SBI Capital Markets Limited

Date: 04.11.2016

To,
The Board of Directors,
Neuland Laboratories Limited
Sanali Infopark, A Block,
Ground Floor, 8-2-120/113,
Road No.2, Banjara Hills,
Hyderabad – 500 034

Dear Sirs/Madams,

Subject: Fairness Opinion Report on the Share Allotment Ratio of the Merging Entities (Neuland Laboratories Limited, Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited) in the Proposed Scheme of Amalgamation and Arrangement

We, SBI Capital Markets Limited ("**SBICAP**"), understand that Neuland Laboratories Limited ("**NLL**" or the "**Company**") is contemplating an amalgamation of Neuland Health Sciences Private Limited ("**NHSPL**") (the holding company of NLL) and Neuland Pharma Research Private Limited ("**NPRPL**") (the wholly owned subsidiary of NHSPL) with NLL under Sections 391 - 394 read with Section 100 - 103 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013 ("**Proposed Scheme of Amalgamation and Arrangement**") and has initiated a valuation exercise by appointing Deloitte Haskins & Sells ("**Valuer**" or "**Deloitte**") to determine the Share Allotment Ratio. In this regard, the Company seeks Fairness Opinion Report from SBICAP on the Share Allotment Ratio recommended by the Valuer as per the requirements of the Securities and Exchange Board of India Circular No. CIR/CFD/CMD/2015 dated November 30, 2015.

Sources of Information:-

I. The draft Proposed Scheme of Amalgamation and Arrangement
II. The valuation report based upon which the Valuer has arrived at the Share Allotment Ratio
III. The financial information relating to NLL, NHSPL and NPRPL for the year ended March 31, 2016 included in the annual reports provided by the Management
IV. The provisional financial statement as on June 30, 2016 for NLL, NHSPL and NPRPL.
V. The current shareholding of NLL, NHSPL and NPRPL
VI. Relevant Management representations received from NLL

SBICAP has not undertaken the valuation of NLL, NHSPL and NPRPL. The valuation exercise for the Proposed Scheme of Amalgamation and Arrangement has been done by Deloitte. We have examined the Valuation Report dated November 4, 2016 submitted by Deloitte to the Company. We have not independently checked or verified the assumptions made by Deloitte. We have reviewed the historical financial and business information of the Company and certain comparable companies

For NEULAND LABORATORIES LTD.
Sarada Bhamidipati
Company Secretary
M.No: 27854

SBI CAPITAL MARKETS MUMBAI

SBI Capital Markets Limited

and their valuation multiples, and other relevant information from publicly available sources, and have taken into account such other matters as we deemed necessary including our assessment of general economic, market and monetary conditions.

In addition to the above, we have had discussions with the Company officials on the past and current business operations of the businesses concerned.

Further, we have had discussions with Deloitte on such matters which we believe are necessary or appropriate for the purpose of issuing the Fairness Opinion Report.

We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed to be good and marketable and we would urge the Company to carry out an independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment.

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information supplied or otherwise made available to us either in oral or written form, discussed with or reviewed by or for us, or publicly available. We have been informed that all information relevant for the purpose of issuing the Fairness Opinion Report has been disclosed to us and we are not aware of any material information that has been omitted or that remains undisclosed. This being so, no representation or warranty, express or implied, is or will be made, and no responsibility or liability is or will be accepted by SBICAP and its affiliates, its directors, employees, agents or representatives, or in relation to, the accuracy or adequacy of information, contained in the Fairness Opinion Report or any other written or oral information made available to any party or their advisors. We do not accept any liability to any third party in relation to the issuance of this Fairness Opinion Report.

We have not conducted any evaluation of the solvency or fair value of the Company, under any laws relating to bankruptcy, insolvency or similar matters. In addition we have not assumed any obligation to conduct any physical inspection of the properties or facilities of NLL or NHSPL or NPRPL. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or publicly available; we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of NLL or NHSPL or NPRPL.

NEULAND LABORATORIES LTD. HYD

SBI CAPITAL MARKETS MUMBAI

SBI Capital Markets Limited

Our Fairness Opinion Report does not factor overall economic environment risk and other risks and is purely based on the information and representations provided to us. We have not assumed the risk of any material adverse change having an impact on the business of NLL or NHSPL or NPRPL.

We express no view as to, and our Fairness Opinion Report does not address, the underlying business decision of any company to effect the Proposed Scheme of Amalgamation and Arrangement or the merits of the Proposed Scheme of Amalgamation and Arrangement nor does it constitute any kind of recommendation to any shareholder or creditor of NLL or NHSPL or NPRPL as regards to the Proposed Scheme of Amalgamation and Arrangement or any matter related thereto. In addition, this Fairness Opinion Report does not address the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of NLL or NHSPL or NPRPL. We are not expressing any suggestion or opinion herein as to the price at which the shares of NLL will trade following the announcement of consummation of the Proposed Scheme of Amalgamation and Arrangement.

Our Fairness Opinion Report is not and does not purport to be an appraisal or otherwise reflective of the prices at which any business or securities actually could be ideally bought or sold by any party and is not indicative of actual value or actual future results that might be achieved, which value may be higher or lower than those indicated, and any investment decision shall not be based solely on this Fairness Opinion Report and the buyer shall carry out their own due diligence.

Our Fairness Opinion Report is not necessarily based on economic, market and other conditions as in effect on the date of issuing this Fairness Opinion Report, and the information made available to us as of, the date hereof. It should be understood that in case of any subsequent developments we do not have any obligation to update, revise, or reaffirm this Fairness Opinion Report.

To the extent that the conclusions are based on projections, SBICAP expresses no opinion on the achievability of those forecasts.

In the ordinary course of business, we and our affiliates may actively trade or hold securities of the company that may be the subject matter of this transaction for our own account or for the account of our customers and accordingly, may at any time hold long or short position in such securities.

This Fairness Opinion Report is provided solely for the benefit of the Board of Directors of NLL and shall not confer rights or remedies upon, any shareholder of NLL or any other person other than the members of the Board of Directors of NLL or be used for any other purpose.

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SBI CAPITAL MARKETS MUMBAI

This Fairness Opinion Report is only a free and fair opinion and does not constitute a commitment by SBICAP to underwrite, subscribe for or place any securities or to extend or arrange credit or to provide any other services.

Disputes, if any, regarding this Fairness Opinion Report will be governed by and construed in accordance with the laws of India and the Courts in Mumbai, India shall have exclusive jurisdiction in this regard.

On the basis of and subject to the foregoing, to the best of our knowledge and belief, it is our view that, as of the date hereof, the Share Allotment Ratio in relation to the Proposed Scheme of Amalgamation and Arrangement is fair, from a financial point of view.

Thanking you,

Yours faithfully,
For SBI Capital Markets Limited

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Name: Ramnish Kochgave
Designation: Vice President

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Disclaimer

This fairness opinion certificate ("Certificate" or "This certificate" or "this certificate") contains proprietary and confidential information regarding Neuland Laboratories Limited, Neuland Health Sciences Private Limited and Neuland Pharma Research Private Limited ("Merging Entities"). This certificate is issued for the exclusive use and benefit of the Company as per the Engagement letter dated October 19, 2016. This certificate has been issued by SBI Capital Markets Limited ("SBICAP"), on the basis of the information available in the public domain and sources believed to be reliable and the information provided by the Merging Entities, Valuer and for the purpose to facilitate the Company to comply with, if applicable, The SEBI Listing Obligations and Disclosure Regulations 2015 as amended, ("Listing Regulations") and it shall not be valid for any other purpose or as at any other date. This Certificate is issued by SBICAP in the capacity of an independent merchant banker, on the valuation of assets/shares of the Merging Entities done by Deloitte.

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SBI CAPITAL MARKETS MUMBAI

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The opinion of SBICAP ("Opinion") under this Certificate is not intended to and does not constitute a recommendation to any shareholders as to how such shareholder should vote or act in connection with the proposed business transaction or any matter related therein. The opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed business transaction with the provisions of any law including company law, taxation and capital market related laws or as regards any legal implications or issues arising thereon. SBICAP assumes no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof. SBICAP does not express any opinion as to the price at which shares of the NLL may trade at any time, including subsequent to the date of this opinion. In rendering the Opinion, SBICAP has assumed, that the proposed business transaction will be implemented on the terms described in the Merger Agreement, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary regulatory or third party approvals for the business transfer, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the entities under the proposed business transaction and / or its holding or subsidiaries or affiliates and their respective shareholders.

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