

**REPORT ADOPTED BY BOARD OF DIRECTORS OF ORCHID PHARMA LIMITED IN ACCORDANCE WITH SECTION 232(2)(C) OF THE COMPANIES ACT, 2013 READ WITH RULE 6(3)(VI) OF THE COMPANIES (COMPROMISES, ARRANGEMENTS AND AMALGAMATIONS) RULES, 2016 IN ITS MEETING HELD ON DECEMBER 06, 2023 AT 15<sup>TH</sup> FLOOR, TOWER-1, DLF CORPORATE GREENS, SECTOR- 74A, GURUGRAM, HARYANA-122004**

**1. Background**

- 1.1. The proposed scheme of amalgamation and arrangement ('Scheme') under the provisions of Sections 230 to 232 of the Companies Act, 2013 provides for the amalgamation of Dhanuka Laboratories Limited ('Amalgamating Company') with Orchid Pharma Limited ('Amalgamated Company') on a going concern basis.
- 1.2. As on date, Amalgamating Company holds 69.84% stake in Amalgamated Company.
- 1.3. The provisions of Section 232(2)(c) of the Companies Act, 2013 require the Directors to adopt a report explaining the effect of the Scheme on Shareholders, Directors / Key Managerial Personnel, Promoter / Non-Promoter Shareholders, laying out in particular the share exchange ratio and specifying any special valuation difficulties. The said report is required to be circulated to the shareholders and creditors along with the notice convening the meeting of shareholders / creditors.
- 1.4. The Scheme was approved by the Board of Directors of the Company ('Board') vide resolution passed in its meeting held on December 06, 2023, and having regard to the aforesaid provision, the Board took into consideration, inter alia, the rationale of the Scheme, consideration involved, its impact on the Company's stakeholders, the financial position of the Companies and other documents placed before it.

**2. Rationale of the Scheme**

The proposed amalgamation of Amalgamating Company with the Amalgamated Company is in the interest of shareholders and creditors on account of following reasons:

- 2.1. The proposed amalgamation is in accordance with resolution plan dated May 16, 2019 which, inter alia, provides as under –
 

*"The Resolution Applicant plans to merge into the Corporate Debtor after the acquisition, which will result in creation of much larger company which will have a potential to reach a sales turnover of up to Rs. 1400-1500 crores with EBITDA of Rs. 200 to Rs. 250 crores, thereby creating a high value company in the future."*
- 2.2. Amalgamating Company and Amalgamated Company are engaged in the similar business. The amalgamation will ensure focused management in the combined entity thereby resulting in efficiency of management and maximizing value for the shareholders.
- 2.3. The proposed amalgamation in accordance with the terms of this Scheme would enable both the companies to realize benefits of greater synergies between their businesses, achieve wider product offerings and geographical footprints, consolidating operations thereby leveraging the capability of Amalgamated Company, yield beneficial results and pool financial resources as well as managerial,

technical, distribution and marketing resources (including stronger market presence) of each other in the interest of maximizing value to their shareholders and the stakeholders

- 2.4. This enhanced value maximization shall result in a stronger balance sheet which will attract investors
- 2.5. Elimination of conflict of interest between both Amalgamating Company and Amalgamated Company as both are undertaking similar business
- 2.6. Ensuring a streamlined group structure by reducing the number of legal entities in the group structure, and thereby eliminating inter-company transactions, administrative duplications and consequently reducing the administrative costs of maintaining separate companies;
- 2.7. The amalgamation would result in improved competitive position of the Amalgamated Company as a combined entity and achieving economies of scale.

Further, there is no adverse effect of this Scheme on the directors, key management personnel, promoters, non-promoter shareholders, creditors and employees of the Companies and the same would be in the best interest of all stakeholders.

### **3. Consideration**

- 3.1. Since, the Amalgamating Company is the parent of Amalgamated Company, accordingly, upon the Scheme becoming effective, all the equity shares as held by the Amalgamating Company in Amalgamated Company shall stand cancelled and extinguished and fresh shares of Amalgamated Company shall be issued to shareholders of Amalgamating Company as per Valuation Report issued by Mr. Parag Ved (Partner SSPA & Co, Chartered Accountants) dated December 06, 2023 Registered Valuer with Registration No. IBBI/RV-E/06/2020/126 and Fairness Opinion provided by Fortress Capital Management Services Pvt. Ltd, Category-I SEBI Registered Merchant Banker (Reg No. INM000011146) as per the following share exchange ratio:

*“161 fully paid up equity shares of face value of INR 10/- (Indian Rupees Ten) of Amalgamated Company to be issued and allotted to the shareholders of Amalgamating Company against 5 fully paid up equity share of face value of INR 100/- (Indian Rupees Hundred) each held in Amalgamating Company.”*

- 3.2. No special valuation difficulties were reported by the valuers.
- 3.3. In terms of the Scheme:
  - i. Clause 5.3 of the Scheme defines “Amalgamating Company Shares” means fully paid-up equity shares of Amalgamating Company, each having a face value of INR 100 (Indian Rupees One Hundred only) and one vote per equity share; and
  - ii. Clause 5.5 of the Scheme defines “Amalgamated Company Shares” means fully paid up equity shares of the Amalgamating Company, each having a face value of INR 10 (Indian Rupees Ten only) and one vote per equity share

#### 4. Effect of the Scheme on the stakeholders of Orchid Pharma Limited

S.No	Particulars	Effect
1.	Directors / Key Managerial Personnel (KMP)	No effect. There will be no change in the Directors / KMP of the Amalgamated Company pursuant to the Scheme
2.	Shareholders	<p>The stake held by Amalgamating Company in Amalgamated Company shall stand cancelled and shareholders of Amalgamating Company upon this Scheme becoming effective and the Amalgamated Company shall, without any further application, act or deed, issue and allot equity shares to shareholders of Amalgamating Company whose names appear in the register of its members on the Record Date or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as aforesaid in the following manner (hereinafter referred as Share Exchange Ratio):-</p> <p><i>“161 fully paid up equity shares of face value of INR 10/- (Indian Rupees Ten) of Amalgamated Company to be issued and allotted to the shareholders of Amalgamating Company against 5 fully paid up equity share of face value of INR 100/- (Indian Rupees Hundred) each held in Amalgamating Company.”</i></p> <p>The Amalgamated Company Shares to be issued and allotted to shareholders of Amalgamating Company in terms of the Scheme shall rank pari passu in all aspects and shall have the same rights attached to the then existing equity shares of the Amalgamated Company</p> <p>Promoters stake is expected to be increased on effectiveness of the Scheme</p>
3.	Promoters	<p>No effect on Promoters.</p> <p>The Promoters of the Amalgamating Company shall remain the Promoters of Amalgamated Company post the effectiveness of the Scheme.</p>
4.	Employees	Under the Scheme, no rights of the staff and employees of Amalgamated Company are being affected.
5.	Secured Creditors	No effect, the Scheme will not have any adverse effect on the secured creditors and after the Scheme becoming effective, the assets of the Amalgamated Company will be sufficient to discharge its liabilities.
6.	Unsecured Creditors	No effect, the Scheme will not have any adverse effect on the unsecured creditors and after the Scheme becoming effective, the assets of the Amalgamated Company will be sufficient to discharge its liabilities.

#### 5. Adoption of the report by board of directors of Orchid Pharma Limited

The board of directors of Orchid Pharma Limited has adopted this report after noting and considering the information set forth in this report.

For **Orchid Pharma Limited**



Managing Director

Manish Dhanuka

DIN: 00238798

Date: December 06, 2023

Place: Gurugram







# DHANUKA Laboratories Ltd.

CIN No.: U24100TN1993PLC149053

Unit-I: 7th Km. Old Manesar Road, Village Mohammedpur, Gurugram - 122004 Haryana, (INDIA)

Phone : +91 124 4848900 Fax: +91 124 4848999 Email: dll@dhanuka.com Website: www.dhanukalab.com

Unit-II: Plot No. SP4-4, RIICO Industrial Area, Keshwana Rajput, Kotputli, Shahpura, Distt. Jaipur-303108 (Rajasthan) INDIA

**REPORT ADOPTED BY BOARD OF DIRECTORS OF DHANUKA LABORATORIES LIMITED  
IN ACCORDANCE WITH SECTION 232(2)(C) OF THE COMPANIES ACT, 2013 READ WITH  
RULE 6(3)(VI) OF THE COMPANIES (COMPROMISES, ARRANGEMENTS AND  
AMALGAMATIONS) RULES, 2016 IN ITS MEETING HELD ON DECEMBER 06, 2023 AT 7 KM,  
OLD MANESAR ROAD, VILLAGE MOHAMMEDPUR, GURGAON, HARYANA -122 004**

## 1. Background

- 1.1. The proposed scheme of amalgamation and arrangement ('Scheme') under the provisions of Sections 230 to 232 of the Companies Act, 2013 provides for the amalgamation of Dhanuka Laboratories Limited ('Amalgamating Company') with Orchid Pharma Limited ('Amalgamated Company') on a going concern basis.
- 1.2. As on date, Amalgamating Company holds 69.84% stake in Amalgamated Company.
- 1.3. The provisions of Section 232(2)(c) of the Companies Act, 2013 require the Directors to adopt a report explaining the effect of the Scheme on Shareholders, Directors / Key Managerial Personnel, Promoter / Non-Promoter Shareholders, laying out in particular the share exchange ratio and specifying any special valuation difficulties. The said report is required to be circulated to the shareholders and creditors along with the notice convening the meeting of shareholders / creditors.
- 1.4. The Scheme was approved by the Board of Directors of the Company ('Board') vide resolution passed in its meeting held on December 06, 2023, and having regard to the aforesaid provision, the Board took into consideration, inter alia, the rationale of the Scheme, consideration involved, its impact on the Company's stakeholders, the financial position of the Companies and other documents placed before it.

## 2. Rationale of the Scheme

The proposed amalgamation of Amalgamating Company with the Amalgamated Company is in the interest of shareholders and creditors on account of following reasons:

- 2.1. The proposed amalgamation is in accordance with resolution plan dated May 16, 2019 which, inter alia, provides as under –  
  
*"The Resolution Applicant plans to merge into the Corporate Debtor after the acquisition, which will result in creation of much larger company which will have a potential to reach a sales turnover of up to Rs. 1400-1500 crores with EBITDA of Rs. 200 to Rs. 250 crores, thereby creating a high value company in the future."*
- 2.2. Amalgamating Company and Amalgamated Company are engaged in the similar business. The amalgamation will ensure focused management in the combined entity thereby resulting in efficiency of management and maximizing value for the shareholders.



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Phone : +91 124 4848900 Fax: +91 124 4848999 Email: [dll@dhanuka.com](mailto:dll@dhanuka.com) Website: [www.dhanukalab.com](http://www.dhanukalab.com)

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- 2.3. The proposed amalgamation in accordance with the terms of this Scheme would enable both the companies to realize benefits of greater synergies between their businesses, achieve wider product offerings and geographical footprints, consolidating operations thereby leveraging the capability of Amalgamated Company, yield beneficial results and pool financial resources as well as managerial, technical, distribution and marketing resources (including stronger market presence) of each other in the interest of maximizing value to their shareholders and the stakeholders
- 2.4. This enhanced value maximization shall result in a stronger balance sheet which will attract investors
- 2.5. Elimination of conflict of interest between both Amalgamating Company and Amalgamated Company as both are undertaking similar business
- 2.6. Ensuring a streamlined group structure by reducing the number of legal entities in the group structure, and thereby eliminating inter-company transactions, administrative duplications and consequently reducing the administrative costs of maintaining separate companies;
- 2.7. The amalgamation would result in improved competitive position of the Amalgamated Company as a combined entity and achieving economies of scale.

Further, there is no adverse effect of this Scheme on the directors, key management personnel, promoters, non-promoter shareholders, creditors and employees of the Companies and the same would be in the best interest of all stakeholders.

### 3. Consideration

- 3.1. Since, the Amalgamating Company 1 is the parent of Amalgamated Company, accordingly, upon the Scheme becoming effective, all the equity shares as held by the Amalgamating Company in Amalgamated Company shall stand cancelled and extinguished and fresh shares of Amalgamated Company shall be issued to shareholders of Amalgamating Company as per Valuation Report issued by Mr. Parag Ved (Partner SSPA & Co, Chartered Accountants) dated December 06, 2023 Registered Valuer with Registration No. IBBI/RV-E/06/2020/126 and Fairness Opinion provided by Fortress Capital Management Services Pvt. Ltd, Category-I SEBI Registered Merchant Banker (Reg No. INM000011146) as per the following share exchange ratio:

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- 3.2. No special valuation difficulties were reported by the valuers.
- 3.3. In terms of the Scheme:



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- i. Clause 5.3 of the Scheme defines “Amalgamating Company Shares” means fully paid-up equity shares of Amalgamating Company, each having a face value of INR 100 (Indian Rupees One Hundred only) and one vote per equity share; and
- ii. Clause 5.5 of the Scheme defines “Amalgamated Company Shares” means fully paid-up equity shares of the Amalgamating Company, each having a face value of INR 10 (Indian Rupees Ten only) and one vote per equity share.

#### 4. Effect of the Scheme on the stakeholders of Dhanuka Laboratories Limited

S.No	Particulars	Effect
1.	Directors / Key Managerial Personnel	None of the Directors, the Key Managerial Personnel (as defined under the Companies Act, 2013 and rules framed thereunder) of the Amalgamating Company and their respective relatives (as defined under the Companies Act, 2013 and rules framed thereunder) have any interest in the Scheme except to the extent of the equity shares held by them in the Amalgamating Company and/or to the extent that the said Director(s) are common director(s) of the said companies and/or to the extent that the Key Managerial Personnel is holding shares in the Amalgamating Company and/or to the extent that the said Director(s), Key Managerial Personnel and their respective relatives are the directors, members of the companies that hold shares in the Amalgamating Company. There is no effect of the Scheme on the key managerial personnel and/or the Directors of the said companies.
2.	Shareholders	<p>The stake held by Amalgamating Company in Amalgamated Company shall stand cancelled. Upon this Scheme becoming effective the Amalgamated Company shall, without any further application, act or deed, issue and allot equity shares to the shareholders of Amalgamating Company whose names appear in the register of its members on the Record Date or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as aforesaid in the following manner (hereinafter referred as Share Exchange Ratio):-</p> <p><i>“161 fully paid up equity shares of face value of INR 10/- (Indian Rupees Ten) of Amalgamated Company to be issued and allotted to shareholders of Amalgamating Company against 5 fully paid up equity share of face value of INR 100/- (Indian Rupees Hundred) each held in Amalgamating Company.”</i></p> <p>The Amalgamated Company Shares to be issued and allotted by Amalgamated Company to shareholders of Amalgamating Company in terms of the Scheme shall rank pari passu in all aspects and shall have the same rights attached to the then existing equity shares of the Amalgamated Company.</p>
3.	Promoter Shareholders	Amalgamating Company being the parent of Amalgamated Company shall dissolve without winding up on the Scheme being effective.

Corporate Office: 7<sup>th</sup> Km. Old Manesar Road, Village Mohammedpur, Gurugram - 122004 Haryana, (INDIA)

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Regd. Off. : Linbuzz Business Centre, 2910B, 14th Main Road Anna Nagar West, Chennai, Tamil Nadu - 600040



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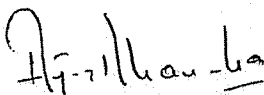
Unit-II: Plot No. SP4-4, RIICO Industrial Area, Keshwana Rajput, Kotputli, Shahpura, Distt. Jaipur-303108 (Rajasthan) INDIA

S.No.	Particulars	Effect
		Accordingly, on the Scheme being effective, stake held in Amalgamating Company shall stand cancelled and promoter shareholders shall receive stake in Amalgamated Company as per aforementioned share exchange ratio.
4.	Employees	No effect. The present employees shall continue to act as the employees of the Amalgamated Company post the Scheme becomes effective.
5.	Secured Creditors	No effect. As per Clause 3 of the Scheme, liability of secured creditors of Amalgamating Company shall be assumed and discharged by the Amalgamated Company in its ordinary course of business.
6.	Unsecured Creditors	No effect. As per Clause 3 of the Scheme, liability of unsecured creditors of Amalgamating Company shall be assumed and discharged by the Amalgamated Company in its ordinary course of business.

## 5. Adoption of the report by board of directors of Dhanuka Laboratories Limited

The board of directors of Dhanuka Laboratories Limited has adopted this report after noting and considering the information set forth in this report.

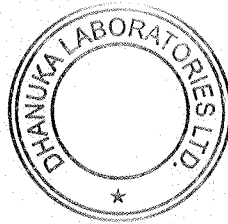
For Dhanuka Laboratories Limited



Arjun Dhanuka  
Whole Time Director  
DIN: 00454689

Date: December 06, 2023

Place: Gurugram



**REPORT OF THE AUDIT COMMITTEE OF ORCHID PHARMA LIMITED  
RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION AND ARRANGEMENT  
BETWEEN DHANUKA LABORATORIES LIMITED AND ORCHID PHARMA LIMITED AND  
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

**Members Present**

Mr. Manoj Goyal  
Ms. Tanu Singla  
Mr. Mridul Dhanuka

Chairman and Independent Director  
Independent Director  
Executive Director

**In Attendance**

Mr. Sunil Kumar Gupta  
Ms. Marina Peter

Chief Financial Officer  
Company Secretary and Compliance Officer

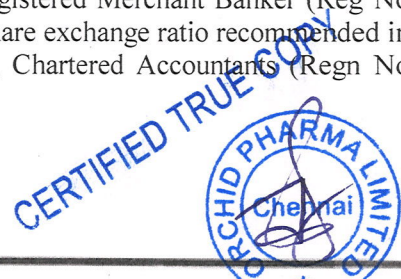
**By Invitation**

Mr. Parag Ved  
Mr. Ritesh Parekh

Representative of M/s SSPA & Co., Registered Valuer  
Representative of M/s SSPA & Co., Registered Valuer

**1. Background**

- 1.1. The Proposal to approve a Draft Scheme of Amalgamation and Arrangement between Dhanuka Laboratories Ltd ('Amalgamating Company') and Orchid Pharma Ltd ('Amalgamated Company' or 'Company') and their respective shareholders ('the Scheme') was placed before and considered by members of the Audit Committee at its meeting held on December 06, 2023 at 11:30 A.M. at 15TH Floor, Tower – 1, DLF Corporate Greens, Sector – 74A, Gurugram – Haryana (122004).
- 1.2. The Equity shares of Company are listed on BSE Ltd ('BSE') and National Stock Exchange of India Ltd ('NSE'). The Company will be filing the Scheme along with necessary information/documents (as applicable) with the above-mentioned exchanges.
- 1.3. The Report of the Audit Committee is made to comply with the requirements of the SEBI Master SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 after considering following:
  - i. Draft Scheme of Amalgamation and Arrangement;
  - ii. Valuation Report issued by M/s SSPA & Co, Chartered Accountants dated December 06, 2023 being registered valuer appointed for the purposes of this Scheme (Registration No. IBBI/RV-E/06/2020/126);
  - iii. Fairness Opinion Report dated December 06, 2023 issued by Fortress Capital Management Services Pvt Ltd, Category-I SEBI Registered Merchant Banker (Reg No INM000011146) providing fairness opinion on the share exchange ratio recommended in the valuation report prepared by M/s SSPA & Co, Chartered Accountants (Regn No IBBI/RV-E/06/2020/126)); and





- iv. Certificate dated December 04, 2023 obtained from the Statutory Auditors of Amalgamated Company i.e. Singhi & Co., Chartered Accountants (Firm's Registration No. 302049E) to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013 in pursuance of the SEBI Circular.

## 2. Proposed Scheme

- 3.1 The Scheme, inter-alia, provides the following:

- i. Amalgamation of Dhanuka Laboratories Ltd with Orchid Pharma Ltd; and
- ii. Various other matters consequential or otherwise integrally connected herewith

## 3.2 Consideration/ Share Exchange Ratio

Upon the Scheme becoming effective, all the equity shares held by the Amalgamating Company and its nominees in Amalgamated Company shall stand cancelled and extinguished as on Appointed Date and fresh shares of Amalgamated Company shall be issued to shareholders of the Amalgamating Company as per the share exchange ratio report issued by the registered valuer.

In terms of the Scheme and based on Valuation Report issued by issued by Mr. Parag Ved (Partner SSPA & Co, Chartered Accountants) dated December 06, 2023 Registered Valuer with Registration No. IBBI/RV-E/06/2020/126 and Fairness Opinion provided by Fortress Capital Management Services Pvt Ltd, Category-I SEBI Registered Merchant Banker (Reg No INM000011146), following would be the share exchange ratio for shareholders of Amalgamating Company:

*"161 fully paid up equity shares of face value of INR 10/- (Indian Rupees Ten) of Amalgamated Company to be issued and allotted to shareholders of Amalgamating Company against 5 fully paid up equity share of face value of INR 100/- (Indian Rupees Hundred) each held in Amalgamating Company."*

- 3.3 Appointed date for the Scheme is 01 April 2024 (as defined in the proposed scheme).
- 3.4 The 'Effective Date' for the Scheme means the later of the dates on which certified copy of the order of the National Company Law Tribunal, Chennai Bench sanctioning this Scheme is filed with the Registrar of Companies, Chennai by Amalgamated Company and Amalgamating Company, as required under the provisions of Companies Act, 2013.
- 3.5 The Scheme would be subject to the sanction or approval of the National Company Law Tribunal, SEBI, Stock Exchanges, Shareholders, Creditors and other regulatory or statutory authorities, as may be applicable.

## 3. Purpose and Rationale of Scheme

The proposed amalgamation of Amalgamating Company with the Amalgamated Company is in the interest of shareholders and creditors on account of following reasons:

- 3.1 The proposed amalgamation is in accordance with resolution plan dated May 16, 2019 which, inter alia, provides as under –

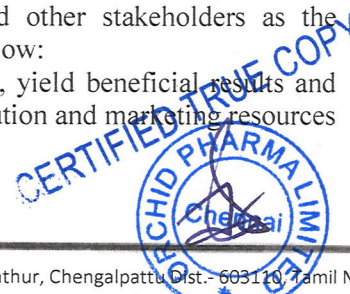


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- 3.2 Amalgamating Company and Amalgamated Company are engaged in the similar business. The amalgamation will ensure focused management in the combined entity thereby resulting in efficiency of management and maximizing value for the shareholders
- 3.3 The proposed amalgamation in accordance with the terms of this Scheme would enable both the companies to realize benefits of greater synergies between their businesses, achieve wider product offerings and geographical footprints, consolidating operations thereby leveraging the capability of Amalgamated Company, yield beneficial results and pool financial resources as well as managerial, technical, distribution and marketing resources (including stronger market presence) of each other in the interest of maximizing value to their shareholders and the stakeholders
- 3.4 This enhanced value maximization shall result in a stronger balance sheet which will attract investors
- 3.5 Elimination of conflict of interest between both Amalgamating Company and Amalgamated Company as both are undertaking similar business
- 3.6 Ensuring a streamlined group structure by reducing the number of legal entities in the group structure, and thereby eliminating inter-company transactions, administrative duplications and consequently reducing the administrative costs of maintaining separate companies
- 3.7 The amalgamation would result in improved competitive position of the Amalgamated Company as a combined entity and achieving economies of scale.

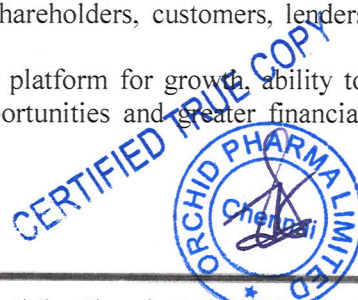
#### **4. Synergies**

- 4.1. The Companies are engaged in the similar business of manufacturing and distributing pharmaceutical products. The amalgamation will ensure creation of a combined entity under the Amalgamated Company, as the holding entity of the cluster, thereby resulting in on-time supplies, efficiency of management and maximizing value for the shareholders. Further, such restructuring will lead to simplification of group structure by eliminating multiple companies in similar business;
- 4.2. The Companies believe that the financial, managerial and technical resources, personnel, capabilities, skills, expertise and technologies of each of the Companies pooled in the Amalgamated Company, will lead to optimum use of infrastructure, cost reduction and efficiencies, productivity gains and logistic advantages and reduction of administrative and operational costs, thereby significantly contributing to the future growth and maximising shareholder value;
- 4.3. The proposed amalgamation under the Scheme would be in the best interest of the companies and their respective shareholders, employees, creditors, customers and other stakeholders as the proposed amalgamation will yield advantages as set out, inter alia, below:
  - i. realising benefits of greater synergies between their businesses, yield beneficial results and pool financial resources as well as managerial, technical, distribution and marketing resources





- of each other in the interest of maximizing value to their shareholders and the other stakeholders;
- ii. integrated value chain to enhance degree of vertical integration in the pharmaceutical products segment;
  - iii. greater efficiency in cash and debt management and unfettered access to cash flow generated by the combined business, which can be deployed more efficiently, to maximize shareholders value and better debt management;
  - iv. Enhanced value maximization shall result in stronger balance sheet which will attract investors;
  - v. pooling of resources, creating better synergies, optimal utilisation of resources, centralization of inventory and greater economies of scale, such as:
    - a. Elimination of conflict of interest;
    - b. Combining of product range;
    - c. Combined sourcing of raw materials and other procurements with centralized inventory management will lead to better economies of scale, increased synergies and operational efficiencies;
    - d. sharing of best practices and cross-functional learnings;
    - e. leverage of resources for aggressive growth in its product segment;
    - f. augmenting the infrastructural capability of the Amalgamated Company to effectively meet future challenges;
    - g. Utilize pan India and overseas distribution and marketing network of the combined entity to sell its value-added products;
    - h. Clubbing of shipments and combining of stockyards will facilitate optimization of logistics movements and freight costs.
  - vi. The customers' need would be addressed
    - a. By providing them uniform products and service experience;
    - b. owing to dedicated stock yards and supply chain efficiencies across multiple locations, in India;
  - vii. simplification of management structure, elimination of duplication and multiplicity of compliance requirements, rationalization of administrative expenses; better administration and cost reduction (including reduction in administrative and other common costs);
  - viii. further expanding the business of Amalgamated Company into growing markets;
  - ix. adoption of improved safety, environment and sustainability practices owing to a centralized committee at combined level to provide focused approach towards safety, environment and sustainability practices resulting in overall improvement;
  - x. create value for the stakeholders including the respective shareholders, customers, lenders and employees;
  - xi. The amalgamation will pave way for creation of a stronger platform for growth, ability to provide more innovative products, increased cross sell opportunities and greater financial flexibility for sustained growth;





- xii. With a stronger asset base, the amalgamation could provide potential re-rating of the credit worthiness of the Company that would benefit all the shareholders.

**5. Impact of the Scheme on the shareholders of the Company on Amalgamation of the Amalgamating Company**

- 5.1 Amalgamating Company is the parent company of the Amalgamated Company (i.e. Amalgamating Company owns 69.84% in Amalgamated Company)
- 5.2 It is proposed to amalgamate Amalgamating Company into the Amalgamated Company which shall result in issuance of equity shares to shareholders of Amalgamating Company as per the share exchange ratio proposed
- 5.3 The scheme has been drafted keeping in mind the provisions of section 2(1B) of Income-tax Act, 1961 and therefore there it may not have any tax implications
- 5.4 The financial capability of the Company shall be strengthened on amalgamation of Amalgamating Company
- 5.5 Further, the Fairness Opinion confirmed that the share exchange ratio in the valuation report is fair to the Amalgamated Company, Amalgamating Company and their respective shareholders
- 5.6 Therefore, the said Scheme is not detrimental to the shareholders of the Company.

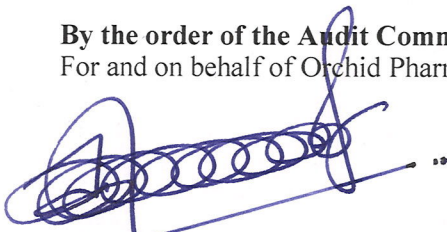
**6. Cost benefit analysis of the Scheme**

Keeping in view of synergies and the cost benefits expected (refer clause 3 and 4 above) the Audit Committee is of the view that post amalgamation, the Company would be able to achieve synergies of business, cost reduction, increase efficiencies, productivity gains and logistical advantages, thereby continuing to future growth and enhancement of shareholder value.

**7. Recommendations of the Audit Committee**

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme, Valuation report, Fairness Opinion Report and the specific points mentioned above, recommends the Scheme for favourable consideration by the Board of Directors of the Company, BSE, NSE Limited and Securities and Exchange Board of India and any other statutory or regulatory authority.

**By the order of the Audit Committee**  
For and on behalf of Orchid Pharma Limited



**Manoj Kumar Goyal**  
**Chairman of the Audit Committee**  
DIN: 06361663  
Date: December 06, 2023

**CERTIFIED TRUE COPY**



**REPORT OF THE COMMITTEE OF INDEPENDENT DIRECTORS OF ORCHID PHARMA LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION AND ARRANGEMENT BETWEEN DHANUKA LABORATORIES LIMITED AND ORCHID PHARMA LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS**

**Members Present**

Dr. Dharam Vir  
Ms. Tanu Singla  
Mr. Manoj Goyal

Chairman & Independent Director  
Independent Director  
Independent Director

**In Attendance**

Mr. Sunil Kumar Gupta  
Ms. Marina Peter

Chief Financial Officer  
Company Secretary and Compliance Officer

**By Invitation**

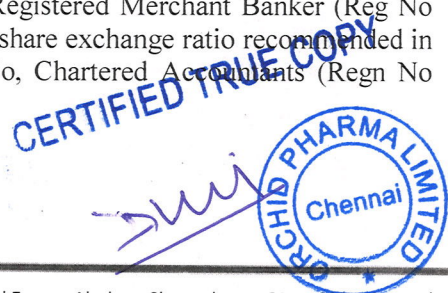
Mr. Parag Ved  
Mr. Ritesh Parekh

Representative of M/s SSPA & Co., Registered Valuer  
Representative of M/s SSPA & Co., Registered Valuer

**1. Background**

The Proposal to enter a Draft Scheme of Amalgamation and Arrangement between Dhanuka Laboratories Limited ('Amalgamating Company') and Orchid Pharma Limited ('Amalgamated Company') and their respective shareholders and creditors ('Scheme') was placed before and considered by members of the Committee of Independent Directors at their meeting held on December 06, 2023 at 10:00 A.M. at 15TH Floor, Tower – 1, DLF Corporate Greens, Sector – 74A, Gurugram – Haryana (122004).

- 1.1. The Equity shares of Company are listed on BSE Ltd ('BSE') and National Stock Exchange of India Ltd ('NSE'). The Company will be filing the Scheme along with necessary information/documents (as applicable) with the above-mentioned exchanges.
- 1.2. The Report of the Committee of Independent Directors is made to comply with the requirements of the SEBI Master SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 after considering following:
  - i. Draft Scheme of Amalgamation and Arrangement;
  - ii. Valuation Report issued by M/s SSPA & Co, Chartered Accountants) dated December 06, 2023 being registered valuer appointed for the purposes of this Scheme (Registration No. IBBI/RV-E/06/2020/126);
  - iii. Fairness Opinion Report dated December 06, 2023 issued by M/s Fortress Capital Management Services Pvt Ltd, Category-I SEBI Registered Merchant Banker (Reg No INM000011146) providing fairness opinion on the share exchange ratio recommended in the valuation report prepared by M/s SSPA & Co, Chartered Accountants (Regn No IBBI/RV-E/06/2020/126); and





- iv. Certificate dated December 04, 2023 obtained from the Statutory Auditors of Amalgamated Company i.e. Singhi & Co., Chartered Accountants (Firm's Registration No. 302049E) to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013 in pursuance of the SEBI Circular.

## 2. Proposed Scheme

- 2.1. The Scheme, *inter-alia*, provides the following:

- i. Amalgamation of Dhanuka Laboratories Ltd. with Orchid Pharma Ltd., and
- ii. Various other matters consequential or otherwise integrally connected herewith.

### 2.2. Consideration / Share Exchange Ratio

Upon the Scheme becoming effective, all the equity shares held by the Amalgamating Company and its nominees in Amalgamated Company shall stand cancelled and extinguished as on Appointed Date and fresh shares of Amalgamated Company shall be issued to shareholders of the Amalgamating Company as per the share swap report issued by the registered valuer.

In terms of the Scheme and based on Valuation Report issued by M/s SSPA & Co, Chartered Accountants) dated December 06, 2023 Registered Valuer with Registration No. IBBI/RV-E/06/2020/126 and Fairness Opinion provided by M/s Fortress Capital Management Services Pvt Ltd, Category-I SEBI Registered Merchant Banker (Reg No INM000011146), following would be the share exchange ratio for shareholders of Amalgamating Company:

*"161 fully paid-up equity shares of face value of INR 10/- (Indian Rupees Ten) of Amalgamated Company to be issued and allotted to the shareholders of Amalgamating Company against 5 fully paid-up equity share of face value of INR 100/- (Indian Rupees Hundred) each held in Amalgamating Company."*

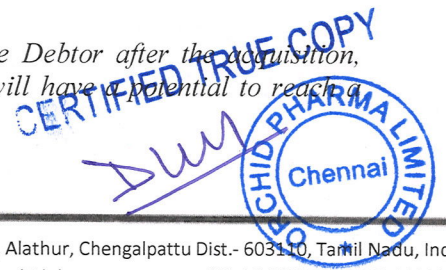
- 2.3. Appointed date for the Scheme is 01 April 2024 (as defined in the proposed scheme).
- 2.4. The 'Effective Date' for the Scheme means the later of the dates on which certified copy of the order of the National Company Law Tribunal, Chennai Bench sanctioning this Scheme is filed with the Registrar of Companies, Chennai by Amalgamated Company and Amalgamating Company, as required under the provisions of Companies Act, 2013.
- 2.5. The Scheme would be subject to the sanction or approval of the National Company Law Tribunal, SEBI, Stock Exchanges, Shareholders, Creditors and other statutory or regulatory authorities, as may be applicable.

## 3. Purpose and Rationale of Scheme

The proposed amalgamation of Amalgamating Companies with the Amalgamated Company is in the interest of shareholders and creditors on account of following reasons:

- 3.1. The proposed amalgamation is in accordance with resolution plan dated May 16, 2019 which, *inter alia*, provides as under –

*"The Resolution Applicant plans to merge into the Corporate Debtor after the acquisition, which will result in creation of much larger company which will have a potential to reach a*



*sales turnover of up to Rs. 1400-1500 crores with EBITDA of Rs. 200 to Rs. 250 crores, thereby creating a high value company in the future.”*

- 3.2. Amalgamating Company and Amalgamated Company are engaged in the similar business. The amalgamation will ensure focused management in the combined entity thereby resulting in efficiency of management and maximizing value for the shareholders.
- 3.3. The proposed amalgamation in accordance with the terms of this Scheme would enable both the companies to realize benefits of greater synergies between their businesses, achieve wider product offerings and geographical footprints, consolidating operations thereby leveraging the capability of Amalgamated Company, yield beneficial results and pool financial resources as well as managerial, technical, distribution and marketing resources (including stronger market presence) of each other in the interest of maximizing value to their shareholders and the stakeholders
- 3.4. This enhanced value maximization shall result in a stronger balance sheet which will attract investors
- 3.5. Elimination of conflict of interest between both Amalgamating Company and Amalgamated Company as both are undertaking similar business
- 3.6. Ensuring a streamlined group structure by reducing the number of legal entities in the group structure, and thereby eliminating inter-company transactions, administrative duplications and consequently reducing the administrative costs of maintaining separate companies;
- 3.7. The amalgamation would result in improved competitive position of the Amalgamated Company as a combined entity and achieving economies of scale.

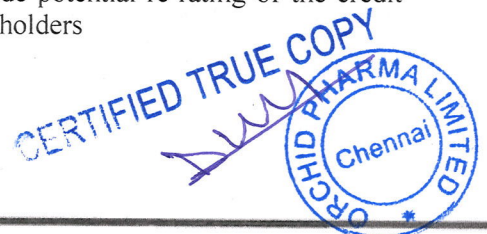
#### **4. Synergies**

- 4.1. The Companies are engaged in the similar business of manufacturing and distributing pharmaceutical products. The amalgamation will ensure creation of a combined entity under the Amalgamated Company, as the holding entity of the cluster, thereby resulting in on-time supplies, efficiency of management and maximizing value for the shareholders. Further, such restructuring will lead to simplification of group structure by eliminating multiple companies in similar business;
- 4.2. The Companies believe that the financial, managerial and technical resources, personnel, capabilities, skills, expertise and technologies of each of the Companies pooled in the Amalgamated Company, will lead to optimum use of infrastructure, cost reduction and efficiencies, productivity gains and logistic advantages and reduction of administrative and operational costs, thereby significantly contributing to the future growth and maximising shareholder value;
- 4.3. The proposed amalgamation under the Scheme would be in the best interest of the companies and their respective shareholders, employees, creditors, customers and other stakeholders as the proposed amalgamation will yield advantages as set out, inter alia, below:
  - i. realising benefits of greater synergies between their businesses, yield beneficial results and pool financial resources as well as managerial, technical, distribution and marketing resources of each other in the interest of maximizing value to their shareholders and the other stakeholders;





- ii. integrated value chain to enhance degree of vertical integration in the pharmaceutical products segment;
- iii. greater efficiency in cash and debt management and unfettered access to cash flow generated by the combined business, which can be deployed more efficiently, to maximize shareholders value and better debt management;
- iv. Enhanced value maximization shall result in stronger balance sheet which will attract investors;
- v. pooling of resources, creating better synergies, optimal utilisation of resources, centralization of inventory and greater economies of scale, such as:
  - a. Elimination of conflict of interest;
  - b. Combining of product range;
  - c. Combined sourcing of raw materials and other procurements with centralized inventory management will lead to better economies of scale, increased synergies and operational efficiencies;
  - d. sharing of best practices and cross-functional learnings;
  - e. leverage of resources for aggressive growth in its product segment;
  - f. augmenting the infrastructural capability of the Amalgamated Company to effectively meet future challenges;
  - g. Utilize pan India and overseas distribution and marketing network of the combined entity to sell its value-added products;
  - h. Clubbing of shipments and combining of stockyards will facilitate optimization of logistics movements and freight costs.
- vi. The customers' need would be addressed
  - a. By providing them uniform products and service experience;
  - b. owing to dedicated stock yards and supply chain efficiencies across multiple locations, in India;
- vii. simplification of management structure, elimination of duplication and multiplicity of compliance requirements, rationalization of administrative expenses; better administration and cost reduction (including reduction in administrative and other common costs);
- viii. further expanding the business of Amalgamated Company into growing markets;
- ix. adoption of improved safety, environment and sustainability practices owing to a centralized committee at combined level to provide focused approach towards safety, environment and sustainability practices resulting in overall improvement;
- x. create value for the stakeholders including the respective shareholders, customers, lenders and employees;
- xi. The amalgamation will pave way for creation of a stronger platform for growth, ability to provide more innovative products, increased cross sell opportunities and greater financial flexibility for sustained growth;
- xii. With a stronger asset base, the amalgamation could provide potential re-rating of the credit worthiness of the Company that would benefit all the shareholders



**5. Impact of the Scheme on the shareholders of the Company on Amalgamation of Amalgamating Company**

- 5.1. Amalgamating Company is the holding company of the Amalgamated Company and holds 69.84% stake in Company
- 5.2. It is proposed to amalgamate Amalgamating Company into the Company to consolidate the entire pharma business in a single entity i.e. Company
- 5.3. The Scheme has been drafted keeping in mind the provisions of section 2(1B) of Income-tax Act, 1961 and therefore there it may not have any tax implications.
- 5.4. The financial capability shall be strengthened on amalgamation of Amalgamating Company with Amalgamated Company. All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) arising out of or incurred in carrying out and implementing the said amalgamation and matters incidental thereto shall be borne by Company and the same would be eligible to be claimed as a tax deduction as per the provisions of section 35DD of the Income-tax Act, 1961.
- 5.5. Further, the Fairness Opinion confirmed that the share exchange ratio in the valuation report is fair to the Amalgamated Company, Amalgamating Company and their respective shareholders.
- 5.6. Therefore, the said Scheme is not detrimental to the shareholders of the Company.

**6. Cost benefit analysis of the Scheme**

Keeping in view of synergies and the cost benefits expected (refer clause 4 and 5 above) the Committee of Independent Directors is of the view that post amalgamation, the Company would be able to achieve synergies of business, cost reduction, increase efficiencies, productivity gains and logistical advantages, thereby continuing to future growth and enhancement of shareholder value.

**7. Recommendations of the Committee of Independent Directors**

The Committee of Independent Directors after due deliberations and due consideration of all the terms of the Scheme, Valuation Report, Fairness Opinion and the specific points mentioned above, recommends the Scheme for favourable consideration by the Board of Directors of the Company, the BSE Limited, the NSE Limited, the Securities and Exchange Board of India and other statutory or regulatory authorities.

**By the order of the Committee of Independent Directors**  
For and on behalf of Orchid Pharma Limited

*Dharamvir*

**Dr. Dharam Vir**  
**Chairman of the Committee of Independent Directors**  
DIN: 08771224  
Date: December 06, 2023

