



ANNUAL REPORT 2019-20

Orchid Pharma Ltd.
A Dhanuka Group Company





Forward-looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and our other statements-written and oral- that we periodically make contain forward looking statements that set out anticipated results based on the management plans and the assumptions. We have tried wherever possible to identify such statements by using words such as "anticipate", "estimate", "expects", "projects", "intends", "plans", "believes" and words of similar substance in connection with any decision of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, where as a result of new information, future events or otherwise.



Corporate Information

Board of Directors

Shri Ram Gopal Agarwal, Chairman & Non-Executive Director

"appointed on 31.03.2020"

Shri Manish Dhanuka, Managing Director

"appointed on 31.03.2020"

Shri Mridul Dhanuka, Whole-time Director

"appointed on 31.03.2020"

Shri Arun Kumar Dhanuka, Non-Executive Director

"appointed on 31.03.2020"

Smt Tanu Singla, Independent Director

"appointed on 29.06.2020"

Dr Dharam Vir, Independent Director

"appointed on 29.06.2020"

Shri Mudit Tandon, Independent Director

"appointed on 29.06.2020"

Shri Manoj Kumar Goyal, Independent Director

"appointed on 29.06.2020"

Resolution Professional /Monitoring Agent

(Upto March 31, 2020)

Shri Ramkumar S V

(IP Registration No. IBBI/IPA-001/IP-P00015/2016-17/10039)

Management Team

Shri Sunil Kumar Gupta, Chief Financial Officer

Dr U P Senthilkumar, Senior Vice President-Process Research

Dr R J Sarangdhar, Unit Head – API & FDF (Senior General Manager)

Ms Nikita K, Company Secretary & Compliance Officer

Statutory Auditors

CNGSN & Associates LLP

Chartered Accountants

Flat No.6, Vignesh Apartments,
North Avenue, Srinagar Colony,
Chennai – 600 015, Tamil Nadu, India

Cost Auditors

Shri J Karthikeyan

Cost Accountant

No.16, Muthalamman Kovil Street
Selaiyur, Chennai – 600 086
Tamil Nadu, India

Secretarial Auditors

S Dhanapal & Associates

Practicing Company Secretaries

Suite No. 103, First Floor, Kaveri Complex,
No. 96/104, Nungambakkam High Road
Nungambakkam, Chennai – 600 034,
Tamil Nadu, India

Registrar and Transfer Agents

Integrated Registry Management Services Pvt. Ltd.

2nd Floor, Kences Towers,
No. 1, Ramakrishna Street, North Usman Road,
T. Nagar, Chennai- 600 017, Tamil Nadu
Ph. : +91-44-2814 0801 Fax : +91-44-28142479

Banks / Financial Institutions

State Bank of India

Union Bank of India

Board of Directors



Shri Ram Gopal Agarwal
Chairman &
Non-Executive Director



Shri Manish Dhanuka
Managing Director



Shri Arun Kumar Dhanuka
Non-Executive Director



Shri Mridul Dhanuka
Whole-time Director



Smt Tanu Singla
Independent Director



Dr Dharam Vir
Independent Director



Shri Manoj Kumar Goyal
Independent Director



Shri Mudit Tandon
Independent Director



Contents

STATUTORY REPORT

Board's Report	05-15
Management Discussion & Analysis	16-23
Annexure to the Board's Report (I-III)	24-26
Report on Corporate Governance	27-50
Annexure to the Board's Report (V-XI)	51-83

FINANCIAL STATEMENTS

Standalone	84-141
Auditor's Report	84-92
Balance Sheet	93-94
Statement of Profit & Loss, Cash Flow Statement and Changes in Equity	95-99
Notes to Financial Statements	100-141
Consolidated	142-198
Auditor's Report	142-149
Balance Sheet	150-151
Statement of Profit & Loss, Cash Flow Statement and Changes in Equity	152-156
Notes to Consolidated Financial Statements	157-198
Notice of the 27 th Annual General Meeting	199-229



Board's Report

Dear Members,

In accordance with the applicable provisions of the Insolvency and Bankruptcy Code 2016 ("IBC/Code"), the Corporate Insolvency Resolution Process ("CIRP") of Orchid Pharma Limited, Corporate Debtor, ("Company") was initiated by an Operational Creditor of the Company. The Operational Creditor's petition to initiate the CIRP was admitted by the Hon'ble National Company Law Tribunal, Chennai Bench ("NCLT") vide CP. No. CP/ 540/ (IB)/ CB/ 2017 on August 17, 2017 ("Insolvency Commencement Date"). CMA CS Rajasekaran R was appointed as the Interim Resolution Professional ("IRP") to manage the affairs of the Company. Subsequently, Shri Ramkumar Sripatham Venkatasubramanian (IP Registration No. IBBI /IPA- 001 /IP-P00015 /2016-17 /10039) was confirmed as the Resolution Professional ("RP") by the Committee of Creditors ("CoC") and NCLT with effect from October 27, 2017. On appointment of the IRP /RP, the powers of the Board were suspended and the same vested with the RP.

The Hon'ble NCLT had approved the Resolution plan of Ingen Capital Group LLC, USA ("Resolution Applicant") approved by the Committee of Creditors (CoC) vide its order dated September 17, 2018. Later, the Resolution Applicant had failed to infuse the funds within the stipulated timelines. The Resolution Applicant was unable to bring the amount payable to the Financial Creditors as directed by the Hon'ble NCLT vide its orders dated September 17, 2018, October 10, 2018 & November 02, 2018. An appeal was preferred by this Resolution Applicant at the National Company Law Appellate Tribunal ("NCLAT") and NCLAT heard the applications and the matter was remitted back to the Hon'ble NCLT Chennai to consider any other viable plan, if available. It stated that it was also open to the RP to place the Resolution Plan before CoC and thereafter before the Adjudicating Authority for necessary orders.

Based on the above directives, the Hon'ble NCLT, Chennai vide its Order dated February 28, 2019 issued the following directions:

- The approved resolution plan of Ingen Capital Group LLC vide Hon'ble NCLT's order dated 17th September 2018 has been annulled as the resolution applicant has failed to implement the approved resolution plan and
- Provided further time of 105 days of CIRP period to the Corporate Debtor and also directed that the RP and CoC will discharge their functions as before during the CIRP period.

Pursuant to the order of the Hon'ble NCLT dated 28th February 2019, the RP invited Expression of Interest (EOI). The RP on March 04, 2019 invited expressions of interest and submission of a resolution plan in accordance with the provisions of the Code. The last date for submission of EOI was March 19, 2019, which further was extended upto March 25, 2019, after approval of CoC. The RP / Bid Process Advisor briefed the CoC members on the list of eligible EOI applicants and the list of ineligible EOI applicants.

The Resolution Professional (RP) had received 3 (three) resolution plans from prospective resolution applicants for resolution of the Corporate Debtor. The resolution plans were opened and were found to be compliant with Section 29A of the Insolvency and Bankruptcy Code. The RP, Bid Process Advisor and Committee of Creditors (CoC) had discussed in detail about the resolution plans received and the timeline for approval by CoC and the filing of approved resolution with the Hon'ble NCLT.

The CoC after considering the resolution plans received and after negotiating with the three resolution applicants decided to declare the H1 Bidder on May 30, 2019. The CoC approved the resolution plan submitted by M/s. Dhanuka Laboratories Limited (DLL).

Based on the legal advice and with the approval of CoC, the RP filed the Resolution Plan with the Hon'ble NCLT



on June 13, 2019 for consideration and prayed for passing necessary orders. The Resolution plan submitted by Dhanuka Laboratories Limited ("Resolution Applicant") and as approved by the CoC, was approved at the hearing held on June 25, 2019 by the Hon'ble NCLT, Court-II, Chennai Bench (NCLT) vide its order dated June 27, 2019.

Thereafter, one of the unsuccessful bidder filed an application before the Hon'ble NCLT seeking to consider his Resolution plan by the RP and CoC which was dismissed by the Hon'ble NCLT, Chennai Bench on June 27, 2019. Pursuant to the said order of dismissal, the Said Unsuccessful bidder preferred an appeal before the Hon'ble NCLAT, and the Hon'ble NCLAT, New Delhi stayed the order dated June 27, 2019 passed by the Hon'ble NCLT, Chennai. The Hon'ble NCLAT on November 13, 2019 set aside the order passed by the Hon'ble NCLT, Chennai approving the Resolution plan and remitted the matter back to Hon'ble NCLT, Chennai for decision in accordance with law.

However, one of the financial creditor filed an appeal against the Order dated November 13, 2019 of the Hon'ble NCLAT before the Hon'ble Supreme Court of India. After hearing the matter, a final Order was passed by the Hon'ble Supreme Court of India on February 28, 2020 and it upheld the NCLT Order dated June 27, 2019 and this paved way for the implementation of the Resolution Plan submitted by DLL.

Post the Acquisition, a new Board was constituted on March 31, 2020 ("Reconstituted Board" or "Board") and a new management has been put in place. In accordance with the provisions of the Code and the NCLT & Supreme Court of India Orders, the approved resolution plan is binding on the Company and its employees, members, creditors, guarantors and other stakeholders involved.

Members may kindly note that, the Directors of the Reconstituted Board ("**Directors**") were not in office for the period to which this report pertains. During the CIRP Period (i.e. between August 17, 2017 to March 31, 2020) at various stages the IRP /RP /CoC /Monitoring Agent /Monitoring Committee were entrusted with the management of the affairs of the Company. Prior to the Insolvency Commencement Date, the erstwhile Board of Directors had the oversight on the management of the affairs of the Company.

The Reconstituted Board is submitting this report in compliance with the provisions of the Companies Act, 2013, the rules and regulations framed thereunder ("**Act**") and the Securities and Exchange Board of India (Listing Obligations and Disclosure requirements), Regulations, 2015 ("**Listing Regulations**"). The Reconstituted Board is not to be considered responsible to discharge fiduciary duties with respect to the oversight on financial and operational health of the Company and performance of the management for the period prior to the reconstitution of the Board /Acquisition.

Members are requested to read this report in light of the fact that the reconstituted Board and the new Management, inter alia, are in the process of implementing the approved resolution plan.

With this backdrop, the reconstituted Board of Directors presents to the Members the 27th Annual Report of your Company, which includes the Directors' Report, Audited Statement of Accounts (Standalone and Consolidated) for the financial year ended March 31, 2020.

Financial summary / Performance / State of Company's affairs

The Highlights of the standalone and consolidated financial results for the financial year 2019-20 as per the IND AS are given below:-

Particulars	IND-AS (₹ Crores)			
	Standalone		Consolidated	
	Year ended 31.03.2019	Year ended 31.03.2020	Year ended 31.03.2019	Year ended 31.03.2020
Sales & Operating Income	583.65	505.45	599.98	508.04
Other Income	16.93	24.49	16.93	24.49
Total Expenditure	596.34	549.72	618.20	533.52
Gross Profit /(Loss)	4.24	(19.78)	(1.29)	(0.99)

Particulars	Standalone		Consolidated	
	Year ended 31.03.2019	Year ended 31.03.2020	Year ended 31.03.2019	Year ended 31.03.2020
Interest & Finance Charges	0.30	4.16	0.30	4.16
Gross Profit after Interest but before Depreciation and Taxation	3.94	(23.94)	(1.59)	(5.15)
Depreciation	129.93	125.90	129.94	125.92
Profit / (Loss) before Tax, and extraordinary items	(125.99)	(149.84)	(131.53)	(131.07)
Exceptional items – [Income / (Expenditure)]	24.94	-	200.93	-
Profit / (Loss) Before Tax	(101.05)	(149.84)	69.40	(131.07)
Current & Deferred Tax	-	-	-	-
Profit / (Loss) after Tax	(101.05)	(149.84)	69.40	(131.07)
Other Comprehensive Income (OCI)	0.90	(1.89)	0.90	(1.89)
Gain / (Loss) on fair valuation of the Investments	-	(0.13)	-	(0.13)
Comprehensive Loss for the Year	(100.15)	(151.86)	70.31	(133.09)

Standalone Financials

During the financial year 2019-20, your Company achieved a turnover and operating income of Rs. 505 crores (Rs. 584 crores in 2018-19). The Gross Loss before interest, depreciation and taxes during the year stood at Rs. 19.78 crores against a Gross Profit of Rs. 4.24 crores in 2018-19.

After providing for interest expense, depreciation, exceptional item, the Loss before tax of the Company for the year was Rs. 149.84 Crores against Rs. 101.05 crores in 2018-19. The Comprehensive Loss stood at Rs. 151.86 crores during 2019-20 against Rs. 100.15 crores in 2018-19.

Consolidated Financials

During the financial year 2019-20, your Company achieved a turnover and operating income of Rs. 508 crores (Rs. 600 crores in 2018-19). The Gross Loss before interest, depreciation and taxes during the year stood at Rs. 0.99 crores against a Gross Loss of Rs. 1.29 crores in 2018-19.

After providing for interest expense, depreciation, exceptional item, the Loss before tax of the Company for the year was Rs. 131.07 Crores against a Profit of Rs. 69.40 crores in 2018-19. The Comprehensive Loss stood at Rs. 133.09 crores during 2019-20 against a Profit of Rs. 70.31 crores in 2018-19.

During the financial year 2019-20, your Company continued to reel under financial stress and the performance of the Company was affected due to liquidity constraints, which had an impact on the net profits of the Company. Despite the tough liquidity and working capital constraints, your Company managed to sustain standalone sales of Rs.505 crores but

could not achieve gross margins due to the reduced turnover.

As stated earlier, your Company was under the Corporate Insolvency Resolution Process (CIRP) as per IBC 2016 for a period of 32 months upto March 31, 2020. During this transition period, your Company has been extremely fortunate to have the full support of its Financial Creditors, Employees, Vendors, Customers and various Service Providers. Though there was COVID 19 pandemic and lock down situation in the entire country, the resolution applicant, the Resolution Professional and the financial creditors (CoC Members) of your Company put their best efforts to implement the Plan well within the timelines. DLL, the resolution applicant brought in and infused the entire funds into the Company as envisaged in the Resolution Plan within a period of a month from the receipt of the Order of the Hon'ble Supreme Court of India.

Members may note and it is pertinent to reiterate that the approved Resolution Plan is binding on the Company and its employees, members, creditors, guarantors and other stakeholders involved. Contravention of any provisions of the Approved Resolution Plan may attract penal consequences in accordance with the provisions of the Code. Accordingly, the Company will be taking measures towards ensuring a smooth implementation of the Approved Resolution Plan.

Besides the above, to the best of the knowledge of your Board, there seems to have been no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and the Company's operations.

However, attention of the Members is drawn to the statement on Provisions, Contingent Liabilities and Contingent Assets



appearing in the Note no. 45 of Standalone financial statement and Note no. 39 of Consolidated financial statement for the financial year 2019-2020.

CAPEX AND LIQUIDITY

During the year, the Company has spent Rs. 3.37 crores on Plant & Equipment, etc, largely towards balancing facilities and essential sustenance capital items.

During the year under review, the banking facilities provided by the Financials Creditors were frozen and no headroom was available for managing the operations as the Company was under the CIRP period.

Your Company has availed a long-term secured financial facility of Rs. 427 crores and a short-term secured financial facility of Rs. 50 crores.

Implementation of the Resolution Plan

The Hon'ble National Company Law Tribunal, Chennai Bench ("NCLT") vide its order dated June 25/27, 2019, the Hon'ble National Company Law Appellate Tribunal vide its Order dated November 13, 2019 and the Hon'ble Supreme Court vide its Order dated February 28, 2020 (received on March 02, 2020) has approved the resolution plan ("Resolution Plan") of DLL under MA /579 /2019 in CP /540 /IB /2017 in accordance with the provisions of the Insolvency and Bankruptcy Code, 2016.

In accordance with the approved resolution plan, the following matters have been discussed and approved by the members of the Monitoring Committee of your Company at a meeting held on ~ March 30, 2020 (prior to effective date).

a) Capital Reduction and Consolidation

The existing issued, subscribed and paid-up equity share capital of OPL has been reduced from INR 88,96,43,270/- (Rupees Eighty Eight Crores Ninety Six Lakhs Forty Three Thousand Two Hundred Seventy only) consisting of 8,89,64,327 (Eight Crore Eighty Nine Lakhs Sixty Four Thousand Three Hundred Twenty Seven) equity shares of INR 10 (Rupees Ten only) each to INR 40,81,640 /- (Rupees Forty Lakhs Eighty One Thousand Six Hundred Forty only) consisting of 4,08,164 (Four Lakh Eight Thousand One Hundred Sixty Four) equity shares of INR 10 (Rupees Ten only), thereby cancelling and extinguishing 8,85,56,163 equity shares of Rs. 10/- each.

b) Issue of shares to eligible Secured Financial Creditors

Approved the issue of 4,08,164 Equity Shares of Rs.10 each at an issue price of Rs. 10 each (fully paid) to eligible secured Financial Creditors for the conversion and settlement of part of their Debt and accordingly 4,08,164 (Four lakhs eight thousand one hundred sixty four) equity shares at 10/- per share were allotted to secured eligible financial creditors on conversion of their existing loan to the extent of the shares allotted to them. Further the balance debts of Rs.3398.21 crores of eligible secured

financial creditors were settled in the manner provided in the Approved Resolution Plan.

c) Issue of Non-convertible Debentures

Approved the issue of Zero Percent Non-convertible, Non-marketable, Cumulative Redeemable Debentures of value Rs.3650 crores (NCDs) to Dhanuka Pharmaceuticals Private Limited (SPV formed by Dhanuka Laboratories Ltd) for subsuming equivalent outstanding debt of OPL by the SPV for consideration other than cash and accordingly your Company has issued "Zero Percent" Non-convertible, non-marketable, cumulative redeemable debentures of value Rs. 3650 crores (NCDs) to Dhanuka Pharmaceuticals Private Limited (SPV formed by Dhanuka Laboratories Ltd) for subsuming equivalent outstanding debt of your Company by the SPV for consideration other than cash.

In furtherance of the above corporate actions, the following matters have been discussed and approved by the members of the Monitoring Committee of your company at a meeting held on ~ March 31, 2020 (effective date).

d) Issue of 10,000 equity shares of Rs. 10/- each pursuant to Scheme of Amalgamation and increase in Authorized Capital of the Company

Pursuant to the Scheme of Amalgamation of Dhanuka Pharmaceuticals Private Limited (SPV) with and into your Company on March 31, 2020, as per the resolution plan as approved by NCLT, 10,000 equity shares of Rs. 10/- each have been allotted to M/s. Dhanuka Laboratories Limited (sole shareholder of Dhanuka Pharmaceuticals Private Limited) and the Authorised Capital of the Company stood increased to Rs. 150.01 crores comprising of 15,00,10,000 equity shares of Rs. 10 each.

e) Issue of 3,99,90,072 equity shares of Rs. 10/- each to Dhanuka Laboratories Limited and acquisition of control of the Company by Dhanuka Laboratories Limited

Pursuant to the NCLT Order and approved resolution plan 3,99,90,072 (Three Crore ninety nine lakhs ninety thousand and seventy two) equity shares at 10/- per share for cash was allotted to Dhanuka Laboratories Limited ("**DLL**"). Pursuant to the allotment, DLL holds 98% of the paid-up capital of the Company and are to be classified as the Promoter of the Company. Further, the erstwhile Promoters would be re-classified as retail shareholders.

f) Issue of Zero Coupon, unsecured and non-marketable Optionally Convertible Debentures

Approved the issue of 14,300 Zero Coupon, unsecured and non-marketable Optionally Convertible Debentures of Rs. 1,00,000/- each aggregating to Rs. 143 crores (Rupees One Hundred and forty three crores) to DLL ("**the Resolution Applicant**") as per the approved Resolution Plan on Private Placement basis.