

Aiming higher

Annual report
2010-11

Orchid Chemicals &
Pharmaceuticals Limited



Cautionary statement

In our report, we have disclosed forward-looking information so that investors can comprehend the Company's prospects and make informed investment decisions. This annual report and other written and oral statements that we make periodically contain such forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to qualify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words and terms of similar substance in connection with any discussion of future operating or financial performance.

We do not guarantee that any forward-looking statement will be realised, although we believe we have been diligent and prudent in our plans and assumptions. The achievement of future results is subject to risks, uncertainties and validity of inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise

Document milestones

- | | |
|--|---|
| 05 Corporate identity | 26 Directors' report |
| 06 Highlights, 2010-11 | 41 Corporate governance report |
| 08 Business performance, 2010-11 | 48 General shareholder information |
| 10 Orchid – Strategic shifts | 56 Corporate information |
| 12 Orchid – A preferred source | 57 Financial section |
| 13 Orchid – Road ahead | 104 Key financial parameters and ratios |
| 14 Orchid – A sustainable business model | |
| 16 Management discussion and analysis | |





After we divested our injectables business in 2009-10, most industry observers became wary of our growth agenda.

We worked hard to commence a new growth journey. Walk a new path that strengthened the organisation, invested in sustainable growth and resolved to enhance shareholder wealth.

In 2010-11, we grew our business and profits in a significant way.

The big message which we wish to send out is:

**Orchid is
'aiming higher'.**



We improved our 2010-11 performance in a significant way.

Rs 1,663 crore

Topline increased in 2010-11 from Rs 1,250 crore in 2009-10

Rs 418 crore

EBIDTA in 2010-11 against Rs 852 crore* in 2009-10

Rs 159 crore

Profit after tax in 2010-11 from Rs 331 crore* in 2009-10

Rs 22.64

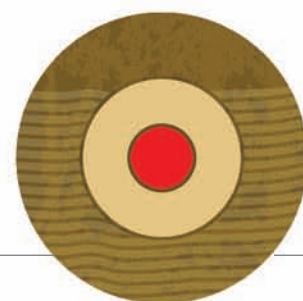
Earnings per share in 2010-11 compared with Rs 47.04* in 2009-10

Rs 160.99

Book value per share in 2010-11 as against Rs 139.07 in 2009-10

*Includes profit from the sale of our injectable business

We tightened
our operations.



105 days

Receivables cycle (March 31, 2011)

126 days

Inventory cycle (March 31, 2011)

1.44

Net debt equity ratio
(March 31, 2011)

3.61

Interest cover
(March 31, 2011)

Rs 1,064 crore

Free reserves (March 31, 2011)

Vision and values



Orchid Chemicals & Pharmaceuticals Ltd:

Dream. Dare. Do.

- A US\$ 400 million pharmaceutical company that caters to business opportunities across the value chain from discovery to delivery, with established credentials in research, manufacturing and marketing.
- A globally recognised player with a footprint across more than 70 nations through front-end marketing, alliances and partnerships with reputed global players.
- A product basket encompassing multiple therapeutic segments namely anti-infectives (oral and sterile), anti-inflammatory, central nervous system (CNS), cardio vascular system (CVS) and nutraceutical products.
- Corporate headquarters in Chennai with two active pharmaceutical ingredients (API) manufacturing sites (Chennai and Aurangabad), three formulation sites (Chennai), two R&D campuses (Chennai) and one API unit in China (joint venture).
- State-of-the-art manufacturing facilities in compliance with cGMP, cGLP, ISO and OHSAS guidelines; approved by global regulatory authorities such as US FDA, UK MHRA, EDQM, PMDA, DMA, MCC and TGA, reflecting a compliance with stringent international standards; R&D units are in compliance with the National GLP guidelines.

Promoters' holding

30.5%

March 31, 2011

Foreign institutional holding

13.45%

March 31, 2011

Team size

4,500

March 31, 2011

Capital employed

Rs **3,174** crore

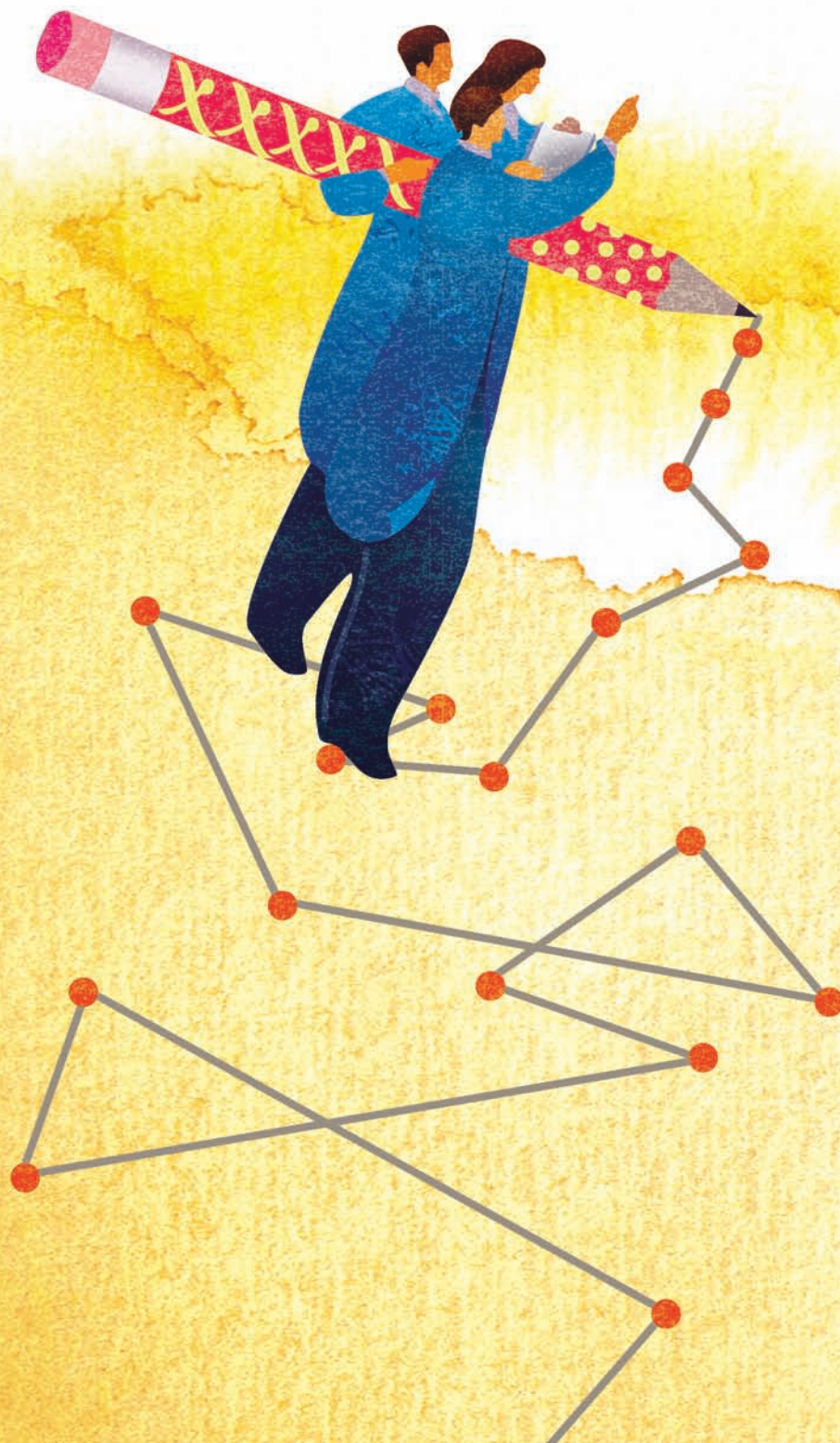
March 31, 2011

Market capitalisation

Rs **2,118** crore

March 31, 2011

A synopsis of 2010-11



Filings/approvals

- Received approval for Meropenem from the US FDA and European regulatory authorities; received approval for Imipenem from the European regulatory authorities
- Settled two Para IV-FTF (First-to-File) filings with innovator companies, enabling us to launch the products in the coming years
- Filed eight ANDAs (Abbreviated New Drug Applications) with the US regulatory authorities and two Marketing Authorisations in the European market
- Received US FDA approvals for five formulations (four tentative and one final) and European approvals for six formulations

Business volumes

- Commenced supplies of Carbapenem APIs to Hospira
- Increased supply of API to Europe based on new supply arrangements
- Entered into a long-term contract with a large Japanese pharmaceutical company for the supply of a cephalosporin API

Growth initiatives

- Acquired Karalex Pharma LLC. to establish our front-end US presence in generic sales and marketing

- Entered into a long-term supply contract with Alvogen to market a range of high-potential products in the US market

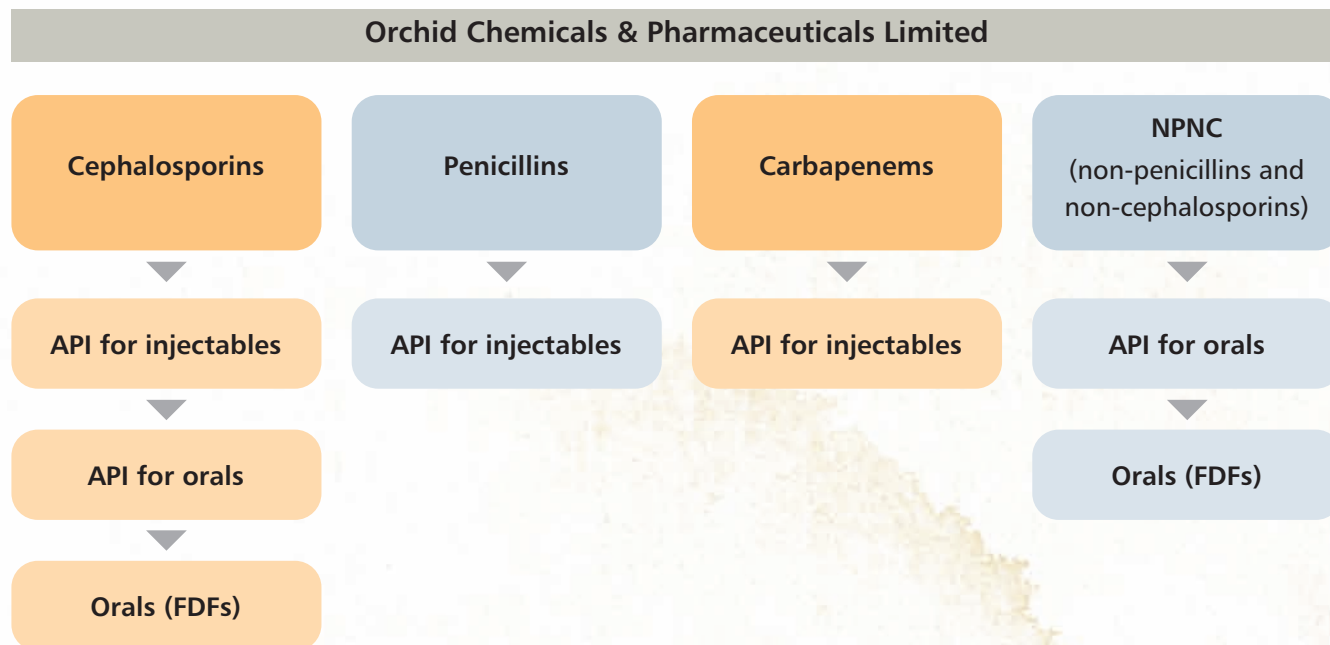
Awards and accolades

- Awarded the 'Certificate of Merit' for 2010 by the Confederation of Indian Industry (CII) for Excellence in Environment, Health and Safety
- Conferred the Greentech Gold Award presented by the Ministry of Health & Family Welfare, Government of India, and Greentech Foundation
- Awarded the Good Green Governance (G3) Award by the Ministry of Water Resources & Minority Affairs, Government of India
- Recognised for Outstanding Achievement in Environment Management in the Chemical sector, by Greentech Foundation
- Awarded the Siemens Ecovatives-IBN Live Award 2010 in recognition of commitment to the Environment (Low Energy and Natural Resource Conservation)
- Received the Bureau of Energy Efficiency (BEE) Certificate of Merit for Energy Efficiency from the Ministry of Power
- Conferred the Excellent Energy Efficient Unit Award in the 9th Energy Efficiency Summit 2010, organised by CII

Chapter 1

As on April 1, 2010

The business



This was an important year – the first year after the transfer of our generic injectable formulations business to Hospira. We strategised and implemented our growth plan to create a sustainably profitable business model.

How did Orchid outperform its guidance?

Supplies to Hospira: Given the favourable competitive landscape in products such as Tazobactam-Piperacillin, Meropenem and Imipenem, among others, our API supplies to Hospira contributed to robust revenues.

Contractual agreements with other key players: In addition to supplies to Hospira, we retained our right to supply APIs to one more generic player in each regulated market, widening our revenue potential.

Deal with a Japanese major: We entered into a long-term agreement with a Japanese pharmaceutical company for supply of a Cephalosporin API, enhancing revenues.

Front-end marketing capability: We strengthened our presence in the US market by acquiring a US-based marketing company Karalex Pharma LLC. – our first transnational acquisition, allowing us to provide generic products directly to US customers.

Existing businesses: The conventional API business registered good growth on the back of expansion in markets and products. On the dosage form front, we strengthened our marketing focus, obtained product registrations and expanded our reach. Our domestic formulations business, also registered robust growth owing to new product launches.