

Sun Pharmaceutical Industries Limited

Sun House, Plot No. 201 B/1,
Western Express Highway, Goregaon (E),
Mumbai – 400 063, Maharashtra, INDIA.
Tel. : (91-22) 4324 4324
Fax : (91-22) 4324 4343
Website: www.sunpharma.com
Email: secretarial@sunpharma.com
CIN: L24230GJ1993PLC019050



May 23, 2024

BSE Limited

Market Operations Dept.
P. J. Towers, Dalal Street,
Mumbai - 400 001

Kind Attention: Ms. Tanmayi Lele/ Ms. Jayanti Pradhan, Assistant Manager (Listing Operations)

Sub: Application under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, for the proposed Composite Scheme of Arrangement

This is further to our emails dated May 14 & 17, 2024 wherein we had sought additional time to respond your query in respect of the above-mentioned application.

Please find below our response on the additional clarification/ documents/details sought by your good office on April 26, 2024:

Sr. No.	Additional clarification/ documents/ details sought	Company's response
1	The entire paid-up share capital of Sun Pharmaceutical Medicare Ltd. (SPML) is held by Sun Pharma Laboratories Ltd. (SPLL), a wholly owned subsidiary of Sun Pharmaceutical Industries Limited (SPIL). As per the proposed scheme, SPML is proposed to be amalgamated into SPIL. As entire paid-up share capital of SPML is held by SPLL, after the scheme effected what will be status of SPLL. Clarify whether SPLL is also getting amalgamated into SPIL?	<p>Sun Pharma Laboratories Limited (SPLL) will not be getting amalgamated with Sun Pharmaceutical Industries Limited (SPIL), the Transferee Company. SPLL will remain as a wholly owned subsidiary of SPIL.</p> <p>Upon the Scheme becoming effective, no shares of the Transferee Company shall be issued and allotted in lieu of shares held by it or its subsidiary companies in the Transferor Companies and the entire paid-up share capital of the Transferor Companies shall be cancelled and extinguished without any further act, deed or instrument as contemplated in the Clause 14.1 in the Scheme of Arrangement. Hence the shares of SPML held by SPLL shall stand cancelled.</p>
2	Detailed reason/justification for transfer of Rs.51,435 million from General	Rationale for the Scheme for reclassification and transfer of the General Reserve of the Transferee Company to Retained Earnings, as mentioned in the Scheme, is as follows:

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	Reserves to Retained Earnings.	<p><i>“Over the years, the Transferee Company has built up significant reserves through transfer of profits to the general reserve in accordance with provisions of the erstwhile Companies Act, 1956 and erstwhile rules notified thereunder, namely, the Companies (Transfer of Profits to Reserves) Rules, 1975. While the excess reserves can be profitably utilized for the Company’s overall growth strategy, the Board of Directors of the Transferee Company is of the view that even after considering the foreseeable investments required for such opportunities over the next few years, the fund represented by the General Reserve are in excess of the Transferee Company’s current and anticipated operational needs.”</i></p> <p>Detailed reason/justification for transfer of Rs.51,435 million from General Reserves to Retained Earnings as sought by you is as follows:</p> <ol style="list-style-type: none">1. As you are aware, Section 205(2A) of the Companies Act, 1956 read with the Companies (Transfer of Profits to Reserves) Rules 1975, mandated every company to transfer, in any financial year, a specific portion out of the profits of the company for that year arrived at, after providing for depreciation, to the general reserves account of the company, before declaring any dividend to the shareholders.2. With introduction of the Companies Act, 2013 (“Act, 2013”), the requirement of mandatory transfer to reserves is done away with considering the changing economic and regulatory scenario. This change suggests that the profits of the Company are fully distributable without having to create any reserves and the Board of Directors and the shareholders are allowed to exercise their own judgement on maintenance of general reserves, if any.3. Pursuant to the proposed Scheme, the Company believes that reclassification of general reserve to retained earnings will provide greater flexibility to enable the Company, among other things, distribution

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		<p>of profits to the shareholders. The Board of Directors of the Company believes that such a transfer would not only be in the interest of shareholders and create higher shareholder value, but also not be prejudicial to the interest of any stakeholders.</p> <p>4. It is important to note that the reserves created upon declaration of dividend were created by way of a Board approval as it was a statutory requirement. As there is not provision mandating or prohibiting reclassification of general reserve, it can be said that the general reserve can be brought back to retained earnings only by passing a Board resolution. However, the Company has proposed to do it by way of a Scheme of Arrangement as it endeavours to follow best corporate governance practices where the Scheme will not only be approved by the shareholders at an NCLT directed meeting (convened pursuant to the requirements of Section 230 to 232 of the Act, 2013), but will also go through the scrutiny of various regulatory authorities before NCLT approves it.</p> <p>5. It may be noted that while transfer of amounts standing to credit of the general reserve account to retained earnings account is being proposed and once the Scheme is approved by NCLT, the utilisation of the amounts from the retained earnings account will be undertaken as may be permissible under the relevant provisions of the Act, 2013. The selection of method to reward the shareholders of the Company is dependent upon various external and internal factors like overall business environment of the Indian economy, financial position of the Company etc., which would be quite difficult for the Company to ascertain at this stage. However, kindly note that the Company will duly follow requisite provisions of the Act, 2013 while determining the exact method to reward its shareholders.</p> <p>6. In terms of provisions of Sections 230 to 232 of Act, 2013, the Board of Directors of the Company, at their</p>

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		meeting held on November 01, 2023, had inter alia unanimously approved the Scheme of Arrangement taking on record that the Scheme is not detrimental to the interests of any of the stakeholders of the Company.
3	Built-up of General Reserve of Rs.51,435 million certified by Chartered Accountant.	CA certificate for built-up of General Reserve of Rs.51,435 million, is attached herewith.
4	Relevant statutory provisions which allows transfer of accumulated general reserve to retained earnings.	There is no specific statutory provision enabling conversion of general reserves to accumulated profits. At the same time, there is no provision prohibiting such conversion. As there is no provision mandating or prohibiting reclassification of general reserve, a view is possible that the same can be done only way of a Board resolution. However, the Company has proposed to do it by way of a Scheme of Arrangement as it endeavours to follow best practices where the Scheme will not only be approved by the shareholders but also approved by the NCLT.

Thank You.

For Sun Pharmaceutical Industries Limited

(Anoop Deshpande)
Company Secretary and Compliance Officer
ICSI Membership No.: A23983

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