

MUKESH M. SHAH & CO.

CHARTERED ACCOUNTANTS

To
Board of Directors,
Zydus Lifesciences Limited
Zydus Corporate Park, Scheme No. 63,
Survey No. 536, Khoraj (Gandhinagar),
Sarkhej - Gandhinagar Highway, Near Vaishnodevi Circle,
Ahmedabad- 382 481,
Gujarat, India

Dear Sir/ Madam

Re: Proposed buyback of up to 59,70,149 equity shares of face value INR 1/- each ("Equity Share") of Zydus Lifesciences Limited (formerly known as "Cadila Healthcare Limited") (hereinafter referred as "the Company") at a price of INR 1,005/- per Equity Share under tender offer route ("Buyback") in accordance with the provisions of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018, as amended ("Buyback Regulations").

Scope and Purpose

We have been informed that the board of directors of the Company, pursuant to their meeting held on February 9, 2024, have decided to undertake the Buyback, through the tender offer process, in accordance with Section 68 and other applicable provisions of the Companies Act, 2013 as amended and the provisions under the Buyback Regulations, at a price of INR 1,005/- per Equity Share. We have been requested by the company to provide a note on the Statement of Tax benefits under The Income Tax Act, 1961 for the company and the shareholders on account of buyback of equity shares of the company.

Management's Responsibility

It is the responsibility of the management of the company to record and maintain all information and documents relevant to the aforesaid proposed transaction of buyback of equity shares. The management has represented that the documents and information maintained by it are free from material misstatement, whether due to fraud or error. For the purpose of this certificate along with memorandum of summary of direct tax implications on the provisions of buyback we have relied upon the aforesaid documents and information.

It is the responsibility of the management of the company to comply with all the requirements as prescribed under the various laws viz. Companies Act, 2013, Income Tax Act, 1961, SEBI Buyback regulations 2018 etc., as applicable to the proposed transaction of buyback of equity shares.

Our Responsibility

The memorandum given by us does not constitute either an audit or a review made in accordance with the provisions of Companies Act read with the SEBI Buy Back Regulations, 2018 in this regard. The Annexure provided herewith is not binding on any regulators and there can be no assurance that the regulators will not take a position contrary to the same. If there is any change



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in the applicable laws or regulations, the memorandum would necessarily have to be re-evaluated. We shall not be responsible for any financial or other loss that any person may suffer by relying on the memorandum.

The company or other users of the memorandum shall apply their own judgement while relying on it for whatsoever matter. The Firm shall not be liable for any and all losses, claims, damages and liabilities, whatsoever and howsoever caused, incurred, sustained or arising from, or in connection with, any difference of opinion by any person or statutory authority with this working. In view of the particularized nature of the direct tax consequences, the shareholders are required to consult their tax advisors for the applicable tax provisions including the treatment that may be given by their respective tax officers in their case, and the appropriate course of action that they should take.

Shareholder, who are non-residents in India, in respect of direct tax consequence (including capital gain tax, if any) in their state of residence, are required to consult their tax advisors for the applicable tax and the appropriate course of action that they should take considering the provisions of the relevant country or state tax law and provisions of DTAA, where applicable.

The memorandum being issued by us is limited to the information provided by the management of the company to ensure that it gives a true and fair summary of the Income Tax provisions related to the Buyback of equity shares in the hands of the Company and the equity shareholders. The memorandum sets out the provisions of the law in a summary manner only and does not purport to be a complete analysis or listing of all potential tax consequences of the disposal of equity shares.

We conducted our examination in accordance with the Guidance Note on Reports or certificates for Special Purposes ("Guidance Note") issued by the Institute of Chartered Accountants of India and Standards on Auditing specified under Section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate. The Guidance note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audit and Review of Historical Financial Information, and Other Assurance and related services engagements.

Opinion

In connection with the above, based on our examination, we are of the opinion that the attached memorandum [enclosed herewith as Annexure 1] provides a reasonable and fair summary of direct tax implications applicable on the Company and the equity shareholders of the Company in respect of Buyback of equity shares by the company.

Restriction on Use

The memorandum may be relied upon by the Company, manager to the Buyback and the legal counsel appointed by the Company in relation to the Buyback. We hereby consent to our name



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and extracts of or reference to this memorandum, being used in the draft letter of offer, the letter of offer and other documents, as required, in connection with the Buyback. We also consent to the submission of this memorandum as may be necessary, to any regulatory authority and/ or for the records to be maintained by the Manager to the Buyback in connection with the Buyback and in accordance with the applicable law. Other than the express consent given hereinbefore, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this memorandum is shown or into whose hands it may come without our prior consent in writing.

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm registration number: 106625W

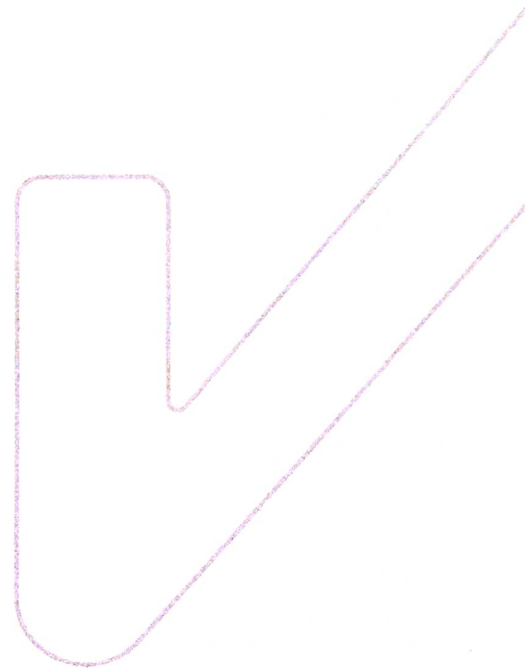
Karnik K. Shah

Karnik K. Shah
Partner

UDIN: 24129675BKBMJX8593

Date: February 23, 2024

Place: Ahmedabad



Annexure 1 to certificate with UDIN 24129675BKBMJX8593
Memorandum - Note on taxation

Disclosures in this paragraph are based on expert opinion sought by the Company.

THE SUMMARY OF THE TAX CONSIDERATIONS IN THIS SECTION ARE BASED ON THE CURRENT PROVISIONS OF THE TAX LAWS OF INDIA AND THE REGULATIONS THEREUNDER, THE JUDICIAL AND THE ADMINISTRATIVE INTERPRETATIONS THEREOF, WHICH ARE SUBJECT TO CHANGE OR MODIFICATION BY SUBSEQUENT LEGISLATIVE, REGULATORY, ADMINISTRATIVE OR JUDICIAL DECISIONS. ANY SUCH CHANGES COULD HAVE DIFFERENT TAX IMPLICATIONS ON THESE TAX CONSIDERATIONS.

IN VIEW OF THE PARTICULARIZED NATURE OF TAX CONSEQUENCES, SHAREHOLDERS ARE REQUIRED TO CONSULT THEIR TAX ADVISORS FOR THE APPLICABLE TAX PROVISIONS INCLUDING THE TREATMENT THAT MAY BE GIVEN BY THEIR RESPECTIVE TAX OFFICERS IN THEIR CASE, AND THE APPROPRIATE COURSE OF ACTION THAT THEY SHOULD TAKE.

THE COMPANY DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR OTHERWISE OF THIS TAX SUMMARY AND THERE CAN BE NO LIABILITY ON THE COMPANY IF ANY ACTION IS TAKEN BY THE SHAREHOLDER SOLELY BASED ON THIS TAX SUMMARY. THEREFORE, SHAREHOLDERS CANNOT RELY ON THIS ADVICE AND THE SUMMARY TAX IMPLICATIONS RELATING TO THE TREATMENT OF INCOME TAX IN THE CASE OF BUYBACK OF EQUITY SHARES LISTED ON THE STOCK EXCHANGE SET OUT BELOW SHOULD BE TREATED AS INDICATIVE AND FOR GUIDANCE PURPOSES ONLY.

1. GENERAL

The Indian tax year runs from April 1 to March 31. The basis of charge of Indian income-tax depends upon the residential status of the taxpayer during a tax year. A person who is a tax resident of India is liable to taxation in India on his worldwide income, subject to certain prescribed tax exemptions provided under the Income Tax Act, 1961 ("ITA").

A person who is treated as a non-resident for Indian tax purposes is generally liable to tax in India only on his/her Indian sourced income or income received by such person in India.

In case of shares of a company, the source of income from shares would depend on the "situs" of the shares. As per ITA and Judicial precedents, generally the "situs" of the shares is where company is "incorporated" and where its shares can be transferred. Accordingly, since the Company is incorporated in India, the shares of the Company would be "situated" in India and any gains arising to a non-resident on transfer of such shares should be taxable in India under the ITA subject to any specific exemption in this regard. Further, the non-resident can avail the beneficial tax treatment prescribed under the Double Taxation Avoidance Agreement ("DTAA"), as modified by the Multilateral Instrument (MLI), if the same is applicable to the relevant DTAA between India and the respective country of which the said shareholder is tax resident.

The above benefit may be available subject to satisfying relevant conditions prescribed under ITA including but not limited to availability of Tax Residency Certificate, non-applicability of General Anti-Avoidance Rule ("GAAR") and providing and maintaining necessary information and documents as prescribed under ITA as well as satisfying the relevant conditions under the respective DTAA including anti-abuse measures under the MLI, if applicable.



2. CLASSIFICATION OF SHAREHOLDERS

Section 6 of the ITA, determines the residential status of an assessee. Accordingly, shareholders can be classified broadly in two categories as below:

A. Resident Shareholders being:

- Individuals, Hindu Undivided Family ("HUF"), Association of Persons ("AOP"), Body of Individuals ("BOI"), Firm and Limited Liability Partnership ("LLP")
- Others (corporate bodies):
 - Company
 - Other than Company

B. Non-Resident Shareholders being:

- Non-Resident Indians (NRIs)
- Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs)
- Others:
 - Foreign Company
 - Foreign non-corporate shareholders Other than Company

3. INCOME TAX PROVISIONS IN RESPECT OF BUYBACK OF EQUITY SHARES LISTED ON RECOGNISED STOCK EXCHANGE

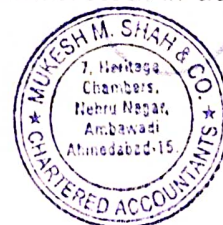
Section 115QA of the ITA introduced w.e.f. June 1, 2013 contains provisions for taxation of a domestic company in respect of buy-back of shares (within the meaning of Sec. 68 of the Companies Act, 2013). The Section provides for the levy of additional income-tax at the rate of twenty per cent (as increased by surcharge and Health and Education Cess, as applicable) of the distributed income on account of buyback of shares of all domestic Indian companies including listed companies, i.e. companies whose shares are listed on a recognized stock exchange.

Distributed Income is defined under section 115QA to include Consideration paid by the company on buyback of Shares as reduced by the amount which was received by the company on issue of such shares, determined in the manner specified in Rule 40BB.

The tax on the distributed income by the company shall be treated as the final payment of tax in respect of the said income and no further credit therefor shall be claimed by the company or by any other person in respect of the amount of tax so paid.

No deduction under any other provision of this Act shall be allowed to the company or a shareholder in respect of the income which has been charged to tax:

As additional income-tax has been levied on the company under Section 115QA of the Income Tax Act, the consequential income arising in the hands of shareholders has been exempted from tax under section 10(34A) of the Income Tax Act. Accordingly, any income arising in the hands of shareholder (whether resident or non-resident) on account of buyback of shares shall be exempt from any subsequent tax in India irrespective of the characterization of the shares, i.e. whether long term or short term or held as investment or stock-in-trade.



Thus, the tax implications to the following categories of shareholders are as under:

A. Resident Shareholders or Deemed Resident Shareholders

Income arising to the shareholder on account of buy-back of shares as referred to in section 115QA of the ITA is exempt from tax under the provisions of the amended section 10(34A) of the ITA with effect from July 5, 2019.

B. Non-Resident Shareholders

While the income arising to the shareholder on account of buy back of shares as referred to in section 115QA of the ITA is exempt from tax under the provisions of the amended section 10(34A) with effect from July 5, 2019 in the hands of a Non-resident as well, the same may be subject to tax in the country of residence of the shareholder as per the provisions of the tax laws of that country. The credit of tax may or may not be allowed to such Non-resident shareholder to be claimed in the country of residence in respect of the buy-back tax paid by the company in view of Sec 115QA (4) and (5) of the ITA. Non-resident shareholders need to consult their tax advisors with regard to availability of such a tax credit.

4. TAX DEDUCTION AT SOURCE

The Company is not required to deduct tax at source on the consideration payable to shareholder (whether resident or non-resident) pursuant to the Buyback.

5. SECURITIES TRANSACTION TAX

Since the Buyback of shares shall take place through the settlement mechanism of the Stock Exchange, Securities Transaction Tax will be applicable at the applicable rate.

Caveat:

The summary of the tax considerations as above is based on the current provisions of the tax laws of India, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

In view of the specific nature of tax consequences, shareholders who are not tax residents of India are required to consult their tax advisors for the applicable tax and the appropriate course of action that they should take considering the provisions of the relevant Country or State tax law and provisions of DTAA where applicable.



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