Annexure-III

SSPA & CO.
Chartered Accountants
1st Floor, "Arjun", Plot No.6A,
V. P. Road, Andheri (W),
Mumbai – 400 058. INDIA.
Tel. : 91 (22) 2670 4376 / 77
91 (22) 2670 3682
Website : www.sspa.in

STRICTLY PRIVATE & CONFIDENTIAL

December 06, 2023

To
The Audit Committee,
Orchid Pharma Limited
Plot Nos. 121 – 128, 128A – 133,
138 – 151, 159 – 164,
SIDCO Industrial Estate, Alathur,
Chengalpattu District – 603 110,
Tamil Nadu.

To
The Audit Committee,
Dhanuka Laboratories Limited
Linbuzz Business Centre, 2910B,
14th Main Road,
Anna Nagar West,
Chennai – 600 040,
Tamil Nadu.

Dear Sir(s) / Madam(s),

Sub: Recommendation of fair equity share exchange ratio for the proposed amalgamation of Dhanuka Laboratories Limited with Orchid Pharma Limited

We refer to the engagement letter dated November 02, 2023 whereby we, SSPA & Co., Chartered Accountants (hereinafter referred to as 'SSPA' or ' Registered Valuer' or 'We'), have been appointed by Orchid Pharma Limited (hereinafter referred to as 'OPL' or the 'Transferee Company') and Dhanuka Laboratories Limited (hereinafter referred to as 'DLL' or the 'Transferor Company'), to issue a report containing recommendation of fair equity share exchange ratio for the proposed amalgamation of DLL with OPL ('hereinafter referred to as 'Proposed Amalgamation').
OPL and DLL are hereinafter collectively referred to as the 'Companies' or the 'Client'.

1. SCOPE AND PURPOSE OF THIS REPORT

1.1 We have been informed by the management of OPL and DLL (hereinafter collectively referred to as the 'Management') that they are considering a proposal of amalgamation of DLL with OPL, pursuant to a scheme of amalgamation and arrangement under sections 230 to 232 and other applicable provisions of the Companies Act, 2013, including rules and regulations made thereunder.

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Subject to necessary approvals, DLL would be amalgamated with OPL, with effect from April 01, 2024 ('Appointed Date').

1.2 In consideration for the proposed amalgamation of DLL with OPL, equity shares of OPL would be issued to the equity shareholders of DLL.

As mentioned in the draft scheme, the equity shares and zero coupon unsecured and non-marketable Optionally Convertible Debentures ('OCD') of OPL held by DLL shall stand cancelled.

1.3 We have been informed that till the Proposed Amalgamation becomes effective, neither Companies would declare any substantial dividends having materially different yields as compared to past few years.

1.4 In this regard, we have been appointed by the Companies to carry out the relative valuation of equity shares of DLL and of OPL to recommend the fair equity share exchange ratio for the Proposed Amalgamation.

1.5 For the purpose of this valuation, the bases of value is 'Relative Value' and the valuation is based on 'Going Concern' premise. For the purpose of this valuation, December 05, 2023 has been considered as the 'Valuation Date'.

1.6 The report sets out our recommendation of the fair equity share exchange ratio and discusses the approach and methodologies considered for arriving at relative value of the equity shares of the Companies for the purpose of recommendation of fair equity share exchange ratio.

2. BRIEF BACKGROUND

2.1. ORCHID PHARMA LIMITED

OPL, is one of the leading pharmaceutical companies in India involved in the development, manufacture and marketing of diverse bulk actives, formulations and nutraceuticals with exports spanning over 40 countries. OPL's world class manufacturing infrastructure include API (USFDA compliant) and Finished Dosage Form facilities at Chengalpattu District in Tamil Nadu. OPL has dedicated state-of-art and GLP compliant R&D infrastructure for Process research, Drug Discovery and Pharmaceutical research at Chengalpattu District, Tamil Nadu. Orchid has ISO 14001 and OHSAS 18001 certifications. The Company has three manufacturing facilities located at Alathur, Tamil Nadu.

The Hon'ble National Company Law Tribunal (NCLT) has, by its order dated June 27, 2019 approved the resolution plan ('RP') submitted by the successful resolution applicant DLL and the order of the NCLT was upheld by Hon'ble Supreme Court vide its order dated February 28, 2020.

Accordingly, the RP submitted by DLL, the successful Resolution Applicant, was implemented during March 2020 and the Board was reconstituted by the Monitoring Committee of OPL with the nominations from the Resolution Applicant on the effective date i.e. on March 31, 2020 as described in the RP.

DLL infused the funds as per the terms of the RP through a special purpose vehicle ('SPV'), Dhanuka Pharmaceuticals Private Limited. The SPV was later on merged with OPL as per the terms of the approved RP. Thus, OPL became a subsidiary of DLL with effect from March 31, 2020.

The equity shares of OPL are listed on BSE limited ('BSE') and the National Stock Exchange of India Limited ('NSE').

Standalone revenue from operations of the Transferee Company for the six months period ended September 30, 2023 is INR 381.68 crores.

The shareholding pattern of OPL as on date is given below:

Name of the shareholders	Number of equity shares	% of shareholding
Dhanuka Laboratories Limited (Promoters)	3,54,19,957	69.84%
Public	1,52,99,148	30.16%
Total	**5,07,19,105**	**100%**

2.2. DHANUKA LABORATORIES LIMITED

DLL is one of the prominent manufacturer and exporter of bulk drugs based in India. DLL has two manufacturing facilities located at Gurugram, Haryana and Keshwana, Rajasthan for Cephalosporin APIs and general APIs (Non-Cephalosporin) respectively. DLL manufacture various products like Cefixime, Cefdinir, Cefaclor, Cefuroxime Axetil, Cefpodoxime Proxetil, Cefditoren Pivoxil, Cefprozil, Citicoline, Montelukast, Telmisartan and Vildagliptin, etc., in high quality cGMP conditions.

Currently, DLL owns 69.84% of the equity share capital of OPL.

On December 04, 2023, DLL has entered into business transfer agreement for acquisition via slump sale of the Business Undertaking of Synmedic Laboratories ('Synmedic') for a lumpsum consideration of INR 25.49 crores.

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Revenue from operations of the Transferor Company for the six months period ended September 30, 2023 is INR 277.95 crores.

3. REGISTERED VALUER – SSPA & CO., CHARTERED ACCOUNTANTS

SSPA, is a partnership firm, located at 1st Floor, "Arjun", Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing various corporate consultancy services.

We are a firm of practicising Chartered Accountants registered with The Institute of Chartered Accountants of India ('ICAI'). We are also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/06/2020/126.

4. SOURCES OF INFORMATION

For the purpose of the valuation exercise, we have relied upon the following information, as provided to us by the Management and on information available in public domain:

(a) Audited financial statements of the Companies for the financial year ('FY') ended March 31, 2023.

(b) Limited Review unaudited financial results of OPL for six months period ended September 30, 2023.

(c) Audited financial statements of DLL for six months period ended September 30, 2023 ('6ME Sep23').

(d) Financial projections of DLL and OPL (including its subsidiary) comprising of balance sheet and profitability statement.

(e) Draft scheme of amalgamation.

(f) Discussion with the Management on various issues relevant to valuation including prospects and outlook of the business, expected growth and other relevant information relating to expansion plans, etc.

(g) Such other information and explanations as we required and which have been provided by the Management, including management representations.

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5. PROCEDURES ADOPTED AND VALUATION METHODS FOLLOWED

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

- Obtained financial and qualitative information from the Management.
- Used data available in public domain related to the Companies and its peers.
- Discussions with the Management to understand the business and fundamental factors that affect company's earning-generating capability including historical financial performance and future outlook.
- Reviewed publicly available market data.
- Analysis of comparable companies using information available in public domain and / or proprietary database subscribed by us.
- Selection of well accepted valuation methodologies as considered appropriate by us.
- Arriving at the recommendation.

6. SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

6.1. This report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made. Further, our report on recommendation of fair equity share exchange ratio for the proposed amalgamation of DLL with OPL is in accordance with ICAI Valuation Standards 2018 issued by The Institute of Chartered Accountants of India.

6.2. Valuation is not a precise science and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While we have provided an assessment of value by applying certain formulae which are based on the information available, others may place a different value.

6.3. The report assumes that the Companies comply fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, as specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet provided to us.

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6.4. The draft of the present report was circulated to the Management (excluding the recommended fair equity share exchange ratio) for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.

6.5. Valuation analysis and results are specific to the purpose of valuation and the Valuation Date mentioned in the report and is as per agreed terms of our engagement.

6.6. For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Management and / or auditors / consultants of the Companies, is that of the Management. Also, with respect to explanations and information sought from the Management, we have been given to understand by the Management that they have not omitted any relevant and material information about the Companies. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/conclusions.

6.7. Our work does not constitute an audit, due diligence or certification of these information referred to in this report including information sourced from public domain. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report and consequential impact on the present exercise. However, we have evaluated the information provided to us by the Management through broad inquiry, analysis and review. However, nothing has come to our attention to indicate that the information provided / obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.

6.8. Our valuation is based on the estimates of future financial performance as projected by the Management, which represents their view of reasonable expectation at the point of time when they were prepared, after giving due considerations to commercial and financial aspects of the Companies and the industry in which the Companies operates. But such information and estimates are not offered as assurances that the particular level of income or profit will be achieved, or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary from those contained in the statement and the variation may be material. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

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6.9. We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.

6.10. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the value of the shares of the Companies including any significant changes that have taken place or are likely to take place in the financial position of the Companies. Events and transactions occurring after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.

6.11. We are independent of the Companies and have no current or expected interest in the Companies or its assets. The fee paid for our services in no way influenced the results of our analysis.

6.12. Our report is not, nor should it be construed as our opining or certifying the compliance with the provisions of any law including companies, competition, taxation and capital market related laws or as regards any legal implications or issues arising in India or abroad from the Proposed Amalgamation.

6.13. Any person/party intending to provide finance / divest / invest in the shares / convertible instruments / business of the Companies shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

6.14. The decision to carry out the Proposed Amalgamation (including consideration thereof) lies entirely with the parties concerned and our work and our finding shall not constitute a recommendation as to whether or not the parties should carry out the Proposed Amalgamation.

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6.15. Our Report is meant for the purpose mentioned in Para 1 only and should not be used for any purpose other than the purpose mentioned therein. It is exclusively for the use of the Companies and may be submitted to regulatory/statutory authority for obtaining requisite approvals. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall SSPA assume any responsibility to any third party to whom the report is disclosed or otherwise made available.

6.16. SSPA nor its partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. We owe responsibility only to the Companies that has appointed us under the terms of the engagement letter. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions or advice given by any other person. 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 client or companies, their directors, employees or agents.

7. VALUATION APPROACH AND METHODOLOGIES

7.1. For the purpose of valuation, generally following approaches can be considered, viz,

(a) the 'Cost' Approach;

(b) the 'Market' Approach; and

(c) the 'Income' Approach

Each of the aforesaid approaches proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance, to a given situation. Thus, the approach to be adopted for a particular valuation exercise must be judiciously chosen.

7.2. **COST APPROACH**

The 'Cost' Approach reflects the amount that would be required currently to replace the service capacity of an asset; often referred to as current replacement cost.

In the present case, the business of OPL and of DLL are intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the Cost Approach is not adopted for the present valuation exercise.

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7.3. **MARKET APPROACH**

7.3.1. Under the Market approach, since the equity shares of OPL are listed on recognised stock exchange and are frequently traded on NSE, we have thought fit to consider Market Price ('MP') Method under 'Market' Approach for valuation of equity shares of OPL. For the purpose of valuation of DLL, MP Method cannot be considered since the equity shares of DLL are not listed on any stock exchange.

Considering the above, we have thought fit to use Market Price method for valuation of equity shares of OPL under Market Approach and Comparable Companies' Multiple ('CCM') Method for valuation of equity shares of OPL and DLL under Market Approach.

7.3.2. **MARKET PRICE METHOD**

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

As mentioned earlier, the equity shares of OPL are listed on recognized stock exchanges. The value under this method is determined for OPL considering the share prices observed on NSE for OPL over a reasonable period, to arrive at the value per equity share of OPL as on the Valuation Date.

7.3.3. **COMPARABLE COMPANIES MULTIPLE ('CCM') METHOD**

Under CCM Method, the value of equity shares of OPL and DLL is determined by using multiples derived from valuations of listed comparable 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 material differences, if any.

In the present case, Enterprise Value ('EV') to Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA') multiple of comparable listed companies are considered to arrive at EV of OPL and DLL.

To the value so arrived, appropriate adjustments have been made for loan funds, value of investments, cash and cash equivalents and value of other assets and liabilities, after considering the tax impact, wherever applicable to arrive at the equity value.

The equity value as arrived above is divided by the outstanding number of equity shares to arrive at the value per equity share of OPL and of DLL.

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7.4. **INCOME APPROACH**

Under Income Approach, equity shares of OPL and of DLL are valued using Discounted Cash Flow ('DCF') Method.

7.4.1. Under DCF method, the projected free cash flows from business operations, after considering fund requirements for projected capital expenditure and incremental working capital, are discounted at the Weighted Average Cost of Capital ('WACC'). The sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business.

7.4.2. The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are determined by adding back to earnings before interest and tax (i) depreciation and amortizations (non-cash charge), and (ii) any non-operating item. The cash flow is adjusted for outflows on account of (i) capital expenditure, (ii) incremental working capital requirements and (iii) tax.

7.4.3. WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the company. In other words, WACC is the weighted average of cost of equity and cost of debt of the respective Companies.

7.4.4. To the value so arrived, appropriate adjustments have been made for loan funds, value of investments, cash and cash equivalents and value of other assets and liabilities, after considering the tax impact, wherever applicable to arrive at the equity value.

7.4.5. The equity value as arrived above is divided by the outstanding number of equity shares to arrive at the value per equity share of OPL and of DLL.

8. RECOMMENDATION OF FAIR EQUITY SHARE EXCHANGE RATIO

8.1. The fair basis of amalgamation of DLL with OPL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under different approaches, for the purposes of recommending a ratio of exchange it is necessary to arrive at a single value for the equity shares of OPL and of DLL. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of each company. Our exercise is to work out relative value of equity shares of OPL and of DLL to facilitate the determination of a ratio of exchange. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.

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8.2. As mentioned above, we have considered a combination of 'Market' Approach and 'Income' Approach to arrive at the relative value per equity share of OPL and of DLL.

8.3. The recommendation of fair equity share exchange ratio for the Proposed Amalgamation is tabulated below:

Valuation Approach	**OPL**		**DLL**	
	Value per share (INR)	**Weight**	**Value per share (INR)**	**Weight**
Asset Approach*	NA	NA	NA	NA
Income Approach	611.89	50%	19,211.24	50%
Market Approach				
- Market Price Method#	566.54	25%	NA	NA
- CCM Method	607.35	25%	19,435.75	50%
Relative fair value per share	**599.42**		**19,323.50**	
Fair Equity Share Exchange Ratio *(rounded off)*	**161 : 5**			

NA = Not Applied / Applicable

** Since, the business of OPL and DLL are both intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the 'Asset' approach is not adopted for the present valuation exercise.*

 # Since, the equity shares of DLL are not listed on any recognised stock exchange, Therefore, Market Price Method cannot be considered for valuation of equity shares of DLL.

8.4. The fair equity share exchange ratio has been arrived on the basis of a relative valuation of equity shares of OPL and of DLL based on the approaches explained herein earlier and considering various qualitative factors relevant to the Companies and the business dynamics and growth potential of the businesses, having regard to information base, management representation and perceptions, key underlying assumptions and limitations.

8.5. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgement 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 sentiments, 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. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

'If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for

subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible.'

8.6. In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report, in our opinion, the fair equity share exchange ratio for the proposed amalgamation of DLL with OPL is as under:

161 (One Hundred Sixty One) equity shares of OPL of INR 10 each fully paid up for every 5 (Five) equity shares of DLL of INR 100 each fully paid up.

Thanking you,
Yours faithfully,

For SSPA & CO.
Chartered Accountants
ICAI Firm registration number: 128851W
IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126

Parag S. Ved

SSPA & CO. REGISTERED VALUER CHARTERED ACCOUNTANTS

Parag Ved,
Partner
ICAI Membership No. 102432
Registered Valuer No.: IBBI/RV/06/2018/10092

UDIN: 23102432BGVAMZ3695
Place: Gurugram