



REPORT OF THE AUDIT COMMITTEE OF SANOFI INDIA LIMITED DATED 8TH MAY 2023 RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN SANOFI INDIA LIMITED AND SANOFI CONSUMER HEALTHCARE INDIA LIMITED

The following members of the Audit Committee were present:

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| a. Mrs Usha Thorat | Chairperson, Independent Director |
| b. Mr. Aditya Narayan | Independent Director |
| c. Mr. Rahul Bhatnagar | Independent Director |
| d. Mrs. Annapurna Das | Non-Executive Director |

Background.

1. A meeting of audit committee ("**Audit Committee**") was held on May 8th, 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 Limited, a proposed wholly owned subsidiary of the Company, that is currently under the process of getting incorporated in accordance with the Act (*defined below*) and for the incorporation of which, Form SPICE + Part B, bearing SRN AA2324875 has been filed with the Ministry of Corporate Affairs ("**Resulting Company**") for the demerger of the consumer healthcare business of the Company and subsequent transfer of such demerged undertaking to the Resulting Company (the "**Scheme**") in the manner set out under Sections 230-232 of the Companies Act 2013, as amended (the "**Act**"), the applicable provisions of the Act between the Company and its members.
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 (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Regulations**") and the Securities and Exchange Board of India ("**SEBI**") master circular dated 23 November 2021 bearing reference no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 ("**SEBI Master Circular**").
3. The Audit Committee notes and takes on record that subsequent to the incorporation of the Resulting Company, 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 Audit Committee noted that in terms of the SEBI Master Circular, the Audit Committee of a listed company is required to recommend the draft Scheme to the Board, after taking into consideration *inter-alia*, the draft share entitlement report obtained in relation to the draft Scheme. In addition, the report of the Audit Committee is required to comment on: (a) the need for the demerger; (b) rationale of the Scheme; (c) synergies of business of the entities involved in the Scheme; (d) impact of the Scheme on the shareholders; and (e) the cost benefit analysis of the Scheme. This report of the Audit Committee is made in compliance with the SEBI Master Circular. Capitalised terms used but not defined herein shall have the meanings set out in the draft Scheme.

Documents placed before Audit Committee.

5. This report of the Audit Committee is being issued in compliance with the SEBI Master Circular and other provisions of the applicable law. The Audit Committee has made this report after perusing the following documents:
- (a) draft Scheme, initialled by the Chief Financial Officer and Company Secretary, for the purpose of identification; and
 - (b) Draft certificate 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; ("**Auditors Certificate**")
 - (c) Draft certificate 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, obtained from KPMG Valuation Services LLP, Independent Registered Valuer recommending the Demerger Share Entitlement Ratio; ("**Share Entitlement Ratio Report**")
 - (e) Draft form of the Fairness Opinion, issued by BofA Securities India Limited, a SEBI registered, Independent Merchant Banker; ("**Fairness Opinion**")
 - (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 Audit Committee by the Management / Registered Valuers / Merchant Bankers.

Need for and rationale of the draft Scheme.

6. The Audit Committee noted that the draft Scheme is being proposed with the following objectives and rationale:
- (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) the proposed demerger 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 enable 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.

7. Key features of the draft Scheme.

- (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 share of Rs. 10 each of the Resulting Company shall be issued and allotted to the equity shareholders of the Company for every 1 equity share 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).

Synergies of business of the entities involved in the Scheme

8. The Audit Committee noted that the Scheme does not involve merger of business of the Company but provides for demerger of the consumer healthcare business of the Company. The said demerger would entail the benefits specified in paragraph 7 above.

Costs benefit analysis of the Scheme.

9. After a careful evaluation of the proposed draft Scheme, the Company believes that the proposed demerger will increase value for the shareholders of the Resulting Company over time as it is expected that Resulting Company's share value will rerate in line with its peers in the fast-growing consumer healthcare space. Upon incorporation, the Resulting Company will be a wholly-owned subsidiary of the Company and post effectiveness of the Scheme, the shareholders of the Company are to be allotted shares in the Resulting Company in accordance with the Demerger Share Entitlement Ratio (as set out in the Scheme), the Scheme thus facilitates increased value for the shareholders of the Company.
10. Although the proposed Scheme includes certain implementation costs, the benefits of the Scheme over a longer period would, in the view of the Audit Committee, outweigh such costs for the Company and the shareholders of the Company, on account of several factors, including that the Scheme would separate the pharmaceutical business and the consumer healthcare business and allow potential investors and other stakeholders an option in terms of making a choice for either or both businesses.

View of the Audit Committee and impact of Scheme on the Shareholders.

11. The proposal to undertake the Scheme between the Company and the Resulting Company under Sections 230-232 of the Act, in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the SEBI Master Circular was placed before the Audit Committee at its meeting on May 8th, 2023. The Audit Committee was informed that under the draft Scheme, it was proposed to demerge the consumer healthcare undertaking of the Company and transfer such undertaking to vest in the Resulting Company.
12. The Audit Committee noted the background, salient features, rationale and the benefits to the Company and its shareholders, as set out above, of the draft Scheme as placed before it.

13. In view of the fact that the execution of the Scheme would be in the best interests of the Company, the Resulting Company and their respective shareholders and creditors on account of the proposed demerger unlocking shareholder value, the Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme and other documents presented before the Audit 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 Audit Committee.

14. The Audit 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 Audit 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.

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

For and on behalf of
Sanofi India Limited



USHA THORAT
Chairperson
Audit Committee of Sanofi India Limited.

Place: Chennai

Date: May 8th, 2023