

STRICTLY PRIVATE & CONFIDENTIAL

December 6, 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.

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

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 November 2, 2023 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”.



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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 appointed date as mentioned in the draft scheme (hereinafter referred to as the “Appointed Date”). As a 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 zero coupon unsecured and non marketable Optionally Convertible Debentures (“OCD”) of OPL held by DLL shall stand cancelled.

1.3 Orchid Pharma Limited

OPL is a pharmaceutical company in India 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 Chengalpattu District, in Tamil Nadu. OPL has R&D infrastructure for Process research, Drug Discovery and Pharmaceutical research at Chengalpattu District, in 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 and the National Stock Exchange of India Limited.

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

Name of the Shareholder	Number of Equity Shares	% Holding
Promoter – Dhanuka Laboratories Ltd	3,54,19,957	69.84%
Public Shareholders	1,52,99,148	30.16%
Total	5,07,19,105	100.00%

1.4 **Dhanuka Laboratories Limited**

DLL is a manufacturer and exporter of oral Cephalosporin APIs based in India. DLL has capacity to 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 4, 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.

1.5 In this regard Valuer was appointed to recommend the share exchange ratio in connection with the Proposed Transaction 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 Transaction 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, 2023.
- (c) Limited Review unaudited financial results of OPL for 6 months period ended September 30, 2023.
- (d) Audited financial statements of DLL for 6 months period ended September 30, 2023.
- (e) Financial projections of DLL and OPL (including its subsidiary) comprising of balance sheet and profitability statement.
- (f) Report dated December 06, 2023 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 clear and valid title of assets. No investigation on Companies claim to 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 shareholder 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 this Opinion shall be limited to 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 Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/665 dated November 23, 2021 relating to Scheme of Arrangement by Listed Entities, 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. REVIEW OF DOCUMENTS

For arriving at the opinion we have reviewed the following documents:

- Draft Scheme of Arrangement.
- Financials and Projections of Companies as mentioned in para 'Sources of Information'
- Report dated December 06, 2023 of Valuer.
- Explanation and information provided by the Management of Companies and Valuer.

5. VALUATION METHODOLOGY ADOPTED BY VALUER

For the purpose of Valuation and recommending the share exchange ratio, the Valuer has adopted "Discounted Cashflow Method" under Income Approach and "Market Price Method" for valuation of equity shares of OPL and "Comparable Companies' Multiple Method" for valuation of equity shares of OPL and DIL under Market Approach.

6. CONCLUSION

- 6.1 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.



6.2 On the basis of 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 161 (One Hundred Sixty One) Equity Share of OPL of INR 10 each fully paid up for every 5 (Five) 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.

Hilmi M. Joshi

Authorized Signatory



Place: Mumbai

SEBI Registration No.: INM000011146