

REPORT OF THE INDEPENDENT DIRECTORS OF SANOFI INDIA LIMITED DATED 10TH MAY 2023 RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN SANOFI INDIA LIMITED AND SANOFI CONSUMER HEALTHCARE INDIA LIMITED.

The Committee of Independent Directors by way of a circular resolution dated 10th May 2023, approved and adopted the report of the ID Committee (*defined below*) in relation to the Scheme (*defined below*).

The following Independent Directors consented to the passing of the circular resolution:

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| a. Mr. Aditya Narayan | Independent Director, Chairman of the Board |
| b. Mrs. Usha Thorat | Independent Director |
| c. Mr. Rahul Bhatnagar | Independent Director |

Background

1. A circular resolution was passed by the committee of Independent directors ("**ID Committee**") on 10th May 2023, *inter-alia*, to consider and if thought fit, recommend to the Board of Directors (the "**Board**") of Sanofi India Limited (the "**Company**"), the proposed Scheme of Arrangement between the Company and Sanofi Consumer Healthcare India Private Limited, a wholly owned subsidiary of the Company, ("**Resulting Company**") for the demerger of the consumer healthcare undertaking of the Company and transfer of such demerged undertaking to the Resulting Company in the manner set out under Sections 230-232 of the Companies Act 2013, as amended (the "**Act**") and other applicable provisions of the Act between the Company and its members (the "**Scheme**").
2. The draft Scheme will be presented to the jurisdictional National Company Law Tribunal under Section 230 of the Act, the rules and regulations made thereunder and will be in compliance with the Securities and Exchange Board of India master circular dated 23rd November 2021 bearing reference no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 ("**SEBI Master Circular**").
3. The ID Committee notes and takes on record that the Board reserves the right to ratify the Scheme by way of a circular resolution passed by the Board.

Requirement of SEBI Master Circular.

4. The ID Committee noted that in terms of the SEBI Master Circular, the ID Committee of a listed company is required to recommend the draft Scheme to the Board, after taking into consideration *inter-alia*, that the Scheme is not detrimental to the shareholders of the listed entity and any other matters specified in the SEBI Master Circular.
5. This Report of the ID Committee is made in order to comply with the requirements of the SEBI Listing Obligations and Disclosure Requirements ("**SEBI Regulations**") and the SEBI Master Circular.



Documents placed before ID Committee

6. This report of the ID Committee is being issued in compliance with the SEBI Master Circular. The ID Committee has made this report after perusing the following documents:
- (a) draft Scheme, initialled by the Chief Financial Officer & Company Secretary, for the purpose of identification.
 - (b) Certificate dated 10th May 2023 issued by PWC, Chartered Accountants, the Statutory Auditors of the Company to the effect that the accounting treatment contained in the Scheme is in compliance with all the accounting standards specified by the Central Government under Section 133 and other applicable provisions of the Act or the accounting standards issued by the Institute of Chartered Accountants of India, as applicable, and other generally accepted accounting principles;
 - (c) Certificate dated 10th May 2023 issued by PWC, Chartered Accountants, the Statutory Auditors of the Company, certifying that the approval of the majority of the public shareholders as prescribed under paragraph (A)(10)(b) of Part I of the SEBI Master Circular is not applicable to the Scheme.
 - (d) Draft share entitlement ratio report dated 10th May 2023, obtained from KPMG Valuation Services LLP, Registered Valuer recommending the Demerger Share Entitlement Ratio;
 - (e) Draft form of the Fairness Opinion dated 10th May 2023, issued by BofA Securities India Limited, a SEBI registered, Merchant Banker;
 - (f) Audited financial statements of the Company for last 3 years (the financial year of the Company being from 1 January to 31 December);
 - (g) Un-audited financial results of the Company for the quarter ended 31st March 2023 with the limited review report of the auditor; and
 - (h) other presentations, reports, documents, and information furnished before the ID Committee by the management.

Need for and rationale of the Scheme.

7. The ID Committee noted that the proposed Scheme would be in the best interests of the Company, the Resulting Company and their respective shareholders and creditors as the proposed demerger will yield advantages of increased business synergies and unlocking of shareholder value, in the manner set out below:
- (a) separation of the pharmaceutical and consumer healthcare businesses of the Company will allow the Company and the Resulting Company to have independent and focused management as well as independently pursue different opportunities and strategies for the growth of each respective businesses aligned to specific market dynamics;





- (b) it will enable a different operating model for the consumer healthcare business under the Resulting Company, specific and fit for the purpose for a fast-moving consumer healthcare company, which would lead to a greater ability to operate independently and positively shape the consumer healthcare environment;
- (c) the requirements of the businesses of the Company and the Resulting Company, including in terms of operations, nature of risks, competitive advantages and strategies and regulatory compliances are different and the demerger will allow for enhancement of the business models of both the Company and the Resulting Company;
- (d) the shareholders, investor, analyst community and other stakeholders will have greater understanding and visibility of both the pharmaceutical and consumer healthcare businesses;
- (e) the proposed demerger will not only facilitate pursuit of scale and independent growth plans but also more focused management and stronger leverage of specific global resources within the Sanofi group. It will also facilitate flexibility in terms of providing liquidity for shareholders (following the listing of the shares of the Resulting Company),
- (f) the proposed demerger will de-risk both the businesses from each other and allow potential investors and other stakeholders the option of investing in both businesses; and
- (g) the proposed demerger will unlock value for the shareholders of the Company.

Key features of the Scheme

8. The salient features of the draft Scheme are as under:

- (a) The draft Scheme provides for demerger of the consumer healthcare business (demerged undertaking) from the Company into the Resulting Company.
- (b) The Appointed Date under the Scheme is the Effective Date, subject to the sanction of regulatory authorities, as set out in the Scheme.
- (c) Upon the Scheme becoming effective, all the assets and liabilities and the business pertaining to the consumer healthcare business of the Company shall stand transferred to and vest in the Resulting Company, as a going concern.
- (d) Upon the Scheme becoming effective, 1 fully paid-up equity shares of Rs. 10 each of the Resulting Company shall be issued and allotted to the equity shareholders of the Company for every 1 equity shares of Rs. 10 each held in the Company.
- (e) Upon the Scheme becoming effective, the equity shares of Resulting Company held by the Company will stand cancelled on or after the Effective Date (as set out in the Scheme) by operation of law, without payment of any consideration or any further act or deed by either of the Company and the Resulting Company.





- (f) Upon the coming into effect of this Scheme, the Resulting Company shall record the assets and liabilities pertaining to the consumer healthcare business of the Company vested in it pursuant to this Scheme (which cease to be the assets and liabilities of the Company), at the respective book values thereof, as appearing in the books of the Company at the close of the day immediately preceding the Effective Date (as set out under the Scheme).

Benefits of the Scheme

9. After a careful evaluation of the business of the Company, the Company believes that segregation of the consumer healthcare undertaking of the Company to house such undertaking in the Resulting Company will *inter-alia* 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 the Resulting Company) but also de-risk both the businesses from each other and allow potential investors and other stakeholders the option with choosing the businesses.

View of the Independent Directors - Scheme not detrimental to the shareholders of the Company

10. The proposal to undertake the Scheme between the Company and the Resulting Company under Sections 230-232 of the Act was placed before the ID Committee at its meeting on 10th May 2023 and through circular resolution. The ID Committee was informed that under the Scheme, it was proposed to demerge the consumer healthcare undertaking of the Company and transfer such undertaking to vest in the Resulting Company.
11. The ID Committee noted the background, salient features, rationale and the benefits to the Company and its shareholders, as set out above, of the proposed Scheme as placed before it.
12. In view of the fact that would be in the best interests of the Company, the Resulting Company and their respective shareholders and creditors as the proposed demerger will yield advantages of unlocking of shareholder value, the ID Committee after due deliberations and due consideration of all the terms of the draft Scheme and other documents presented before the ID Committee, hereby unanimously notes and is of the opinion that the Scheme is not detrimental to the interests of the Company and its shareholders.

Recommendation of the ID Committee

13. The ID Committee after due deliberations and due consideration of the draft Share Entitlement Ratio Report, draft Fairness Opinion, all the terms of the draft Scheme, rationale of the Scheme, impact of Scheme on the shareholders of the Company and other documents presented before the ID Committee, recommends the draft Scheme for favourable consideration by the Board of the Company, BSE Limited, National Stock Exchange of India Limited, SEBI and other appropriate authorities for their favourable consideration and approval.



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14. This report of the ID Committee is made in compliance with the SEBI Master Circular after considering the necessary documents that are applicable in context of the Scheme.

For and on behalf of the Independent Directors of
Sanofi India Limited


ADITYA NARAYAN
Chairman

Place: Gurugram

Date: 10th May 2023

