



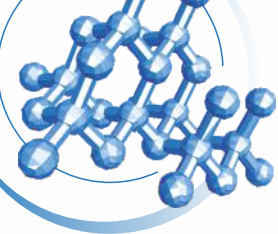
ANNUAL REPORT

2020-21

OrchidPharma 
— 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

Shri Manish Dhanuka, Managing Director

Shri Mridul Dhanuka, Whole-time Director

Shri Arun Kumar Dhanuka, Non-Executive Director

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"

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

Selayur, 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

Internal Auditor

M/s. Singhi & Co.

Chartered Accountants

Unit-11-D, 11th Floor, Ega Trade Centre,

809, Poonamallee High Road, Kilpauk,

Chennai - 600 010, India

Registrar and Share Transfer Agents

Integrated Registry Management Services Private Limited

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



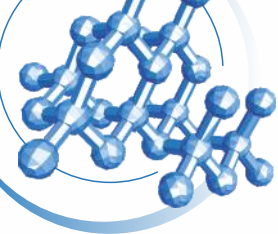
Dr Dharam Vir
Independent Director



Shri Manoj Kumar Goyal
Independent Director



Shri Mudit Tandon
Independent Director



Contents

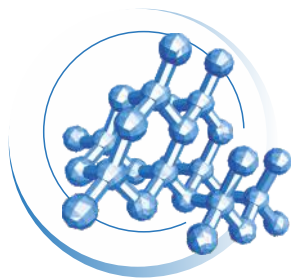
STATUTORY REPORT

Board's Report	05-14
Management Discussion & Analysis	15-18
Annexure to the Board's Report (I-III)	19-22
Report on Corporate Governance	23-46
Annexure to the Board's Report (V-VIII).....	47-61

FINANCIAL STATEMENTS

Standalone	62-121
Auditor's Report	62-70
Balance Sheet	71-72
Statement of Profit & Loss, Cash Flow Statement and Changes in Equity	73-77
Notes to Financial Statements	78-121
Consolidated	122-177
Auditor's Report	122-128
Balance Sheet	129-130
Statement of Profit & Loss, Cash Flow Statement and Changes in Equity	131-135
Notes to Consolidated Financial Statements	136-177

NOTICE OF THE 28th ANNUAL GENERAL MEETING	178-196
---	----------------



Board's Report

Dear Members

Your Board of Directors have pleasure in presenting the Twenty Eighth (28th) Directors' Report together with the Audited Financial Statements of the Company for the Financial Year ended March 31, 2021.

Brief background & Successful implementation of the approved Resolution Plan

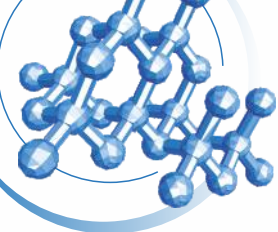
The Hon'ble National Company Law Tribunal, Chennai Bench ("NCLT") vide its order dated June 25/27, 2019 approved the Resolution Plan submitted by M/s Dhanuka Laboratories Limited ("Successful Resolution Applicant") under Section 31 of the Insolvency and Bankruptcy Code, 2016. Thereafter, one of the unsuccessful bidders filed an application before the Hon'ble NCLT seeking to consider his Resolution plan by the Resolution Professional (RP) and Committee of Creditors (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 National Company Law Appellate Tribunal (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 creditors 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 Dhanuka Laboratories Limited (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.

Financial summary / Performance /State of Company's affairs

The Highlights of the standalone and consolidated financial results for the Financial Year 2020-2021 as per the IND AS are given below:-

IND-AS (Rs. Crores)

Particulars	Standalone		Consolidated	
	Year ended 31.03.2021	Year ended 31.03.2020	Year ended 31.03.2021	Year ended 31.03.2020
Sales & Operating Income	450.70	481.21	450.06	483.80
Other Income	6.48	24.28	15.23	24.28
Total Expenditure	392.81	471.88	400.28	455.68
Gross Profit /(Loss)	64.37	33.61	65.01	52.40
Interest & Finance Charges	51.34	4.16	51.34	4.16
Gross Profit after Interest but before Depreciation and Taxation	13.03	29.45	13.67	48.24
Depreciation	108.90	117.91	108.92	117.93
Profit / (Loss) before Tax, and extraordinary items	(95.87)	(88.46)	(95.25)	(69.69)
Exceptional items - [Income / (Expenditure)]	-	-	-	-



Particulars	Standalone		Consolidated	
	Year ended 31.03.2021	Year ended 31.03.2020	Year ended 31.03.2021	Year ended 31.03.2020
Profit / (Loss) Before Tax	(95.87)	(88.46)	(95.25)	(69.69)
Current & Deferred Tax	-	-	-	-
Profit / (Loss) after Tax - Continuing Operations	(95.87)	(88.46)	(95.25)	(69.69)
Loss from discontinued operations after tax	(21.28)	(61.38)	(21.28)	(61.38)
Loss for the year	(117.15)	(149.84)	(116.53)	(131.07)
Re-measurement of post-employment benefit obligations	0.60	(1.89)	0.60	(1.89)
Gain / (Loss) on fair valuation of the Investments	0.07	(0.13)	0.07	(0.13)
Comprehensive Loss for the Year	(116.48)	(151.86)	(115.86)	(133.09)

Standalone Financials

During the financial year 2020-2021, your Company achieved a turnover and operating income of Rs. 450.70 crores against Rs. 481.21 crores in 2019-2020. The Gross Profit before interest, depreciation and taxes during the year stood at Rs. 64.37 crores against a Gross Profit of Rs.33.61 crores in 2019-2020. After providing for interest expense, depreciation, exceptional item, the Loss before tax of the Company for the year was Rs. 95.87 Crores against Rs. 88.46 crores in 2019-2020. The Comprehensive Loss stood at Rs.116.48 crores during 2020-2021 against Rs. 151.86 crores in 2019-2020.

Consolidated Financials

During the financial year 2020-2021, your Company achieved a turnover and operating income of Rs. 450.06 crores as against Rs. 483.80 crores in 2019- 2020. The Gross Profit before interest, depreciation and taxes during the year stood at Rs. 65.01 crores against a Gross Profit of Rs. 52.40 crores in 2019- 2020. After providing for interest expense, depreciation, exceptional item, the Loss before tax of the Company for the year was Rs. 95.25 Crores against a loss of Rs. 69.69 crores in 2019-2020. The Comprehensive Loss stood at Rs. 115.86 crores during 2020-21 against a loss of Rs. 133.09 crores in 2019-2020. You will appreciate that despite of lock down across the country due to Covid 19 pandemic, most of the plants of your Company were in operation and utilizing maximum capacity of the same and your Company managed to sustain standalone sales of Rs.450.70 crores but could not achieve gross margins due to the reduced turnover.

Capex and liquidity

During the year, the Company has spent Rs. 3.91 crores on Plant & Equipment, etc, largely towards balancing facilities and essential sustenance capital items. As on March 31, 2021, the long-term secured financial facility availed by the Company is Rs. 364 crores. During the reporting period, the Company had availed a short secured financial facility of Rs. 50 crores as an LC facility.

Implementation of the Resolution Plan and Material events during the year under review.

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 at their meeting held on ~ March 30, 2020 and March 31,2020 (prior to effective date) and the corporate actions for the same were effected during the financial year 2020-2021.

- Reduction and Consolidation of Share Capital of the Company 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. Allotment of 4,08,164 Equity Shares of Rs.10 each at an issue price of Rs. 10 each (fully paid) to the eligible Secured Financial Creditors for the conversion and settlement of part of their Debt.

c. Allotment of 3,99,90,072 (Three Crore Ninety Nine Lakhs Ninety Thousand and Seventy Two) equity shares at 10/- per share for cash to Dhanuka Laboratories Limited ("DLL").

d. Allotment of 10,000 equity shares of Rs.10/- each pursuant to Scheme of Amalgamation to Dhanuka Laboratories Limited ("DLL").

Further, the approval for reclassification of erstwhile Promoters as "Public" was accorded by the NSE Limited and BSE Limited on June 15, 2021.

Future Outlook

It is been more than a year now since the implementation of the approved Resolution plan and your Company is moving in the positive direction. Huge efforts are required still towards rebuilding the organisation and taking it to greater heights. In financial terms, the objective of your Company is to lower earnings volatility, strive for higher predictable and calibrated growth and improve Sales, EBITDA margin and reduce Debt. The target is to stay cash flow positive and expand earnings year-on-year. Your Company is striving hard to reverse the direction of the downward curve by ramping up businesses and achieve sizeable growth. The greatest challenge your Company is facing is to achieve growth and profit margins, in spite of the COVID 19 pandemic situation which has resulted in a significant reduction in Anti-Biotics demand across the world. The Board and the Management of your Company are committed and will put in their best efforts to turnaround your Company with optimum cost structure.

Management Discussion and Analysis report

A report on the Management Discussion and Analysis in terms of the provisions of Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations 2015) is provided as a separate annexure in the annual report.

Corporate Governance Report and Additional Shareholder's information

A report on the Corporate Governance systems and practices of your Company along with a certificate of compliance from the Practising Company Secretary is given in **Annexure IV** which forms part of this report.

Board Committees

The details pertaining to the Audit Committee and other Committees of the Board are provided in the Corporate Governance section forming part of this Report. All the recommendations made by the Committees of the Board including the Audit Committee were accepted and implemented by the Board.

Adequacy of Internal Financial Control System

The Internal Financial Control over Financial Reporting System are existing and operative, however based on the observations of the auditors, the Company is further strengthening the Internal Financial Control systems over financial reporting.

Regulatory Filings and Approvals

In the generic formulations domain, Orchid's cumulative New Drug Application (ANDA) approvals for the US market stood at 40. This includes 8 Para IV FTF (First-To-File) filings. The break-up of the total ANDA approvals is 11 in Cephalosporins segment and 29 in NPNC space.

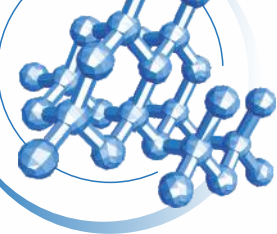
In the European Union (EU) region, the cumulative count of Marketing Authorisation (MA) active approvals stood at 2 in the NPNC segment. In the API (Active Pharmaceutical Ingredients) domain, Orchid's cumulative filings of US DMF stand at 76. The break-up of the total filings is 28 in the Cephalosporin Segment and 48 in NPNC segment. In European market space the cumulative filings of COS (Certificate of Suitability) count remained at 19 which includes 14 in cephalosporin segment and 5 in NPNC segment. In Japan market, the cumulative filings of JDMFs count remained at 7 all in Cephalosporin segment.

Intellectual Property Rights

The total number of active patent portfolio maintained by Orchid in various national and international patent offices so far is 40 including Process & New Chemical Entities (NCE). Out of 40 patents, 26 patents have been granted, 12 patent applications are published and 2 patent applications filed as of March 31, 2021.

Dividend & Reserves

In view of the net loss incurred during the financial year ended March 31, 2021, the Board does not recommend any dividend to the shareholders of the Company. Also, no amount has been transferred to the reserves.



Dividend Distribution Policy

Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), as amended, requires the top 1000 listed entities, computed based on market capitalization as on March 31 of every Financial Year, to formulate a Dividend Distribution Policy and disclose the same on the website of the Company and a weblink of the policy be disclosed in the Annual Report.

The Board of Directors of the Company has adopted a Dividend Distribution Policy, which aims to ensure fairness, sustainability and consistency in distributing profits to the Shareholders. The Policy is available on the website of the Company i.e., <http://www.orchidpharma.com/downloads/Dividend%20Distribution%20policy.pdf>

Employees Stock Option Plan

The Employee stock options plans namely a) ORCHID ESOP 2010, b) ORCHID ESOP – DIRECTORS 2011 and c) Orchid ESOP – Senior Management 2011 have all lapsed quite a few years ago. Moreover, these schemes are no longer a desirable and viable employee benefit; all the above three ESOP Schemes have become infructuous and hence have been terminated.

Subsidiaries

Bexel Pharmaceuticals Inc., USA (Bexel)

Bexel was incorporated basically to conduct Research & Development activities in new drug discovery segment. The current Bexel IP portfolio is being maintained by Global IP Unit of your Company.

Orchid Pharmaceuticals Inc., USA

Orchid Pharmaceuticals, Inc., is a wholly owned Delaware based subsidiary of your Company and also the holding company in the United States, under which all the operational business subsidiaries have been structured. The Company currently has two operating Subsidiaries, namely Orgenus Pharma Inc., and Orchid Pharma Inc., in the US. Orgenus Pharma Inc., is the entity that provides all business development and operational services for the parent Company including the initiation of marketing alliances with partner companies. It continues to represent your Company for all matters relating to the review and approval of such filings by the FDA, and handling of logistics and product importation into the US as the Importer of Record for the US Customs.

Orchid Pharma Inc., is the commercial entity that started direct marketing and selling your Company's products in the US generics market place. Orchid Pharma Inc., has

established a strong corporate image for your Company in the US.

Diakron Pharmaceuticals Inc., USA

Orchid's stake in Diakron has been a part of the original transaction which includes direct investment and Master Services Agreement (MSA). Though your Company has completed most of its MSA obligations to develop and supply clinical quantities of API and extended release formulation a sizeable outstanding liabilities is still in its Books. A proper evaluation of cost and benefit would be done for revival and funding.

Orchid Europe Limited, United Kingdom

Your Company's subsidiary in Europe namely Orchid Europe Limited (OEL) is a wholly owned subsidiary which provides liaising support to the parent Company and its customers in Regulatory, Pharma covigilance, Testing & Release, Retention of samples, Service Providers and Business Development in Europe.

Orchid Pharmaceuticals (South Africa) Proprietary Limited, South Africa

Your Company's wholly owned subsidiary, Orchid Pharmaceuticals (South Africa) Proprietary Limited, was incorporated in the year 2006 mainly to register and market your Company's products in South Africa. As not much progress has happened so far, the reconstituted Board has decided to wind up this entity.

There are no Companies / Bodies Corporate which have become/ ceased to be subsidiary / Joint Venture / Associate during the financial year 2020-2021. However, your Company has subscribed to 2,600 equity shares of Rs.10/- each constituting 26% of paid up equity share capital of M/s OrBion Pharmaceuticals Private Limited during the financial year 2021-2022 by virtue of which the Company has become an Associate of your Company.

Highlights of the performance of subsidiaries and their contribution to the overall performance of the Company during the period under report

One of the Subsidiary Companies contributed 1.89 % of the consolidated sales of the Company. The Company accesses the US market through this subsidiary and expects reasonable growth in the US market in the years to come either through its wholly owned subsidiary or directly. The R&D subsidiaries of the Company were used for carrying out Research & Development of selected molecules, having good potential. Your Company has a subsidiary for holding Product registrations and approvals in Europe. The Board