

CONFIDENTIAL

March 20, 2017

The Board of Directors,  
Strides Shasun Ltd,  
Strides House,  
Bilekahalli,  
Bannerghatta Road,  
Bangalore - 560076

Dear Members of the Board:

**I. Engagement Background**

We understand that the Board of Directors of Strides Shasun Ltd (“**Strides**” or “**Demerged Company 1**” or “**Transferor Company 1**”) are considering the demerger of Commodity Active Pharmaceutical Ingredients (API) business of Strides (“**Demerged Business 1**”) with SSL Pharma Sciences Limited<sup>1</sup> (“**SSL Pharma**” or the “**Resulting Company**” or the “**Transferee Company**”).

The proposed reorganization is to be carried out pursuant to a Composite Scheme of Arrangement (“**Scheme**”) under section 230 to 232 of the Companies Act, 2013 and the other relevant provisions of the Companies Act, 2013 (including corresponding provisions of the Companies Act, 1956, to the extent the same is in force and applicable). Further, we also understand that under the same Scheme the Board of Directors of Sequent Scientific Limited (“**Sequent**” or the “**Demerged Company 2**” or the “**Transferor Company 2**”) is considering demerger of Human API business of Sequent (“**Demerged Business 2**”) with SSL Pharma.

The Scheme envisages demerger of Demerged Business 1 and Demerged Business 2 with Resulting Company as per terms and conditions more fully set forth in the Scheme to be placed before the Board for their approval.

For the demerger of the Demerged Business 1 of Demerged Company 1 with Resulting Company pursuant to the Scheme of Arrangement, for every 6 (Six) fully paid equity shares of the face value of Rs.10 each held by the shareholders of the Strides Shasun Limited<sup>1</sup> as on record date, the Resulting Company shall issue and allot 1 (One) fully paid equity share of the face value of Rs. 10 each (hereinafter referred to as the “**Share Entitlement Ratio 1**”).

<sup>1</sup> SSL Pharma has initiated the process for change of name to Solara Active Pharma Sciences in terms of the provisions of the Companies Act, 2013 and the rules made thereunder

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In connection with the aforesaid, Strides has mandated us as per the engagement letter dated March 6, 2017 and requested our Fairness Opinion (“Opinion”) as of the date hereof, as to the fairness of the Share Entitlement Ratio 1 to the equity shareholders of Strides.

## II. Basis of Opinion

The Composite Scheme of Arrangement provides for transfer by way of a demerger of Demerged Business 1 and Demerged Business 2 into Resulting Company which is expected to result in the following benefits -:

- The Commodity API Business and Human API Business, being “B2B” businesses, require a differentiated strategy and direction to grow and deliver value.
- Segregation of the Commodity API Business from the other core “B2C” businesses of Demerged Company 1 will allow concentrated focus by Resulting Company management on the Commodity API Business and Demerged Company 1 management on its other core B2C businesses.
- Segregation of the Human API Business from the animal healthcare business of Demerged Company 2 will allow concentrated focus by Resulting Company management on the Human API Business and Demerged Company 2 management on the animal healthcare business.
- The unbundling of Commodity API Business and Human API Business and consolidation into a separate entity will create an active pharmaceutical ingredients company in India with critical size, and is expected to unlock value by enabling the business activities to be carried out with greater focus and specialization for sustained growth.
- The demergers are expected to enhance shareholder value for shareholders of both Demerged Company 1 and Demerged Company 2.

The Scheme is expected to be in the best interests of the shareholders, employees and the creditors of each of the Demerged Company 1, Demerged Company 2 and the Resulting Company.

A brief history of each of the aforesaid companies is as under -

- (a) Strides Shasun Limited is a public limited company incorporated on 28 June 1990 under the provisions of the Companies Act, 1956, having its registered office at 201, Devavrata, Sector 17, Vashi, Navi Mumbai, Mumbai - 400703, Maharashtra. Strides is a vertically integrated



global pharmaceutical company headquartered in Bangalore. Strides has four business verticals, viz., regulated markets, emerging markets, institutional business and active pharmaceutical ingredients. Strides has a global manufacturing foot print spread across three continents and has three dedicated research and development facilities in India with global filing capabilities and a strong commercial footprint across 85 countries. The equity shares of Strides are listed on the BSE Limited and the National Stock Exchange of India Limited (collectively with BSE Limited, the “Stock Exchanges”).

- (b) Sequent Scientific Limited is a public limited company incorporated on 28 June 1985 under the provisions of the Companies Act, 1956, having its registered office at 301, 3rd Floor, Dosti Pinnacle, Plot No.E7 Road No.22, Wagle Industrial Estate, Thane West - 400 604, Maharashtra. Sequent is an integrated pharmaceutical company with a global footprint, operating in the domains of animal health active pharmaceuticals ingredients and formulation, human active pharmaceuticals ingredients, and analytical services. The equity shares of Sequent are listed on the Stock Exchanges.
- (c) SSL Pharma Sciences Limited (proposed for change of name to Solara Active Pharma Sciences) is a public limited company incorporated on 23 February 2017 under the provisions of the Act, having its registered office at 201, Devavrata, Sector 17, Vashi, Navi Mumbai, Mumbai - 400703, Maharashtra. SSL Pharma has been incorporated with the object of, *inter alia*, undertaking the business of manufacturing, production, processing, formulating, sale, import, export, merchandising, distributing, trading of and dealing in active pharmaceutical ingredients. The entire issued and paid up share capital of SSL Pharma is held by Strides Shasun Limited and its nominees.

The key features of the Scheme provided to and relied upon by us for framing an Opinion on Share Entitlement Ratio 1 in consideration of the Demerged Businesses are as under:

- I. All the properties of the Demerged Company 1 and Demerged Company 2 forming part of the Demerged Business 1 and Demerged Business 2 immediately before the First Demerger and Second Demerger shall become the properties of the Resulting Company by virtue of First Demerger and Second Demerger respectively;
- II. All the liabilities relatable to the Demerged Company 1 and Demerged Company 2 forming part of the Demerged Business 1 and Demerged Business 2 immediately before the First Demerger and Second Demerger shall become the liabilities of the Resulting Company by virtue of the First Demerger and Second Demerger respectively;
- III. All the properties and the liabilities relatable to the Demerged Company 1 and Demerged Company 2 forming part of the Demerged Business 1 and Demerged Business 2 shall be transferred to the Resulting Company at the values appearing in the books of account of



- the Demerged Company 1 and Demerged Company 2 immediately before the First Demerger and Second Demerger respectively;
- IV. the Resulting Company shall issue, in consideration of the First Demerger and Second Demerger, shares to the shareholders of the Demerged Company 1 and Demerged Company 2 in the respective Share Entitlement Ratios;
  - V. All the shareholders of the Demerged Company 1 and Demerged Company 2 shall become the shareholders of the Resulting Company by virtue of the First Demerger and Second Demerger;
  - VI. the transfer of the Demerged Business 1 and Demerged Business 2 shall be on a going concern basis
  - VII. Share Entitlement Ratio 1 is based on the joint valuation report dated March 20, 2017 submitted by S.R. Batliboi & Co. LLP and Price Waterhouse & Co. LLP appointed by the Board.
  - VIII. The appointed date for the proposed demerger of Demerged Business 1 and Demerged Business 2 into SSL Pharma is October 1, 2017

We have taken the foregoing facts (together with the other facts and assumptions set forth in section III of this Opinion) into account when determining the meaning of “fairness” for purposes of this Opinion.

### **III. Limitation of Scope and Review**

Our Opinion and analysis is limited to the extent of review of documents as provided to us by the Demerged Company 1 and Demerged Company 2 including the valuation report dated March 20, 2017 submitted by S.R. Batliboi & Co. LLP and Price Waterhouse & Co. LLP appointed by the Board.

We have relied upon the accuracy and completeness of all information and documents provided to us, including:

- The provisional historical carved out financial statements of the Demerged Business 1 for the period FY15, FY16 and 9MFY17
- The provisional historical carved out financial statements of the Demerged Business 2 for the period FY16 and 9MFY17
- Provisional financials for Shasun USA (100% subsidiary of SSL), Chemsynth (49% subsidiary of SSL) and Sequent Penems (89% subsidiary of Sequent) for the 9 months period ended 31 December 2016
- Details of ESOPs outstanding as at Valuation date



- Details of surplus assets
- Draft scheme of arrangement
- The financial projections of Demerged Business 1 and Demerged Business 2 for the period Q4FY17 as well as the period from FY2018 to FY2022 and management information as provided to us by the management of Demerged Company 1 and Demerged Company 2.
- Other information, explanations and representations provided by the management of the companies.
- Valuation report dated March 20, 2017 submitted by S.R. Batliboi & Co. LLP and Price Waterhouse & Co. LLP appointed by the Board.

The Company has been provided with the opportunity to review the draft Opinion as part of our standard practice to make sure that factual inaccuracy / omissions are avoided in our final Opinion.

We have not carried out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the Demerged Business 1 or Demerged Business 2 or Demerged Company 1 or Demerged Company 2 or Resulting Company or their respective subsidiaries. In particular, we do not express any opinion as to the value of any asset of the Demerged Business 1 or Demerged Business 2 or Demerged Company 1 or Demerged Company 2 or Resulting Company or their respective subsidiaries, whether at current prices or in the future.

No investigation of the Companies claim to title of assets has been made by us for the purpose of this exercise and the Companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the account. Therefore, no responsibility whatsoever is assumed for matters of a legal nature. Our report is not and should not be constructed as our opining or certifying the compliance of the proposed Scheme of arrangement with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed merger.

One should note that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. Moreover, in this case where shares of the Resulting Company are being issued as consideration to the shareholders of the Demerged Company 1 or Demerged Company 2, it is not the absolute per share values that





are important for framing an opinion but the relative per share values of the Resulting Company vis-a-vis share value of the Demerged Company 1 and Demerged Company 2.

We do not express any opinion as to the price at which shares of the Transferee Company may trade at any time, including subsequent to the date of this Opinion. In rendering our Opinion, we have assumed, that the Scheme will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary Regulatory or third party approvals for the Scheme, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the Demerged Company 1, the Demerged Company 2 or the Resulting Company and / or its subsidiaries and their respective shareholders.

Our opinion also does not address any matters otherwise than as expressly stated herein, including but not limited to matters such as corporate governance matters, shareholders rights or any other equitable considerations. We have also not opined on the fairness of any terms and conditions of the Composite Scheme of Arrangement other than the fairness, from financial point of view, of the Share Entitlement Ratio 1.

We do not express any Opinion as to any tax or other consequences that might arise from the Scheme on the Demerged Business 1 and / or its subsidiaries, the Demerged Business 2 and / or its subsidiaries or the Resulting Company and / or its subsidiaries and their respective shareholders, nor does our Opinion address any legal, tax, regulatory including all SEBI regulations or accounting matters, as to which we understand that the Companies have obtained such advice as it deemed necessary from qualified professionals. In addition, we express no view or opinion as to the fairness of the amount or nature of, or any other aspects relating to, the compensation to any officers, directors or employees of any parties to the Scheme, or class of such persons, relative to the Entitlement Ratio or otherwise.

We assume no responsibility for updating or revising our Opinion based on circumstances or events occurring after the date hereof. Our Opinion is specific to the of Demerged Business 1 into Resulting Company as contemplated in the Scheme provided to us and is not valid for any other purpose. It is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

We have in the past provided, and may currently or in the future provide, investment banking services to Demerged Company 1 or Demerged Company 2 and/or its subsidiaries or their respective affiliates that are unrelated to the proposed Scheme, for which services we have received or may receive customary fees. In addition, in the ordinary course of their respective businesses, affiliates of Axis Capital Ltd. may invest in securities of Demerged Company 1 or

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Demerged Company 2 and / or its subsidiaries or group companies or for their own accounts and for the accounts of their customers subject to compliance of SEBI (Prohibition of Insider Trading) Regulations and, accordingly, may at any time hold a position in such securities. Our engagement and the Opinion expressed herein are for the benefit of the Board of Directors of to Demerged Company 1 in connection with its consideration of the Scheme and for none other. Neither Axis Capital Ltd., nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the information and documents provided to us, based on which the Opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.

Our fee for our services will be payable on the delivery of this report and is not contingent on the successful completion of the Scheme. In addition, Strides has agreed to reimburse certain of our expenses and indemnify us against certain liabilities arising out of our engagement. This Opinion is subject to the laws of India.

Our Opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Scheme or any matter related thereto.

#### **IV. Conclusion**

In respect of demerger of Demerged Business 1 and Demerged Business 2 with Resulting Company, based on and subject to the foregoing, we are of the opinion that, as of the date hereof, Share Entitlement Ratio 1 is fair, from a financial point of view, to the equity shareholders of Demerged Company 1.

Very truly yours,

**For Axis Capital Ltd.**

A handwritten signature in black ink, appearing to read 'Lalit Ratadia', written over a horizontal line.

**Lalit Ratadia**  
**Authorised Signatory**  
**Investment Banking**