

**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

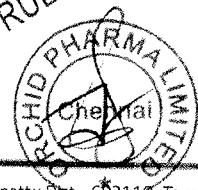
Representative of M/s SSPA & Co., Registered Valuer
Representative of M/s SSPA & Co., Registered Valuer

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

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- 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 dated May 06, 2019 which, inter alia, provides as under –

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Chennai

"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."

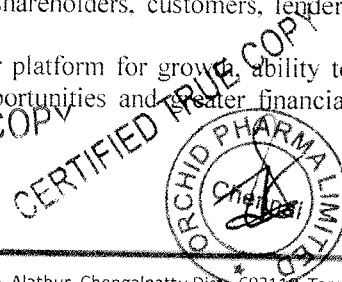
- 3.2 Amalgamating Company and Amalgamated Company are engaged in the similar business. The amalgamation will ensure focused management in the combined entity thereby resulting in efficiency of management and maximizing value for the shareholders
- 3.3 The proposed amalgamation in accordance with the 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;

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- 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

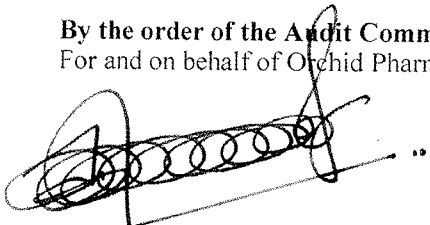
Keeping in view of synergies and the cost benefits expected (refer clause 3 and 4 above) the Audit Committee is of the view that post amalgamation, the Company would be able to achieve synergies of business, cost reduction, increase efficiencies, productivity gains and logistical advantages, thereby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



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DHANUKA Laboratories Ltd.



Unit – I: 7 KM, Old Manesar Road, Village Mohammedpur, Gurgaon -122 004, Haryana (India)

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

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

REPORT OF THE AUDIT COMMITTEE OF DHANUKA LABORATORIES 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. Kunj Sonthalia	- Independent Director
Mr. Sanjay Bagaria	- Independent Director
Mr. Mridul Dhanuka	- Director

In Attendance

Mr. Vikash	Company Secretary
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By Invitees

Mr. Parag Ved	Representative of M/s SSPA & Co., Registered Valuer
Mr. Ritesh Parekh	Representative of M/s SSPA & Co., Registered Valuer

1. Background

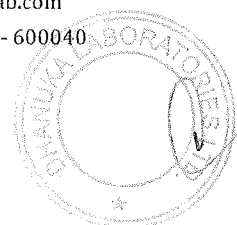
- 1.1. The Proposal to approve a Draft Scheme of Amalgamation and Arrangement between Dhanuka Laboratories Ltd ('Amalgamating Company') and Orchid Pharma Ltd ('Amalgamated Company') and their respective shareholders ('the Scheme') was placed before and considered by members of the Audit Committee at its meeting held on December 06, 2023 at 7 KM, Old Manesar Road, Village Mohammedpur, Gurgaon, Haryana -122 004.
- 1.2. As per provisions of section 177(1) of Companies Act, 2013, Amalgamating Company is required to establish an audit committee.
- 1.3. The Report of the Audit Committee is made to comply with the requirements of section 177 of Companies Act 2013 after considering following:
 - i. Draft Scheme of Amalgamation and Arrangement;

Corporate Office: 7th KM, Old Manesar Road, Village Mohammedpur, Gurgaon -122004 Haryana, (INDIA),

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- ii. Valuation Report issued by Mr. Parag Ved (Partner 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 Mr. Parag Ved (Regn No IBBI/RV-E/06/2020/126) (Partner SSPA & Co, Chartered Accountants); and
- iv. Certificate dated December 06, 2023 obtained from the Statutory Auditors of Amalgamating Company i.e. Ashok Kumar Malhotra & Associates, Chartered Accountants (Firm's Registration No. 014498C) 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

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 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 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:

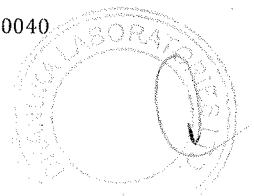
"161 (One Hundred Sixty One) equity shares of OPL of INR 10 each fully paid up for every 5 (Five) equity shares of DLL of INR 100 each fully paid up."

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- 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 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 –
- "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

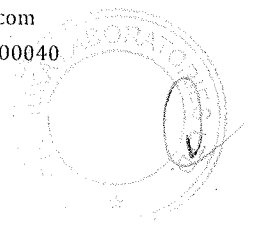
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- 3.4 This enhanced value maximization shall result in a stronger balance sheet which will attract investors
- 3.5 Elimination of conflict of interest between both Amalgamating Company and Amalgamated Company as both are undertaking similar business
- 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;

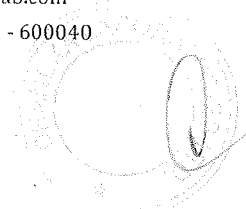
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- ii. integrated value chain to enhance degree of vertical integration in the pharmaceutical products segment;
- iii. greater efficiency in cash and debt management and unfettered access to cash flow generated by the combined business, which can be deployed more efficiently, to maximize shareholders value and better debt management;
- iv. 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.
- v. 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;
- vi. 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);
- vii. further expanding the business of Amalgamated Company into growing markets;

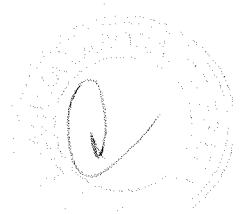
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- viii. adoption of improved safety, environment and sustainability practices owing to a centralized committee at combined level to provide focused approach towards safety, environment and sustainability practices resulting in overall improvement;
- ix. create value for the stakeholders including the respective shareholders, customers, lenders and employees;

5. Impact of the Scheme on the shareholders of the Company on Amalgamation with Amalgamated Company

- 5.1 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 swap 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 adverse tax implications
- 5.4 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
- 5.5 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

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[Signature] (69)

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Company, the stock exchanges i.e. BSE Limited and National Stock Exchange of India Limited and Securities Exchange Board of India and any other statutory or regulatory authority.

By the order of the Audit Committee

For and on behalf of **Dhanuka Laboratories Limited**

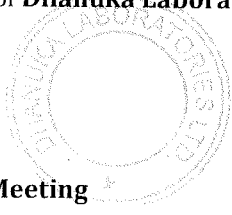
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Mridul Dhanuka

Chairman of the Meeting

DIN: 00199441

Date: December 06, 2023



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