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PwC Business Consulting Services LLP
The Millenia, Tower D, 7th Floor,
Murphy Road, Ulsoor,
Bangalore – 560008

Dated: 25 September 2023

To,

The Board of Directors	The Board of Directors	The Board of Directors
Strides Pharma Science Limited Strides House, Bilekahalli, Bannerghatta Road, Bangalore – 560076	Stelis Biopharma Limited Plot No. 293, Bommasandra Jigani Link Road, Jigani Industrial Area, Anekal Taluk, Bangalore - 560015	Steriscience Specialties Private Limited Plot no 30, Galaxy, 1st Main Road, J.P. Nagar, Third Phase, Bangalore 560078

Sub: Recommendation of the following:

a. **Fair equity share entitlement ratio for the proposed demerger of the Identified CDMO Business and Soft Gelatin Business of Strides Pharma Science Limited into Stelis Biopharma Limited; and**

b. **Fair equity share entitlement ratio for the proposed demerger of the Identified CDMO Business of Steriscience Specialties Private Limited into Stelis Biopharma Limited.**

Dear Sir / Madam,

We refer to the engagement letter dated 21 September 2023 whereby Strides Pharma Science Limited (hereinafter referred to as "Strides"), Stelis Biopharma Limited (hereinafter referred to as "Stelis") and Steriscience Specialties Private Limited (hereinafter referred to as "Steriscience") have appointed PwC Business Consulting Services LLP, Registered Valuer (hereinafter referred to as "PwC BCS LLP" or "Valuer") to recommend the following:

- Fair equity share entitlement ratio for the proposed demerger of the Identified CDMO Business and Soft Gelatin ("SGC") Business of Strides (defined subsequently) into Stelis; and
- Fair equity share entitlement ratio for the proposed demerger of the Identified CDMO Business of Steriscience (defined subsequently) into Stelis.

BACKGROUND OF COMPANIES

Strides was incorporated on June 28, 1990 under the provisions of the Companies Act 1956, and is a public limited company within the meaning of the Companies Act, 2013 ("Act") having CIN L24230MH1990PLC057062. Its registered office is located at 201, Devavrata, Sector 17, Vashi, Navi Mumbai - 400 703 and corporate office located at Strides House, Bilekahalli, Bannerghatta Road, Bangalore-560076. Strides is engaged in the development, manufacture and sales of a wide range of niche and technically complex pharmaceutical products. The equity shares of Strides are listed on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE"). Strides Pharma Global Pte. Ltd (" Strides Singapore") is a wholly-owned step-down subsidiary of Strides. Strides and Strides Singapore hold the Abbreviated New Drug Applications ("ANDAs") and associated Intellectual Properties ("IPs") for various SGC formulations.

Steriscience was incorporated on August 29, 2020 under the provisions of the Act and is a private limited company, having CIN U24304KA2020PTC137884. Its registered office is located at 152/6 and 154/16, Dorasani Palya, Begur Hobli, Bannerghatta Road, Bangalore – 560076 and corporate office is located at Plot no 30, Galaxy, 1st Main Road, J.P. Nagar, Third Phase, Bangalore – 560078. Steriscience is engaged in the business of Contract Development and Manufacturing ("CDMO") and supply of carbapenems, pre-filled syringes, liquid vials, lyophilized vials, injectable bags, peptides and vaccine fill finish. Steriscience Singapore, founded in 2020, is a wholesaler of medical and pharmaceutical products, and also holds the ANDAs and associated IPs for various injectable products.

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Stelis was incorporated on June 12, 2007 under the provisions of the Companies Act 1956, and is a public limited company, having CIN U74140KA2007PLC043095. Its registered office is located at Star 1, Opp IIM Bangalore Bilekahalli, Bannerghatta Road, Bangalore – 560076 and corporate office is located at Plot No. 293, Bommasandra Jigani Link Road, Jigani Industrial Area, Anekal Taluk, Bangalore – 560015. We understand that Stelis primarily serves other companies as a CDMO company, with drug substance and fill finish capabilities across modalities.

We understand from Management that Strides and its promoter group intent to consolidate and house the CDMO businesses of the Group under Stelis, to build a specialty pharmaceutical CDMO player. With this perspective, Management is evaluating a demerger of the Identified CDMO Business and Soft Gelatin Business of Strides into Stelis and a demerger of the CDMO business of Steriscience into Stelis.

We understand that Strides has set up a step-down wholly-owned subsidiary company in Singapore - Strides Softgels Pte Limited ("New Co 1") under its wholly owned subsidiary Strides Pharma Services Private Limited ("Strides WOS") and is in the process of transferring the SGC business of Strides Singapore to New Co 1. Further, we understand that Strides holds interests in CDMO businesses through its ~26% stake in Stelis as at the date of this report ("Valuation report" or "Report"); accordingly, the Identified CDMO Business and Soft Gelatin Business of Strides - comprising the SGC business within Strides as well as Strides' investments in Strides WOS and Stelis, would be demerged into Stelis.

Similarly, we understand that Steriscience is in the process of setting up a wholly-owned subsidiary company in Singapore – Steriscience Specialties Pte Limited ("New Co 2") and the CDMO business of Steriscience Singapore would be transferred to New Co 2 prior to completion of Transaction 2 (defined subsequently). Accordingly, the Identified CDMO Business of Steriscience - comprising the CDMO business within Steriscience as well as the investment in New Co 2 - would be demerged into Stelis.

It may be noted that given that both New Co 1 and New Co 2 (mentioned above) are wholly-owned subsidiaries of Strides and Steriscience respectively, we have considered the respective consolidated values of the Identified CDMO Business and Soft Gelatin Business of Strides (excluding investment in Stelis) and Identified CDMO Business of Steriscience, for the purpose of computation of the respective share entitlement ratios, since the shares of Stelis would be ultimately issued to the shareholders of Strides and Steriscience, respectively.

SCOPE AND PURPOSE OF THIS REPORT

We understand that the management of Stelis, Strides and Steriscience (it may be noted that Stelis, Strides and Steriscience are hereinafter referred to as "Companies"; the managements of the Companies are collectively referred to as "Management") are evaluating the following, pursuant to a Composite Scheme of Arrangement under the provisions of Section 230 to 232 read with Section 247 of the Companies Act, 2013 (including any statutory modifications, enactments, re-enactment or amendments thereof) and other applicable securities and capital market laws and rules issued thereunder to the extent applicable ("the Proposed Scheme" or "Proposed Transaction"):

1. A demerger of the Identified CDMO Business and Soft Gelatin Business of Strides into Stelis ("Transaction 1"); and

2. A demerger of the Identified CDMO Business of Steriscience into Stelis ("Transaction 2").

(Identified CDMO Business and Soft Gelatin Business of Strides and Identified CDMO Business of Steriscience have together been referred to as "Specified Business /(s)").

We understand that the transactions are being planned as all-share deals (together "Transaction"), which would involve issue of equity shares of Stelis to the shareholders of Strides and Steriscience.

The Transaction is proposed to be carried out with effect from the appointed date, as specified in the Proposed Scheme.

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For the aforesaid purpose, the Board of Directors of Strides, Stelis and Steriscience have appointed PwC BCS LLP to submit a Valuation report recommending the following:

a. Fair equity share entitlement ratio for the demerger of Identified CDMO Business and Soft Gelatin Business of Strides, based on the relative valuations of the Identified CDMO Business and Soft Gelatin Business of Strides and Stelis ("Entitlement Ratio 1"); and

b. Fair equity share entitlement ratio for the demerger of Identified CDMO Business of Steriscience, based on the relative valuations of the Identified CDMO Business of Steriscience and Stelis ("Entitlement Ratio 2").

(Entitlement Ratio 1 and Entitlement Ratio 2 are together referred to as "Entitlement Ratios" or "Ratios").

The Ratios have been recommended for consideration of the Board of Directors (including Audit Committee and Committee of Independent Directors, as applicable) of the Companies, in accordance with the applicable relevant laws, rules and regulations of Securities and Exchange Board of India ("SEBI") and the relevant stock exchanges.

The report will be placed before the Audit Committees, Committee of Independent Directors and the Board of Directors of Strides, Stelis and Steriscience, as applicable, as per the relevant SEBI circulars, and, to the extent mandatorily required under applicable laws of India, this report maybe produced before the judicial regulatory or governmental authorities, stock exchanges, shareholders in connection with the Transaction.

The scope of our services is to conduct a relative (and not absolute) valuation of the Specified Businesses and to issue a report on the Entitlement Ratios for the Transactions in accordance with the International Valuation standards.

We have been provided with the historical carved out financial information of the Specified Businesses. We have considered the same in our analysis and made adjustments for further facts made known (past or future) to us till the date of our report. The current valuation does not factor the impact of any event which is unusual or not in normal course of business, other than the events specifically mentioned in this report.

We have relied on the above while arriving at the fair Ratios for the Proposed Scheme.

For the purpose of this Report, the bases of value is 'Relative Value' and the valuation is based on 'Going Concern' premise. For the purpose of this valuation, September 24, 2023 has been considered as the 'Valuation Date'.

This report is our deliverable for the above engagement.

This report is subject to the scope, assumptions, exclusions, limitations, and disclaimers detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

BACKGROUND OF VALUER

PwC Business Consulting Services LLP is a limited liability partnership firm, with registered office at 11-A, Sucheta Bhawan, 1st Floor, Vishnu Digambar Marg, New Delhi, 110 002, India. PwC BCS LLP is engaged in providing valuation and related advisory services.

PwC BCS LLP is registered with the IBBI as a Registered Valuer for asset classes - 'Securities or Financial Assets' and 'Plant and Machinery' with Registration No. IBBI/RV-E/02/2022/158.

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SOURCES OF INFORMATION

In connection with this exercise, we have used the following information received from the Management and gathered from public domain:

- Draft Scheme of Arrangement;
- Detailed shareholding pattern of Stelis, Strides and Steriscience as on the report date;
- Standalone and consolidated audited financial statements of Stelis for the fiscal years ending 31 March 2021, 2022, 2023 and for the period April to June 2023 ("YTD Jun-24");
- Carved-out unaudited financial statements of the Identified CDMO Business of Steriscience for the fiscal years ending 31 March 2022 and 2023;
- Audited financial statements of Steriscience Specialties Private Limited for the period YTD Jun-24;
- Carved-out unaudited financial statements of the Identified CDMO Business and Soft Gelatin Business of Strides (excluding investment in Stelis) for the fiscal years ending 31 March 2021, 2022, 2023 and for the period YTD Jun-24;
- Estimated financials of the Identified CDMO Business of Steriscience for the period from July 2023 to March 2024 ("9MFY24") and forecasted financials for the 4 fiscal years ending 31 March 2025, 2026, 2027 and 2028;
- Estimated financials of the Identified CDMO Business and Soft Gelatin Business of Strides for the period 9MFY24 and forecasted financials for the 6 fiscal years ending 31 March 2025, 2026, 2027, 2028, 2029 and 2030;
- Estimated financials of Stelis for the period 9MFY24 and forecasted financials for the 9 fiscal years ending 31 March 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032 and 2033;
- Discussions with the Management to obtain requisite explanation and clarification of data provided;
- Discussions with the Management to inter-alia understand their perception of historical and expected future performance, macro-economic parameters and key value drivers affecting Stelis, Identified CDMO Business of Steriscience and Identified CDMO Business and Soft Gelatin Business of Strides;
- Details of recent transactions in Stelis;
- Market comparables and transactions, to the extent information on comparable companies/transactions is available in the public domain;
- General market data, including economic, governmental, and environmental forces, and industry information that may affect the Value;
- Other information and documents for the purpose of this engagement.

During the discussions with the Managements, we have also obtained explanations and information considered reasonably necessary for our exercise. The Companies have been provided with the opportunity to review the draft report (excluding the recommended Ratios) as part of our standard practice to make sure that factual inaccuracies / omissions are avoided in our final report.

PROCEDURES ADOPTED AND VALUATION METHODS FOLLOWED

In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- Requested and received financial and qualitative information from the Management.
- Used data available in public domain related to the Companies and its peers.
- Discussions (physical/over call) with the Management to understand the business and fundamental factors that affect the Companies' earning-generating capability including strengths, weaknesses, opportunity and threats analysis, and historical financial performance.
- Research publicly available market data including economic factors and industry trends that may impact the valuation.
- Analysis of valuation multiples of comparable companies/comparable transactions using information available in public domain and / or proprietary databases subscribed by us or our network firms.
- Analysis of recent transactions in Stelis;
- Selection of well accepted valuation methodology/(ies) as considered appropriate by us.
- Arriving at relative values of Company / Specified Business in order to determine the Entitlement Ratios for the Proposed Transaction.

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SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this report and (iii) and are based on the audited financial statements of Stelis, Strides and Steriscience for the period YTD Jun-24. The Management has represented that the business activities of Stelis and the Specified Businesses have been carried out in the normal and ordinary course between 30 June 2023 and the report date, and that no material adverse change has occurred in their respective operations and financial position between 30 June 2023 and the report date.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information till 24 September 2023, furnished by the Companies (or their representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this report.

A valuation of this nature is necessarily based on the prevailing stock market, financial, economic, and other conditions in general and industry trends in particular, and the information made available to us. The report is issued on the understanding that the Management of the Companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which have an impact on our opinion, on the Entitlement Ratios for the Proposed Transaction. We have considered only circumstances existing at the Valuation Date and events occurring up to the Valuation Date. Events and circumstance may have occurred since the Valuation date concerning the financial position of Stelis, Identified CDMO Business of Steriscience and Identified CDMO Business and Soft Gelatin Business of Strides or any other matter and such events or circumstances might be considered material by the Companies or any third party. We have taken into account, in our valuation, such events and circumstances occurring after the Valuation Date as disclosed to us by the Companies, to the extent considered appropriate by us based on our professional judgment. Further, we have no responsibility to update the report for any events and circumstances occurring after the date of this report. Our valuation analysis was completed on a date subsequent to the Valuation Date and accordingly we have taken into account such valuation parameters and over such period, as we considered appropriate and relevant, up to a date close to such completion date.

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuers and judgment taking into account all the relevant factors. There will always be several factors, e.g., present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets, but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions.

The determination of Entitlement Ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single Entitlement Ratio (s). While we have provided our recommendation of the equity share Entitlement Ratios based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the fair equity share Entitlement Ratios. The final responsibility for the determination of the equity share Entitlement Ratio at which the Proposed Transaction shall take place will be with the Board of Directors who should take into account other factors such as their own assessment of the proposed Transaction and input of other advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, technical, financial, and operating data. In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this report and (ii) the accuracy of information made available to us by the Companies. While information obtained from the public domain or external sources have not been verified for authenticity, accuracy, or completeness, we have obtained information as far as possible, from sources generally considered to be reliable.

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We assume no responsibility for such information. Our valuation does not constitute an audit or review in accordance with the auditing standards applicable in India, accounting/ financial/ commercial/ legal/ tax/ environmental due diligence or forensic or investigation services and does not include verification or validation work. In accordance with our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed, certified, carried out a due diligence or otherwise investigated the historical financial information provided to us. We have not independently investigated or otherwise verified the data provided by the Companies. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the historical financials/ financial statements and projections. The assignment did not involve us to conduct any financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of Stelis, Identified CDMO Business of Steriscience and/or Identified CDMO Business and Soft Gelatin Business of Strides. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/on behalf of the Companies. The Management of the Companies has indicated to us that they have understood that any omissions, inaccuracies, or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the report. Nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the report. Also, we assume no responsibility for technical information (if any) furnished by the Companies.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this valuation report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited/unaudited balance sheet of the Companies. Our conclusion of value assumes that the assets and liabilities of the companies, reflected in their respective latest balance sheets remain intact as of the Valuation Report date.

We are not advisors with respect to legal, tax and regulatory matters for the Proposed Transaction.

This report does not look into the business/ commercial reasons behind the Proposed Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

No investigation of the Companies' claim to title of assets has been made for the purpose of this report 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 accounts. Therefore, no responsibility is assumed for matters of a legal nature.

We must emphasize that realizations of free cash flow forecast used in the analysis will be dependent on the continuing validity of assumptions on which they are based. Our analysis, therefore, will not, and cannot be directed to providing any assurance about the achievability of the projections. Since the financial forecasts relate to future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences may be material.

We have not conducted or provided an analysis or prepared a model for any individual assets/ liabilities and have wholly relied on the information provided by the Companies in this regard.

We are independent of the Companies and have no current or expected interest in the Companies or its assets. The fee for the engagement is not contingent upon the results reported.

We owe responsibility to only the Boards of Directors of the respective Companies that has appointed us under the terms of our engagement letter and nobody else. We will not be liable for any losses, claims, damages, or liabilities arising out of the actions taken, omissions of or advice given by any other to the Companies.

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In no event shall we be liable for any loss, damages, cost, or expenses arising in any way from fraudulent acts, misrepresentations, or willful default on part of the Companies, their directors, employees, or agents. In no circumstances shall the liability of a Valuer, its partners, its directors, or employees, relating to the services provided in connection with the engagement set out in this report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

This valuation report is subject to the laws of India.

Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the Proposed Transaction, without our prior written consent. In addition, this report does not in any manner address the prices at which Strides' equity shares will trade following consummation of the Proposed Transaction and we express no opinion or recommendation as to how the shareholders/ creditors of either Company should vote at any shareholders'/ creditors' meeting(s) to be held in connection with the Transaction. Our report and the opinion/ valuation analysis contained herein is not and nor should it be construed as advice relating to investing in, purchasing, selling, or otherwise dealing in securities or as providing management services or carrying out management functions. It is understood that this analysis does not represent a fairness opinion.

Any discrepancies in any table/ annexure between the total and the sums of the amounts listed are due to rounding-off.

BACKGROUND OF COMPANIES

Strides Pharma Science Limited

The issued and subscribed equity share capital of Strides, as at the date of this report, is INR 918.80 million consisting of 91,880,364 equity shares of face value of INR 10 each. The shareholding pattern is as follows:

Shareholding Pattern	No of Shares	% Share Holding
Promoter & Group[1]	26,898,887	29.28%
Non-Promoter (Public)	64,981,477	70.72%
Grand Total	**91,880,364**	**100.0%**

Source: Management Information

Stelis Biopharma Limited

The issued and subscribed equity share capital of Stelis, as at the date of this report, is INR 42.06 million consisting of 42,056,654 equity shares of face value of INR 1 each. The shareholding pattern is as follows:

Shareholding Pattern	No of Shares	% Share Holding
Strides Pharma Science Limited	11,089,320	26.37%
Arco Labs Private Limited	1,839,900	4.37%
Karuna Business Solutions LLP	6,613,370	15.72%
Tenshi Pharmaceuticals Private Limited[2]	5,972,715	14.20%
Medella Holdings Pte Limited	6,411,305	15.24%
Other shareholders (including ESOPs)[3]	10,130,044	24.10%
Grand Total	**42,056,654**	**100.0%**

Source: Management Information

[1] Includes 15,47,510 of outstanding convertible securities (including warrants); we understand that warrants will be exercised before effective date for issuance of Stelis shares.

[2] Includes partly paid up shares of 15,22,694; we understand that partly-paid shares, will be fully-paid up before the effective date for issuance of Stelis shares.

[3] Includes certain ESOPs which are yet to be subscribed; we understand that such ESOPs will be exercised before the effective date for issuance of Stelis shares.

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Steriscience Specialties Private Limited

The issued and subscribed equity share capital of Steriscience, as at the date of this report, is INR 0.21 million consisting of 20,871 equity shares of face value of INR 10 each. The shareholding pattern is as follows:

Shareholding Pattern	No of Shares	% Share Holding
Tenshi Pharmaceuticals Private Limited[4]	14,032	67.20%
Medella Holdings Pte Ltd	5,190	24.90%
Other Shareholders (including ESOPs)[5]	1,649	7.90%
Grand Total	20,871	100.0%

Source: Management Information

APPROACH - BASIS OF TRANSACTION

The Proposed Composite Scheme of Arrangement under the provisions of Section 230 to 232, read with Section 247 of the Companies Act, 2013 contemplates the following a) a demerger of the Identified CDMO Business and Soft Gelatin Business of Strides into Stelis and b) a demerger of the Identified CDMO Business of Steriscience into Stelis.

Arriving at the Entitlement Ratios for the Proposed Transaction would require determining the relative equity valuations of Stelis, Identified CDMO Business and Soft Gelatin Business of Strides and Identified CDMO Business of Steriscience, based on methodologies explained herein and various qualitative factors relevant to the Specified Business / (s) and Stelis.

The three main valuation approaches are the market approach, income approach and asset approach. There are several commonly used and accepted methods within the market approach, income approach and asset approach, for determining the relative fair value of equity shares of a company, which can be considered in the present valuation exercise, to the extent relevant and applicable, to arrive at the Entitlement Ratios for the purpose of the Proposed Transaction, such as:

1. Asset Approach-
   - Net Asset Value (NAV) Method

2. Income Approach
   - Discounted Cash Flow (DCF) Method

3. Market Approach
   - Market Price Method
   - Comparable Companies Multiples (CCM) Method
   - Comparable Transactions (CTM) Method
   - Price of Recent Investment Method

It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose.

4 Includes partly paid up shares of 486 we understand that partly-paid shares, will be fully-paid up before the effective date for issuance of Stelis shares.

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Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

Asset Approach - Net Asset Value method

The asset-based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach is mainly used in cases where the firm is to be liquidated i.e., it does not meet the "going concern" criteria or in case where the assets base dominates earnings capability. A Scheme of amalgamation / demerger would normally be proceeded with, on the assumption that the companies/ business would continue as going concerns and an actual realization of the operating assets is not contemplated. In such a going concern scenario, the relative earning power is of importance to the basis of amalgamation / demerger, with the values arrived at on the net asset basis being of limited relevance.

The above assertions hold true for the valuation of Stelis, Identified CDMO Business and Soft Gelatin Business of Strides and Identified CDMO Business of Steriscience, given the nature and stage of operations of the respective businesses; hence the underlying asset value has limited relevance for this exercise.

Income Approach

Income approach is a valuation approach that converts maintainable or future amounts (e.g., cash flows or income and expenses) to a single current value (i.e., discontinued or capitalized amount). This value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

- **Discounted Cash Flows (DCF) Method**

  Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm.

  Using the DCF analysis involves determining the following:

  Estimating future free cash flows:

  Free cash flows are the cash flows expected to be generated by the company/ business that are available to all providers of the companies'/ business' capital – both debt and equity.

  Appropriate discount rate to be applied to cash flows i.e., the cost of capital:

  This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and debt providers), weighted by their relative contribution to the total capital of the company/ business. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

Market Approach: Market approach is a valuation approach that uses trading prices and/or other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business:

- **Market Price (MP) Method**

  The market price of an equity share, as quoted on a stock exchange, is normally considered as representative of the fair value of the equity shares of that company, where such shares are regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

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- **Comparable Companies Multiple (CCM) method**

  Under this method, value of a business / company is arrived at by using multiples derived from valuations of listed comparable companies, as manifest through stock market valuations of such listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences in circumstances.

- **Comparable Transactions Multiple (CTM) method**

  Under this method, value of a business / company is arrived by comparing it to the relevant deal multiples for transactions in comparable companies. After identifying and selecting the comparable companies with recent transactions, their business and financial profiles are analysed for relative similarity. The relevant multiples of these companies are calculated based on the deal valuations and adjusted, if required. The multiples are then applied to the subject company's operating results to estimate the Enterprise Value.

- **Price of Recent Investment ('PRI') method**

  Where there has been any recent arms-length investment in the subject company, the price of that investment provides a basis of the fair value of the said company, subject to the changes or events subsequent to the relevant transaction, at each reporting date. If there are any indications of change in the fair value of the subject company after the investment, a suitable adjustment to PRI may be considered.

Out of the above methods, the Valuers have used approaches / methods, as considered appropriate by them respectively.

BASIS OF ENTITLEMENT RATIO 1

The basis of demerger of the Identified CDMO Business and Soft Gelatin Business of Strides into Stelis has been determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under different methodologies, it is finally necessary to arrive at a single value for Transaction 1. It is important to note that we are not attempting to arrive at the absolute equity values of Stelis and Identified CDMO Business and Soft Gelatin Business of Strides, but at their relative values to facilitate the determination of Entitlement Ratio 1. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

We have considered appropriate weights to values arrived at under Income and Market Approaches.

Under the Market Approach, we have relied on the CCM method for Identified CDMO Business and Soft Gelatin Business of Strides and PRI method for Stelis.

It may be noted that the Market Price method and PRI method have not been considered for valuation of Identified CDMO Business and Soft Gelatin Business of Strides on account of the following – a) the traded share price of Strides reflects the value of Strides as a whole, and not the Identified CDMO Business and Soft Gelatin Business of Strides alone; therefore valuing the Identified CDMO Business and Soft Gelatin Business of Strides under the Market Price method is not feasible; and b) since the Identified CDMO Business and Soft Gelatin Business of Strides is a business segment within Strides, PRI Method is also not relevant for the valuation. Further, while we have analyzed the implied multiples of transactions in comparable companies, we have not relied on the Comparable Transactions Method ("CTM") considering the following – (a) limited number of comparable companies for which relevant information to derive multiples is available in the public domain; b) significant dispersion amongst their implied multiples; and (c) paucity of data pertaining to historical growth rates, forward revenues, margins, etc. of the target companies in the public domain.

Further, considering the early stage of operations for the CDMO business, with significant scale-up in revenues expected going forward, there are no listed companies or transactions in companies strictly comparable to Stelis; accordingly, CCM / CTM Method has not been considered for valuation of Stelis.

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The Market Price method would not be relevant for the valuation of Stelis as it is privately held as on the date of this report.

Entitlement Ratio 1 has been arrived at on the basis of a relative equity valuation (on a per share basis) of Stelis and Identified CDMO Business and Soft Gelatin Business of Strides based on the various methodologies explained herein earlier and various qualitative factors relevant to each business and the business dynamics and growth potential of the businesses, having regard to information base, key underlying assumptions, and limitations.

Our recommendation of Entitlement Ratio 1 for Transaction 1, is in accordance with International Valuation Standards.

The computation of Entitlement Ratio 1, for the Demerger of Identified CDMO Business and Soft Gelatin Business of Strides into Stelis, is given below:

Valuation Approach	Stelis		Identified CDMO Business and Soft Gelatin Business of Strides	
	Valuer per share (INR)	Weight	Value per share (INR)**	Weight
Asset Approach*	NA	NA	NA	NA
Income Approach - DCF Method	735	50%	349	50%
Market Approach - CCM Method - PRI Method	653	50%	349	50%
Relative Value per share	**695**		**349**	
Fair Equity Share Entitlement Ratio (rounded off)	**1:2**			

NA = Not Applied / Not Applicable

**Since, the businesses of Stelis and Identified CDMO Business and Soft Gelatin Business of Strides are intended to be continued on a 'going concern basis' and there is no intention to dispose of the assets, therefore the Asset (Cost) Approach is not adopted for the Valuation exercise*
*** Value of investment by Strides in Stelis, per share of Strides, is based on the concluded per share value of Stelis and the number of shares in Stelis held by Strides; this has been aggregated with the per share value for the Identified CDMO Business and Soft Gelatin Business of Strides (excluding the investment in Stelis) as per the Income and Market approach, respectively.*

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the Entitlement Ratio 1, for the demerger of Identified CDMO Business and Soft Gelatin Business of Strides into Stelis as under:

1 (One) equity share of Stelis (of INR 1/- each fully paid up) for every 2 (Two) equity shares of Strides (of INR 10/- each fully paid up)

BASIS OF ENTITLEMENT RATIO 2

The basis of demerger of the Identified CDMO Business of Steriscience into Stelis has been determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under different methodologies, it is finally necessary to arrive at a single value for Transaction 2. It is important to note that we are not attempting to arrive at the absolute equity values of Stelis and Identified CDMO Business of Steriscience, but at their relative values to facilitate the determination of Entitlement Ratio 2. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

We have considered appropriate weights to values arrived at under Income and Market Approaches.

Under the Market Approach we have relied on the CCM method for the Identified CDMO Business of Steriscience and PRI Method for Stelis.

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It may be noted that since the Identified CDMO Business of Steriscience is a business segment within Steriscience, PRI Method is not relevant for the valuation. Further, while we have analyzed the implied multiples of transactions in comparable companies, we have not relied on CTM for Valuation of Identified CDMO Business of Steriscience, considering the following – (a) limited number of comparable companies for which relevant information to derive multiples is available in the public domain; b) significant dispersion amongst their implied multiples; and (c) paucity of data pertaining to historical growth rates, forward revenues, margins, etc. of the target companies in the public domain.

Entitlement Ratio 2 has been arrived at on the basis of a relative equity valuation (on a per share basis) of Stelis and Identified CDMO Business of Steriscience based on the various methodologies explained herein earlier and various qualitative factors relevant to each business and the business dynamics and growth potentials of the businesses, having regard to information base, key underlying assumptions, and limitations.

Our recommendation of Entitlement Ratio 2 for Transaction 2, is in accordance with International Valuation Standards.

The computation of Entitlement Ratio 2, for the Demerger of Identified CDMO Business of Steriscience into Stelis, is given below:

Valuation Approach	Stelis		Identified CDMO Business of Steriscience	
	Valuer per share (INR)	Weight	Value per share (INR)	Weight
Asset Approach*	NA	NA	NA	NA
Income Approach - DCF Method	735	50%	1,000,242	50%
Market Approach - CCM Method - PRI Method	653	50%	1,103,907	50%
Relative Value per share	**695**		**1,052,075**	
Fair Equity Share Entitlement Ratio (rounded off)	**1,515:1**			

NA = Not Applied / Not Applicable

**Since, the businesses of Stelis and Identified CDMO Business of Steriscience are intended to be continued on a 'going concern basis' and there is no intention to dispose of the assets, therefore the Asset (Cost) Approach is not adopted for the present valuation exercise*

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend Entitlement Ratio 2, for the demerger of Identified CDMO Business of Steriscience into Stelis as under:

1,515 (One Thousand Five Hundred and Fifteen) equity share of Stelis (of INR 1/- each fully paid up) for every 1 (One) equity share of Steriscience (of INR 10/- each fully paid up)

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Respectfully submitted,

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Date: 25 September 2023
Place: Bangalore