

**NOTE ON THE SCHEME COVERING BUSINESS AND FINANCIAL ASPECTS OF THE SCHEME**

1. The Scheme, inter alia, provides for the demerger of NCE Research Unit of PLSL into PHL with effect from April 1, 2011, the Appointed Date.
2. NCE Research is the research of New Chemical Entities which are basically, new and innovative medicinal molecules researched for providing remedies to ailments and diseases. This also includes research of new drug delivery systems which bring about innovative ways of delivering the medicines within the human body for a quicker and more effective healing or relief of the target ailment.

**RATIONALE FOR THE PROPOSED SCHEME OF ARRANGEMENT**

- 3.1 The NCE Research activity of PLSL was in fact earlier carried on by PHL, until 2007-08, when it was demerged from PHL into PLSL under a Scheme of Arrangement (“the Earlier Demerger”)
- 3.2 One of the key reasons for the Earlier Demerger, was that by its very nature, NCE Research is a high-risk-high-reward activity requiring substantial funding till the respective research projects proceed to market. It was then felt that the Earlier Demerger of the NCE Research business into a separate entity would facilitate such funding, including by way of venture capital funding. However, since the last 3 years, PLSL was unable to secure such funding at the desired valuations. In order to continue the progress of its various research projects, it continued to rely upon PHL for funding.

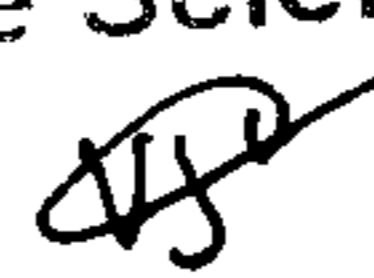
**Piramal Life Sciences Limited**

  
**Company Secretary**

- 3.3 In the meanwhile, PLSL has been making substantial progress in its various research projects. Its pipeline of research projects has also increased. This has relatively reduced the risk profile of the NCE Research business of PLSL.
- 3.4 PHL is now in possession of substantial funds from the sale of its Domestic Formulations Business to Abbott Healthcare Private Limited and has been exploring various strategic business opportunities for an efficient and productive use of such funds. One of the business opportunities identified by PHL in this regard, is NCE Research, keeping in mind the knowledge, expertise and skills that PHL has acquired over the years in the pharmaceutical industry as well as the potential for high reward that this business holds. Further, PHL would be in a much better position to leverage its experience in the pharmaceutical industry for distributing and marketing the NCEs upon their progress to market. Also, looking at the pipeline of research projects and progress made by PLSL since the Earlier Demerger, the resultant reduction in risk profile and the fact that PHL is now in a much stronger position to absorb the risks relating to NCE Research, getting this business back into its fold has fit snugly in PHL's business strategy.
- 3.5 Post the Demerger, PLSL would continue to carry on its remaining business, which largely comprises the herbal business activity.

#### **4 SHARE EXCHANGE RATIO**

- 4.1 As a consideration for the demerger of the NCE Research Unit of PLSL into PHL, PHL shall issue and allot, equity shares to the shareholders of PLSL in the following ratio:

**Piramal Life Sciences Limited**  
  
**Company Secretary**

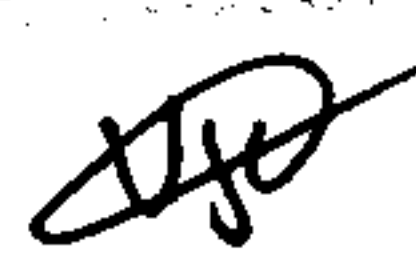
“1 (One) fully paid equity share of Rs. 2 (Rupees Two) of PHL shall be issued and allotted for every 4 (Four) equity shares of Rs. 10 (Rupees Ten) each held in PLSL.”

4.2 In terms of clause 5.2 of the Scheme, all fractional entitlement(s) arising out of the allotment of shares by PHL as aforesaid shall be consolidated and allotted to a director or an officer of PHL or such other person as the Board of Directors of PHL shall appoint in this behalf who shall hold the shares in trust on behalf of the members entitled to fractional entitlements with the express understanding that such director(s) or officer(s) or person(s) shall sell the same at such time or times and at such price or prices and to such person or persons, as it/ he/ they may deem fit, and pay to PHL, the net sale proceeds thereof, whereupon PHL shall distribute such net sale proceeds, subject to taxes, if any, to the members in proportion to their respective fractional entitlements.

## **FOLLOWING ARE THE FINANCIAL ASPECTS OF THE SCHEME**

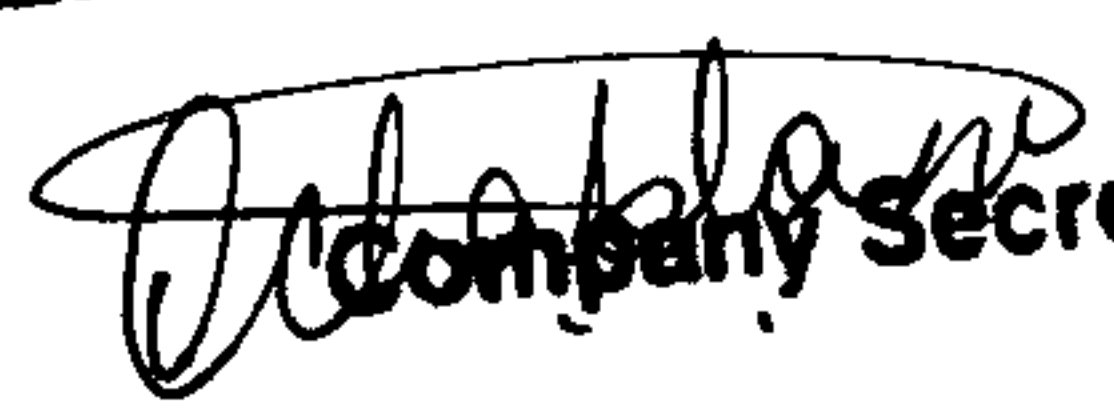
### **5 IN THE BOOKS OF PLSL**

5.1 In the books of PLSL, the balance in its Securities Premium Account as on the Appointed Date, shall be utilized to adjust the debit balance in its profit and loss account relating to the NCE Research Unit, to the extent feasible. The excess or deficit of the book value of assets over the book value of liabilities (including the unadjusted debit balance in profit and loss account) of the NCE Research Unit transferred to PHL, shall be recorded as Capital Reserve or Goodwill, as the case may be. The utilisation of Securities Premium Account, is being effected as an integral part of the Scheme itself in accordance with the provisions of Section 78 and Sections 100 to 103 of the Companies Act, 1956.

Piramal Life Sciences Limited  
  
Company Secretary

## 6 IN THE BOOKS OF PHL

- 6.1 PHL shall record the assets and liabilities pertaining to the NCE Research Unit, at the respective book values as on the opening of business hours on the Appointed Date.
- 6.2 PHL shall credit to its share capital account, the aggregate face value of the Equity Shares issued by it under the Scheme.
- 6.3 Loans and advances and other dues outstanding between PHL and PLSL pertaining to NCE Research Unit will stand cancelled and there shall be no further obligation / outstanding in that behalf.
- 6.4 The reserves pertaining to NCE Research Unit (including debit balance in Profit and Loss account of the NCE Research Unit remaining unadjusted after adjusting against the securities premium account as per Clause 6 of the Scheme) shall be recorded by PHL in the same manner as appearing in the books of PLSL and as an addition or adjustment to the similar reserve / balance appearing in the books of PHL.
- 6.5 The difference arising in the balance sheet of PHL after giving effect to the above, shall be recorded as Capital Reserve or Goodwill as the case may be.

**Piramal Life Sciences Limited**  
  
**Company Secretary**