

**STRICTLY PRIVATE & CONFIDENTIAL**

December 16, 2021

To,

**The Audit Committee  
Orchid Pharma Limited**  
313, Orchid Towers,  
Valluvar Kottam High Road,  
Nungambakkam, Chennai – 600 034  
Tamil Nadu.

**The Board of Directors  
Dhanuka Laboratories Limited**  
7-KM Old Manesar Road,  
Village Mohammedpur,  
Gurugram – 122 001  
Haryana.

**Sub: Fairness Opinion on share exchange ratio in connection with the proposed amalgamation of Dhanuka Laboratories Ltd with Orchid Pharma Ltd under a Scheme of Amalgamation.**

Dear Sir(s),

We refer to our engagement letter dated October 19, 2021, and discussion wherein the management of Orchid Pharma Ltd (hereinafter referred to as “OPL” or “Company”) and Dhanuka Laboratories Ltd (hereinafter referred to as “DLL”) (hereinafter collectively referred to as the ‘Management’) has requested Fortress Capital Management Services Private Limited (hereinafter referred to as “Fortress”), a SEBI Registered Category I Merchant Banker to give a fairness opinion on the Share Exchange Ratio recommended by SSPA & Co., Chartered Accountants (hereinafter referred to as “Valuer”) in connection with the amalgamation of DLL with OPL under a Scheme of Amalgamation. OCL and DLL are hereinafter collectively referred to as the “Companies”.

Page 1 of 7

**Fortress Capital Management Services Pvt. Ltd.** CIN : U67120MH2004PTC145815

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## 1. BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT

1.1 We have been informed by the Management that they are considering the proposal of amalgamation of DLL with OPL (hereinafter referred to as the “Amalgamation” or “Proposed Transaction”) pursuant to the scheme of amalgamation (hereinafter referred to as “Scheme”) between the Companies in accordance with the provisions of sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and rules and regulations made thereunder. Subject to necessary approvals, DLL would amalgamate with OPL, with effect from the appointed date as mentioned in the draft scheme (hereinafter referred to as the “Appointed Date”). As consideration for the Proposed Transaction, shareholders of DLL would be issued equity shares of OPL.

1.2 As mentioned in the draft scheme, the equity shares and optionally convertible debentures (‘OCD’) of OPL held by DLL shall stand cancelled.

### 1.3 **Orchid Pharma Limited**

OPL is a pharmaceutical company in India headquartered in Chennai and involved in the development, manufacture and marketing of diverse bulk actives, formulations and nutraceuticals with exports spanning over 40 countries. OPL's manufacturing infrastructure include USFDA compliant API and Finished Dosage Form facilities at Chennai in India. OPL has an R&D infrastructure for Process research, Drug Discovery and Pharmaceutical research in Chennai, India.

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 and the National Stock Exchange of India Limited.

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

<b>Name of the Shareholder</b>	<b>Number of Equity Shares</b>	<b>% Holding</b>
Promoter – Dhanuka Laboratories Ltd	3,67,19,957	89.96%
Public Shareholders	40,81,640	10.00%
Shares underlying Depository Receipts	14,803	0.04%
<b>Total</b>	<b>4,08,16,400</b>	<b>100.00%</b>

#### 1.4 Dhanuka Laboratories Limited

DLL is a manufacturer and exporter of oral Cephalosporin APIs based in India. DLL has the capacity to manufacture various products like Cefixime, Cefdinir, Cefaclor, Cefuroxime Axetil, Cefpodoxime Proxetil, Cefditoren Pivoxil, Cefprozil in high-quality cGMP conditions. Currently, DLL owns ~89.96% of the equity share capital of OPL.

On December 15, 2021, DLL has entered into a business transfer agreement for acquisition via slump sale of the Business Undertaking of Synmedic Laboratories ('Synmedic') for a lump sum consideration of INR 61.59 crores.



The issued, subscribed and fully paid-up equity share capital of the DLL as on September 30, 2021, is INR 13.85 crores comprising 13,84,660 shares of the face value of INR 100 each.

- 1.5 In this regard, the Valuer was appointed to recommend the share exchange ratio in connection with the proposed amalgamation of DLL with OPL under a Scheme of Amalgamation.
- 1.6 Accordingly, we have been appointed in the capacity of SEBI Registered Category I Merchant Banker to give a fairness opinion on the share exchange ratio recommended by Valuer in connection with the proposed amalgamation of DLL with OPL under the Scheme of Amalgamation to comply with SEBI Guidelines.
- 1.7 The information contained in our report herein is confidential. It is intended only for the sole use of captioned purpose including for obtaining the requisite statutory approvals.

## **2. SOURCES OF INFORMATION**

For the purposes of this exercise, we have relied upon the following sources of information:

- (a) Draft Scheme of Amalgamation between DLL, and OPL under section 230 to 232 of the Companies Act, 2013.
- (b) Audited financial statements of the Companies for the financial year ('FY') ended March 31, 2021.
- (c) Limited Review unaudited financial results of OPL for 6 months period ended September 30, 2021 ('6ME Sep21').
- (d) Audited financial statements of DLL for 6 months period ended September 30, 2021 ('6ME Sep21').



- (e) Financial projections of the Companies comprising of balance sheet and profitability statement for six months period ended March 31, 2022 ('6ME Mar22') and from FY 2022-23 to FY 2029-30.
- (f) Report dated December 16, 2021, issued by Valuer.
- (g) Such other information and explanations as we required and which have been provided by the management including Management Representations of OPL, DLL, and Valuer.

### **3. EXCLUSIONS AND LIMITATIONS**

- 3.1 Our conclusion is based on the information furnished to us being complete and accurate in all material respects.
- 3.2 We have been represented by the Management of the Companies that the Companies have the clear and valid title of assets. No investigation on Companies claim to the title of their assets has been made and their claim to such rights has been assumed to be valid.
- 3.3 Our work does not constitute verification of historical financials or including the working results of the Companies referred to in this report. 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.
- 3.4 Our opinion is not intended to and does not constitute a recommendation to any shareholders as to how such shareholders should vote or act in connection with the Scheme or any matter related therein.
- 3.5 The fee for the engagement and this report is not contingent upon the results reported.
- 3.6 Our liability (statutory or otherwise) for any economic loss or damage arising out of the rendering of this Opinion shall be limited to the amount of fees received for rendering this Opinion as per our engagement.
- 3.7 Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation with the provisions of any law including companies,



- taxation and capital market related laws or as regards any legal implications or issues arising thereon.
- 3.8 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.
- 3.9 This Fairness Opinion (“Opinion”) 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 the Opinion 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 Opinion may affect the opinion and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this Fairness Opinion.
- 3.10 We do not express any opinion as to the price at which shares of the Company may trade at any time, including subsequent to the date of this opinion.
- 3.11 This Fairness Opinion has been issued for the sole purpose to facilitate the Companies to comply with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, it shall not be valid for any other purpose and 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 we assume any responsibility to any third party to whom the report is disclosed or otherwise made available.
- 3.12 Fortress nor its directors, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the fairness opinion is provided. All such parties expressly disclaim any and all liability for/or based on or relating to any such information contained in the fairness opinion.



#### 4. VALUATION METHODOLOGY ADOPTED BY VALUER

For the purposes of Valuation and recommending the share exchange ratio, the Valuer has adopted the “Discounted Cashflow Method” under Income Approach and “Comparable Companies’ Multiple Method” under Market Approach for OPL and DLL.

#### 5. CONCLUSION

5.1 We have reviewed methodology as mentioned above used by the Valuer for arriving at the valuation of the equity shares of the Companies and also reviewed the working and underlying assumptions adopted to arrive at the values under each of the above approaches, for the purposes of recommending share exchange ratio.

5.2 **Based on the foregoing and based on the information and explanation provided to us, in our opinion, the share exchange ratio for the proposed amalgamation of DLL with OPL of 63 (Sixty Three) Equity Share of OPL of INR 10 each fully paid up for every 2 (Two) Equity share of DLL of INR 100 each fully paid up recommended by Valuer is fair and reasonable.**

Thanking you,

Yours faithfully,

**For Fortress Capital Management Services Pvt. Ltd.**

*Hilom. M. Joshi*



**Authorized Signatory**

Place: Mumbai

SEBI Registration No.: INM000011146

Page 7 of 7