

Price Waterhouse & Co LLP

Chartered Accountants

Private and Confidential

September 03, 2020

Board of Directors
Philips India Limited
9th Floor, DLF 9-B
DLF Cyber City
Sector 25, DLF Phase 3,
Gurgaon 122 002, India

Dear Sirs,

Subject: Share Entitlement Ratio Report

1 CONTEXT AND PURPOSE

- 1.1 We refer to the engagement letter (“EL”) dated June 19, 2020 and the subsequent discussions we had with you, wherein you requested our report on the proposed ratio of allotment of equity shares of Philips Domestic Appliances India Limited (“Resulting Company”) to the shareholders of Philips India Limited (“PIL” or the “Demerged Company”), together referred to as the “Specified Companies”, in connection with the proposed demerger of the Domestic Appliances business from PIL into the Resulting Company (“Demerger”).

2 BACKGROUND

- 2.1 PIL is a public limited company incorporated on January 31, 1930, having its registered office at 3rd Floor, Tower A, DLF IT Park, 08 Block AF Major Arterial Road, New Town (Rajarhat) Kolkata – 700156, West Bengal. PIL is engaged in various businesses including Domestic Appliances Business; diagnostic imaging, interventional x-ray, and ultrasound, and patient monitoring businesses; manufacturing, trading and dealing of consumer products such as grooming products, beauty products, oral health care and mother and child care products, informatics solutions on healthcare informatics, infrastructure and consulting solutions; software development, product engineering and service innovation in relation to various products; and other functions
- 2.2 PIL is a subsidiary of Koninklijke Philips N.V., which is a Netherlands based company having its registered office at Amsterdam (“KPNV”). KPNV holds 96.13% stake in PIL with the remaining 3.87% stake held by minority shareholders (“Minority Shareholders”).
- 2.3 PIL also has a wholly owned subsidiary, Preethi Kitchen Appliances Private Limited (“Preethi”). Preethi is a private limited company having its registered office at Raheja Platinum, Sag Baug Road, Off, Andheri Kurla Road, Andheri East, Mumbai – 400059, Maharashtra. Preethi is one of the leading manufacturers of kitchen appliances specifically catering to the South Indian market. Preethi’s product range comprises mixers, table top grinders, coffee makers, induction cookers, electric rice cookers, electric kettle, electric iron box and electric pressure cookers.
- 2.4 Philips Domestic Appliances is a public limited company incorporated on July 17, 2020, having its Registered Office at 3rd Floor, Tower A, DLF IT Park, 08 Block AF Major Arterial Road, New Town, Kolkata-700156, West Bengal. Philips Domestic Appliances has been incorporated with the object of, inter alia, to carry on the business of manufacturers, producers, stockiest, commission agents, importers, exporters of electrical products and other domestic appliances, their assemblies, kits, spares and accessories in India and abroad. Philips Domestic Appliances is a wholly owned subsidiary of PIL.

Price Waterhouse & Co LLP, Building No. 10, 17th Floor, Tower C, DLF Cyber City, Gurgaon – 122 002
T: +91 (124) 3306000, F: +91 (124) 3306999

Registered Office and Head Office: Sucheta Bhawan, 11-A, Vishnu Digambar Marg, New Delhi 110002

Price Waterhouse & Co (a Partnership Firm) converted into Price Waterhouse & Co LLP (a Limited Liability Partnership with LLP identity no: LLPIN AAC-2731) with effect from April 24, 2014. Post its conversion to Price Waterhouse & Co LLP, its ICAI registration number 016844N/N-500015 (ICAI registration number before conversion was 016844N)

- 2.5 We understand that the management of PIL (“Management”) is contemplating to demerge the Domestic Appliances Business (“DA Business”) into Resulting Company. The Demerger is proposed to be effected through a Composite Scheme Of Arrangement (“Scheme”) under the provisions of section 230 to 232 of the Companies Act, 2013. As per the Scheme the Appointed Date for the proposed Demerger is July 1, 2021 or such other date as may be mutually agreed by the Companies (as defined under the Scheme), or such other date as the NCLT may direct/allow (“Appointed Date”).
- 2.6 As per Scheme the Domestic Appliances Business means the business of (A) manufacturing, trading and dealing in (i) kitchen appliances i.e., appliances used primarily for food preparation and cooking and more specifically covering products such as mixer- grinders, food processors, hand mixers, juicers, ovens, air fryers, induction cook tops etc.; (ii) garment care products such as irons, steamers and related accessories; and (iii) home care products such as air purifiers, vaccum cleaners, air filters and coffee makers etc.; and (B) software development, product engineering and service innovation in relation to the products specified in (A) above. It also includes the entire shareholding of Preethi held by the Demerged Company. However, the Domestic Appliances Business does not include the business of manufacturing, trading and dealing in grooming products for face and body; beauty products including hair care and female depilation; mother and child care products; and oral health care products.
- 2.7 We understand that simultaneously with the allotment of shares by the Resulting Company, the existing shareholding of the Demerged Company in the Resulting Company shall stand cancelled in accordance with the provisions of the Scheme. We further understand that as part of the Demerger, all assets and liabilities identified as pertaining to the DA Business shall be transferred to the Resulting Company at values as appearing in the books of PIL.
- 2.8 In connection with the Demerger, and based on the information made available by the Management, Price Waterhouse & Co LLP (“PW & Co”/ “us” /“we”) have been requested to provide a report on the proposed ratio of allotment of equity shares of the Resulting Company to be issued to the shareholders of PIL (“Share Entitlement Ratio”) (the “Services”). The Share Entitlement Ratio is being proposed by the Management.
- 2.9 We understand that the Demerger will be a vanilla demerger, i.e. all the shareholders of PIL will become shareholders of the Resulting Company and the Shareholding pattern of the Resulting Company shall mirror the shareholding pattern of PIL, on the record date. Accordingly, Demerger will not impact the economic and beneficial interest of the shareholders of PIL.

3 PROCEDURES

The procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including, but not necessarily limited to the analysis of following information related to the Company, Preethi and the carved out DA business furnished to us by the Management:

- Audited financial statements of PIL, Preethi for the year ended 31 March 2019 and 31 March 2020;
- Carved out financials of DA Business for the year ended 31 March 2020;
- Number of equity shares of the Resulting Company proposed to be issued to the shareholders of PIL on the demerger of the DA Business into the Resulting Company;
- Draft Composite Scheme of Arrangement (“Scheme”) dated August 24, 2020 for the Demerger;
- Existing shareholding pattern of PIL and of the Resulting Company;
- Interviews and correspondence with the Management, on which we have relied; and
- Such other analyses, reviews and inquiries, as we considered necessary.



4 RATIO OF ALLOTMENT

- 4.1 The Management has proposed the following Share Entitlement Ratio:
- 1 fully paid up equity share having face value of INR 10/- each of the Resulting Company for every 1 fully paid up equity share of INR 10/- each in PIL.
- 4.2 We have considered the outstanding number of equity shares of PIL and the number of equity shares of the Resulting Company as follows:
- As of the Report Date, the issued, subscribed and paid up capital of PIL consists of 57,517,242 equity shares of INR 10/- each;
 - As of the Report Date, the initial issued, subscribed and paid up capital of the Resulting Company comprises of 50,000 equity shares of INR 10 each. The entire paid-up and issued capital of the Resulting Company is held by PIL as on the date of the Report.
- 4.3 Pursuant to the Scheme, the Resulting Company, in order to comply with the intent of maintaining the economic and beneficial interest of the shareholders of PIL shall issue 57,517,242 equity shares of INR 10 each to all the shareholders of PIL and the initial issued, subscribed and paid up capital of the Resulting Company consisting of 50,000 equity shares of INR 10 each shall stand cancelled.
- 4.4 Based on the aforementioned, in particular read with paragraphs 2 and 4.1 – 4.3 above and caveats below, and considering that all shareholders of PIL, upon Demerger, be the ultimate economic and beneficial owners of the Resulting Company and that upon allotment of equity shares by the Resulting Company in the proposed Share Entitlement Ratio, the economic and beneficial interest of the shareholders in the equity of the Resulting Company will be the same¹ as it is in the equity of PIL; the above Share Entitlement Ratio is fair in relation to the Demerger.

5 CAVEATS

- 5.1 The Report, its contents and the results herein are specific to (i) the purpose as per the terms of our engagement and (ii) and are based on the financial and other information provided by the Management of the Company, which we believe to be reliable. Our conclusions are dependent on such information being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the financial and other information provided to us by the Management. We have, therefore, not carried out any due diligence review, independent audit or other test or validation of such financial and other information to establish the accuracy or sufficiency of the financial statements referred to above or of the information, explanations and representations provided to us. Accordingly, we do not express any opinion or any other form of assurance thereon and accept no responsibility for the same.
- 5.2 We have made no investigation of, and assume no responsibility for the title to, or liabilities against, the equity of PIL.
- 5.3 The service provided under this Report does not represent accounting, assurance, accounting/tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.
- 5.4 The Report will be used by the Client only for the purpose, as indicated in this report, for which we have been appointed. The Report cannot be used or relied for any other purpose or by any other party for any purpose whatsoever. We are not responsible to any other person/ party for any decision of such person/ party based on this report.

¹ Since the beneficial economic interest of the Shareholders of Demerged Company in PIL and the Resulting Company will be the same, no Valuation has been undertaken for the DA Business or the Resulting Company or of PIL.



- 5.5 The DA Business is proposed to be demerged into the Resulting Company with effect from the Appointed Date and we have considered the provisional Balance Sheets of PIL and the DA Business as at March 31, 2020. The Management has explained that the DA Business would be carried on in normal course of operations till the Appointed Date and subsequently, till the Scheme becomes effective. The Management has represented that financial statements of PIL, DA Business and Preethi as at March 31, 2020, as provided to us, include all disclosures necessary for a fair presentation of its financial position and results of operations in accordance with generally accepted accounting principles in India consistently applied, and disclosures otherwise required by the laws and regulations to which they are subject.
- 5.6 As per the Management while the DA Business operates as a going concern, its business activities have been impacted due to Covid-19 pandemic and the consequent lockdown in India. The Management has represented that other than the Covid-19 impact no material adverse change has occurred in the operations and financial position of the Company between March 31, 2020 and the date of the issue of this Report.
- 5.7 Our scope of work is limited to expression of our view on the proposed Share Entitlement Ratio and its impact on the economic and beneficial interest of the shareholders of the Specified Companies. Our report is not, nor should it be construed as, our opining or certifying the compliance of the proposed Demerger of the Business with the provisions of any law including companies law, FEMA and taxation related laws or as regards any legal implications or issues arising from such proposed Demerger.
- 5.8 There is no indisputable single share entitlement ratio. While we have provided our view on the proposed Share Entitlement Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion. You acknowledge and agree that you have the final responsibility for determination of the Share Entitlement Ratio for the proposed Demerger and factors other than our report will need to be taken into account in determining such ratios; these will include your own assessment of the proposed Demerger and may include the input of other professional advisors.
- 5.9 We have not provided this report as a registered valuer under the Companies Act 2013 ("Act"), the Companies (Registered Valuers And Valuation) Rules, 2017 or as per any other rules, regulations, standards, bye-laws, ordinance, notifications issued pursuant to such Act or Rules. We understand that PIL has separately appointed a Registered Valuer for providing a report under the Companies Act 2013.

6 DISTRIBUTION OF OUR REPORT

- 6.1 This letter report is prepared for the Board of Directors of PIL.
- 6.2 We understand that the Board of Directors of the Resulting Company (as one of the Specified Companies) have passed a resolution ratifying and approving the terms of our EL dated June 19, 2020 in their Board Meeting dated July 21, 2020 and hence the Board of Directors of the Resulting Company may also rely on our report.



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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 wilful default on part of the Specified Companies, their directors, employees or agents. In no circumstances shall the liability of Price Waterhouse & Co LLP, its partners, directors or employees, relating to the services provided in connection with the engagement set out in this report exceed the amount paid to us in respect of the fees charged for these services.

We would like to record our appreciation for the courtesy and co-operation received by us during the course of our work.

For Price Waterhouse & Co LLP

Chartered Accountants

Firm Registration No 016844N/ N-500015



Rajan Wadhawan

Partner

Membership Number: 090172

Date: 03 September, 2020

UDIN number: 20090172AAAAAT8568