplus of an enterprise;
(ii) It is not earmarked for any specific purpose; and
(iii) It is available for distribution as dividend.

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Accordingly, only such reserves which are available for distribution as dividend and not earmarked for any specific purposes can be regarded as General Reserves as per the accounting terms.

5.2.4. Having referred to the meanings of the 'paid-up share capital' and 'general reserve', we proceed to evaluate and apply the same to arrive at the net worth of PEL as at March 31, 2022 (i.e. immediately before the Appointed Date).

5.2.5. The Equity Share Capital appearing in the Balance Sheet of PEL as at March 31, 2022, would be considered to be paid-up share capital.

5.2.6. Moving further, as per the said Balance sheet of PEL, 'Other Equity' comprises of –

(i) Capital Reserve
(ii) Capital Redemption Reserve
(iii) Debenture Redemption Reserve
(iv) General Reserve
(v) FVTOCI – Equity Instruments
(vi) Securities Premium
(vii) Retained Earnings

5.2.7. At the outset, we would like to clarify that if a strict interpretation of the definition of net worth ("NW") as per the definition provided in the Explanation below Section 49(2E) is adopted, it would lead to absurdity, since that would only lead to the inclusion of paid-up share capital and general reserves (as identified in the financial statements) while computing NW and would not include items such as securities premium, retained earnings, etc. which clearly contribute to the "net worth" of any company.

In the present case, if only the equity share capital and general reserve appearing as such in the Balance Sheet were to be included then the NW of PEL as at March 31, 2022 works out to be amount to Rs. 5,846.28 crores. The same would be incorrect, since logically NW should be computed using same principles as used for computing NBV of the enterprise.

It is evident that the scheme of Section 49(2C) of the Act is to breakdown the original cost between two components *viz.* shares in the Resulting Company and the shares in the Demerged Company after such demerger, which, the legislature, in its wisdom, has sought to achieve by providing for a relationship of net book value of assets to the net worth – perhaps, oblivious to the fact that, at times, the former could exceed the latter because of the very restrictive definition of the term "net worth" given in the Explanation at the foot of Section 49(2E) of the Act. This is, therefore, a classic case in which the scheme under the Act fails.

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One has to have consistent standards in understanding and in particular applying a term, essentially when NBV and NW logically are co-dependent. If something is included while computing a numerator, the corresponding reserve created ought to be included while computing denominator. Any other interpretation would be like comparing apples to oranges.

In fact, it is an elementary rule that factors in a particular mathematical formula should be of the same category or should comprise of the same ingredients. Apples should be compared with apples, it cannot be compared with oranges. ***Hence, considering net assets in the numerator without considering the corresponding reserves in the denominator would give an absurd result.***

In this regard, attention is invited to the decision of the **Bombay High Court** in the case of **CIT vs. Sudarshan Chemicals Industries Ltd. [2000] 245 ITR 769 (Bom)**, wherein the formula provided in section 80HHC for computing the proportion of export turnover to the total turnover of the assessee, was read down by the High Court in a manner so as to ensure that the same can be applied in a logical sense resulting in mathematically correct results. The High Court has applied the foregoing logic and held that while computing the amount of deduction, where excise duty/sales tax is not be considered in the numerator then, the same should also not be considered in the denominator. This case has been approved by **Supreme Court** in **[2007] 292 ITR 641**.

Similar view has also been taken in the following decisions:

- CIT vs. Chloride India Ltd. [2002] 256 ITR 625 (Cal)
- CIT vs. Bharat Earth Movers Ltd. [2004] 268 ITR 232 (Kar)
- CIT vs. Lakshmi Machine Works [2007] 290 ITR 667 (SC)
- CIT vs. Lotus Trans Travels (P.) Ltd. [2007] 290 ITR 1 (Del)

In view of the foregoing, with respect to the items appearing in Other Equity above, we have interpreted their inclusion in NW, from the logic of the mathematical accuracy of the formula rather than following the strict interpretation of the formula provided under Section 49(2C). Any other interpretation would result in inconsistency and discord while computing the proportion of cost of shares between demerged company and resulting company, which should be avoided.

Whilst on this issue, attention is also invited to the definition of the term 'net worth' as provided in the GN, which reads as: "*The excess of the book value of assets (other than fictitious assets) of an enterprise over its liabilities.*"

The foregoing definition was considered by the Expert Advisory Committee of the Institute of Chartered Accountants in one of its opinions issued in August 2017, wherein the said definition was explained as under:

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"the Committee notes that the term 'net worth' has been defined in terms of net assets which is excess of the book value of assets over liabilities. Thus, it does not exclude any kind of reserve – capital reserve or reserve created out of restructuring/amalgamation. <u>Accordingly, the Committee is of the view that purely from accounting perspective, net worth includes all reserves, whether capital or revenue.</u>"

As would be observed, the definition of 'net worth' as defined in GN includes all reserves, whether capital or revenue.

5.2.8. ***Our findings in this Report are mainly based on the principles discussed above.***

5.2.9. In light of the foregoing discussion, the treatment of each item as listed above in computation of **Net Worth** of PEL is discussed hereunder:

(a) Capital Reserve:

Capital Reserve has been created as an outcome of business combinations carried out during the current year and previous years. The said reserve is *per se* not available for distribution of dividend.

However, as stated in Para 5.2.7. above, considering the mathematical accuracy of the formula as well as the definition of 'net worth' from accounting perspective, we have considered the Capital Reserve while computing the NW under Section 49(2C).

(b) Capital Redemption Reserve

This reserve was created as per requirements of the Companies Act pursuant to buyback of equity shares and redemption of preference shares. As per section 69(2) of the Co. Act, the capital redemption reserve account may be applied by the company to issue fully paid bonus shares and thus, as such this reserve is not available for distribution of dividend.

As stated above, considering the mathematical accuracy of the formula as well as the definition of 'net worth' from accounting perspective, since all the assets of demerged undertaking would be considered while computing the NBV, the amount of Capital Redemption Reserve should be considered while determining the NW.

However, as stated in Para 5.2.7. above, considering the mathematical accuracy of the formula as well as the definition of 'net worth' from accounting perspective, we have considered the Capital Redemption Reserve while computing the NW under Section 49(2C).

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(c) Debenture Redemption Reserve

This reserve has been created as per the requirements of Rule 18(7) of the Companies (Share Capital and Debentures) Rules, 2014. As per section 71(4) of the Co. Act, this reserve shall not be utilised by PEL except for the redemption of debentures. Thus, this reserve would not be available for distribution of dividend.

However, as stated in Para 5.2.7. above, considering the mathematical accuracy of the formula as well as the definition of 'net worth' from accounting perspective, we have considered the Debenture Redemption Reserve while computing the NW under Section 49(2C).

(d) General Reserve:

It is clearly evident from the Explanation at the foot of Section 49(2C) of the Act that general reserves as appearing in the books of account of the demerged company immediately before the demerger are to be included while computing NW of the demerged company.

Accordingly, we have considered General Reserve while computing the NW under Section 49(2C) of the Act.

(e) FVTOCI – Equity Reserve:

PEL has elected to recognise changes in the fair value of certain investments in equity securities in Other Comprehensive Income. These changes are accumulated within the FVTOCI equity investments reserve within equity. PEL transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised

Hence, the impact of this reserve is at two places – one in the carrying value of the assets (not necessarily of the demerged undertaking) and other in the reserves. Since, the genesis of Sections 49(2C) is to breakdown the original cost between two components *viz.* shares in the Resulting Company and the shares in the Demerged Company, applying the principle of comparing apples with apples and considering the mathematical accuracy of the formula as well as the definition of 'net worth' from accounting perspective, even this reserve ought to be considered in the computation of NW.

Therefore, we have considered FVTOCI Reserve while computing NW under Section 49(2C).

(f) Securities Premium:

Securities Premium is used to record the premium on issue of shares. The reserve can be utilised for purposes mentioned under section 52(2) of the Co. Act and as such is not available for distribution as dividend. However, it is noteworthy that for

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the purpose of capital reduction, section 52(1) of the Co. Act considers the securities premium to be part of Paid-up Share Capital.

Reference is also made to the decision of the **Rajasthan High Court** in the case of **Vaibhav Global Ltd., In re [2017] 201 Comp Case 32**, wherein, it is observed that "*15. From a reading of Section 52 of the Act of 2013 it is apparent that this provision equates a Share Premium Account of a company to its paid up share capital.*"

Further, in the context of *erstwhile* Companies (Acceptance Of Deposits) Rules, 1975, representations where made to the Department of Company Law as to whether shares premium would form part of free reserves for the purpose of computing net owned funds of a company. The Department Circular No. 3/77 dated April 15, 1977 clarified that "*the balance shown in 'share premium account' will be treated as part of the company's paid-up share capital and not its 'free reserves' having regard to the provisions of section 78(1)*[1] *of the Companies Act, 1956.*"

Plausibly, Securities Premium would also be covered within the limb of 'paid-up share capital' of the definition of 'net worth' under Section 49(2C) and accordingly, would be considered while computing NW of PEL for the purpose of Section 49(2C).

Therefore, we have considered the balance of the securities premium for computing NW under Section 49(2C).

In any case, as discussed in Para 5.2.7. above, considering the mathematical accuracy of the formula as well as the definition of 'net worth' from accounting perspective, even the Securities Premium Reserve should be considered while computing the net worth.

(g) Retained earnings:

The term 'Retained Earnings' has not been defined under the Act. But it may be noted that for all intents & purposes, retained earnings are the cumulative net earnings or profits of a company after accounting for dividend payments.

The Supreme Court in **CIT vs. Century Spg. Mfg. Co. Ltd. [1953] 24 ITR 499** held that "*The reserve may be a general reserve or a specific reserve, but there must be a clear indication to show whether it was a reserve either of the one or the other kind. The fact that it constituted a mass of undistributed profits on the 1-1-1946, could not automatically make it a reserve.*" Thus, perhaps retained earnings may not be regarded as reserves.

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[1] Corresponding to section 52 of the Companies Act, 2013

However, may we also draw reference to Circular Letter No. 3/1/800-CL-X, dated February 16, 1982 issued by Company Law Department stating that "*the amount of 'surplus' shown in the Profit and Loss Account carried forward under the heading "Reserve and Surplus' appearing in the Balance Sheet of a company, may be treated as part of 'free reserve' as defined under the Companies (Acceptance of Deposits) Rules, 1975, subject, of course, its satisfying the condition that it arises by appropriation out of the profits of the company.*"

Suffice to say, that the issue of whether retained earnings is reserves or not is debatable. In fact such retained earnings under Schedule III of the Co. Act are classified as "Surplus".

In any event, considering the mathematical accuracy of the formula as well as the definition of 'net worth' from accounting perspective, we have considered the Retained Earnings while computing NW under Section 49(2C).

5.2.10. Accordingly, the Net worth of PEL, immediately prior to demerger (i.e. as at March 31, 2022) is arrived at **Rs. 23,121.53 crores.** The computation of **Net worth of PEL,** immediately prior to demerger, is set out at **Annexure 2** annexed to and forming part of this Report.

6. Proportionate Cost of Acquisition of shares in PPL and PEL

Based on values stated in Paras 5.1.4 and 5.2.10 above, the proportion of the former **(Net Book Value of assets transferred to PPL)** to the latter **(Net Worth of PEL immediately prior to Demerger)** comes out to be 0.0658, hence, 6.58%. This percentage multiplied by the original cost of acquisition of shares in PEL would constitute the cost of acquisition of shares in the Resulting Company (i.e. PPL).

Further, resulting cost of acquisition of shares in PPL as reduced from original cost of shares in PEL would give the revised cost of acquisition of shares in PEL post demerger. In simply put, the balance proportion (i.e. 93.42%) multiplied by of the original cost shares held in PEL would be the revised cost of acquisition of shares in PEL post demerger to the original shareholder of PEL.

7. Our Findings

7.1. The **Net Book Value of assets transferred to PPL** ("the Resulting Company") on the basis of management certified columnar Balance Sheet containing division wise details of assets and liabilities and Audited Financial Statements of PEL for financial year ended on March 31, 2022, works out to be Rs. 1,520.35 crores. The details thereof are set out in **Annexure 1**.

7.2. The **Net Worth of PEL immediately prior to the demerger** ("the Demerged Company") on the basis of Audited Financial Statements of PEL for financial year ended

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on March 31, 2022 works out to be Rs. 23,121.53 crores. The details thereof are set out in **Annexure 2**.

7.3. Thus, the cost of acquisition of shares in PPL as contemplated under Section 49(2C) of the Act works out to be **6.58%** of the original cost of acquisition in the hands of shareholder of PEL.

7.4. While the revised cost of acquisition of original shares held in PEL as contemplated under Section 49(2D) of the Act works out to be **93.42%** of the original cost acquisition in the hands of shareholder of PEL.

8. Limitations and Disclaimers

Our report is subject to the scope of limitations detailed hereinafter.

8.1. Our views expressed in this Report are based on the facts / information provided to us. Any changes in the facts / information may impact our views. The conclusions reached and views expressed are subject matter of opinion. Our findings are based on our understanding of the law and regulations prevailing at the time the advice is issued and our past experience with the tax and/or regulatory authorities. However, there can be no assurance that the authorities or regulator may not take a position contrary to our views.

8.2. Legislation, its judicial interpretation, the policies of the regulatory authorities and judicial decisions on the subject matter are also subject to change/review from time to time, and these may have a bearing on the findings that we have given in this Report. Accordingly, any subsequent change or amendment in the law or relevant regulations or changes in judicial thinking on the subject would necessitate a review of our comments and recommendations contained in this Report. We have no responsibility to carry out any such review of our comments for any such changes occurring after the date of issue of this Report.

8.3. As such the report is to be read in totality and not in parts.

8.4. Our findings in the Report are based on the information furnished to us. We have relied on the accuracy and completeness of that financial information.

8.5. Our computation is primarily based on the unaudited financial statements provided by the Management of the Company. We have not carried out any audit, independent confirmation or verification of the reliability, accuracy or completeness of the information. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of the information provided to us.

8.6. The information presented in the Report does not reflect the outcome of any audit/due diligence procedures. The reader is cautioned that the outcome of that process could change the information herein and, therefore, the value materially.

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8.7. This report has been prepared solely for the purpose set out in Para 3 of this report and should not be reproduced (in part or otherwise) in any other document whatsoever without our written consent.

9. Annexures

Annexure 1	Computation of Net Book Value of assets transferred to PPL
Annexure 2	Computation of Net worth of PEL, prior to demerger

10. Gratitude

We appreciate and acknowledge the efforts of the management for providing the data and records that we deemed fit for the purposes of our examination for this assignment and for bearing with all the inconveniences that may have been caused by us with our persistent queries from time to time.

Place: Mumbai

Dated: August 29, 2022

BANSI S. MEHTA & CO. ★ CHARTERED ACCOUNTANTS ★ MUMBAI

For BANSI S. MEHTA & CO.
Chartered Accountants

Bansi S. Mehta & Co.

Ronak G. Doshi
Partner
UDIN: 22116513AQGLFE1131

Annexure – 1

Computation of Net Book Value of Pharma Business Undertaking of PEL transferred to PPL

Particulars	Amount (Rs. in crores)	Amount (Rs. in crores)
ASSETS		
Non-Current Assets		
(a) Property, Plant & Equipment	51.71	
(b) Capital Work in Progress	3.40	
(c) Right of Use Asset	5.40	
(d) Financial Assets (Investments) - Piramal Pharma Ltd.	1,463.45	
(e) Other Non-Current Assets	2.64	
Total Non-Current Investments		**1,526.60**
Current Assets		
(a) Inventories	212.91	
(b) Trade Receivables	134.46	
(c) Cash & Cash equivalents	7.79	
(d) Other bank balances	3.92	
(e) Other financial assets	114.11	
Total Current Assets		**473.19**
Total Assets		**1,999.79**
LIABILITIES		
Non-current Liabilities		
(a) Other Non-current Financial liabilities - ROU Lease Liability	5.68	
(b) Provisions - Provision for employee benefits	2.16	
Total Non-current Liabilities		**7.84**
Current Liabilities:	-	
(a) Trade Payables	459.18	
(b) Other Financial Liabilities	4.59	
(c) Other Current Liabilities	7.83	
Total Current Liabilities		**471.60**
Total Liabilities		**479.44**
Net Book Value of Pharma Business Undertaking of PEL		**1,520.35**

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Annexure – 2

Computation of Net Worth of PEL immediately prior to demerger (i.e. as at March 31, 2022)

Sr. No.	Particulars	Amount (Rs. in crores)
1.	Equity Share Capital	47.73
2.s	Capital Reserve	2,751.79
3.	Securities Premium	11,427.83
4.	Capital Redemption Reserve	61.73
5.	Debenture Redemption Reserve	2.00
6.	General Reserve	5,798.55
7.	FVTOCI – Equity Instrument	93.96
8.	Retained Earnings	2,937.94
Net worth of PEL as at March 31, 2022		**23,121.53**

BANSI S. MEHTA & CO. ★ CHARTERED ACCOUNTANTS ★ MUMBAI