





## Forward-looking statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral – that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and 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 discussion 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, whether as a result of new information, future events or otherwise.

## CONTENTS

### Statutory Reports

Management Discussion & Analysis	01
Directors' Report	06
Report on Corporate Governance	24

### Financial Statements

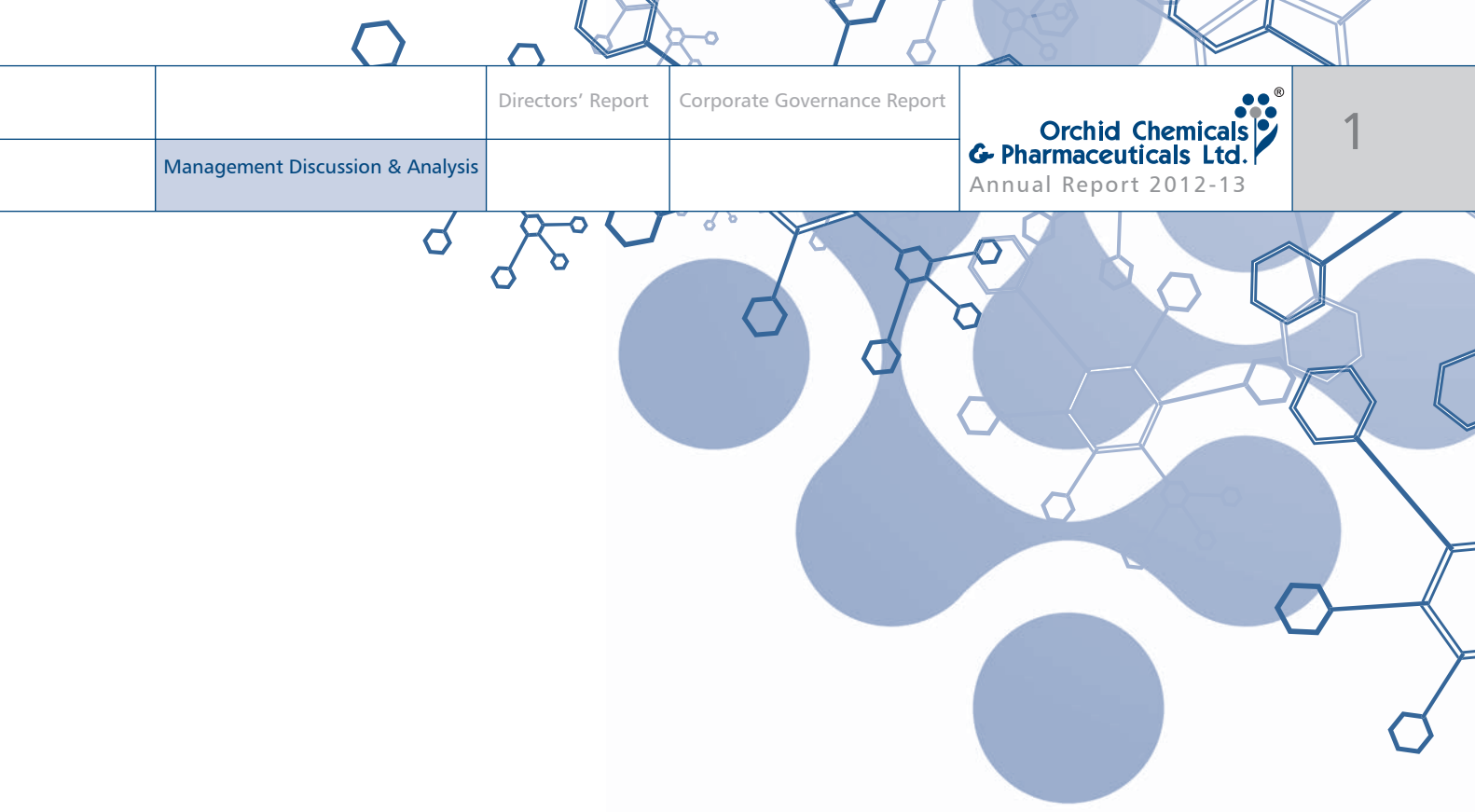
#### Standalone

Auditors' Report	40
Balance Sheet	46
Statement of Profit and Loss	47
Notes	48
Cash Flow Statement	72

#### Consolidated

Auditors' Report	74
Balance Sheet	76
Statement of Profit and Loss	77
Notes	78
Cash Flow Statement	97
Statement pursuant to Section 212	99

Corporate Information	100
-----------------------	-----



		Directors' Report	Corporate Governance Report	Orchid Chemicals & Pharmaceuticals Ltd. Annual Report 2012-13	1
	Management Discussion & Analysis				

# Management Discussion & Analysis

## INDUSTRY PERCEPTION

### Indian Pharmaceutical Industry - Overview

- ▶ The Indian Pharmaceutical Industry (IPM) stands at USD 12 billion as of 2013 (estimated), compared to USD 10.9 billion in 2012 (USD 1=INR 60). The IPM has experienced a slowdown this year with its growth going down to 9.8% from 16.6% in 2012. From 2010 to 2012, the IPM had a CAGR of approximately 15%.
- ▶ The IPM growth rate has declined after November 2012 from an average of 16% to 8%. This slowdown can be attributed to the following:
  - ▶ The National Pharmaceutical Pricing Policy (NPPP) being announced towards the end of 2012,
  - ▶ Higher growths for the corresponding quarters and months in the previous year,

- ▶ The NPPP implementation and the subsequent price corrections leading to a low uptake among the stockiest in Q2 of 2013.
- ▶ The top 10 therapy areas of the IPM contribute to approximately 90% of the IPM sales.
- ▶ Chronic therapies (cardio, gastro, CNS and anti-diabetic) have been outperforming the market for the past four years and have grown at a rate of 14%, faster than acute therapies (anti-infectives, respiratory, pain and gynecology) which grew at 9.6%. The contribution of chronic therapies to the IPM has gone up from 27% in 2010 to 30% in 2013. Growth in the acute segment will be driven by Tier III cities and rural penetration.



## Global Pharmaceutical Industry

The global pharmaceutical industry stands at USD 956 billion as of 2011 and is expected to grow to USD 1.2 trillion by 2016 at a CAGR of 4.7%. Growth will be driven by low-cost factors, increasing prevalence of disease and rise in per capita income. This growth is coming mainly from market expansion in the leading emerging countries and from generics.

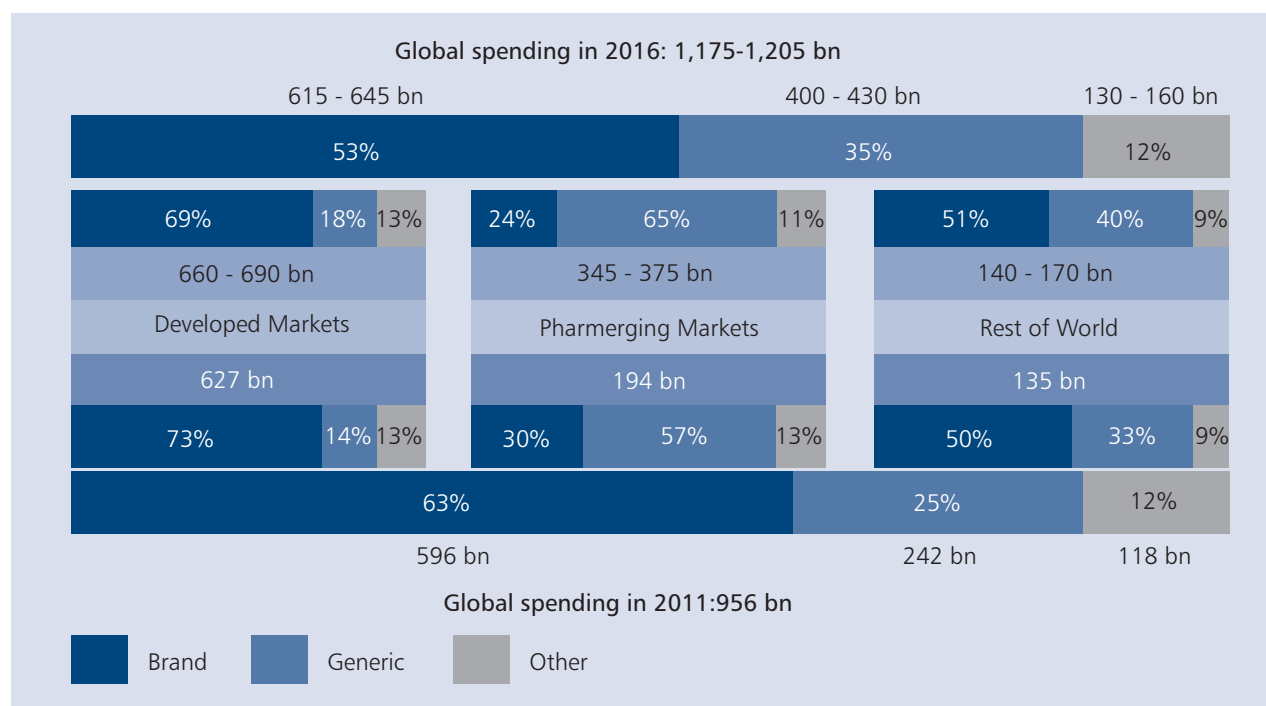
Global brand spending is forecasted to increase from USD 596 billion in 2011 to USD 615–645 billion in 2016. The US share of global spending will decline from 41% in 2006 to 31% in 2016, while the European share of spending will decline from 26% to 18%. Meanwhile, the leading emerging countries will account for 30% of global spending in 2016 from 14% in 2006.

**Global Generics Market:** Branded products accounted for nearly two-thirds of global pharmaceutical spending in 2011. However, as patents expire in developed markets, that share is expected to decline. Spending on generic drugs is

driving most of the growth in the leading emerging markets, which will contribute to the increase in the share of generic spending. Global generic spending is expected to increase from ~USD 242 billion in 2011 to USD 400–430 billion by 2016, of which USD 224–244 billion (70%) of the increase is from low-cost generics in emerging markets.

**US Generics Market:** The US is the world's largest generics market, estimated at USD 73 billion as of 2011 and is expected to grow to USD 107 billion by 2016 at a CAGR of 7.9%. Drugs worth USD 90 billion are going off patent between 2011 and 2015. The US government's healthcare bill provides affordable healthcare to 33 million previously un-insured Americans, which means increased use of generic drugs due to cost and viability factor, accelerating generic growth in the coming years. Moreover, as of 2011, 75% American prescriptions are for generic drugs, which is a positive sign for the generics market.

**EU Generics Market:** The European generics market is valued at USD 40-45 billion as of 2011 and is expected to



Global Pharmaceutical (Branded and Generic) Sales (2011 and 2016).

grow to USD 60-65 billion by 2016 at a CAGR of 7 to 8%. It is expected that, in the near future, there will not be any significant increase in the share of innovative medicines as governments in Central Europe (Poland, Romania, Bulgaria, Hungary, Slovakia and Czech Republic) have been promoting generic consumption, resulting in limited expenditure on branded medicines. Moreover, with an ageing population and member states' healthcare budget under pressure, generic medicines are now a key element of sustainable healthcare.

**Japanese Generics Market:** As of 2011, this market is valued at USD ~8 billion and is expected to reach ~USD 13 billion by 2016 at a CAGR of 10%. The government in Japan has taken several initiatives to ensure growth and promotion of generics industry in the country aimed at reducing healthcare expenditure. Japan's generic market constitutes 22.8% of its pharmaceutical market (volume-wise) (in 2011) but the implementation of numerous supportive measures in 2012 – including additional premiums for practices that

prescribe generics – will see this figure rise to approximately 60% by 2017. Moreover, strong promotional activities, numerous impending drug patent expiries and Japan's ageing population are expected to drive growth. Further, the bilateral free-trade agreement signed in February 2011 (the FTA will abolish 90% of trade duties for 10 years) will provide a stimulus for exports to Japan.

The Emerging markets (China, Brazil, Russia, India, Mexico, Turkey, Poland, Venezuela, Argentina, Indonesia, South Africa, Thailand, Romania, Egypt, Ukraine, Pakistan and Vietnam) in descending order of market size, have a total market size of about USD 57 billion (2011) and are expected to outgrow USA (at ~USD 115 billion) by 2016 at a CAGR of 15.1%. The RoW market constitutes USD 40-45 billion (as of 2011) of the generics drug market.

**Global CRAMS Market:** The global pharmaceutical outsourcing market was estimated at USD 65-70 billion as of 2011 and is expected to reach USD 90 billion by 2015, growing at 6.5% annually over the four-year period.

## FINANCIAL REVIEW

The Company had extended its financial year (FY 2012-13) by 6 months to September 30, 2013. Hence Financial Year 2012-13 is of 18 months from April 1, 2012 to September 30, 2013.

In 2012-13, Orchid delivered a moderate performance in revenues, with a Loss of Rs 530.23 cores as against a Profit of Rs 103.11 cores in the previous year 2011-12, trying to recover from the adverse events of 2011-12 such as closure of Alathur plant for more than one month, fire accident at R&D centre at Shozhanganallur etc.

### A) Profit and loss account

#### Revenue

Revenue increased from Rs 1792.14 crores in the year 2011-12 to Rs 1946.35 crores in 2012-13. This performance was largely due to continuing supply of APIs to Hospira, contractual business with other large global pharmaceutical players in regulated markets namely, Europe and Japan and contribution from Karalex Pharma, a front end marketing organisation in the US.

#### Profitability

The EBIDTA stood at Rs 169.62 cores for the financial year 2012-13 as against Rs 411.73 cores for the financial year 2011-12. After providing tax expense, PAT (Loss) stood at Rs 530.23 cores for 2012-2013 as compared to PAT (Profit) of Rs 103.11 cores for the previous financial year. This decline in profit was due to lesser capacity utilisation on account of Working Capital constraints caused by API plant closure at Alathur and higher interest costs.

#### Expenditure

Total operational costs were Rs 581.41 cores in 2012-13 as against Rs 439.91 cores for 2011-12 owing to an extended financial year.

Power and fuel expenses retained at the same levels on an annualised basis at Rs 121.72 cores in 2012-2013 as compared to Rs 85.72 cores in 2011-2012.

Material costs marginally increased from Rs 785.86 cores in 2011-2012 to Rs 958.27 cores in 2012-13 despite a decrease in production volumes and raw materials consumption



owing to closure of Alathur plant for more than one month during the year. The cost was primarily due to inflationary pressures.

Employee costs marginally increased to Rs 237.05 cores in 2012-13 as compared to Rs 154.65 cores in 2011-12 on an annualised basis.

Interest and finance charges increased from Rs 179.05 cores in 2011-2012 to Rs 520.38 cores in 2012-2013, due to a rise in borrowings coupled with a steep rise in interest rates and finance charges.

Depreciation and amortisation expenses stood at Rs 243.87 cores in 2012-2013 as compared to Rs 149.06 cores in 2011-2012 resulting in a marginal increase on an annualised basis.

## B) Balance sheet

The capital employed in the business decreased about 35 % from Rs 2399.38 cores as on March 31, 2012 to Rs 1553.07 cores as on September 30, 2013. This decrease was mainly due to the net loss of Rs 530.23 cores for Financial year 2012-13 and unamortised loss of Rs 128 cores on account of restatement of foreign currency loans for financial year 2012-13 grouped under Reserves as per Accounting Standards.

### Reserves

Balance in the reserve and surplus account stood at Rs 417.71 cores as on September 30, 2013 as against Rs 1075.87 cores as on March 31, 2012.

## INFORMATION TECHNOLOGY

Information Technology plays a business-critical role in a knowledge intensive sector like pharmaceuticals in enhancing its competitive edge.

At Orchid, IT integrates operations and processes across plants, corporate office and regional offices, providing real-time data for informed decision-making and increasing people productivity.

A number of Information Technology policies & process have been automated leading to lower manual intervention, thereby enhancing service levels to users. Orchid continues to incorporate Information Technology developments in its business processes to derive higher levels of productivity and operational excellence.

## HUMAN RESOURCES/INDUSTRIAL RELATIONS

Orchid's HR function is aligned with the overall growth vision of the Company and continuously works on areas such as recruitment and selection policies, disciplinary procedures, reward/recognition policies, learning and development policies and all round employee development.

Orchid provides a safe and rewarding environment that attracts and retains a talented team and where employees are engaged in delivering exceptional results to the customers and investors. Orchid is strengthening the motivation and engagement of employees by examining, developing and introducing a consistent employment value proposition to the existing and prospective employees. The key objective is to align the selection, talent management, employee engagement and recognition processes to drive the corporate growth objectives.

Several new initiatives were introduced during 2012-13 leading to better inter-personal relationship between employees and helped bring in a cohesive focus on individual career development.

During the financial year, Orchid maintained a cordial industrial relationship environment at all the manufacturing units of the Company.

As at September 30, 2013, Orchid has approximately 2,800 permanent employees, which included corporate and managerial staff, sales staff and staff located at our manufacturing facilities, including our subsidiaries creating momentum and driving the Company's competitive advantage. They have been striving to meet the expectations of the customers and creating wealth for investors.

		Directors' Report	Corporate Governance Report	 <b>Orchid Chemicals &amp; Pharmaceuticals Ltd.</b> Annual Report 2012-13	5
	Management Discussion & Analysis				

## RISKS AND CONCERNS

All businesses are subject to internal as well as external risks. The internal risks are controllable risks and Orchid has identified such risks and formulated such actions to mitigate the effect of such risks. The external risks like change in government policies etc are not within the control of the Company. Particularly the global as well as the Indian Pharmaceutical industry continues to be regulated by various regulatory agencies. Stringent regulatory norms, delay in obtaining regulatory approvals for key products, patent litigations, currency fluctuations, pricing guidelines in the domestic market are certain risks that can affect the Company's business.

Orchid's integrated risk management approach comprises

prudential norms, structured reporting and controls. This approach conforms to the Company's strategic direction and is consistent with stakeholders' desired total returns, credit rating and risk appetite.

Review of compliance monitoring systems, account risk management system in the business units, periodic assessment of regulatory compliance, risk assessments in multiple areas such as talent management, information security and intellectual property are done regularly. The risk management activities also include assessment and review of financial risks such as currency risks, credit risks and liquidity.

## INTERNAL AUDIT AND CONTROL

Orchid believes that sound internal control systems are necessary prerequisite to good governance. The management is committed to ensuring an effective internal control environment, commensurate with the size and complexity of the business, which provides assurance on the efficiency of the Company's operations and the security of its assets.

Orchid's internal control systems and procedures are designed to enable the reliable reporting of financial

statements, reporting timely feedback on the achievement of operational or strategic goals and ensure compliance with laws and regulations. In addition to the statutory audit, the financial and operating controls at various locations of the Company are reviewed by internal auditors who report significant findings to the Audit Committee of the Board. Compliance with various laws and regulations are also monitored.

## CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimate, expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to

the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.





## Directors' Report

*Dear Members,*

Your Directors takes pleasure in presenting the report on business and operations of your Company along with the audited statement of accounts for the financial year ended September 30, 2013.

### Performance

Your Company has extended its Financial Year 2012-13 by a period of six months i.e., up to September 30, 2013 and accordingly has prepared its Financial Statements for a period of 18 months i.e. from April 1, 2012 to September 30, 2013. The highlights of the financial results for the year 2012 – 2013 are given below:

(Rs cores)

Particulars	18 months ended 30.09.2013	Year ended 31.03.2012
Sales & Operating Income	1906.58	1736.33
Other Income	39.77	55.81
Total Expenditure	1776.74	1380.41
Gross profit	169.61	411.73
Interest & Finance Charges	520.38	179.05
Gross Profit after Interest but before Depreciation and Taxation	(350.77)	232.68
Depreciation	243.86	149.05
Profit / (Loss) before Tax, exceptional and extraordinary items	(594.63)	83.62
Exceptional Item	51.11	83.88
Profit / (Loss) Before Tax and Extraordinary item	(543.52)	(0.26)
Extraordinary items	-	(80.00)
Profit Before Tax	(543.52)	79.74
Provision for Taxation		
- Current & Deferred Tax	(13.29)	(23.37)
Profit / (Loss) after Tax	(530.23)	103.11



During the financial year 2012-13, your Company achieved a turnover and operating income of Rs 1906.58 crores (Rs 1736.33 crores in 2011-12). The gross profit before interest, depreciation and taxes stood at Rs 169.61 crores, 8.90% of turnover (Rs 411.73 crores (23.71% of turnover) in 2011-12). After providing for interest expense of Rs 520.38 crores (Rs 179.05 crores previous fiscal), depreciation of Rs 243.86 crores (Rs 149.05 crores previous fiscal), Exceptional item Rs 51.11 crores (Rs 83.88 crores previous fiscal) and Extraordinary item Nil [(Rs 80) crores previous fiscal], the Loss before tax of the Company was Rs 543.52 crores [Rs 79.74 crores (Profit) previous fiscal]. The net loss after tax stood at Rs 530.23 crores (the net profit after tax was Rs 103.11 in the previous fiscal).

### Business Overview

During the year your Company recorded a slow growth, recovering from the issues faced in previous financial year - closure of Alathur plant for a period of more than a month on account of an order from Tamil Nadu Pollution Control Board (TNPCB), and liquidity constraints on account of redemption of outstanding FCCBs in February 2012. Despite the tough liquidity and working capital constraints, your Company managed to sustain sales and operating profitability denoting the basic strength of the business. Orchid initiated a process of restructuring its debt and accordingly made a reference to the Corporate Debt Restructuring (CDR) cell. Once CDR process is completed there would be an ease in flow of working capital through rescheduled loan repayment, funding of interest by banks and reduction in rate of interest which would help the Company in improving its performance.

Your Company is planning to launch some new products in the next financial year for the EU and US markets, which are expected to aid in strengthening the revenue/profitability streams of the Company going forward.

### Corporate Debt Restructure (CDR)

The Company was admitted for Corporate Debt Restructuring process in August 2013 by the CDR Empowered Group (CDR

EG) with requisite support from Banks.

Your Company had entered into a Business Transfer Agreement (BTA) in August 2012 with Hospira Healthcare India Private Limited, a subsidiary of Hospira Inc., USA, for the sale and transfer of the Company's Penicillin and Penem API Business together with its manufacturing facilities in Aurangabad and associated Research and Development Unit situated in Shozhanganallur. Your Company obtained the requisite approvals for this transaction as follows – Shareholders approval in October 2012, Competition Commission of India (CCI) clearance in December 2012 and the Foreign Investment Promotion Board (FIPB) clearance in January 2013. Subsequently, the initial consideration of USD 202.50 million was enhanced to USD 217.50 million for transfer of additional portion of land and building at R&D Centre Shozhanganallur.

As the Company is admitted for CDR process, the consummation of BTA has been added as a part of the CDR process. The final CDR package is under preparation and expected to be completed in December 2013.

### Regulatory Filings and Approvals

In the generic formulations domain, Orchid's cumulative Abbreviated New Drug Application (ANDA) filings for the US market stood at 43. This includes 8 Para IV FTF (First-To-File) filings. The break-up of the total ANDA filings is 13 in Cephalosporins segment and 30 in NPNC space. Few more ANDAs which are in the later stages of development are expected to be filed in the ensuing quarters.

In the European Union (EU) region, the cumulative count of Marketing Authorisation (MA) filings stood at 30. The break-up of the total MA filings is 15 in the Cephalosporin segment and 15 in the NPNC segment.

In the API (Active Pharmaceutical Ingredients) domain, Orchid increased its cumulative filings of its US DMF count to 90. The break-up of the total filings is 28 in the Cephalosporin Segment, 47 in NPNC segment, 2 in the Betalactam segment and 13 in the Carbapenems segment. In the European market



space the cumulative filings of COS (Certificate of Suitability) count remained at 21 which includes 14 in cephalosporin segment, 6 in NPNC segment and 1 in the betalactam segment. With staunch efforts on product development, the count of filing and approval is set to increase in the current financial year.

### Dividend

Due to losses incurred by the Company during the financial year 2012-13, your Directors express their inability to recommend any dividend to the equity shareholders.

### Awards

During the year, your Company was conferred with the following awards:

- ▶ Top Indian Public Limited Company in Patent at the 5th National Intellectual Property Award 2013, organised by CII in partnership with the Department of Industrial Policy & Promotion and Indian Intellectual Property Office, Government of India.
- ▶ EXIM Achievement Award 2012 for meritorious export performance by The Tamil Chamber of Commerce, Chennai.

### Intellectual Property Rights

During the year, Orchid continued to accelerate the IPR work on a number of products. The total number of patent applications filed by Orchid in various national and international patent offices so far was 931 (including Process, formulation, NCE, NDDS, biotech and Generics). As of September 30, 2013, 731 patent applications have been published while 210 patents have been granted cumulatively.

### Employees Stock Option Plan

The details of options granted to employees under the ORCHID ESOP 2010, ORCHID ESOP – DIRECTORS 2011, Orchid ESOP – Senior Management 2011 schemes and the status of such options as on September 30, 2013 are given in Annexure IV to this Report.

Your Company formulated a stock option plan viz., Orchid

- ESOP 2010 Scheme for grant of 10,00,000 options to the employees of the Company including whole-time Director(s) of the Company but excluding the Promoter Directors. The said scheme was approved by the shareholders at the Annual General Meeting held on July 21, 2010. Your Company granted 9,01,000 options during the year 2010-11. Pursuant to exercise of options by the employees, 10,000 equity shares of Rs 10/- each were issued during the year and as at September 30, 2013, the outstanding options yet to be exercised under the said scheme is 5,09,500.

Your Company has also formulated the following schemes which were approved by the shareholders at the Annual General Meeting held on July 29, 2011.

▶ **Orchid ESOP** – Directors 2011 Scheme – grant of 5,00,000 options to the directors of the Company including whole-time directors but excluding promoter director. Your Company granted 3,00,000 options during the year 2011-12 and as at September 30, 2013, the outstanding options yet to be exercised under the said scheme is 1,00,000.

▶ **Orchid ESOP** – Senior Management 2011 Scheme - grant of 10,00,000 options to the employees in the grade of Senior Manager and above out of which 7,50,000 options are earmarked to the employees of Orchid and 2,50,000 options to the employees of various subsidiary companies of Orchid, either in India or abroad. Your Company granted 42,700 options during the year 2011-12 and as at September 30, 2013, the outstanding options yet to be exercised under the said scheme are 42,700.

### Associate

#### Allegra Therapeutics GmbH, Germany

With a view to enter into drug discovery in the areas of obesity, CNS and other therapeutic areas in response to potential MNC interest, Orchid decided to invest in Allegra Therapeutics GmbH (Allegra) and presently holds 20.65% stake in the Company. Allegra is a drug development company based in Germany focused on clinically differentiated products and shall develop unique products for novel treatments to combat multi drug resistant bacterial infections.

## Joint Venture Company

### NCPC Orchid Pharmaceutical Company Limited, China

NCPC Orchid Pharmaceutical Company Limited was incorporated in 2002, as a joint venture in China for manufacture of sterile cephalosporin APIs. The Joint Venture Partner North China Pharmaceuticals Company Limited (NCPC) desired to re-organise the JV Company and make it as their subsidiary Company. As a result, Orchid made an exit from the Joint Venture during the year 2012-13.

## 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 OCPL global IP unit.

### 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, filing of your Company's Drug Master Files (DMFs) and Abbreviated New Drug Applications (ANDAs) as the Importer of record for your Company with the FDA. 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 directly 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 and will be launching all future (unpartnered) generics products under the Orchid label.

### 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). Your Company has completed most of its MSA obligations to develop and supply clinical quantities of API and extended release formulation.

### Orchid Europe Limited, United Kingdom

Your Company's subsidiary in Europe namely Orchid Europe Limited (OEL) is a wholly owned subsidiary which provides liasing 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) Pty Ltd., South Africa

Your Company's wholly owned subsidiary, Orchid Pharmaceuticals (South Africa) Pty Ltd., was incorporated mainly to register and market your Company's products in South Africa. The Company is in the process of submitting dossiers for obtaining marketing approval from the regulatory authority, MCC for various oral products and the applications are at various stages of the registration process.

### Orchid Pharma Singapore Private Ltd, Singapore

During the year, your company incorporated Orchid Pharma Singapore Private Limited a wholly owned subsidiary in Singapore to deal in pharmaceuticals products.

### Closure of Orchid Pharma Japan K K

Orchid Pharma Japan KK was incorporated during April 2008 as a subsidiary of your Company in order to foray into the high potential and growing Japanese generics market. During the year 2012-13, your Company closed this subsidiary, as its business activities have been very much constrained due to the non-availability of customer questing samples and test data as a result of Orchid's financial conditions.

## Central Government Approval

The Ministry of Corporate Affairs, Government of India vide its circular dated February 8, 2011 has provided general exemption to companies from attaching the balance sheets

of their subsidiary companies as required under Section 212(8) of the Companies Act, 1956.

The exemption is available provided the companies publish the audited consolidated financial statements in the Annual Report. The consolidated financial statements duly audited are presented along with the accounts of your Company. The statement as required under Section 212 is given as part of the consolidated accounts in this report. The annual accounts of subsidiary companies are kept at the Company's registered office and also at the respective registered office of the subsidiaries for inspection and shall be made available to the members seeking such information.

### Fixed deposit

The Company has not accepted any fixed deposits and as such, no amount of principal or interest was outstanding as of the balance sheet date.

### Directors' Responsibility Statement

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm:

- ▶ That in the preparation of the annual accounts for 2012-13 the applicable accounting standards were followed along with proper explanation relating to material departures, if any.
- ▶ That the Directors selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year (30th September 2013) and of the profit or loss of the Company for that period (2012-13).
- ▶ That the Directors took proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- ▶ That the Directors prepared the annual accounts for 2012-13 on a going concern basis.

### Corporate Social Responsibility (CSR)

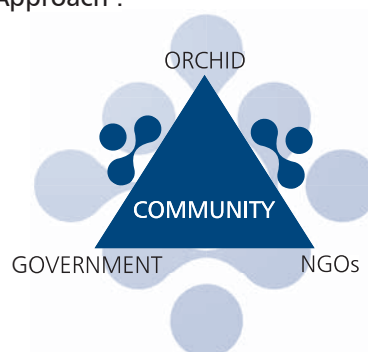
It is the strong belief of Orchid that Corporate Social

Responsibility means a holistic development of the community that caters the basic needs on education, health, women and child development, Youth development, capacity building and infrastructure. These are the major areas where significant contribution was achieved with public participation this year.

### Mission

To accelerate sustainable development of rural areas by empowering socially and economically deprived sections.

### Our Approach :



As a Corporate Orchid believes in playing the role of a catalyst in bringing the resources and knowledge for development with people's participation.

### Education

Poor Socio-Economic conditions, lack of motivation, lack of infrastructure and poor coaching are some of the challenges which affect rural children's education and the continuity. Orchid Trust has understood these issues and has planned its education promotion initiatives for their educational improvement.

### Facilitating better training

Appointment of 24 supplementary teachers in schools through the PTA (Parent Teacher Association) in schools were made during the year, where there are no sufficient teachers. As a result the school final year result has improved. The average SSLC results and Higher secondary results percentage have increased considerably due to this assistance.

Running of four community tuition centers, teaching aids to seven Government schools and sponsorship of higher education to 48 poor deserving students were made aimed

at making education available to all and providing an atmosphere of pleasant learning to students. Educational institutes and Grass root associations were involved in research to find out school drop outs and to bring them back to schools.

### Summer Camp to Rural children

Summer camp to school going students was organised this year, more than 196 children participated in the camp. Yoga, music, sports, physical exercise, drawing and painting, clay modelling, dance, Karate, drama are some of the programs that were given as entertainment on a participatory approach.

### Other Educational Programs

Career guidance programs, best student and Teachers award, talent improvement programmes, school annual day sponsorships, sponsorship of prizes for school awareness programmes are some of the activities that helped the students in improving their skills.

### Student Counselling Program

Children were given proper guidance and advice by a professional counsellor whenever they had any personal problems or poor performance in their studies. The counsellor was able to identify the root cause and helped the students to overcome the problems that they faced and facilitated the students to find solutions to solve the issues. This program has helped more than 146 students this year.

### Special coaching to SSLC students

Orchid in coordination with the school Parent Teachers' Association conducted an intensive night coaching for one month for selected students who appeared for public examination in 10th and 12th standard. Teachers volunteered to be available for students to clear their doubts. This program was organised in 7 schools that benefited 346 students.

## Health

### Mobile Health Program

Orchid Trust conducts weekly village health camp programs for the villages. The exclusive medical team for this purpose visits Pattipulam (in East Coast Road) and Alathur (in Old Mamallapuram Road). Large numbers of people are benefited from this programme / visits, regularly.

### Eye Camp

Orchid Trust in coordination with Sankara Hospital conducted 12 monthly eye camps and did eye screening for more than 800 people and free cataract surgery for more than 60 people. A tie up has also been made with Pammal Shankara Hospital for weekly eye camp program in Primary Health Centre, Tiruporur.

### Special Health Camp to Women and Children

Mother and child care is one of the basic aspects of health care which is lacking in rural areas and the same may be attributed to many reasons like early marriage, ignorance and the socio economic conditions. The poor rural women were trained on nutrition, vaccination and other aspects of child care.

Orchid Trust in coordination with the ICDS (Integrated Child Development Services) organised a pediatric camp in Tiruporur near Alathur. Many women willingly participated and shown keen interest in learning the aspects. As many as 450 women were benefited by way of consultancy and free treatment.

### Sponsorship of Government Health Programs

Orchid Trust brings in more response for Government initiatives like Pulse Polio drive, Health Camps organised by local Primary Health Centre. These sponsorship includes provision of vehicles, food, notice, posters, medicines and program sponsorships.

## Empowerment of Women through SHGs

### Tailoring for women

The training given to the Self Help Groups (SHGs) on tailoring and embroidering also gave an employment opportunity to the women in apparels. Women were able to get jobs in the nearby export garment units; 14 out of 65 women trained got job opportunities. Leadership training was imparted to 73 SHGs.

### Greenery Development

In order to create awareness and to involve women in greenery development initiatives, a program was organised in Alathur in coordination with NEED Trust, Tiruporur known for greenery development initiatives. More than 300 women



from the adopted villages took part and received saplings to plant and raise it in their houses.

## Infrastructure Development

### School buildings

Orchid paid the public contribution part to four school buildings and drinking water were improved in those schools. All these were possible only under the Government scheme called 'Namakku Naame' with the support of grass root associations and the elected body members.

### Canal Distilling

Canal distilling is an ongoing activity for enabling agricultural development in the area. More than 300 acres of land got benefited out of this

### Youth Development

Orchid Trust used sports as a gateway to reach the youth. More than 25 youth functions were sponsored. The next step was to offer variety of training programmes on Personality Development, Career Guidance, Self Esteem, Spoken English and Entrepreneurship Development Programmes to change the attitude of youth towards unemployment and motivate them to take up self employment as the alternative.

## Environment

Environment management is the prime concern in your Company. Orchid has employed a state of the art technology zero liquid trade effluent treatment plant and world class treatment facilities for its liquid and gaseous pollutants generated from the production processes. The zero discharge of liquid trade effluent treatment plant comprises Membrane Bio Reactor, Nano Filtration, Reverse Osmosis, Solvent Stripping Column, Thermal Evaporation & Crystallisation plant to treat the entire trade effluent and recycle back into the utility process.

### Waste water Treatment:

Orchid has segregated the effluent as per the guidelines of Corporate Responsibility for Environmental Protections for pharmaceuticals industries i.e. Low Total Dissolved Solids effluent (including sewage) and High Total Dissolved Solids effluent.

## Waste Air Treatment

The major emissions from the Unit are emissions from the boiler, power plant, process scrubbers and powder processing area. Orchid installed process scrubbers in all the production blocks to treat the waste air generating from process reactors. These scrubbers are made up of FRP (fiber reinforced plastic) with structure packing to enhance the efficiency of the scrubbing. The emissions from the process scrubbers meet the general emission standards prescribed by the Pollution Control Board. The scrubbed liquid is sent back to waste water treatment plant for further treatment.

## Vent Gas Condensation

Orchid installed the vent gas condensation system for fugitive emissions from the storage tanks of solvents and secondary condensers of solvent recovery area to control the fugitive emissions. The collected solvent is recycled back into the process.

## Reverse Jet Ventury Filter

Orchid installed reverse jet ventury filter to control the dust emission during the powder processing of bulk drugs.

You would be happy to note that Orchid is the first bulk drug company in the country which was certified with ISO – 14001 in the year 1999 itself by Dutch Council and has been retaining the certificate continuously for its environment management system.

## Safety Excellence Journey:

Orchid's thrust on Safety and Health has persisted meticulously during this financial period. The sustained safety excellence journey is achieved with the high level participation from various line management functions.

Orchid's integrated Safety organisation structure and line management responsibility has become one of the key strengths in maintaining safety in all its Units. In addition to Process safety, Orchid strongly believes that human behavior plays a key role, in building safety culture. Hence to monitor and reinforce actions on process safety, safety observation and audit (SOA), is a key focus area in Our Central Safety Committee meetings (CSC). To give thrust to Process safety



management the Company continues to develop inherently safe processes with the help of in-house process safety labs.

The CSC meets regularly and review progress on Safety elements and also provides directions to various subcommittees which work towards identifying hazards and minimising the risks at all levels.

### Conservation of energy

Your Company has always been striving hard in the field of energy conservation. Several measures to conserve energy and to reduce associated costs were taken during the fiscal under review as well. The particulars in respect to conservation of energy as required under Section 217 (1) (e) of the Companies Act, 1956, are given in Annexure I to this report.

### Technology absorption

The particulars in respect of R&D/Technology absorption as required under Section 217 (1)(e) of the Companies Act, 1956, are given in Annexure II to this report.

### Foreign exchange earnings and outgo

The particulars in respect of Foreign Exchange Earnings and Outgo as required under Section 217 (1)(e) of the Companies Act, 1956, are given in Annexure III to this report.

### Particulars of employees

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all members of the Company excluding the aforesaid information. Any member interested in obtaining a copy of the particulars may write to the Secretary at the Registered Office of the Company.

### Corporate Governance

The Company follows the code of Corporate Governance issued by the stock exchanges for listed companies. Corporate Governance info given in Annexure V to this Report. A compliance certificate from the Practicing Company Secretary is appended to this report.

### Green Initiative

To augment the green initiative of the Ministry of Corporate Affairs and to reduce carbon foot print, your Company proposes to send various communication including the Annual Reports in electronic form, to the members who have opted for the same. This would help in reducing the number of physical copies to be printed, thereby contributing to a greener environment. The full text of the current year's (2012-13) annual report is available in an easily navigable format at [www.orchidpharma.com](http://www.orchidpharma.com). As a member of the Company, you are entitled to receive all such communication in physical form, upon request.

### Directors

#### Appointment of Director

Shri S. Yuvaraj was appointed as Additional Director on the Board on August 14, 2013. Pursuant to the appointment, Shri S. Yuvaraj holds office up to the date of the forthcoming Annual General Meeting. A notice has been received from a member as per Section 257 of the Companies Act, 1956 along with the prescribed fee. Shri S. Yuvaraj has also filed with the Company his consent to act as Director, if appointed, as required under Section 264(1) of the Companies Act, 1956. A resolution seeking his appointment as Director is being placed before the members for approval.

#### Change in Designation

Shri S. Krishnan, whole-time director of Orchid, resigned from the services of the Company on April 17, 2013. He continues to be on the Board as Non-executive Director.

#### Resignation of Directors

Shri Deepak Vaidya, Director of Orchid, resigned from the Board with effect from November 19, 2012. The Board places on record its appreciation for the contribution made by Shri Deepak Vaidya during his tenure as Director.

Shri Bharat D Shah, Director of Orchid, resigned from the Board with effect from November 15, 2012. The Board places on record its appreciation for the contribution made by Shri Bharat D Shah during his tenure as Director.

Prof. Bala V Balachandran, Director of Orchid, resigned from





the Board with effect from August 14, 2013. The Board places on record its appreciation for the contribution made by Prof. Bala V Balachandran during his tenure as Director.

### Retirement of Directors by rotation

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Shri.S.Krishnan retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

None of the Directors of the Company are disqualified under Section 274(1)(g) of the Companies Act, 1956.

### Auditors

The Statutory Auditors, M/s SNB Associates, Chartered Accountants retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment. M/s. SNB Associates, Chartered Accountants have furnished certificate under section 224(1B) of the Companies Act, 1956 of their eligibility for the appointment.

### Auditor's Report

The Auditor's in their report have made certain observations relating to recovery of advances paid to suppliers, non provision of diminution in value of Investments in a foreign R&D subsidiary and non-provision of penal interest on loans taken by the Company under 'Qualified Opinion' in their report to the members.

The Company has already been admitted for Corporate Debt Restructuring (CDR) scheme and the final approval for the scheme is expected. Due to financial constraints, the Company was not able to take delivery of materials / capital goods and the Company is confident that with the CDR approval, the Company would be able to take delivery of these materials in due course. As far as the diminution in value of investments is concerned, the Company is confident that the value of molecules held by the foreign subsidiary will be more than the investment. With the approval for the CDR scheme, the interest liability will come down and hence

there will be no need for any provision for penal interest. The Management confirms that there will be no impact on the financials on account of the matters referred to in the Auditor's report.

The Auditor's in their report have further made observations relating to notice given by IDBI Bank Limited to convert the term loan into shares and the excess remuneration paid to the Managing Director and the Whole time Director under 'Emphasis of Matter' in their report to the members.

IDBI Bank Limited has given notice to the Company to convert the term loan amounting to Rs 30.19 crores into shares at par as per the terms of the Loan agreement. The same has been disputed by the Company. IDBI has filed a Civil Suit which is pending before the Honourable High Court of Madras.

The Company has paid remuneration to the Managing Director and the Whole time Director based on the approval given by the shareholders at the Annual General Meetings held on September 20, 2012 and July 21, 2010, respectively. Due to the loss incurred by the Company during the year 2012-13, the Company is making an application for the approval of the Central Government for the remuneration paid to Chairman & Managing Director and Executive Director.

### Cost Audit

The Central Government has prescribed that an audit of the cost accounts maintained by the Company in respect of bulk drugs and formulations be conducted under Section 233B of the Companies Act, 1956. Consequently, your Company has appointed Shri V Kalyanaraman, B.Sc., FCMA, as Cost Auditor for 2012-13 and 2013-14, with the consent of the Central Government, for the audit of cost accounts maintained by the Company in respect of both bulk drugs and formulations.

For the year ended March 31, 2012, the due date of filing the cost audit report was December 31, 2012 and the actual date of filing the cost audit report was December 29, 2012.

## Acknowledgements

Your Directors are thankful to various public sector and private sector banks and financial institutions for meeting the long term and working capital needs of the Company's businesses.

The Directors are grateful to the Central and State Governments and the Central DCGI and State FDAs for their continued support to the Company's expansion plans. Your Board places on record its appreciation of the support provided by the customers, suppliers and equipment vendors to the Company. Your Directors are also thankful

to the vendors, distributors and agents for their continued support.

Your Directors are thankful to the esteemed shareholders for their support and encouragement. The Directors acknowledge the commitment and contribution of all employees to the growth of the Company.

For and on behalf of the Board

Place: Chennai

**K Raghavendra Rao**

Date: November 29, 2013 *Chairman & Managing Director*

# Addendum to Directors' Report

## A) Corporate Debt Restructure (CDR)

The Board at its meeting held on February 11, 2014 considered the update on Corporate Debt Restructuring. The final package was submitted to the CDR Empowered Group in December 2013. Your Company is currently awaiting the approval of CDR package.

## B) Notice of Annual General Meeting & Book Closure dates

The Board at its meeting held on February 11, 2014 approved the notice convening the Annual General Meeting and fixed the book closure dates, date and place of conducting the Annual General Meeting.

For and on behalf of the Board

Place: Chennai

**K Raghavendra Rao**

Date: February 11, 2014

*Chairman & Managing Director*



# Annexure to the directors' report

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT FOR THE 18 (EIGHTEEN) MONTHS ENDED 30th SEPTEMBER, 2013.

## Annexure I – CONSERVATION OF ENERGY

### a) Energy conservation measures taken

The following energy conservation measures were taken by your Company during the year under review at its manufacturing facilities

- ▶ Condensate of Air Handling Units (AHU) in different plants were diverted to Gardening and Cooling Tower based on their quantity.
- ▶ Elimination of Pumps and Motors from the process line could be achieved by taking the requirement through gravity line.
- ▶ Optimising the operation of Hydraulic power packs
- ▶ Stopping the usage of heater in fuel storage tank by diverting the fuel to a common tank.
- ▶ PA fan operation was reduced with the help of VFD resulting in energy savings.
- ▶ AHU load was reduced by venting the hot air from the room in panel rooms and by converting the WFI room to unclassified area.
- ▶ Recycling of condensate liquid resulted in energy savings which also has an impact on environment.
- ▶ Resource optimisation in process was done with the help of PDLab resulting in energy savings.
- ▶ Provision of +10 chiller for UPS room and inprocess lab room instead of -10.
- ▶ Provision of interlocks between EC fan and pump in compressors in utility.
- ▶ Converting the gland seal in pumps to mechanical seal thereby reducing the power consumption and effluent load.
- ▶ Conversion of impellers material in blower from metal to FRP.
- ▶ Converting the workshop asbestos roof sheets to transparent sheets.
- ▶ Spray balls arrangement in reactors to reduce water consumption.
- ▶ Intake air duct modification for atlas copco compressor.
- ▶ Hydro jet cleaning for process equipments.
- ▶ Water gun for cleaning driers.

thereby reducing power consumption.

### b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

Some of the proposals that are considered / being implemented for saving energy are:

- ▶ Installation of pressure power pump in trap condensate tank place instead of electrical pump.
- ▶ Converting of aluminium blade in EC fan to FRP blade

### c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

- ▶ Due to the various energy conservation activities implemented, mentioned in (a) above, there was a reduction in power consumption by around 1291 UPD and 0.86 TPD, leading to a saving of around Rs 30.62 lakhs annually.
- ▶ Further, the energy conservation measures proposed to be taken up by the Company as mentioned in (b) above are expected to bring in savings of around Rs 335.78 lakhs annually.

## d) Total Energy Consumption and energy consumption per unit of production:

### (i) Active Pharmaceutical Ingredient (API)

	Eighteen months ended September 30, 2013	Year ended March 31, 2012
<b>A POWER AND FUEL CONSUMPTION</b>		
<b>1 Electricity</b>		
<b>a) Purchased</b>		
Unit	114,140,533	91,992,236
Total Amount (Rs lakhs)	7,174.31	4,733.19
Rate per Unit (Rupees)	6.29	5.15
<b>b) Own generation</b>		
<b>i) Through Diesel Generator</b>		
Units	3,837,391.50	3,486,523
Units per litre of diesel oil	3.37	3.40
Cost per unit (Rupees)	12.03	11.56
<b>ii) Through Furnace Oil Generator</b>		
Units	2,049,288	5,750,435
Units per litre of fuel oil	3.84	4.01
Cost per unit (Rupees)	11.37	8.05
<b>2 Coal</b>		
Quantity (tonnes)	35,783.52	21,549.36
Total Cost (Rs lakhs)	1,592.18	1,196.48
Average Rate	4,449.49	5,552.26
<b>3 Furnace Oil</b>		
Quantity ( K litres )	6,210.93	6,201.63
Total Cost (Rs lakhs)	2,570.95	2,189.99
Average rate (Rs per KL)	41,394.04	35,313.12
<b>4 Others / Internal Generation</b>		
<b>I) Windmills *</b>		
Quantity (in units)	88,930,805	310,803
Cost per unit (Rupees)	4.30	2.75
<b>II) Gas based *</b>		
Quantity ( in units)	47,682,166	46,974,479
Cost per unit (Rupees)	5.08	4.40
<b>B CONSUMPTION PER UNIT OF PRODUCTION</b>		
Products with details:		
<b>(i) Bulk Drugs - Oral &amp; Sterile (in MT)</b>	584.17	904.30
Electricity (Rs lakhs per MT)	11.74	5.03
Furnace Oil (Rs lakhs per MT)	0.40	0.51
Coal (Rs lakhs per MT)	2.73	1.32
Others	NIL	NIL

\* Units generated are wheeled to our manufacturing facilities

### (ii) Formulations

It is not practical to classify energy consumption data on the basis of product, since the Company manufactures finished dosages in various forms and pack sizes with different energy requirements.



## ANNEXURE II - TECHNOLOGY ABSORPTION

### I. Research and Development

#### 1. Specific areas in which research and development activities have been carried out by the Company during the year.

Process Research and Development of selected molecules from both beta-lactam and Non-beta-lactam categories were carried out by specific scientific teams. In beta-lactam category, the R&D development focussed on the processes of (i) oral and injectable cephalosporins (first, second and third generations) (ii) oral and injectable carbapenems and (iii) injectable penicillins. In Cephalosporins, the R&D was also involved in developing and implementing anti-MRSA cephalosporin for innovator through CRAMS program. In non-beta lactams group, development of process for APIs (Active Pharmaceutical Ingredients) relating to treatment of hypertension, multiple sclerosis, urinary incontinence, overactive bladder, benign prostatic hyperplasia, platelet aggregation, migraine, bacterial infections, etc., have been carried out. Process R&D developments on reduction of cost of manufacturing of APIs belonging to both betalactams and non-betalactams have also been carried out.

Many technologies were transferred to the cGMP manufacturing facilities successfully. The processes have been ensured to be safer to operate on manufacturing scale, while significantly reducing cycle-time, number of stages and operations, apart from meeting the quality. In addition, manufacturing process for Orchid's NCE, a novel beta-lactamase inhibitor, out-licensed to Allecra for clinical development in 2013, has been developed and API supplied on kilogram scale manufactured in Aurangabad penicillin API manufacturing facility.

#### 2. Benefits derived as a result of the above R&D activities.

Development of process for APIs, and implementation of processes on manufacturing scale in Orchid's cGMP facility helped filing or amending DMFs in various

countries, in addition to supporting in house formulation development and filing ANDAs with P-IV or appropriate certifications.

Cost reduction process developed for various molecules would provide financial benefits to the organisation in domestic and international markets.

API of NCE, manufactured and supplied to Allecra ensured conducting Phase I clinical trials for drug-resistant anti-infective therapeutic category.

Patent filing and Intellectual Property Protection of polymorphs and new processes. This will not only protect our innovations but also give a business advantage to Orchid over other players. About 20 patent applications have been filed on the process research area, in addition to 3 articles published in reputed journals.

#### 3. Future plan of action.

Develop new generic API molecules to support and strengthen generics thrust for the coming financial year.

Address the development of advanced intermediates (backward integration) wherever required. Increase cost competitiveness for more molecules by developing cost reduction process.

#### 4. Expenditure on R&D

The R&D outlay was as follows

(Rs lakhs)

	Eighteen months ended September 30, 2013	Year ended March 31, 2013
a) Capital	104.10	1,449.10
b) Recurring	8,416.32	6,471.18
c) Total	8,520.42	7,920.28
d) Total R&D expenditure as a percentage of the total turnover	4.38%	4.42%

## II Technology absorption, adaptation and innovation

### I. Research and Development

#### 1. Efforts in brief, made towards technology absorption, adaptation and innovation.

API technologies developed in house were transferred & demonstrated to Orchid's cGMP manufacturing facilities successfully. The processes have been ensured to be safer to operate on manufacturing scale, while significantly reducing cycle-time, number of stages, and operations, apart from meeting the quality.

Manufacturing process for Orchid's New Chemical Entity (NCE), novel beta-lactamase inhibitor, has been developed, and API supplied to Allekra to support the clinical study. Biological and analytical data generated has been of prime use in getting approval for conducting Phase I study in France.

#### 2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product

development, import substitution, etc.

Implementation of API technologies in Aurangabad manufacturing facility would help in expanding our business in the international and domestic markets while strengthening our product pipeline, in addition to supporting API business.

The cost reduction exercise would make our product/API cost competitive, in addition to providing safe, operation friendly and eco-friendly processes, built through green chemistry approaches.

DDR has identified few potent molecules with specific desirable combination of biological properties, which could serve as a seed for further development to fulfil certain medical conditions/needs. The achievements and analysis of a large quantum of biological data on in house new chemical entities have paved way for better understanding of the structure activity relationships, which would further lead to design and development of high potent molecules of desirable biological profile.

#### 3. Imported technology (imported during the last 5 years reckoned from the beginning of the financial year):

a) Technology	No new technology has been imported by Orchid during the year.
b) Year of import	Not applicable.
c) Has this technology been fully absorbed	Not applicable.
d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action	Not applicable.



## ANNEXURE III - FOREIGN EXCHANGE EARNINGS & OUTGO

- a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans.

The Company is focusing to increase the sale and distribution of its cephalosporin and the non-penicillin non cephalosporin APIs and generics in regulated markets including United States, Canada, Europe, Japan and Australia, as applicable.

- b) Total foreign exchange earnings and outgo

(Rs lakhs)

		Eighteen months ended September 30, 2013	Year ended March 31, 2012
1.	Earnings in foreign exchange during the year		
	F.O.B value of exports	73,775.70	84,665.93
	Export of services (net of TDS)	1,357.47	4,617.97
2.	C.I.F. value of imports (on cash basis)		
	Raw materials	41,577.35	45,945.16
	Capital goods	512.05	23,049.70
	Spare parts, components and consumables	1,971.59	1,894.84
3.	Expenditure in foreign currency during the year (on cash basis)		
	Travelling expenses	49.74	179.76
	Interest and bank charges	7,132.91	5,040.30
	Professional / Consultancy fees	2,436.32	2,160.28
	Others	2,807.27	3,920.21
4.	Dividend remittances in foreign currency during the year		
	Net dividend	0.45	0.45
5.	Total foreign exchange used (2+3+4)	56,487.68	82,190.70



## ANNEXURE IV - DETAILS OF STOCK OPTIONS - PURSUANT TO SEBI GUIDELINES ON STOCK OPTIONS:- ORCHID EMPLOYEE STOCK OPTION SCHEMES

S.No	DESCRIPTION	ORCHID ESOP - 2010 SCHEME	ORCHID ESOP - DIRECTORS 2011 SCHEME	ORCHID ESOP - SENIOR MANAGEMENT 2011 SCHEME
a.	No. of shares available under ORCHID ESOP	10,00,000	5,00,000	10,00,000
b.	Options granted during the year (Net of Lapses)	Nil	Nil	Nil
c.	Pricing formula	The closing prices for the Company's Equity shares quoted on the Bombay stock Exchange and /or National Stock Exchange preceding the date of granting options		Rs 10/-
d.	Options Vested during FY 2012-13	Nil	20,000	10,675
e.	Options exercised during FY 2012-13	10,000	Nil	Nil
f.	Total no. of shares arising out of exercise of options	10,000	Nil	Nil
g.	Options lapsed during FY 2012-13	3,42,000	1,50,000	Nil
h.	Variation of terms of Options	Due to the fall in the share price the compensation committee revised the price of the options from Rs 329.55 to Rs 166.15 as per the closing price of Orchid at NSE on October 31, 2011.		Nil
i.	Money realised by exercise of options	Rs 16,61,500	Nil	Nil
j.	Total no. of options in force as on September 30, 2013	5,09,500	1,00,000	42,700



S.No	DESCRIPTION	ORCHID ESOP - 2010 SCHEME	ORCHID ESOP - DIRECTORS 2011 SCHEME	ORCHID ESOP - SENIOR MANAGEMENT 2011 SCHEME
k.	Grant details to			
	i) Members of Senior Managerial personnel/Director during the year	Nil	Nil	Nil
	ii) Any other employees receives a grant in any one year of option amounting to 5% or more of option granted during the year.	Nil	Nil	Nil
	iii) Identified employees who were granted option during the year equal to or exceeding 1% of issued Capital of the Company at the time of the grant.	Nil	Nil	Nil
l.	Diluted EPS as per Accounting Standard 20	Rs (75.26)		
m.	i) Method of calculation of employee compensation cost	Black Scholes Method		
	ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognised if it had used the fair value of the options	Rs 13,93,700		
	iii) The impact of this difference on profits and on EPS of the Company on the current year profits (Amortised Amount)	Profit (Loss) after Tax		Rs (53022.65) lakhs
		Add: Employee cost of intrinsic value over fair value		Rs 13.94 lakhs
		Adjusted PAT (loss)		Rs (53008.71) lakhs
		Adjusted EPS		Rs (75.24)

S.No	DESCRIPTION	ORCHID ESOP - 2010 SCHEME	ORCHID ESOP - DIRECTORS 2011 SCHEME	ORCHID ESOP - SENIOR MANAGEMENT 2011 SCHEME
n.	Weighted average exercise price and fair value of stock options granted:			
	Stock options granted on	Weighted average Exercise price (Rs)	Weighted average fair value (Rs)	Closing Market price at NSE on the preceding day of the date of grant (Rs)
	October 28, 2010 (Employees)	166.15	26.78	166.15
	November 01, 2011 (Directors)	166.15	NA	166.15
	November 01, 2011 (Senior Management)	10.00	NA	166.15
o.	Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information	"The Black-Scholes Option Pricing Model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since option-pricing models require use of substantive assumptions, changes therein can materially affect fair value of options. The option pricing models do not necessarily provide a reliable measure of fair value of options"		

p. The main assumptions used in The Black Scholes Option Pricing Model during the year were as follows

i) Risk free interest rate	8.18%
ii) Expected Life of Options	730 days
iii) Expected Volatility	45.80%
iv) Dividend yield ( average based on option price)	2%



## ANNEXURE V TO THE DIRECTORS' REPORT

# Corporate Governance Report

### 1. Company's Philosophy on Code of Corporate Governance

At Orchid, we are committed to practicing good Corporate Governance norms. Orchid firmly believes in adhering to Corporate Governance code to ensure protection of its investor's interest as well as healthy growth of the Company. The Company has been complying with Corporate Governance norms right from its inception. We endeavor to enhance the long term stake holding value of our investors. The Company complies with the Corporate Governance Code as enshrined in Clause 49 of the Listing Agreement.

### 2. Board of Directors

#### ► Composition of Board

The Chairman of the Board of Directors is an Executive Director. During the Year the Board had an Optimum combination of Executive and Non Executive Directors. None of the directors are related to each other.

The composition of Board and the details of the Directors with regard to Directorships in other Companies and Committee positions during 18 (Eighteen) months ended 30th September, 2013 are as follows:

S.No	Name	Category	Number of Directorships held in other companies @	Number of Board Committee positions in other companies held as*	
				Member	Chairman
1	Shri K Raghavendra Rao	Promoter & Executive Director	1	None	None
2	Shri S Krishnan <sup>\$</sup>	Non Executive – Non Independent	1	None	None
3	Shri S Yuvaraj <sup>^</sup>	Non-Executive – Independent	2	1	None
4	Shri K Biju George <sup>+</sup>	Non-Executive – Independent (Nominee of IDBI Bank Ltd)	None	None	None
5	Prof Bala V Balachandran <sup>#</sup>	Non Executive - Independent			
6	Shri Bharat D Shah <sup>@</sup>	Non Executive - Independent			
7	Shri T A Ganesh <sup>+</sup>	Non Executive - Independent (Nominee of IDBI Bank Ltd)			
8	Shri Deepak Vaidya <sup>!</sup>	Non Executive - Independent			

@ Excludes foreign companies, private limited companies, Section 25 Companies and alternate directorships.

\* Includes only membership/Chairmanship in Audit and Investor Grievance Committee across all public limited companies.

\$ Change in designation as Non-Executive Director with effect from April 18, 2013.

^ Appointed in the Board with effect from August 14, 2013.

+ Industrial Development Bank of India Limited (IDBI) withdrew the nomination of Shri T A Ganesh and appointed Shri K Biju George, as its nominee on the board with effect from June 06, 2012.

# Resigned from Board with effect from August 14, 2013.

@ Resigned from Board with effect from November 15, 2012.

! Resigned from Board with effect from November 19, 2012.

#### ► Board Meetings & Attendance Record of the Directors

The Board meets at least once in a quarter to review the quarterly financial results and operations of your Company. It also meets as and when necessary to address specific issues relating to the business of your Company. During the 18 (Eighteen) months, the Board met 12 times on 14th May, 2012, 09th July, 2012, 14th August, 2012, 22nd August, 2012, 20th September 2012, 09th November 2012, 13th February, 2013, 07th March 2013, 17th April, 2013, 15th May, 2013, 17th June 2013 and 14th August, 2013. The attendance records of all the Directors are as under:

Name of Director	Number of Board Meetings Attended	Last AGM Attendance
Shri K Raghavendra Rao	12	Present
Shri S Krishnan	12	Present
Shri S Yuvaraj <sup>1</sup>	1	Not on Board <sup>@</sup>
Shri K Biju George <sup>2</sup>	11*	Present
Shri Deepak Vaidya <sup>3</sup>	3	Not Present
Shri T A Ganesh <sup>2</sup>	1	Not on Board <sup>@</sup>
Shri Bharat D Shah <sup>4</sup>	4	Present
Prof Bala V Balachandran <sup>5</sup>	9	Not Present

1. Appointed as Additional Director with effect from August 14, 2013.

2. Industrial Development Bank of India Limited (IDBI) withdrew the nomination of Shri T A Ganesh and appointed Shri K Biju George, as its nominee on the board with effect from June 06, 2012.

3. Resigned from the Board with effect from November 19, 2012.

4. Resigned from the Board with effect from November 15, 2012.

5. Resigned from the Board with effect from August 14, 2013.

\* At the request of IDBI, Smt Geeta Viswanath attended the meeting held on April 17, 2013 on behalf of Shri K Biju George.

@ Not a member of the Board on the date of AGM.



### ► Code of Conduct

The Board of Directors has laid down a Code of Conduct ("the Code") for all Board members and senior management personnel of your Company. The Code is posted on your Company's website [www.orchidpharma.com](http://www.orchidpharma.com). All Board members and senior management personnel have confirmed compliance with the Code. A declaration signed by the Chairman & Managing Director is attached and forms part of this Report.

## 3. Audit Committee

In accordance with the provisions of Section 292A of the Companies Act, 1956 and clause 49 of the Listing Agreement, the Company has constituted an Audit Committee with Non-Executive Independent Directors. All the members of the committee are financially literate and the Chairman of the Committee being a Chartered Accountant is an expert in Accounting and Financial Management matters. The terms of reference of the Audit Committee include:

#### a. Review of :

- Financial statements before submission to the Board.
- Draft financial statements and Auditors' Report (before submission to the Board).
- Accounting policies and practices.
- Risk management policies and practices.
- Compliance with stock exchange and legal requirements concerning financial statements.
- Related party transactions.
- Internal control systems and internal audit reports and their compliance thereof.
- Compliance with accounting standards, and

#### b. Recommending the appointment of Auditors and fixing their fee.

The Audit Committee met Six times during 18 (Eighteen) months, on 14th May 2012, 14th August 2012, 09th November, 2012, 13th February, 2013, 15th May, 2013 and on 14th August, 2013.

The composition of the Committee and the attendance of each member of the Committee to the meetings are given below:

Name	Category	Number of Meetings Attended
Shri S Krishnan <sup>1</sup>	Non-Executive – Non Independent	3
Shri K Biju George <sup>2</sup>	Non-Executive – Independent (Nominee of IDBI Bank)	5
Shri Deepak Vaidya <sup>3</sup>	Non-Executive – Independent	1
Shri Bharat D Shah <sup>4</sup>	Non-Executive – Independent	1
Prof. Bala V Balachandran <sup>5</sup>	Non-Executive – Independent	5 (Including 3 through Video Conference)
Shri T A Ganesh <sup>2</sup>	Non Executive - Independent (Nominee of IDBI Bank Ltd)	1
Shri S Yuvaraj <sup>6</sup>	Non-Executive – Independent	–

1. Appointed as member of the Committee with effect from February 13, 2013.

2. Industrial Development Bank of India Limited (IDBI) withdrew the nomination of Shri T A Ganesh and appointed Shri K Biju George, as its nominee on the board with effect from June 06, 2012.

3. Resigned from the Board with effect from November 19, 2012.

4. Resigned from the Board with effect from November 15, 2012.

5. Resigned from the Board with effect from August 14, 2013.

6. Appointed as member of the Committee with effect from August 14, 2013.

The Chairman of the Audit Committee, Shri. Deepak Vaidya was not present at the Annual general Meeting of the Company held on September 20, 2012. However, he nominated Shri Bharat D Shah to answer the Shareholder's Queries.

The Company Secretary is the Secretary of the Audit Committee.

#### 4. Remuneration Committee

The Company has a Remuneration Committee which determines and recommends the remuneration payable to the Executive Directors/Whole Time Directors on the basis of their performance as well as Company's performance, subject to consents as may be required. The remuneration to the Executive Directors consists of a fixed salary and other perquisites. Wherever applicable the perquisites are considered as a part of remuneration and taxed as per the Income Tax laws.

The Non-Executive Directors are not paid any remuneration except sitting fees for attending the Board Meetings /Committee Meetings. The Remuneration Committee deals with all elements of remuneration package, stock options, service contracts, etc. of all Executive Directors/Whole-Time Directors.

During the year the committee met once on May 14, 2012 and all the members of the committee attended the meeting.

The composition of the Committee and the attendance of each member of the Committee to the meeting are given below:

Name	Category	Number of Meetings Attended
Shri K Biju George <sup>1</sup>	Non-Executive – Independent	0
Shri T A Ganesh <sup>1</sup>	Non-Executive – Independent	1
Shri Deepak Vaidya <sup>2</sup>	Non-Executive - Independent	1
Shri Bharat D Shah <sup>3</sup>	Non-Executive - Independent	1

1. Industrial Development Bank of India Limited (IDBI) withdrew the nomination of Shri T A Ganesh and appointed Shri K Biju George, as its nominee on the board with effect from June 06, 2012.

2. Resigned from the Board with effect from November 19, 2012.

3. Resigned from the Board with effect from November 15, 2012.

Details of remuneration paid to Directors for the year 2012-13 are given below:

Name(s) of the Director(s)	Remuneration paid during the year 2012-13 (Rs In lakhs)				No. of Stock Options
	Salary	Commission/ bonus	Sitting fees	Total	
Shri K Raghavendra Rao	742.21	-	-	742.21	-
Shri S Krishnan <sup>1</sup>	117.65	-	1.20	118.85	1,00,000
Shri Deepak Vaidya <sup>2</sup>	-	-	1.00	1.00	50,000
Shri K Biju George <sup>3</sup>	-	-	3.00	3.00*	-
Shri T A Ganesh <sup>3</sup>	-	-	0.60	0.60*	-
Shri Bharat D Shah <sup>4</sup>	-	-	1.60	1.60	50,000
Prof Bala V Balachandran <sup>5</sup>	-	-	1.60	1.60	50,000

\* Sitting fees of Rs 3.60 lakhs paid directly to IDBI Limited

1. Ceased to be a whole time director w.e.f. April 18, 2013.

2. Resigned w.e.f November 19, 2012.

3. Industrial Development Bank of India Limited (IDBI) withdrew the nomination of Shri T A Ganesh and appointed Shri K Biju George, as its nominee on the board with effect from June 06, 2012.

4. Resigned w.e.f November 15, 2012.

5. Resigned w.e.f August 14, 2013.





The shares held by directors as on September 30, 2013 are given below:

Name(s) of Director(s)	Number of Shares
Shri K Raghavendra Rao	69,25,173
Shri S Krishnan	9,200
Shri K Biju George	Nil
Shri S Yuvaraj	Nil

## 5. Compensation Committee

Pursuant to the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, a Compensation Committee was constituted in the year 1999. The purpose of this committee is to grant options to employee. The Committee comprises of Shri K Raghavendra Rao and Shri K Biju George. The committee has not met during the year 2012-13.

## 6. Allotment Committee

The Allotment committee of the Board was constituted in the year 2001. The purpose of this committee is to consider allotment of equity shares whenever the need arises. The Committee comprises of Shri K.Raghavendra Rao and Shri S.Krishnan. The Committee met once during 18 (Eighteen) months ended September 30, 2013 to discuss and consider the allotment of equity shares under Employee Stock Option 2010 Scheme.

## 7. Share Transfer and Investor's Grievance Committee

The Company has a Share Transfer and Investors Grievance Committee of Directors to look into the redressal of complaints of investors such as share transfers or credit of shares, non-receipt of dividend/notices/annual reports, etc. During the year 2012-13, the committee met 7 times to consider the transfers in the physical segment.

Name(s) of Director(s)	Category	Number of meetings Attended
Shri K Raghavendra Rao	Promoter & Executive Director	7
Shri S Krishnan@	Non-Executive – Non Independent Director	7
Shri Bharat D Shah%	Non Executive - Independent	1

@ Change in designation with effect from 18.04.2013 (Executive to Non Executive Non Independent)

% Resigned from Board with effect from 15.11.2012

The SEBI has reduced the timelines for effecting the share transfer to 15 days from the present one month's time by a circular dated July 5, 2012. Accordingly, securities lodged for transfer with the registrars shall be processed within 15 days from the date of lodgement. In order to give effect to SEBI's requirement and to expedite the process of share transfers. The Board has delegated the power to approve the share transfer activities to few employees of the Company as well as to rename the existing committee as "Investor Grievance Committee" which shall meet on a quarterly basis.

The Board has designated Shri. L Chandrasekar, Executive V P – Finance & Secretary as the Compliance Officer from 01.12.2012.

The following table shows the nature of complaints received from shareholders during 2011-2012 and 2012-2013, all of which have been responded within one month.

S.No	Nature of complaints	Received and Resolved	
		2012-2013	2011-2012
1.	Non-receipt of share certificates sent for transfer/bonus shares	2	10
2.	Non-receipt of dividend warrants	43	35
3.	Complaints from SEBI, Stock exchanges and Government departments	4	5
	<b>TOTAL</b>	<b>49</b>	<b>50</b>

## 8. Details of Annual/Extraordinary General Meetings and Location and Time of the General Meetings held in the past three (3) years

All the below mentioned special resolutions except for special resolution passed in the AGM held in 2012 were passed unanimously.

Year	AGM / EGM	Location	Special resolutions passed	Date	Time
2012	AGM	Sathguru Gnanananda Hall, Narada Gana Sabha, 314, TTK Road, Alwarpet, Chennai-600018.	a) Re-appointment of Chairman & Managing Director	September 20, 2012	10.30 AM
2011	AGM	The Music Academy Old No.306, New No.168 TTK Road, Chennai – 600014.	a) Orchid-ESOP Senior Management 2011 Scheme. b) Orchid-ESOP Director 2011 Scheme. c) Alteration of Articles of Association of the Company.	July 29, 2011	10.00 AM
2010	AGM	Sathguru Gnanananda Hall, Narada Gana Sabha, 314, TTK Road, Alwarpet, Chennai-600018.	a) Employees Stock Option Scheme 2010	July 21, 2010	11.00 AM

None of the resolutions passed at the above meetings were required to be passed through postal ballot.

### Postal Ballot

The Company has conducted a postal ballot during the 18 (Eighteen) months period ended September 30, 2013 pursuant to Section 192A of the Companies Act, 1956. The Postal Ballot was conducted by Mrs. S. Lalitha, Practicing Company Secretary who was appointed by the Board of Directors as the Scrutiniser.

### Postal Ballot Notice dated August 22, 2012 contained the following resolutions:

**Item No.1:** Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956, for transfer of Orchid's Penicillin and Penem API business and the API facility located in Aurangabad (Maharashtra) together with the associated Process R&D infrastructure located in Chennai.



Results of the aforesaid Postal Ballot are here under:

PARTICULARS	RESOLUTION u/s 293(1)(a) of Companies Act, 1956	
	No of postal ballot forms	No of shares
A Total postal ballot forms received from share holders	717	32,633,233
B No of valid postal ballot forms and shares	669	32,580,635
C Total postal ballots / votes in favor of the resolution	606	32,564,883
Percentage of (C/B)	-	99.95%
D Total postal ballots / votes against the resolution	63	15,532
Percentage of (D/B)	-	0.05%
E Invalid postal ballots / votes	48	52,598

The resolution have, therefore, been approved by the shareholders with requisite majority.

## 9. Disclosures

- ▶ No transaction of material nature conflicting with the Company's interest was entered into by the Company with related parties i.e. Company's subsidiaries, Directors or management or relatives.
- ▶ Transactions with the related parties are disclosed in Note No. 31 to the financial statements in the Annual Report.
- ▶ There were no instances of non-compliance by the Company on matter related to capital markets during the preceding three years except with regard to Composition of Share Transfer and Investor Grievance Committee during the quarter ended March 31, 2013. However, there were no penalties, strictures imposed by SEBI / Stock Exchanges or any other statutory authorities against the Company.
- ▶ Presently the Company does not have a whistleblower policy. No employee has been denied access to approach the Audit Committee to report any serious concerns.
- ▶ No differential treatment from the Accounting Standards was followed in preparation of the financial statements of the Company.
- ▶ The Company complies with all mandatory requirements and has also adopted some of the non-mandatory requirements / Corporate Governance Voluntary Guidelines 2009, as detailed below.

## 10. Means of Communication

- ▶ Financial Results are published by the Company in Financial Express and Makkal Kural.
- ▶ Results are also displayed in URL [www.orchidpharma.com](http://www.orchidpharma.com). Official news releases are also updated in the site.
- ▶ Presentations made during the year are available on the Company's website [www.orchidpharma.com](http://www.orchidpharma.com).
- ▶ The Company has an internet portal to communicate with its employees.
- ▶ Key developments are communicated to the Stock Exchanges and media as and when they occur.

## 11. Management Discussion & Analysis (MD&A) Report

The MD&A Report is appended to this Report. All matters pertaining to industry structure, developments, opportunities and threats, segment/product wise performance, outlook, risks and concerns, internal control and systems, etc. are discussed in the said report.

## 12. GENERAL SHAREHOLDERS INFORMATION

- 1 **Registered Office** : 'Orchid Towers', 313, Valluvar Kottam High Road, Nungambakkam, Chennai - 600 034, Tamil Nadu, India.
- 2 **Date, time and venue of 21st Annual General Meeting (AGM)** : Wednesday, March 19, 2014, 10.30 A M  
at Sathguru, Gnanananda Hall,  
Narada Gana Sabha, No.314, TTK Road, Chennai - 600018.
- 3 **Dates of book closure** : March 15, 2014 to March 19, 2014 (both days inclusive)
- 4 **Financial Calendar**  
Financial reporting for
 

Quarter ending March 31, 2014	: Last week of May 2014
Quarter ending June 30, 2014	: Second week of August 2014
Quarter ending September 30, 2014	: Second week of November 2014
Quarter ending December 31, 2014	: Second week of February 2015
- 5 **The equity shares of Rs 10/- each are listed at**

Madras Stock Exchange Limited No.30, Second Line Beach Chennai - 600 001, Tamil Nadu, India Tel : 91-44-25228951, Fax : 91-44-25244897	National Stock Exchange of India Limited "Exchange Plaza", Plot No.C/1, G Block Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India Tel : 91-22-26598100, Fax : 91-22-26598120
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street Mumbai - 400 001, Maharashtra, India Tel : 91-22-22721233, Fax : 91-22-22721919	
- 6 **Global Depository Receipts**  
Global Depository Receipts (GDRs) are listed at
 

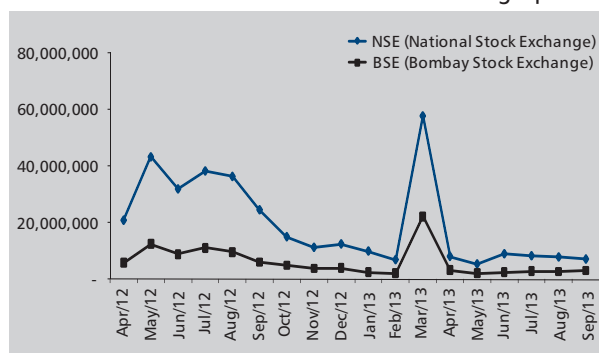
Luxembourg Stock Exchange Bourse de Luxembourg BP 165, L-2011 Luxembourg Tel : +352 47 79 36-1; Telefax: +352 47 32 98	London Stock Exchange Registered Office: 10, Paternoster Square London EC4M 7LS
---	---
- 7 **Listing Fees** : Listing Fees have been paid for all the above Stock Exchanges for the year 2012-2013 and 2013-2014.

## Stock Market data

a) Monthly high and low quotations along with the volume of shares traded at NSE and BSE for 2012-2013 are:

Month	NSE			NSE S&P CNX 500 INDEX (Avg)	BSE			BSE 500 INDEX (Avg)
	High (Rs)	Low (Rs)	Volume of Shares (Nos)		High (Rs)	Low (Rs)	Volume of Shares (Nos)	
Apr-12	193.90	168.80	21,010,764	4199	194.00	175.10	5,996,891	6732
May-12	183.50	116.80	43,433,620	3952	183.40	116.90	12,539,090	6344
Jun-12	125.00	109.20	32,093,238	4012	125.30	109.05	8,981,677	6426
Jul-12	131.80	105.70	38,452,408	4144	131.85	105.80	11,212,439	6643
Aug-12	121.10	100.00	36,508,573	4193	121.10	100.55	9,688,188	6716
Sep-12	119.25	108.30	24,715,082	4308	119.30	108.20	6,094,875	6897
Oct-12	119.25	103.10	15,175,610	4506	119.45	103.20	5,002,232	7217
Nov-12	109.40	95.00	11,431,225	4513	109.20	95.90	3,864,200	7215
Dec-12	109.20	100.40	12,627,793	4716	109.40	100.35	4,008,145	7540
Jan-13	104.45	86.50	10,104,592	4818	104.55	86.30	2,635,713	7707
Feb-13	89.35	60.30	7,064,022	4662	89.30	60.60	2,174,368	7463
Mar-13	91.00	52.60	57,932,367	4527	90.90	53.00	22,285,259	7235
Apr-13	70.75	61.80	8,246,952	4471	70.80	61.85	3,321,455	7118
May-13	69.45	52.45	5,545,069	4747	69.65	52.65	2,253,554	7546
Jun-13	58.70	46.25	9,132,230	4514	58.65	46.20	2,568,696	7187
Jul-13	54.75	35.55	8,437,325	4552	54.70	35.50	3,044,775	7250
Aug-13	51.30	34.80	8,008,333	4212	51.35	35.00	2,748,900	6725
Sep-13	50.00	39.15	7,275,621	4413	49.90	39.00	3,137,010	7050
<b>TOTAL</b>			<b>357,194,824</b>				<b>111,557,467</b>	

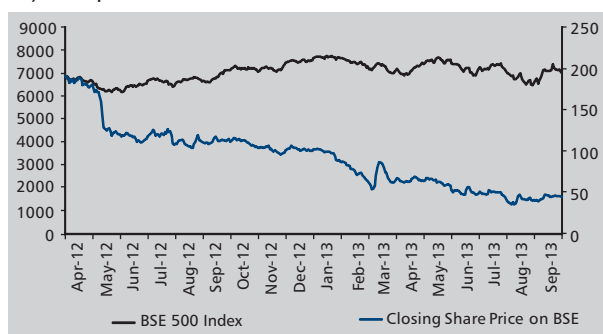
b) Graphical representation of Volume of Shares traded of Orchid during April 2012 - September 2013



c) Comparison - NSE Index vs Share Price of Orchid



d) Comparison - BSE Index vs Share Price of Orchid



## Stock Exchange Security Code and other related information

Madras Stock Exchange Limited	OCL
Bombay Stock Exchange Limited	524372
National Stock Exchange of India Limited	ORCHIDCHEM
Depository ISIN No.	INE191A01019
Corporate Identification Number (CIN)	L24222TN1992PLC022994

## Equity History of the Company since incorporation of the Company upto September 30, 2013

Date	Particulars	Number of Shares	
		Issued	Cumulative
13-Jul-92	Subscribers to Memorandum	70	70
26-Nov-92	Issued to Promoters on Private Placement basis	249,930	250,000
27-Feb-93	Issued on Private Placement basis	1,451,800	1,701,800
4-Nov-93	Issued on Private Placement basis	1,798,200	3,500,000
8-Nov-93	Public Issue	2,500,000	6,000,000
18-Jul-94	Issued on Private Placement basis	1,200,000	7,200,000
1-Nov-94	Issued to Foreign Institutional Investors on Private Placement basis	250,000	7,450,000
3-Nov-94	Issued on Private Placement basis	1,223,000	8,673,000
21-Apr-95	Rights Issue (1:1)	8,673,000	17,346,000
9-Dec-99	Issued to Foreign Companies on Private Placement basis	10,653,192	27,999,192
21-Nov-02	Allotment pursuant to conversion of FCCBs	4,382,727	32,381,919
1-Mar-05	Allotment pursuant to conversion of warrants	1,750,000	34,131,919
27-Apr-05	Allotment pursuant to exercise of ESOS	11,800	34,143,719
2-Aug-05	Allotment pursuant to exercise of ESOS	59,485	34,203,204
2-Aug-05	Allotment pursuant to conversion of warrants	180,000	34,383,204
31-Aug-05	Allotment pursuant to exercise of ESOS	300,676	34,683,880
31-Aug-05	Allotment pursuant to conversion of warrants	70,000	34,753,880
21-Sep-05	Bonus Issue (1:2)	17,376,940	52,130,820
13-Oct-05	Allotment pursuant to conversion of warrants	105,000	52,235,820
2-Nov-05	Allotment pursuant to conversion of GDRs	9,250,000	61,485,820
23-Dec-05	Allotment pursuant to exercise of ESOS	19,649	61,505,469
1-Mar-06	Allotment pursuant to conversion of FCCBs	184,330	61,689,799
7-Mar-06	Allotment pursuant to conversion of FCCBs	460,827	62,150,626
20-Mar-06	Allotment pursuant to conversion of FCCBs	1,751,146	63,901,772
20-Mar-06	Allotment pursuant to conversion of warrants	50,000	63,951,772
31-Mar-06	Allotment pursuant to conversion of FCCBs	652,531	64,604,303
31-Mar-06	Allotment pursuant to conversion of FCCBs	13,879	64,618,182
18-Apr-06	Allotment pursuant to conversion of FCCBs	414,744	65,032,926
28-Apr-06	Allotment pursuant to conversion of FCCBs	737,325	65,770,251
28-Apr-06	Allotment pursuant to exercise of ESOS	3,475	65,773,726
31-May-06	Allotment pursuant to conversion of warrants	35,000	65,808,726

Date	Particulars	Number of Shares	
		Issued	Cumulative
31-May-06	Allotment pursuant to exercise of ESOS	3,015	65,811,741
19-Oct-06	Allotment pursuant to exercise of ESOS	4,000	65,815,741
19-Jan-07	Allotment pursuant to exercise of ESOS	550	65,816,291
3-May-07	Allotment pursuant to exercise of ESOS	6,085	65,822,376
17-Jul-07	Allotment pursuant to exercise of ESOS	5,650	65,828,026
18-Oct-07	Allotment pursuant to exercise of ESOS	6,000	65,834,026
20-Dec-07	Allotment pursuant to exercise of ESOS	3,000	65,837,026
17-Jan-08	Allotment pursuant to exercise of ESOS	13,750	65,850,776
26-Apr-08	Allotment pursuant to exercise of ESOS	9,425	65,860,201
29-May-08	Allotment pursuant to exercise of ESOS	16,375	65,876,576
13-Aug-08	Allotment pursuant to conversion of warrants	381,000	66,257,576
13-Aug-08	Allotment pursuant to exercise of ESOS	4,000	66,261,576
29-Aug-08	Allotment pursuant to conversion of warrants	4,179,000	70,440,576
29-Aug-08	Allotment pursuant to exercise of ESOS	1,500	70,442,076
17-May-12	Allotment pursuant to exercise of ESOS	10,000	70,452,076
TOTAL		70,452,076	

### Distribution of Shareholding as on :

No of equity shares held	30th September 2013			31st March 2012		
	No of shares	No of Shareholders	% of Shareholders	No of shares	No of Shareholders	% of Shareholders
1-500	9,151,645	78,828	90.81	6,682,345	67,495	93.51
501-1000	3,474,303	4,391	5.06	2,006,009	2,528	3.50
1001-2000	2,926,129	1,936	2.23	1,594,801	1,058	1.47
2001-3000	1,546,686	603	0.69	879,047	342	0.47
3001-4000	946,077	264	0.30	619,727	173	0.24
4001-5000	888,549	190	0.22	570,011	121	0.17
5001-10000	2,329,488	321	0.37	1,566,344	209	0.29
10001 & above	49,189,199	274	0.32	56,523,792	250	0.35
TOTAL	70,452,076	86,807	100.00	70,442,076	72,176	100.00

### Dematerialisation of Shares

The shares of the Company are in compulsory demat segment and are available for trading in both the depository systems, namely, National Securities Depository Limited and Central Depository Services (India) Limited. Shares dematerialised upto September 30, 2013 are :

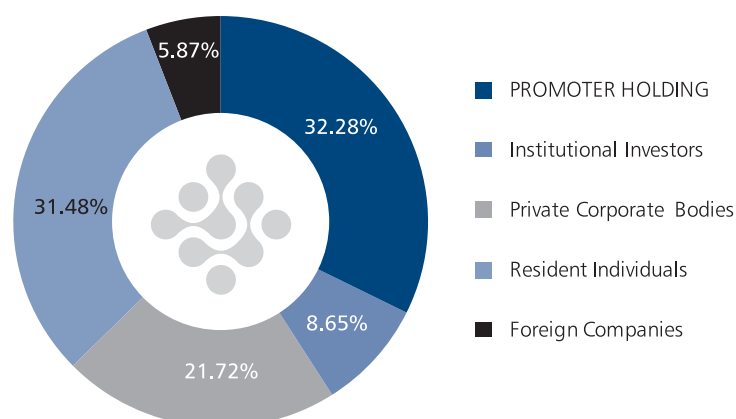
No. of Shares	% of Shares	No. of Shareholders	% of
70,130,214	99.54	84,873	97.76

### Reconciliation of Share capital audit

A qualified practising Company Secretary carries out reconciliation of share capital audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued / paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

### a) Shareholding Pattern as on September 30, 2013

Category	No of Shares Held	Percentage of Shareholding
<b>A PROMOTER HOLDING</b>		
1 Promoters / Promoter Group		
a) Indian	22740781	32.28
b) Foreign	Nil	Nil
Sub-Total (1)	22740781	32.28
<b>B NON-PROMOTER HOLDING</b>		
2 Institutional Investors		
a) Mutual Funds	8955	0.01
b) Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-government Institutions)	3253690	4.62
c) Foreign Institutional Investors (FIIs)	2833809	4.02
Sub-Total (2)	6096454	8.65
3 OTHERS		
a) Private Corporate Bodies	15303460	21.72
b) Indian Public (Resident Individuals)	22177478	31.48
c) Non Resident Indians / Overseas Corporate Bodies	892215	1.27
d) Foreign Companies	3241688	4.60
Sub Total (3)	41614841	59.07
<b>GRAND TOTAL (1+2+3)</b>	<b>70452076</b>	<b>100.00</b>







## Global Depositary receipts (GDRs)

The number of GDRs outstanding as on September 30, 2013 are 32,26,688 out of the total number of 7,04,52,076 equity shares of the Company. Each GDR is represented by an underlying equity share.

## Legal Proceedings

There are a few pending cases relating to the disputes on the title of the shares. The Company has been made a party to the disputes but these, however, are not material in nature.

## Share Transfer System

M/s Integrated Enterprises (India) Limited are the Registrar and Share Transfer Agents for servicing activities relating to both physical and electronic segments. The share transfer committee met 3 times during the year 2012 - 2013. SEBI has reduced the timelines for effecting the share transfer to 15 days from the present one month's time by a circular dated July 5, 2012. Accordingly, securities lodged for transfer with the registrars shall be processed within 15 days from the date of lodgement. In order to give effect to SEBI's requirement and to expedite the process of share transfers, the Board has delegated the power to approve the share transfer activities to few employees of the Company as well as to rename the existing committee as "Investor Grievance Committee" which shall meet on a quarterly basis.

## Unclaimed Dividends

Pursuant to Section 205A of the Companies Act, 1956, the unclaimed dividend amounting to Rs 507,808/- pertaining to the financial year 2004-05 was transferred to the Investor Education and Protection Fund (IEPF) in September, 2012 and the unclaimed dividend amounting to Rs 8,57,808/- pertaining to the financial year 2005-06 was transferred to the Investor Education and Protection Fund (IEPF) in July 2013.

Unclaimed dividend for the financial year 2006-2007 is due for transfer to IEPF in September 2014. The dividends for the years from 2006-2007 onwards, which remain unclaimed for seven years will be transferred to IEPF established by the Central Government under Section 205C of the Companies Act, 1956 as and when they become due. Shareholders who have not encashed their dividends for these periods are requested to write to the Company.

## Equity Shares in the Suspense Account

As per Clause 5A(II) of the Listing Agreement, the Company reports the following details in respect of equity shares lying in the suspense account which were issued pursuant to the public issue/Bonus Issue/Rights Issue of the Company and unclaimed as on 30th September, 2013:

Sl No	Particulars	No of Share Holders	No of Equity Shares
1	Aggregate Number of shareholders and the outstanding shares in the suspense account lying as on April 1, 2012	208	12391
2	Number of shareholders who approached the Company for transfer of shares from suspense account during the year	1	1
3	Number of shareholders to whom shares were transferred from the suspense account during the year	1	1
4	Aggregate Number of shareholders and the outstanding shares in the suspense account lying as on September 30, 2013	207	12390

The voting rights on the shares outstanding in the suspense account as on September 30, 2013 shall remain frozen till the rightful owner of such shares claims the shares. As per Clause 5A(II) of the Listing Agreement, three reminders were issued for shares issued in physical form, which remain unclaimed. The Company has transferred these shares into one folio in the name of "Unclaimed Suspense Account" and dematerialised the same with one of the Depository participant as on 30th September 2013.

### ECS Mandate

To service its investors better, the Company requests all its members who hold shares in electronic form to update their bank particulars with their respective depository participants immediately. Shareholders holding shares in physical form may kindly forward the bank particulars to the Company's Registrar and Share Transfer Agent.

### Plant Locations:

#### a) Active Pharmaceutical Ingredient Facilities

##### i) Alathur Works

Plot Nos.85-87, 98-100, 126-131,  
138-151 and 159-164  
SIDCO Industrial Estate, Alathur Kancheepuram  
Dist, Pin 603 110, Tamil Nadu, India

##### ii) Aurangabad Works

L8 & L9 MIDC Industrial Area,  
Waluj, Aurangabad District  
Pin 431 136  
Maharashtra, India

#### b) Formulations (Finished Dosage Form) Facilities

##### i) A10/A11, SIDCO Industrial Estate

Alathur, Kancheepuram  
Dist, Pin 603 110  
Tamil Nadu, India

##### ii) Plot Nos.B5 (Part) and B6 (Part),

SIPCOT Industrial Park,  
Irungattukottai Sriperumbudur (Tk.), Pin 602 105  
Tamil Nadu, India

##### iii) B-77, SIDCO Industrial Estate

Alathur, Kancheepuram Dist, Pin 603 110, Tamil Nadu, India

### Research and Development Centre

- a) Plot No.476/14, Old Mahabalipuram Road, Shozhanganallur  
Chennai 600 119, Tamil Nadu, India

### Investor Contacts

#### a) Investor Correspondence / Compliance Officer

Mr.L Chandrasekar  
Executive Vice President - Finance & Secretary  
Phone : (044) - 28211000;  
Fax : (044) - 28275960  
E-mail : corporate@orchidpharma.com

#### b) Registrar and Share Transfer Agent

Integrated Enterprises (India) Limited  
2nd Floor, Kences Towers, No.1 Ramakrishna Street,  
North Usman Road, T. Nagar, Chennai - 600 017,  
Tamil Nadu, India  
Tel : 91-44-28140801 - 03, Fax : 91-44-28142479  
E-mail : corpserv@iepindia.com  
Website : www.iepindia.com



### 13. CEO/CFO Certification:

In terms of Clause 49 of the Listing Agreement the Chairman & Managing Director and the Executive V P – Finance & Secretary give annual certification on financial reporting and internal controls to the Board. The Chairman & Managing Director and the Executive V P – Finance & Secretary also give quarterly certification on financial results while placing the financial results before the Board in terms of Clause 41 of the Listing Agreement. Accordingly the Chairman & Managing Director and Executive VP – Finance & Secretary have certified to the Board inter alia the accuracy of financial statements and adequacy of internal controls for the financial reporting purpose for the 18 (Eighteen) months ended 30th September, 2013.

---

## COMPLIANCE OF NON-MANDATORY REQUIREMENTS AS PER CLAUSE 49 OF THE LISTING AGREEMENT AND CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

### 1. Audit Committee

The Company has an Audit Committee functioning with the constitution, roles and responsibilities as envisaged under the Corporate Governance Voluntary Guidelines 2009. The terms of reference of the Committee have been described at Serial No.3 herein above.

### 2. Independent Directors

None of the Independent Directors are involved in the day to day affairs of the Company.

### 3. Number of Companies in which an Individual may become a Director

The Company has appraised its Board Members about the restriction on number of other Directorships and the same is being complied with.

### 4. Statutory Auditors

The Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time.

### 5. Internal Control

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

### 6. Shareholders' Rights

The quarterly financial results are published in the newspapers as mentioned in Serial No.10 above. The results are also displayed on the web site of the Company.

## CODE OF CONDUCT CERTIFICATION

(Under Clause 49 of the Listing Agreement)

In accordance with Clause 49 sub-clause I(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Codes of Conduct, as applicable to them for 18 (Eighteen) months ended 30th September, 2013.

Place: Chennai

Date: November 29, 2013

**K. Raghavendra Rao**

*Chairman and Managing Director*

---

## CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of

**Orchid Chemicals & Pharmaceuticals Limited**

We have examined the compliance of the conditions of Corporate Governance by Orchid Chemicals & Pharmaceuticals Limited (the Company), for 18 (Eighteen) months period ended on 30th September, 2013, as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the stock exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of management. Our examination was limited to a review of the procedure and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has generally complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement except as reported by the Company in its quarterly compliance report submitted to the stock exchanges for the quarter ended 31.12.2012 and 31.03.2013.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S Dhanapal & Associates

**(N Ramanathan)**

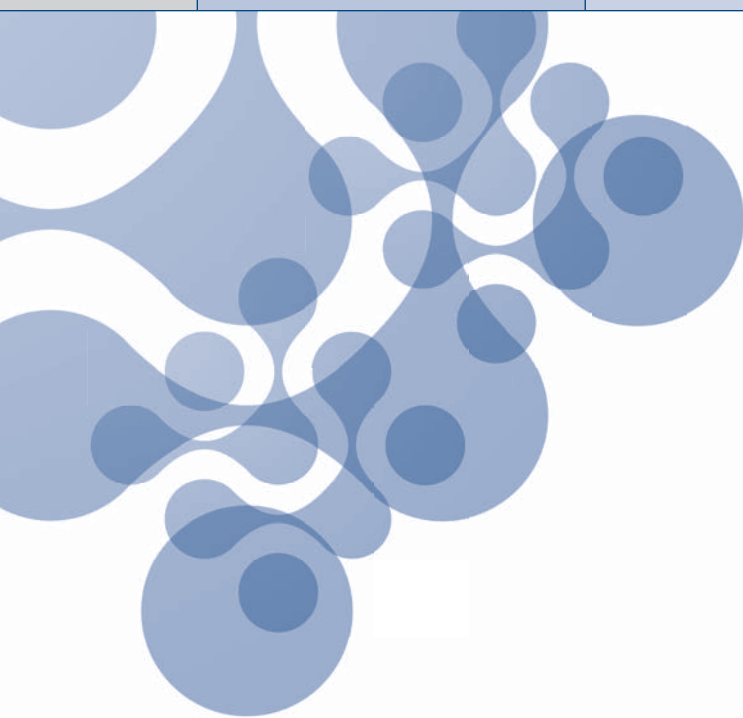
*Partner*

Place: Chennai

Date : November 29, 2013

C.P.NO : 11084

Membership No. FCS 6665



# Independent Auditors' Report


To the Members of  
M/s. Orchid Chemicals and Pharmaceuticals Limited

## Report on the Financial Statements

1. We have audited the accompanying financial statements of Orchid Chemicals and Pharmaceuticals Limited ("the Company"), which comprise the Balance Sheet as at September 30, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the 18 months then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

		Balance Sheet	Profit & Loss Statement	Notes	Cash Flow Statement	 Orchid Chemicals & Pharmaceuticals Ltd. Annual Report 2012-13
	Auditors' Report					

### Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for Qualified Opinion

- I. The Company has given advances amounting to Rs 524.69 crores to various parties and are outstanding as on September 30, 2013. The Company has not received any materials/ capital goods during the current period of 18 months against these advances. As per information and explanation given, the Company is not able to take delivery of materials due to financial constraints. We are not able to express any opinion on the recoverability of these amounts.
- II. The Company has investments of Rs 94.82 crores and loans of Rs 34.25 crores in a wholly owned subsidiary Bexel Pharmaceuticals Inc. The subsidiary has not been spending any money on the research on the molecule during the current period as no financial support is given by the parent Company and the parent Company has not allocated any funds for the future development. In view of the above, it is necessary to impair the value of this investment as no information is available with the Company regarding the value that can be recovered from the sale of rights over the molecule possessed by the Subsidiary.
- III. The Company has gone for Debt Restructuring process and in view of the same, the Company has not received confirmation of balance relating to Loans and other funded and non-funded dues from various banks as on September 30, 2013. Books have been closed on the basis of the information provided by various banks to the Corporate Debt Restructuring Empowered Group. Moreover, interest has been accounted for to the extent debited by the banks/ information provided by the banks. No provisions have been made in respect of dues to banks where such debit/ information have not been made/ provided by the banks.

### Qualified Opinion

6. In our opinion and to the best of our information and according to the explanations given to us **except for the effects of the matter described in the Basis for Qualified Opinion paragraph**, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2013;
  - b) in the case of the Profit and Loss Statement, of the loss for the 18 months ended on that date; and
  - c) in the case of the Cash Flow Statement, of the cash flows for the 18 months ended on that date.



### Emphasis of Matter

1. IDBI Bank Limited has given notice to the Company to convert the term loan amounting to Rs 30.19 crores into shares at par as per the terms of the Loan agreement. The same has been disputed by the Company and the matter is pending before the Honourable High Court of Madras.
2. The Company has paid remuneration to the Managing Director and the Whole time Director in excess of minimum remuneration prescribed under schedule XIII of the companies act amounting to Rs 737.59 lakhs and the same is subject to the approval of Central Government. The Central Government approval for such excess remuneration pertaining to financial year 2011-12 is still awaited.

Our opinion is not qualified on these matters.

### Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by section 227(3) of the Act, we report that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - c) Except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
  - d) On the basis of written representations received from the directors as on September 30, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on September 30, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **SNB ASSOCIATES**

*Chartered Accountants*

Firm Registration No. 015682N


**T. K Shanmugam**

*Partner*

Place: Chennai

Date: November 29, 2013

Membership No. 016195

		Balance Sheet	Profit & Loss Statement	Notes	Cash Flow Statement	 Orchid Chemicals & Pharmaceuticals Ltd. Annual Report 2012-13
	Auditors' Report					

## Annexure to the Independent Auditor's Report

(referred to in paragraph 7 under 'report on Other Legal and Regulatory Requirements' section of our report of even date)

1. In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
  - (b) As explained to us, fixed assets have been physically verified by the management at reasonable intervals; no material discrepancies were noticed on such verification.
  - (c) During the year, in our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company.
  - (d) The process relating to identifying scrap assets must be strengthened.
2. In respect of inventory:
  - (a) As explained to us, the inventories other than materials lying with third parties (which have been substantially been confirmed) were physically verified during the year by the management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
3. The Company has neither granted nor taken any loans, secured/ unsecured, to/from Companies/ firms or other parties referred to in Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for the purchase of inventories, fixed assets, payment for expenses and for sale of goods and services. In respect of purchase of capital goods, large purchases have been made through single source. Except for above, we have not observed any major weakness in such internal controls systems.
5.
  - a) In our opinion and according to the information and explanations provided by the management, the contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
  - b) The transactions made in pursuance of such contracts or arrangements have been at prices which are reasonable having regard to the prevailing market prices / Joint Venture agreements at the relevant time.
6. In our opinion and according to information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provision of section 58A and 58AA or any other relevant provision of the Act and the rules framed there under are applicable.
7. In our opinion the Company's internal audit system has to be strengthened to commensurate with the size of the Company and the nature of its business. The coverage carried out by the independent Chartered Accountant firm approved by the Company need to be enlarged to make it commensurate with the size of the Company.
8. We have reviewed the cost records maintained by the Company as prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been






made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

9. According to information and explanations given to us and according to the books and records as produced and examined by us, in our opinion:
- (a) The Company has not been, during the period covered by the accounts, regular in depositing undisputed statutory dues including Provident fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues as applicable with the appropriate authorities. There has been continuous delay in payment of the dues. According to the information and explanations given to us, except for dividend distribution tax amounting to Rs 3.87 cores, there were no outstanding statutory dues as on September 30, 2013 for a period of more than six months from the date they became payable.
- (b) As at September 30, 2013, the following are the particulars of dues on account of Income tax, Sales tax, Wealth tax, Service tax, Customs duty and Excise duty that have not been deposited on account of disputes.

Name of the Statute	Nature of dues	Period for which amount relates	Amount in lakhs	Forum where the dispute is pending
Central Excise Act, 1944	Excise Duty	2004-2008	4.70	CESTAT
		2009-2011	7.23	Commissioner (Appeals)
		2004-2011	128.22	Commissioner
		2007-2009	4.35	Asst. Commissioner
		2009-2013	62.03	Deputy Commissioner
		2005-2007	20.93	Joint Commissioner
		2007-2011	122.75	Addl Commissioner
		2004-2013	591.96	Commissioner Chennai III
Finance Act 1994	Service Tax	2008-2011	7.76	Asst. commissioner
		2005-2006	70.05	Commissioner
		2006-2011	65.57	CESTAT
Income Tax Act, 1961	Income Tax	2006-2007	293.13	High Court of Madras
		2007-2008	1276.98	High Court of Madras
		2009-2010	20.72	High Court of Madras
		2010-2011	2464.16	High Court of Madras

		Balance Sheet	Profit & Loss Statement	Notes	Cash Flow Statement	 <b>Orchid Chemicals &amp; Pharmaceuticals Ltd.</b> Annual Report 2012-13
	<b>Auditors' Report</b>					

10. The Company has accumulated loss of more than 50% of the net worth at the end of the financial year and the Company has incurred cash loss during the current period of 18 months. The Company has not incurred cash loss during the previous financial year.
11. According to the information and explanations given to us, the Company has defaulted in repayment of dues to all the financial institutions and banks during the period ending September 30, 2013. The Company does not have any borrowings by way of debentures.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information explanation given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi /mutual benefit fund/societies.
14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. The Company has not dealt/ traded any shares, securities, debentures and other investments during the period ended September 30, 2013.
15. According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution except a guarantee given on behalf of wholly owned subsidiary.
16. According to the information and explanations given to us and on the examination of cash flow statement, generally the term loans have been applied for the purposes for which they were obtained.
17. According to the Cash Flow Statement and other records examined by us and the information and explanations given to us on overall basis, the funds raised on short term basis, prima facie, aggregating to Rs 65,227.94 lakhs haven been used during the year on long term purposes.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956, during the period ended September 30, 2013.
19. According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any debentures and the creation of the securities does not arise.
20. According to the information and explanations given to us, the Company has not made any public issue during the year and accordingly paragraph 4(xx) of the said Order relating to end use of money raised is not applicable.
21. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no significant fraud on the Company has been noticed or reported during the financial year.

For **SNB ASSOCIATES**  
Chartered Accountants  
Firm Registration No. 015682N

**T. K Shanmugam**  
Partner  
Membership No. 016195

Place: Chennai  
Date: November 29, 2013

**Balance Sheet** as at September 30, 2013

Rs lakhs

PARTICULARS	Note	30.09.2013	31.03.2012
<b>I EQUITY AND LIABILITIES</b>			
<b>1 SHAREHOLDERS' FUNDS</b>			
a Share capital	4	7,045.21	7,044.21
b Reserves and Surplus	5	41,771.33	107,586.75
		48,816.54	114,630.96
<b>2 NON-CURRENT LIABILITIES</b>			
a Long term borrowings	6	90,178.12	107,414.70
b Deferred tax liabilities (Net)	32	15,788.78	17,118.34
c Long term provisions	7	523.98	771.97
		106,490.88	125,305.01
<b>3 CURRENT LIABILITIES</b>			
a Short term borrowings	8	152,489.48	63,788.32
b Trade payables	9	56,166.86	40,397.37
c Other current liabilities	10	105,240.29	40,654.62
d Short term provisions	11	3,117.18	5,089.10
		317,013.81	149,929.41
<b>TOTAL</b>		<b>472,321.23</b>	<b>389,865.38</b>
<b>II ASSETS</b>			
<b>1 NON-CURRENT ASSETS</b>			
a Fixed Assets	12		
Tangible assets		244,416.53	188,413.67
Intangible assets		3,864.51	4,720.27
Capital work in progress		33,220.70	32,709.08
Intangible assets under development		2,820.92	2,334.35
b Non current investments	13	12,417.62	14,890.29
c Long term loans and advances	14	51,101.69	16,782.68
d Other non -current assets	15	9,310.44	8,838.15
		357,152.41	268,688.49
<b>2 CURRENT ASSETS</b>			
a Inventories	16	50,008.01	62,359.91
b Trade receivables	17	18,369.69	9,130.93
c Cash and Bank Balances	18	2,239.52	16,958.51
d Short term loans and advances	19	44,551.60	32,727.54
		115,168.82	121,176.89
<b>TOTAL</b>		<b>472,321.23</b>	<b>389,865.38</b>

As per our report of even date

On behalf of the Board

For **SNB Associates**

Chartered Accountants

Firm Registration No. 015682N

**T.K. Shanmugam**

Partner

M.No: 016195

**S Krishnan**

Director

**K Raghavendra Rao**

Chairman &amp; Managing Director

Place : Chennai

Date : November 29, 2013

**L. Chandrasekar**

Executive VP - Finance &amp; Secretary

**Profit & Loss Statement** for the eighteen months period ended September 30, 2013

Rs lakhs

Particulars	Note	18 Months ended 30.09.2013	YE 31.03.2012
I Revenue from operations	20	190,658.45	173,633.06
II Other income	21	3,976.94	5,581.17
III <b>Total Revenue</b>		<b>194,635.39</b>	<b>179,214.23</b>
IV Expenses			
Cost of materials consumed		82,246.39	80,241.50
Purchases of stock in trade		5,099.37	4,546.38
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade		8,481.03	(6,201.86)
Employee benefits expense	22	23,705.13	15,464.59
Finance costs	23	52,038.06	17,905.29
Depreciation and amortisation expenses	12	24,386.87	14,905.56
Other expenses	24	58,141.83	43,990.69
<b>Total Expenses</b>		<b>254,098.68</b>	<b>170,852.15</b>
V Profit / (Loss) before exceptional and extraordinary items and tax		(59,463.29)	8,362.08
VI Exceptional items	25	(5,111.08)	8,388.14
VII Profit / (Loss) before extraordinary items and tax		(54,352.21)	(26.06)
VIII Extraordinary items		-	(8,000.00)
IX Profit / (Loss) before tax		(54,352.21)	7,973.94
X Tax expense			
Current tax		-	-
Deferred tax	32	(1,329.56)	(2,337.22)
XI Net Profit / (Loss) for the period		(53,022.65)	10,311.16
XII Earnings per equity share of face value of Rs 10/- each:			
Basic		(75.26)	14.64
Diluted		(75.26)	14.46

As per our report of even date  
For **SNB Associates**  
Chartered Accountants  
Firm Registration No. 015682N

On behalf of the Board

**T.K. Shanmugam**  
Partner  
M.No: 016195

**S Krishnan**  
Director

**K Raghavendra Rao**  
Chairman & Managing Director

Place : Chennai  
Date : November 29, 2013

**L. Chandrasekar**  
Executive VP - Finance & Secretary

## Notes to the Accounts as at September 30, 2013

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### a) Accounting Convention

The Financial Statements are prepared under historical cost convention. The presentation of the accounts is based on the Revised Schedule VI of Companies Act, 1956. Revenues are recognised and expenses are accounted on their accrual with necessary provisions for all known liabilities and losses.

#### b) Fixed Assets

- (i) Fixed Assets are stated at the original cost inclusive of inward freight, incidental expenses related to acquisition and related pre-operational expenses and technical knowhow fees where applicable.
- (ii) Machinery spares which can be used only in connection with specific fixed assets and the use of which are irregular, are charged over the period of the life of such fixed asset, in accordance with Accounting Standard 10.
- (iii) Brands represent brands acquired by the Company and includes IPR & Licences purchased for a consolidated consideration. The cost of brands, patents and trademarks are amortised over a period of 60 months from the month of acquisition.

#### (iv) INTERNALLY GENERATED INTANGIBLE ASSETS - DMF & ANDA

DMF and ANDA costs represent expenses incurred on development of processes and compliance with regulatory procedures of the US FDA, in filing Drug Master Files ("DMF") and Abbreviated New Drug Applications ("ANDA"), in respect of products for which commercial value has been established by virtue of third party agreements/arrangements. This is in accordance with the requirements of Accounting Standard 26.

The cost of each DMF/ANDA is amortised to the extent of recovery of developmental costs applicable as per terms of agreement or over a period of five years from the date on which the product covered by DMF/ANDA is commercially marketed, whichever is earlier.

- (v) Assets are depreciated on straight line basis at the rates specified in Schedule XIV of the Companies Act, except in respect of the following assets, where the useful lives reckoned in computing the depreciation for the year are different from those derived from the rates specified in Schedule XIV of the Companies Act, 1956. The revised useful life of the assets have been determined by the Management based on technical assessment.

#### Asset Categories

#### Useful life

Reactors, Pipes, Pipe fittings, Valves, Motors, Pumps, Nitrogen Plant, Gear Boxes, Cables and Centrifuges Evaporator (Indigenous), Jet aeration system (indigenous), Ventilation & Exhaust system, HCL column, ETP (indigenous), scrubber, incinerator (indigenous) & Instrumentation items.

9 years

Depreciation is provided at rate arrived based on useful life or schedule XIV rates whichever is higher.

- (vi) Leasehold assets cost is amortised over the period of the Lease.
- (vii) Depreciation on assets added/disposed off during the year is provided on pro-rata basis from the month of addition or up to the month preceding the month of disposal, as applicable.
- (viii) Impairment of assets:  
Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the assets and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

## Notes to the Accounts as at September 30, 2013

### c) Borrowing Costs

Borrowing costs includes interest, amortisation of ancillary cost incurred in connection with borrowings. Cost incurred for raising long term borrowings have been amortised over the period of the loan.

Interest cost on qualifying asset being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, is capitalised at the weighted average rate of the funds borrowed and utilised for acquisition of such assets.

### d) Treatment of expenditure during construction period.

Expenditure during construction period is included under capital work-in-progress and the same is allocated to the respective fixed assets on the completion of construction.

### e) Investments

Investments considered long term are shown at cost. Diminution in the value of investments other than temporary are provided for Current investments are valued at lower of cost and market value.

### f) Inventories

- (i) Stores & Spares – At weighted average cost.
  - (ii) Raw Materials – At annual weighted average cost
  - (iii) Finished Goods @ – At Lower of cost or net realisable value
  - (iv) Work in Progress & Intermediates @ – At Lower of cost or net realisable value
- @ After adjustment of unrealised profits on inter division transfer.

### g) Revenue Recognition

Sales are recognised on despatch of goods from the factory/ warehouse and price differentials are accounted for at the end of each quarter as per the terms of marketing arrangement. Sales are net of returns, discounts and inter-division transfers. Service income is recognised as per contractual terms. In respect of composite contracts involving development and other activities, income is recognised on the basis of contractual terms after considering the quantum of work completed. Benefit on account of entitlement to import duty free materials under the "Duty Entitlement Pass Book Scheme" is recognised in the year of export.

### h) Retirement Benefits

Retirement Benefits are accounted on actuarial valuation carried out at the end of the year. The Company's liability towards the gratuity of employees is covered by a group gratuity policy with LIC, SBI and ICICI Prudential Life Insurance Company Ltd and the contribution to the fund is based on actuarial valuation carried out yearly as at the end of the financial year as per the revised AS15. Provision for Leave Encashment has been made based on actuarial valuation as at the year end as per revised AS15. Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account for the year in which the related service is rendered.

### i) Translation of Foreign Currency items

- 1) Non - Monetary foreign currency items are carried at cost.
- 2) All inter-related transactions are recognised at common rates.
- 3) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.
- 4) Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of items which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

**Notes to the Accounts as at September 30, 2013**

The Company has exercised the option provided under the amendment to the Companies (Accounting Standards) Amendment Rules, 2006 dated 31st March, 2009 (AS 11). The Ministry of Company Affairs vide notification dated 29th December 2011 has extended the amortisation of gains or losses arising on reporting of Foreign Currency Monetary items over the balance period of such long term asset / liability. Accordingly Exchange loss on Long term foreign currency loans have been amortised over the balance period of such loans. Adoption of this option has resulted in (a) amount remaining unamortised in the financial statements as on September 30, 2013 is Rs 17,657.84/- lakhs (previous year (Rs 4,824.13/- lakhs)) (b) The value of fixed assets adjusted for exchange gain is Rs Nil (Previous year Gain of Rs 467.34/- lakhs) (c) profit for the year is higher by Rs 12,833.71 lakhs (Previous year - profits higher by Rs 4,824.13 lakhs).

**j) Subsidy on Fixed Assets**

Subsidy received on fixed assets is credited to the cost of respective fixed assets.

2. Sales tax recoverable has been recorded on the basis of the claims submitted or in the process of being submitted, as per rules relating to EOU and which in the opinion of the Company are recoverable.
3. Excise duty on finished goods has been accounted on removal of goods from factory, wherever applicable. Finished goods at factory have been valued at cost exclusive of excise duty and no provision has been made for excise duty on such goods. The above treatment has no impact on Profit & Loss account.

**4. SHARE CAPITAL**

Rs lakhs

	30.09.2013	31.03.2012
<b>AUTHORISED:</b>		
Equity shares		
15,00,00,000 (Previous year 15,00,00,000) Equity Shares of Rs 10/- each	15,000.00	15,000.00
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
704,52,076 ( Previous year - 704,42,076) equity Shares of Rs 10/- each fully paid		
Of the above 1,73,76,940 Equity shares of Rs10/- each were allotted as fully paid bonus shares by capitalisation of reserves.	7,045.21	7,044.21
The reconciliation of the number of shares outstanding as at September 30, 2013 and March 31, 2012 is set out below:		
Number of shares at the beginning	70,442,076	70,442,076
Add: Allotment on exercise of ESOP	10,000	-
Number of shares at the end	70,452,076	70,442,076
Share Allotments during the preceding five years		
<b>ESOP</b>	<b>No. of shares</b>	<b>No. of shares</b>
2011-12	Nil	Nil
2010-11	Nil	Nil
2009-10	Nil	Nil
2008-09	31,300	31,300
2007-08	34,485	34,485

## Notes to the Accounts as at September 30, 2013

The details of shareholder holding more than 5% shares is set out below :

Name of the Shareholder	As at September 30, 2013		As at March 31, 2012	
	No of shares	% held	No of shares	% held
K Raghavendra Rao	69,25,173	9.83	69,25,173	9.83
R Vijayalakshmi	67,71,155	9.61	68,21,155	9.68
Orchid Healthcare Pvt. Ltd.	36,46,324	5.18	36,46,324	5.18
Serum Institute of India	57,01,524	8.09	35,04,977	4.98

### a) ORCHID ESOP 2010 SCHEME

In terms of the resolution passed by the Company at the AGM dated July 21, 2010 the shareholders approved the scheme formulated under "ORCHID-ESOP 2010" for allotting 10,00,000 options. Accordingly 9,01,000 options were granted to the eligible Employees and the Executive Director except the Promoter Director by the Compensation Committee of the Board of Directors at a meeting held on October 28, 2010. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 329.55 per share, being the closing share price of Orchid in the National Stock Exchange on October 27, 2010, the day prior to the date of the meeting.

Considering the fall in the price of the shares of the Company and in the interest of the employees, the Compensation Committee of the Board of Directors at its meeting held on November 1, 2011 considered repricing of 8,64,500 options in force on the said date from Rs 329.55 to Rs 166.15 as per the closing share price of Orchid at National Stock Exchange on October 31, 2011. Out of the total options granted 381,500 options have already lapsed and the remaining granted options in force as at September 30, 2013 under ORCHID ESOP 2010 Scheme are 509,500.

The one year vesting period for the scheme ended on October 27, 2011 and the employees can exercise their right to convert the options into equity shares from October 28, 2011 onwards. The options will lapse on October 28, 2013, if they are not exercised within a period of 2 years from the date of vesting of options. As at September 30, 2013, only 10000 options have been exercised and converted in to equity shares.

### b) ORCHID ESOP – DIRECTORS 2011 SCHEME

In terms of the resolution passed by the Company at the AGM held on July 29, 2011 the shareholders approved a scheme formulated as "ORCHID ESOP – DIRECTORS 2011 SCHEME" for allotting 5,00,000 options to Directors of the Company. Accordingly 3,00,000 options were granted to the Directors of the Company including the Whole Time Director but excluding the Promoter Director, by the Compensation Committee of the Board of Directors at a meeting held on November 1, 2011. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 166.15 per share, being the closing share price of Orchid in the National Stock Exchange Ltd on October 31, 2011, the day prior to the date of the meeting. Out of the total options granted, 200,000 options have already lapsed and 100,000 options are in force as at September 30, 2013 under ORCHID ESOP - DIRECTORS 2011 Scheme.

### c) ORCHID ESOP – SENIOR MANAGEMENT 2011 SCHEME

In terms of the resolution passed by the Company at the AGM held on July 29, 2011 the shareholders approved a scheme formulated as "ORCHID ESOP – SENIOR MANAGEMENT 2011 SCHEME" for allotting 10,00,000 options to senior employees of the Company out of which 7,50,000 options will be granted to the employees of the Company and 2,50,000 options will be granted to the employees of its subsidiary companies. Accordingly 42,700 options were granted to the Employees of the Company by the Compensation Committee of the Board of Directors at a meeting held on November 01, 2011. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 10/- each (i.e. At Par). 42,700 options are in force as at September 30, 2013 under ORCHID ESOP – SENIOR MANAGEMENT 2011 Scheme.



## Notes to the Accounts as at September 30, 2013

### 5. RESERVES & SURPLUS

Rs lakhs

	30.09.2013	31.03.2012
<b>Capital Reserve</b>	894.68	894.68
Securities Premium Account	39,066.22	41,321.16
Add: Premium on issue of Shares / Premium on Redemption of FCCBs	15.62 39,081.84	(2,254.94) 39,066.22
Capital Reserve on Amalgamation	9,004.21	-
Add: Created on account of amalgamation	- 9,004.21	9,004.21 9,004.21
General Reserve	57,533.71	58,133.05
Add: Transferred from surplus	-	6,000.00
Add: Transferred from on amalgamation	-	(6,599.34)
Less: Transfers	- 57,533.71	- 57,533.71
Foreign currency Monetary item Translation difference Account	(17,657.84)	(4,824.13)
Surplus in Profit & Loss Account	5,912.06	6,009.38
Add: Surplus / (Deficit) in Profit & Loss account	(53,022.65)	10,311.16
Excess provision of dividend & tax of earlier year written back	25.32	482.25
Less: Carry over on merger of ORLL	-	(2,404.87)
Balance available for appropriation	(47,085.27)	14,397.92
Less: Transferred to General Reserve	-	(6,000.00)
Proposed Dividend and Tax	- -	(2,485.86) (8,485.86)
	<b>41,771.33</b>	<b>107,586.75</b>

The debit to share premium account for premium on FCCBs and for issue expenses during the previous year have been made on the gross value without adjusting any tax impact. Tax benefits accruing to the Company on account of claiming such expenses will be credited to the SPA in the year in which the benefit is enjoyed by the Company.

The provision for premium on redemption of FCCBs debited to SPA is being restated at the exchange rate prevailing at the year end and the loss of Rs Nil (Previous year- Loss of Rs 2,254.94 lakhs) on account of such restatement during the year is adjusted to the Security Premium Account (SAP).

### 6. LONG TERM BORROWINGS

#### Secured

Rupee Term loans	89,028.13	57,401.91
Foreign currency Term loan	99,888.19	78,414.10
Less:- Current maturities transferred to Current liabilities	(98,738.20)	(28,401.31)
	<b>90,178.12</b>	<b>107,414.70</b>

	Repayment terms	Balance No of installments due	Rate of interest	Amount due @
Rupee Term Loan	Monthly	113	14.75% - 16.25%	19,920.87
	Quarterly	67	14.75% - 16%	37,094.90
	Lumpsum	2	16.20% - 16.50%	14,350.00
Foreign Currency Term Loan	Half yearly	10	LIBOR + 3.75%	31,305.00
	Quarterly	98	LIBOR + 3 to 4.6%	66,022.38

@ amount due includes for all installments in the respective category

## Notes to the Accounts as at September 30, 2013

Terms of repayment of loan- All Indian rupee loan from bank carries interest @14.75% to 16.25% p.a. These loans are repayable in 36 to 54 equated monthly and 8 to 18 quarterly installments from the date of the origination. These loans are secured by Pari Passu charge by way of joint mortgage on immovable and movable assets situated at Factory premises at SIDCO Industrial Area, Alathur, MIDC Industrial Area, Aurangabad, SIPCOT Industrial Park, Irungattukottai and R&D premises at Sholinganallur and current assets, subject to prior charges created/ to be created on current assets in favour of bankers and financial institutions for securing working capital borrowings. Total term loans aggregating Rs 67,616.76 lakhs are additionally secured by personal guarantee of Shri K.Raghavendra Rao, Chairman & Managing Director of the Company.

Terms of repayment of loan- All Foreign Currency term loan carries interest @ LIBOR plus 3 to 4.6%. The loan is repayable in 8 to 24 quarterly and 10 half yearly installments from the date of the origination. These loans are secured by Pari Passu charge by way of joint mortgage on immovable and movable assets situated at Factory premises at SIDCO Industrial Area, Alathur, MIDC Industrial Area, Aurangabad, SIPCOT Industrial Park, Irungattukottai and R&D premises at Sholinganallur and current assets, subject to prior charges created/ to be created on current assets in favour of bankers and financial institutions for securing working capital borrowings. Total term loans aggregating Rs 66,022.38 lakhs are additionally secured by personal guarantee of Shri K.Raghavendra Rao, Chairman & Managing Director of the Company.

The terms of the foreign currency term loan availed in February 2012 includes covenants pertaining to financial parameters such as limit on aggregate debt outstanding, debt service coverage ratio, ratio of net borrowings to EBDITA, Fixed assets coverage ratio, ratio of net borrowings to tangible networth etc., tested on the consolidated financial statements of the Company.

### 7. LONG TERM PROVISIONS

	Rs lakhs	
	30.09.2013	31.03.2012
Provision for employee benefits- Leave encashment	523.98	771.97
	523.98	771.97

### 8. SHORT TERM BORROWINGS

<b>a) Secured</b>		
Other loans and advances		
- Working Capital Facilities / Borrowings	143,489.53	63,788.32
Packing Credit and Advances against bills from Banks and Working Capital Loans from Banks are secured by first charge on all current assets namely, Stocks of Raw materials, Semi-finished & Finished Goods, Stores and Spares not relating to Plant & Machinery (Consumable Stores and Spares), Bills Receivable, Book Debts & all other movable property both present and future excluding such movables as may be permitted by the Banks/ financial institutions from time to time and by second charge on immovable properties after charges created/ to be created on immovable assets in favour of Financial Institutions/Banks for securing Term Loans. The borrowings from banks are additionally secured by personal guarantee of Shri. K. Raghavendra Rao, Chairman & Managing Director of the Company.		
<b>b) Unsecured</b>		
- from Banks	6,499.95	-
- from Others	2,500.00	-
	152,489.48	63,788.32



## Notes to the Accounts as at September 30, 2013

### 9. TRADE PAYABLES

Rs lakhs

	30.09.2013	31.03.2012
Supplies	17,845.39	28,217.26
Expenses	38,321.47	12,177.97
Others	-	2.14
	<b>56,166.86</b>	<b>40,397.37</b>

### 10. OTHER CURRENT LIABILITIES


Current maturities of Term loans (Refer Note no.6)	98,738.20	28,401.31
Current maturities of finance lease obligations	-	0.51
Interest accrued but not due on borrowings	-	325.35
Advance received from Customer	5,128.84	6,858.47
Income received in advance- Customers	-	4,159.90
Unpaid dividends	77.25	78.90
Share Application money refundable	5.42	5.42
Security Deposits received from Agents	439.00	432.25
Statutory liabilities	851.58	392.51
	<b>105,240.29</b>	<b>40,654.62</b>

Hire purchase Loans are secured by the assets acquired through such loans.

Deposit represents security deposits received from customers which are repayable on demand and carries interest @9.5% p.a.

### 11. SHORT TERM PROVISIONS

Provision for employee benefits- Gratuity & Leave encashment	1,425.09	1,303.24
Rebates/Discounts	1,300.00	1,300.00
Others:-		
- Proposed Dividend	-	2,138.88
- Tax on Proposed Dividend	392.09	346.98
	<b>3,117.18</b>	<b>5,089.10</b>

	Auditors' Report	Balance Sheet	Profit & Loss Statement		Cash Flow Statement	 Annual Report 2012-13
				Notes		

## Notes to the Accounts as at September 30, 2013

### 12. FIXED ASSETS

Rs lakhs

S. No.	Asset Description	GROSS BLOCK (AT COST)			DEPRECIATION			WRITTEN DOWN VALUE	
		As At 01-04-2012	Additions During The Year	Deletions During The Year	As At 30-09-2013	Up To 31-03-2012	For 18 Months	On Deletions 30-09-2013	As At 30-09-2013
1	Freehold Land & Site Development @	3,268.10	329.78	486.63	3,111.25	-	-	-	3,111.25
2	Leasehold Land	331.55	-	-	331.55	39.71	3.55	-	288.29
3	Buildings	36,064.68	3,374.00	558.46	38,880.22	6,012.63	1,741.29	124.16	31,250.46
4	Plant & Machinery	223,575.45	78,905.90	6,128.55	296,352.80	80,199.67	20,386.18	4,849.38	200,616.33
5	Factory Equipment	726.21	7.77	3.26	730.72	239.22	136.96	3.10	357.64
6	Laboratory Equipment	12,802.31	16.44	1,316.76	11,501.99	3,698.47	890.79	398.97	7,311.70
7	Office Equipment	764.71	133.94	32.61	866.04	284.01	201.19	15.98	396.82
8	Furniture & Fittings	1,909.56	23.15	37.66	1,895.05	848.75	158.71	11.31	898.90
9	Vehicles	500.87	-	76.04	424.83	207.31	60.41	28.03	185.14
10	Intangible Assets								
	(Disclosure as per AS 26)								
	Acquired Brands & Trademarks *	2,778.16	-	-	2,778.16	2,778.16	-	-	-
	Internally Generated DMF and ANDA **	6,485.06	-	-	6,485.06	2,575.41	722.85	-	3,186.80
	Computer Software	2,661.12	-	47.97	2,613.15	1,850.50	84.94	-	677.71
	<b>Total</b>	<b>291,867.78</b>	<b>82,790.98</b>	<b>8,687.94</b>	<b>365,970.82</b>	<b>98,733.84</b>	<b>24,386.87</b>	<b>5,430.93</b>	<b>248,281.04</b>
	<b>Previous Year's Figures</b>	<b>245,294.60</b>	<b>48,208.32</b>	<b>1,635.14</b>	<b>291,867.78</b>	<b>84,808.38</b>	<b>14,905.56</b>	<b>980.10</b>	<b>193,133.94</b>

\* Represents value of registrations and value of applications filed pending registration.

\*\* Refer Note 1 (b) (iv)

@ Assets acquired pending for registration in favour of the Company.

	Sep 30, 2013	March 31, 2012
Freehold Land	59.09	59.09
Fixed Assets include assets on Hire Purchase (Gross Block)	-	8.30

**Notes** to the Accounts as at September 30, 2013**13. NON-CURRENT INVESTMENTS**

Rs lakhs

	30.09.2013	31.03.2012
<b>Quoted investments</b>		
<b>Others-Non-trade</b>		
Bank of India -		
18,600 fully paid up Equity shares of Rs 10/- each	8.37	8.37
Aggregate market value of quoted investments	29.38	67.45
<b>Unquoted investments</b>		
<b>Subsidiary Companies</b>		
<b>Traded</b>		
Orchid Europe Limited, UK	6.42	6.42
10,000 Common stock of GBP 1 each fully paid up		
Orchid Pharma Japan KK	-	122.49
600 Common stock JPY 50000 each fully paid up		
Orchid Pharmaceuticals Inc., USA	85.07	85.07
200,000 Common stock of US\$ 1 each fully paid up		
Bexel Pharmaceutical Inc.**	8,883.24	8,883.24
9,999,990 Series A & 48,93,750 Series B Convertible Preferred Stock par value USD 0.001 per share and 9,001,090 Common stock of par value USD 0.001 per share		
11,000,000 Common stock of Par value of USD 0.125 per share	599.09	599.09
Each Series A & B Preferred stock is convertible into One Common stock, at any time, at the option of the Company and will have voting rights equal to one common stock and has the same value as common stock.		
Orchid Pharmaceuticals SA (Proprietary) Limited. South Africa	17.69	17.69
303,639 Ordinary shares each Rand 1 fully paid up		
Diakron Pharmaceuticals, Inc. USA	2,777.50	2,777.50
7,033,914 Series A Preferred stock & 322,986 Common stock par value of 0.83595 USD per share		
Orchid Pharma Singapore Pte. Ltd.	0.41	-
1000 Common Stock with par value of S \$ 1 each.		
<b>Joint Venture Companies</b>		
NCPC Orchid Pharmaceuticals Company Ltd, China- Traded	-	2,364.22
Common stock representing 50% interest in the Company		
<b>Others</b>		
Sai Regency Power Corporation Pvt. Ltd.- Traded	45.00	45.00
450,000 fully paid up equity shares of Rs 10 each		
Madras Stock Exchange-Non Traded	23.99	23.99
911,430 fully paid up equity shares of Rs 10/- each		
MSE Financial services Ltd.	3.83	3.83
31,936 fully paid up equity shares of Rs 10/- each		

## Notes to the Accounts as at September 30, 2013

Rs lakhs

	30.09.2013	31.03.2012
<b>Associate Companies</b>		
Allegra Therapeutics GmbH	13.63	-
16094 fully paid up equity shares of Euro 1 each		
Total	12,455.87	14,928.54
Aggregate provision for diminution in value of investments	(46.62)	(46.62)
Aggregate value of Un-quoted investments	12,409.25	14,881.92
<b>Grand Total of Investments</b>	<b>12,417.62</b>	<b>14,890.29</b>

\*\* Each Series A & B Preferred stock is convertible into One Common stock, at any time, at the option of the Company and will have voting rights equal to one common stock and has the same value as common stock.

### 14. LONG TERM LOANS AND ADVANCES

<b>Unsecured, considered good</b>		
Capital advances	47,664.23	12,555.23
Prepaid Financial charges	2,513.43	3,351.61
Deposits with Govt. Agencies	576.76	540.39
Other Deposits	347.27	335.45
<b>Doubtful</b>		
Others	205.33	205.33
Less: Provision for doubtful	(205.33)	(205.33)
	<b>51,101.69</b>	<b>16,782.68</b>

### 15. OTHER NON CURRENT ASSETS

<b>Secured, considered good</b>		
Ear-marked balance transferred from Other Bank balances	290.58	303.64
<b>Unsecured, considered good</b>		
Advance Payment of Tax	9,019.86	8,534.51
	<b>9,310.44</b>	<b>8,838.15</b>

### 16. INVENTORIES

Raw materials	8,705.08	12,196.13
Intermediates & WIP	28,568.85	31,869.91
Finished Goods	6,685.20	11,902.51
Traded Goods	1,109.80	1,072.46
Stores and Spare parts	2,979.31	2,984.26
Chemicals and Consumables	1,050.46	1,359.67
Packing Materials	909.31	974.97
	<b>50,008.01</b>	<b>62,359.91</b>

**Notes** to the Accounts as at September 30, 2013**17. TRADE RECEIVABLES**

Rs lakhs

	30.09.2013	31.03.2012
Outstanding for a period exceeding six months from the date they are due for payment		
Secured, considered good	-	32.97
Unsecured, considered good	11,500.45	2,113.01
<b>Other receivables</b>		
Secured, considered good	114.36	624.89
Unsecured, considered good	6,754.88	6,360.06
	<b>18,369.69</b>	<b>9,130.93</b>

**18. CASH AND BANK BALANCES**

Cash and Cash Equivalents		
Cash on hand	16.94	13.08
Balances with Banks		
In current accounts	2,222.58	16,901.44
Others- Term Deposits	-	43.99
	<b>2,239.52</b>	<b>16,958.51</b>
Other Bank balances		
Ear-marked balances		
Margin Money deposit	109.63	100.91
Unpaid Dividend	77.25	78.90
Others- Term Deposits	103.70	123.83
Less:- Ear-marked balance transferred to non- current assets	(290.58)	(303.64)
	<b>2,239.52</b>	<b>16,958.51</b>

**19. SHORT TERM LOANS AND ADVANCES**

Unsecured, considered good		
Loans & Advances to related parties (Refer Note no. 31)	5,389.17	4,619.91
Advances to Suppliers	34,927.30	22,091.12
Prepaid expenses	1,384.32	1,368.38
Balances with Statutory agencies	2,763.97	4,373.60
Rent advances	62.26	62.26
Employees advances	24.58	140.62
Other Deposits	-	71.65
<b>Doubtful</b>		
Loans & Advances to related parties	99.25	99.25
Less: Provision for doubtful	(99.25)	(99.25)
	<b>44,551.60</b>	<b>32,727.54</b>

## Notes to the Accounts as at September 30, 2013

### 20. REVENUE FROM OPERATIONS

Rs lakhs

	30.09.2013	31.03.2012
Sale of products	185,266.51	162,157.37
Other operating revenues		
Sale of other materials	858.64	486.59
Contract & Technical Research fees	-	3,462.26
Development & License fee	-	867.88
Others	5,708.42	8,088.18
(includes Rs Nil (Previous year Rs 188.03 lakhs) towards settlement of the Company's claim under Para IV litigation)		
Less: Excise duty	(1,175.12)	(1,429.22)
	190,658.45	173,633.06

### 21. OTHER INCOME

Dividend income	1.31	1.59
Provision no longer required of Rebates & Discounts written back	-	2,700.00
Provision for diminution in value of investments written back	-	1,487.66
Provision for doubtful advances written back	-	7,516.55
Less: Transfer to Amalgamation Reserve	-	(9,004.21)
Profit on sale of assets	13.31	-
Net gain on foreign currency translation and transaction	3,962.32	2,748.37
Other non-operating income	-	131.21
	3,976.94	5,581.17

### 22. EMPLOYEE BENEFITS EXPENSE

Salaries & Wages	19,130.29	12,838.53
Contribution to provident and other funds	3,006.25	1,074.64
Staff Welfare expenses	1,568.59	1,551.42
	23,705.13	15,464.59

### 23. FINANCE COSTS

Interest expenses	49,879.69	17,383.09
Other borrowing costs	2,158.37	522.20
	52,038.06	17,905.29



**Notes** to the Accounts as at September 30, 2013**24. OTHER EXPENSES**

Rs lakhs

	30.09.2013	31.03.2012
Power and Fuel	12,171.52	8,572.39
Conversion Charges	6,165.34	6,242.99
Consumption of Stores, Spares & Chemicals	3,995.37	3,233.02
Rent	35.10	54.22
Repairs to buildings	243.34	300.88
Repairs to Machinery	332.91	277.91
Factory maintenance	3,103.94	2,414.10
Insurance	2,518.27	1,728.01
Rates & Taxes	408.12	184.86
Postage, Telephone & Telex	167.85	143.61
Printing & Stationery	264.00	304.17
Vehicle Maintenance	94.24	72.43
Research & Development Expenses (Refer Note no. 38)	8,416.32	6,471.18
Advertisement	5.55	9.40
Recruitment expenses	38.54	125.88
Auditors' Remuneration		
Auditor	100.88	67.25
Taxation	14.63	9.75
for other services	25.21	17.42
for reimbursement of expenses	3.81	3.68
Cost Audit fee	22.50	15.00
Travelling and Conveyance	2,346.71	2,016.29
Directors' Remuneration & perquisites	859.86	657.80
Directors' travelling		
Inland	41.47	19.76
Overseas	78.49	72.90
Directors' sitting fees	10.60	9.40
Loss on sale of Investments	-	1.93
Loss on sale of fixed asset/written off	991.08	555.70
Freight outward	974.70	2,033.41
Commission on Sales	1,325.10	1,622.04
Business Promotion and Selling Expenses	2,527.66	1,749.46
Lease Rentals	308.52	-
Consultancy & Professional Fees	2,004.02	2,075.08
Provision for Diminution in value of Investments	122.49	-
Miscellaneous expenses	8,423.69	2,928.77
	<b>58,141.83</b>	<b>43,990.69</b>

## Notes to the Accounts as at September 30, 2013

### 25. EXCEPTIONAL ITEMS

Rs lakhs

	30.09.2013	31.03.2012
Exchange rate loss on FCCB's / FCTL's	5,615.77	6,125.51
Profit on sale of Investments	(5,333.76)	-
Profit on sale of Land	(5,393.09)	-
One time closure expenses of Alathur Plant	-	2,262.63
	(5,111.08)	8,388.14

Rs lakhs

	As at 30.09.2013	As at 31.03.2012
<b>26.</b> Estimated amounts of contracts remaining to be executed on capital account (net of advances) and not provided for.	5,050.70	5,837.11
<b>27.</b> a. Other monies for which company is contingently liable :		
- Bills Discounted	7,872.62	34,337.40
- Unexpired Letters of Credit	3,702.47	13,652.80
- Bank Guarantees outstanding	112.17	112.22
- Corporate Guarantee in respect of a Subsidiary company	1,878.30	1,526.40
- Claims against the Company not acknowledged as debts		
Excise demands under dispute pending before Excise authorities	942.17	748.58
Service Tax dispute pending before High Court of Chennai	143.38	175.69
Income tax dispute pending before High Court of Chennai	4,054.98	4,054.98
b. Provision and contingencies in accordance with AS 29 :		
Opening Balance	1,300.00	12,000.00
Additions/(deletions) during the year		(10,700.00)
Closing Balance	1,300.00	1,300.00

Rs lakhs

	2012-13	2011-12
<b>28.</b> a) Other Interest and Finance Charges is after crediting interest receipts	97.81	168.12
TDS on interest receipts	8.37	18.99
b) Amount of interest capitalised	3,745.47	6,781.48

### 29. AMOUNTS DUE TO MICRO, SMALL AND MEDIUM ENTERPRISES

The Identification of Micro, Small and Medium Enterprises Suppliers as defined under "The Micro, Small and Medium Enterprises Development Act 2006" is based on the Information available with the management. As certified by the Management, the amounts overdue as on 30th September 2013 to Micro, Small and Medium Enterprises on account of principal amount together with interest, aggregate to Rs 10.30 lakhs (Previous year Nil).

## Notes to the Accounts as at September 30, 2013

### 30. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE :

The Foreign Currency Exposures that are not hedged by a derivative instrument or otherwise :

	Currency	2012-13		2011-12	
		Foreign Currency	Rs lakhs	Foreign Currency	Rs lakhs
i) Receivables Outstanding					
	USD	26,115,371	16,350.83	21,719,931	11,010.30
	EUR	1,501,080	1,271.41	917,153	621.09
	GBP	7,244	7.34	7,244	5.45
ii) Payables Outstanding					
	USD	11,743,476	7,352.59	743,272	367.67
	EUR	319,093	270.27	-	-
	JPY	20,600,744	131.26	23,231,572	142.78
	Others	76,841,523	99.77	-	55.12
iii) Advance Paid					
	GBP	146,115	148.03	191,976	156.44
	USD	36,519,041	22,864.57	-	-
	EUR	20,372,542	17,255.30	11,554,412	7,405.23
	CHF	79,087	54.73	-	-
	Others	152,167	2.45	-	-
iv) Loans availed	USD	159,438,522	99,824.46	154,115,770	78,414.10

### 31. a) Related Party Transactions

In accordance with Accounting Standard 18, the disclosure required is given below:

Rs lakhs

Nature of Transaction		Subsidiary	Associate / Joint Ventures	Key Management Personnel	Relatives of Key Management Personnel/ Companies in which they exercise significant influence.
Finance - Equity Contribution	Diakron	-	-	-	-
		(1,249.37)	-	-	-
	Orchid Singapore	0.41	-	-	-
		(-)			
	Allegra		13.63		
			(-)		
Share application money pending allotment	Diakron	47.51	-	-	-
		(-)			
Loans & Advances	Orchid Pharmaceuticals Inc.	-	-	-	-
		(229.00)			
	Bexel	-	-	-	-
		(340.74)	-	-	-
Sale of goods	Karalex	1,782.29	-	-	-
		(7,295.31)	-	-	-

## Notes to the Accounts as at September 30, 2013

Rs lakhs

Nature of Transaction		Subsidiary	Associate / Joint Ventures	Key Management Personnel	Relatives of Key Management Personnel/ Companies in which they exercise significant influence.
	Orchid, USA	343.35	-	-	-
		(-)	-	-	-
	Allegra	-	20.46	-	-
		-	(-)	-	-
Sale of Intellectual Property	Allegra	-	542.85	-	-
		-	(-)	-	-
Reimbursement received against Legal cost	Allegra	-	54.78	-	-
			(-)		
Availment of services/ rent/ reimbursement	Orgenus	205.83	-	-	-
		(138.76)	-	-	-
	Orchid Europe	283.18	-	-	-
		(161.89)	-	-	-
	Spectrasoft	-	-	-	82.34
		-	-	-	(268.94)
	Bexel	339.89	-	-	-
		(190.67)	-	-	-
- Remuneration		-	-	859.86	-
		-	-	(657.80)	-
Amounts due at the end of the year - Debit		6,090.48	-	-	-
		(4,619.91)	-	-	-
Amounts due at the end of the year - Credit		-	4.08	-	38.11
			(-)		(-)

(Figures in brackets are for previous year)

### Names of the related parties and description of relationship.

1 Subsidiary	Orchid Europe Limited, UK
	Orchid Pharmaceuticals Inc., USA
	Orgenus Pharma Inc., USA (Subsidiary of Orchid Pharmaceuticals Inc USA.)
	Orchid Pharma Inc / Karalex Pharma USA, (Subsidiary of Orchid Pharmaceuticals Inc, USA)
	Orchid Pharmaceuticals SA (Proprietary) Limited, South Africa (OCPL, SA)
	Bexel Pharmaceuticals Inc., USA
	Diakron Pharmaceuticals Inc., USA
	Orchid Pharma Singapore Pte Ltd, Singapore
2 Associate	Allegra Therapeutics GmbH, Germany

**Notes** to the Accounts as at September 30, 2013

3 Key Management Personnel	Mr. K Raghavendra Rao, Chairman & Managing Director
	Mr. S Krishnan, Director (worked as Executive Director - Finance till 17/04/2013)
4 Relatives of Key Management Personnel	Mrs. R Vijayalakshmi (wife of Mr. K Raghavendra Rao)
	Ms R Divya and Ms R Sowmya (daughters of Mr.K.Raghavendra Rao)
5 Companies in which relatives of Key Management personnel exercise significant influence.	Spectrasoft Technologies Limited, India.

During the year, the Company exited from the investments in the Joint Venture Company, NCPC Orchid Pharmaceuticals Ltd., China.

All whole time directors have been considered as Key Management Personnel as they are involved in planning, directing and controlling the activities of the reporting enterprise.

**b) Information on Loans & Advances as per clause 32 of the listing Agreement**

Rs lakhs

		Balance as on 30-09-2013	Maximum amount outstanding during the year
Subsidiary - Orchid Europe Limited, UK	Dr	340.53	340.53
Orchid Pharmaceuticals Inc., USA	Dr	1,605.32	1,605.32
Bexel Pharmaceuticals Inc, USA	Dr	3,425.16	3,425.16
Diakron Pharmaceuticals Inc., USA	Dr	55.72	55.72
Orgenus Pharma Inc., USA	Cr	37.56	37.56

**32. Provision for Deferred tax for the year (Rs 1,329.56/- lakhs) (Previous year Rs (2,337.22/- lakhs))**

Deferred Tax liability represents the following	As at 30/09/2013	As at 31/03/2012
Timing Difference on account of Depreciation	20,202.92	25,688.51
Timing Difference on account of Financial charges	1,044.25	1,087.43
Timing Difference on account of Losses	(5,458.39)	(9,657.60)

In accordance with clause 29 of Accounting Standard (AS22) Deferred tax Assets and Deferred tax Liabilities have been set off. Deferred tax asset for losses have been created on the basis of capital profit that will be available to the Company based on the binding Business Transfer Agreement entered with Hospira Healthcare (India) Private Ltd.

**33. Segmental Reporting**

The Company was disclosing segment information classifying the business as Bulk drugs and Formulations till the financial year 2004-05. However in view of integration of bulk actives and formulations business, with the commissioning of Generics formulation facilities from the financial year 2005-06, the Company considers the business as one interrelated and integrated business of "Pharmaceutical products" and hence no separate segmental reporting is provided.

## Notes to the Accounts as at September 30, 2013

### 34 Disclosure on Lease Rentals as per AS 19

- A The total of future minimum lease payments under non-cancellable operating leases for each of the following periods;
- |  |          |
|--|----------|
| Not later than 1 year                        | 930.84   |
| Later than 1 year and not later than 5 years | 1,785.61 |
| later than 5 years                           | —        |
- B The total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date Nil
- C Lease payments recognised in the statement of profit and loss for the period. 308.52
- D Sub lease payment received (or Receivable) recognised in the statement of profit and loss for the period Nil
- E A general description of the lessee's significant leasing arrangements including, but not limited to the following;
- (1) The basis on which contingent rent payments are Determined - The future rent payments are determined as per the lease agreement executed.
  - (2) The existence and terms of renewal or purchase options and escalations clauses
    - The current lease is for a block of 3 years, subject to renewal at the end of every year.
    - The lease rentals are subject to escalation at the end of every year.
  - (3) Restriction imposed by lease arrangements, such as those concerning dividend Additional Debt and further leasing: There are no restrictions under the lease agreement.

### 35. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPH 3, 4C & 4D OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

#### A) Value of Raw Materials, Stores, Spare Parts and components consumed during the year

	18 months ended 30.09.2013		Year ended 31.03.2012	
	Percentage	Amount Rs lakhs	Percentage	Amount Rs lakhs
Raw Materials & Packing Material				
Imported	53.18%	43,737.24	57.01%	45,744.02
Indigenous	46.82%	38,509.15	42.99%	34,497.48
	100.00%	82,246.39	100.00%	80,241.50
Stores, Spare Parts & Consumables				
Imported	14.81%	591.91	14.09%	455.52
Indigenous	85.19%	3,403.46	85.91%	2,777.49
	100.00%	3,995.37	100.00%	3,233.02

	Rs lakhs	
	2012-13	2011-12
B) Earnings In Foreign Exchange during the year		
F.O.B. Value of Exports	73,775.70	84,665.93
Export of Services including royalty /knowhow (net of withholding tax)	1,357.47	4,617.97
C) C.I.F Value of Imports		
Raw Materials & Packing Materials	41,577.35	45,945.16
Capital Goods	512.05	23,049.70



## Notes to the Accounts as at September 30, 2013

	2012-13	2011-12
Spare Parts, Components , Consumables	1,971.59	1,894.84
<b>D) Expenditure in Foreign Currency (on cash basis)</b>		
Travelling Expenses	49.74	179.76
Interest & Bank Charges	7,132.91	5,040.30
Professional/Consultancy Fees	2,436.32	2,160.28
Others	2,807.27	3,920.21
<b>E) Dividend Remittances in Foreign Currency during the year</b>		
Year to which dividend relates	2011-12 Final	2010-11 Final
No of Non Resident Share Holders	1	1
No of Shares held by Non Resident Share Holders	15,000	15,000
Gross Dividend (Rs lakhs)*	0.45	0.45
Net Dividend (Rs lakhs)*	0.45	0.45

\* represents only shares in respect of which dividend is remitted in foreign currency by the Company

### 36. RECONCILIATION OF BASIC AND DILUTED SHARES USED IN COMPUTING EARNINGS PER SHARE (EQUITY SHARES OF RS 10/-EACH FULLY PAID-UP)

		18 months ended Sept 30, 2013	Year ended March 31, 2012
Profit After Tax before extra ordinary item	Rs lakhs	(53,022.65)	2,311.16
Profit After Tax after extra ordinary item	Rs lakhs	(53,022.65)	10,311.16
No of Shares Outstanding	Nos.	70,452,076	70,442,076
Weighted Average Number of shares	Nos.	70,452,076	70,442,076
Earnings per Share - Basic before extra ordinary item	Rs	(75.26)	3.28
Earnings per Share - Basic after extra ordinary item	Rs	(75.26)	14.64
Total No of Equity shares to compute diluted EPS	Nos.	71,104,276	71,296,076
Earnings per Share - Diluted before extraordinary item	Rs	(75.26)	3.24
Earnings per Share - Diluted after extraordinary item	Rs	(75.26)	14.46

## Notes to the Accounts as at September 30, 2013

### 37. (a) Details of Group Companies

Name of Subsidiary/ Associate	Country	Type of Holding	Percentage of holding	Nature of relationship	Nature of Business
Orchid Europe Limited	U.K	Equity	100%	Subsidiary	Marketing
Allegra Therapeutics GmbH	Germany	Equity	20.64%	Associate	Research
Bexel Pharmaceuticals Inc.*	USA	Convertible Preferred stock with equal voting rights as Common stock and Common stock.	100.00%	Subsidiary	Research
Orchid Pharma Singapore Pte Ltd, Singapore	Singapore	Common stock	100%	Subsidiary	Services
Orchid Pharmaceuticals Inc.	USA	Common stock	100%	Subsidiary	Services
Orgenus Pharma Inc.	USA	-	-	Subsidiary of Orchid Pharmaceuticals Inc.	Services
Orchid Pharma Inc/Karalex Pharma	USA	-	-	Subsidiary of Orchid Pharmaceuticals Inc.	Marketing
Orchid Pharmaceuticals SA (proprietary) Limited	South Africa	Equity	100%	Subsidiary	Marketing
Diakron Pharmaceuticals Inc. *	USA	Convertible Preferred Stock and Common stock	76.40%	Subsidiary	Research

\* Preferred stock has been considered as common stock for the purpose of calculating the percentage of holding since Preferred stock has the same voting rights as common stock.

### (b) The Company's share of interest in Assets, Liabilities, Income and expenses of Joint venture companies:

Rs lakhs

	Sept 30, 2013	March 31, 2012
Fixed Assets	-	3,466.48
Current Assets	-	7,943.64
Current Liabilities	-	3,977.67
Loans	-	-
Income	-	13,503.42
Expenses	-	12,473.64





## Notes to the Accounts as at September 30, 2013

### 38. EXPENDITURE ON RESEARCH AND DEVELOPMENT

Rs lakhs

	Sept 30, 2013	March 31, 2012
Capital expenditure	104.10	1,449.10
Revenue expenditure charged to the Profit & Loss account (excluding depreciation)	8,416.32	6,471.18
	8,520.42	7,920.28
Revenue Research and Development Expenses include :		
Power and Fuel	675.43	424.62
Conversion Charges	-	-
Consumption of Stores, Spares & Chemicals	540.43	795.17
Salaries, Wages and Bonus	4,183.07	2,593.35
Contribution to Provident & other funds	456.21	230.77
Staff Welfare	302.78	202.27
Rates & Taxes	27.81	25.09
Insurance	48.38	33.09
Postage, Telephone & Telex	22.61	20.66
Printing & Stationery	19.17	29.17
Vehicle Maintenance	14.29	12.66
Recruitment expenses	3.18	19.66
Traveling and Conveyance	36.61	89.20
Loss on Sale of Asset	10.80	1.35
Testing Charges	113.94	1,070.10
Consultancy & Professional Fees	1,341.75	416.92
Others	619.87	507.12
	8,416.32	6,471.18

### 39. Disclosure as required by Accounting Standard 15 (Revised) on Employee Benefits

#### A Defined Contribution Plan

- The Company contributes 12% of the salary for all eligible employees towards provident fund managed by the Central Government.
- The Company also contributes a certain percentage of salary for all eligible employees in managerial cadre towards Superannuation Funds managed by Life Insurance Corporation of India

## Notes to the Accounts as at September 30, 2013

### B Defined Benefit Plan

Rs lakhs

	As at September 30, 2013	As at March 31, 2012	As at September 30, 2013	As at March 31, 2012
	Gratuity (Funded)		Leave Encashment (Unfunded)	
1) Reconciliation of opening and closing balances of Defined Benefit obligation				
Defined Benefit Obligation at the beginning of the year	1,052.53	1,669.71	873.19	1,079.30
Current Service Cost	264.16	190.37	88.52	350.59
Interest Cost	117.24	129.77	93.29	80.25
Actuarial (gain)/ loss	59.57	(842.14)	(520.60)	(484.54)
Benefits paid	(346.00)	(95.18)	-	(152.42)
Defined Benefit Obligation at the year end	1,147.50	1,052.53	534.40	873.19
2) Reconciliation of opening and closing balances of fair value of plan assets				
Fair Value of plan assets at the beginning of the year	698.17	776.80		
Adjustment to last valuation assets	1.03	-		
Expected return on plan assets	101.13	73.84		
Actuarial gain / (loss)	41.97	(66.46)		
Employer contribution	9.50	-		
Benefits paid	(346.00)	(86.00)		
Fair value of plan assets at year end	505.80	698.17		
Actual return on plan assets	143.10	7.38		
3) Reconciliation of fair value of assets and obligations				
Fair value of plan assets	505.80	698.17	-	-
Present value of obligation	1,147.50	1,052.53	534.40	873.19
Amount recognised in Balance Sheet	641.70	354.36	534.40	873.19
4) Expense recognised during the year				
Current Service Cost	264.16	190.37	88.52	350.59
Interest Cost	117.24	129.77	93.29	80.25
Expected return on plan assets	(101.13)	(73.84)	-	-
Actuarial (gain) / loss	17.60	(775.67)	(520.60)	(484.54)
Net Cost	297.87	(529.38)	(338.79)	(53.70)


**Notes** to the Accounts as at September 30, 2013

Rs lakhs

	As at September 30, 2013	As at March 31, 2012	As at September 30, 2013	As at March 31, 2012
5) Investment Details	% Invested			
Funds Managed by Insurer	100%	100%	-	-
6) Actuarial assumptions				
Discount rate ( per annum)	8.00%	8.00%	8.00%	8.00%
Expected rate of return on plan assets (per annum)	10.00%	10.00%		
Rate of escalation in salary (per annum)	5.00%	10.00%	5.00%	10.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

40. The Government of India, Ministry of Corporate Affairs has issued a notification under Section 211(4) of Companies Act, 1956 dated 08th February 2011 exempting the disclosure of the quantitative details in compliance of Paras 3(i)(a), 3(ii)(a), 3(ii)(b), and 3(ii)(d) of Part II of Schedule VI of the Companies Act, 1956.
41. The Company has paid managerial remuneration to its Chairman and Managing Director, and Whole time director amounting to Rs 859.86 lakhs. The said remuneration in respect of the Chairman and Managing Director, and the Whole time director exceeds the limit prescribed under Schedule XIII by Rs 737.62 lakhs (Previous year Rs 196.31 lakhs). The said excess is subject to the approval of the members in General Meeting and from the Central Government.
42. The financial year of the Company has been extended by 6 months vide order of the Registrar of Companies dated 01/07/2013. Consequent to the extension of financial year by six months, the profit/Loss reported above was for a period of 18 months ending on 30.09.2013 and hence not comparable as such with figures for the previous year (i.e) 2011-12.
43. The Company has entered into a Business Transfer Agreement (BTA) dated August 29, 2012 with Hospira Healthcare India Private Limited for the sale and transfer of Orchid's Penicillin and Penem API business and the API facility located in Aurangabad (Maharashtra) together with an associated Process R&D infrastructure located in Chennai. As the Business Transfer is not completed as at 30/09/2013, the results include the figures of those businesses also.
44. The Company has applied for Corporate Debt Restructuring and the application has been admitted on 24/08/2013. The accounts have been prepared without considering the restructuring package. The concessions to be given under the restructuring package including rescheduling of loan repayments, concession of interest rate etc. will be accounted in the year in which package is sanctioned and implemented.

	Auditors' Report	Balance Sheet	Profit & Loss Statement		Cash Flow Statement	 <b>Orchid Chemicals &amp; Pharmaceuticals Ltd.</b> Annual Report 2012-13
				Notes		

## Notes to the Accounts as at September 30, 2013

**45.** The delays in repayment of principal and interest on Term loans from Banks are as below:

Particulars	Payable (Rs lakhs)		Paid (Rs lakhs)		
	Principal	Interest	Paid in QE	Principal	Interest
1) First Quarter ending 30/06/2012	12,960.16	2,708.12	30/06/2012	667.00	447.67
			30/09/2012	1,000.00	1,061.49
			31/12/2012	375.00	438.12
			31/03/2013	833.10	77.70
			30/09/2013	105.91	-
2) Second Quarter ending 30/09/2012	5,660.16	2,374.55	30/06/2012	-	-
			30/09/2012	1,667.00	173.12
			31/12/2012	-	242.40
			31/03/2013	802.05	620.19
3) Third Quarter ending 31/12/2012	15,153.74	2,606.54	31/12/2012	1,667.00	262.56
			31/03/2013	699.33	743.75
			30/06/2013	-	40.23
4) Fourth Quarter ending 31/03/2013	8,699.48	3,535.04	31/03/2013	667.00	345.66
			30/06/2013	1,000.00	235.01
			30/09/2013	-	229.14
5) Fifth Quarter ending 30/06/2013	10,238.49	4,198.23	30/06/2013	-	18.43
			30/09/2013	635.56	556.07
6) Sixth Quarter ending 30/09/2013	16,113.17	5,292.24	30/09/2013		

**46.** Previous year's figures have been re-grouped wherever necessary to conform to current year's classification.

As per our report of even date  
For **SNB Associates**  
Chartered Accountants  
Firm Registration No. 015682N

On behalf of the Board

**T.K. Shanmugam**  
Partner  
M.No: 016195

**S Krishnan**  
Director

**K Raghavendra Rao**  
Chairman & Managing Director

Place : Chennai  
Date : November 29, 2013

**L. Chandrasekar**  
Executive VP - Finance & Secretary



## Cash Flow Statement For the 18 Months Period ended September 30, 2013

Rs lakhs

	For the 18 months ended 30/09/2013	For the year ended 31/03/2012
<b>A. Cash Flow from Operating Activities</b>		
Net Profit / (Loss) before taxation	(54,352.21)	7,973.94
Adjustment for :		
Depreciation	24,386.87	14,905.56
Dividend Income	(1.31)	(1.59)
Provision for doubtful debts/advances written back	-	(10,700.00)
Loss/(Profit) on sale of Investments	(5,333.76)	1.93
Provision for diminution in value of investments	122.49	-
Loss/(Gain) on redemption/cancellation of FCCBs-net	-	4,933.70
Loss / (profit) on sale of Fixed Assets	(4,415.33)	557.05
Expenses on Employees Stock Option Plan (ESOP)	70.88	-
Foreign Exchange Rate Fluctuations - Unrealised	4,042.69	(1,046.63)
Interest Expense	52,038.05	17,905.29
<b>Operating Profit before Working Capital Changes</b>	<b>16,558.37</b>	<b>34,529.25</b>
Adjustments for:		
Trade and other Receivables	(19,430.18)	37,355.34
Inventories	12,351.89	(4,333.58)
Trade Payables	8,010.92	11,719.27
<b>Cash generated from Operations</b>	<b>17,491.00</b>	<b>79,270.28</b>
Income Taxes Paid	-	(2,880.47)
Cash Flow before extraordinary item	17,491.00	76,389.81
Extraordinary item	-	-
<b>Net Cash from Operating Activities</b>	<b>17,491.00</b>	<b>76,389.81</b>
<b>B Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets, including Capital advances	(115,152.67)	(29,169.40)
Proceeds from Sale / Deletion of Fixed Assets	7,672.33	97.99
Proceeds from Purchase/Sale of Current Investments (net)	-	(1.93)
Purchase / Sale of Investments (Net)	7,683.97	(1,848.46)
Dividends received	1.31	1.59
<b>Net cash used in Investing Activities</b>	<b>(99,795.06)</b>	<b>(30,920.21)</b>

## Cash Flow Statement For the 18 Months Period ended September 30, 2013

Rs lakhs

	For the 18 months ended 30/09/2013	For the year ended 31/03/2012
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from issuance of Share Capital ( net of expenses )	16.62	-
Proceeds from /(Repayment) Working Capital Borrowings	74,257.67	14,802.23
Proceeds from Long Term Borrowings	36,774.35	71,840.82
Repayment of Long Term Borrowings	(17,346.71)	(25,090.99)
Proceeds from Short Term Borrowings (Unsecured)	8,999.95	5,000.00
Cancellation of issue of FCCBs (net of expenses)	-	(82,408.17)
Repayment of Short Term Borrowings (Unsecured)	-	(5,000.00)
Proceeds from /(Repayment of) HP Finance	-	(24.06)
Interest paid	(35,116.81)	(24,458.44)
Dividend paid including dividend distribution tax	-	(2,490.16)
<b>Net cash from Financing Activities</b>	<b>67,585.07</b>	<b>(47,828.77)</b>
<b>D. Net Increase in Cash and Cash equivalents</b>	<b>(14,718.99)</b>	<b>(2,359.17)</b>
Cash and Cash equivalents at the beginning of period	16,958.51	19,317.68
Cash and Cash equivalents at the end of period	2,239.52	16,958.51

As per our report of even date

For **SNB Associates**

Chartered Accountants

Firm Registration No. 015682N

On behalf of the Board

**T.K. Shanmugam**

Partner

M.No: 016195

**S Krishnan**

Director

**K Raghavendra Rao**

Chairman &amp; Managing Director

Place : Chennai

Date : November 29, 2013

**L. Chandrasekar**

Executive VP - Finance &amp; Secretary



## Consolidated Auditors' Report

### INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF ORCHID CHEMICALS & PHARMACEUTICALS LIMITED AND ITS SUBSIDIARIES, ASSOCIATE AND JOINT VENTURE

To the Board of Directors

**Orchid Chemicals & Pharmaceuticals Limited**

#### Report on the Financial Statements

1. We have audited the accompanying consolidated financial statements of Orchid Chemicals and Pharmaceuticals Limited ("the Company"), and its subsidiaries, associates and joint ventures (together the "Group ") which comprise the Consolidated Balance Sheet as at September 30, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the 18 months then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility


3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Basis for Qualified Opinion

- I. The consolidated financial statements include the unaudited financial statements/financial information of the subsidiaries, associate and joint venture which were not audited by us and which were provided by the management, whose financial statements/financial position reflect total liabilities (net ) of (7915.00) lakhs (previous year total Assets of Rs 5,206.35 lakhs) as at September 30, 2013 and total revenue of Rs 7,271.15 lakhs (previous year Rs 21,724.45 lakhs) for the period ended on that date, as considered in the consolidated financial statements.

Our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, associate and joint venture is based solely on the financial statements/financial position, as provided by the management.

- II. The Company has given advances amounting to Rs 524.69 crores to various parties and are outstanding as on September 30, 2013. The Company has not received any materials/ capital goods during the current period of 18

		Balance Sheet	Profit & Loss Statement	Notes	Cash Flow Statement	 Orchid Chemicals & Pharmaceuticals Ltd. Annual Report 2012-13
	Auditors' Report					

months. As per information and explanation given, the Company is not able to take delivery of materials due to financial constraints. We are not able to express any opinion on the recoverability of these amounts.

- III. The consolidated financial statements carries an intangible asset of Rs 94.82 cores representing goodwill relating to one of the Company's wholly owned subsidiaries viz., Bexel Pharmaceuticals Inc. The subsidiary has not been spending any money on the research on the molecule as no financial support is given by the parent Company and the parent Company has not allocated any funds for the future development. In view of the above, it is necessary to impair the value of this intangible asset as no information is available with the Company regarding the value that can be recovered from the sale of rights over the molecule possessed by the Subsidiary.
- IV. The Company has gone for Debt Restructuring process and in view of the same, the Company has not received confirmation of balances relating to loans and other funded and non funded dues from various banks as on September 30, 2013. Books have been closed on the basis of the information provided by various banks to the Corporate Debt Restructuring Empowered Group. Moreover, interest has been accounted for to the extent debited by the banks/information provided by the banks. No provisions have been made in respect of dues to banks where such debit/information have not been made/provided by the banks.

### Qualified Opinion

6. In our opinion and to the best of our information and according to the explanations given to us except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2013;
  - b) in the case of the Profit and Loss Statement, of the loss for the 18 months ended on that date; and
  - c) In the case of the Cash Flow Statement, of the cash flows for the 18 months ended on that date.

### Emphasis of Matter

1. IDBI Bank Limited has given notice to the Company to convert the term loan amounting to Rs 30.19 crores into shares at par as per the terms of the Loan agreement. The same has been disputed by the Company and the matter is pending before the Honourable High Court. Our opinion is not qualified on this matter.
2. The Company has paid remuneration to the Managing Director and the Whole time Director in excess of minimum remuneration prescribed under schedule XIII of the companies act amounting to Rs 737.59 lakhs and the same is subject to the approval of the general meeting and Central Government. The Central Government approval for such excess remuneration pertaining to financial year 2011-12 is still awaited.

Our opinion is not qualified in respect of these matters.

For SNB ASSOCIATES  
Chartered Accountants  
Firm Registration No. 015682N

T.K Shanmugam  
Partner

Place: Chennai  
Date: November 29, 2013

Membership No. 016195



## Consolidated Balance Sheet as at September 30, 2013

Rs lakhs

Particulars	Note	30.09.2013	31.03.2012
<b>I EQUITY AND LIABILITIES</b>			
<b>1 SHAREHOLDERS' FUNDS</b>			
a Share capital	5	7,045.21	7,044.21
b Reserves and Surplus	6	30,953.46	106,186.28
		37,998.67	113,230.49
Minority Interest		61.91	282.28
<b>2 NON- CURRENT LIABILITIES</b>			
a Long term borrowings	7	90,179.41	107,414.70
b Deferred tax liabilities (Net)	31	15,737.01	17,007.41
c Long term provisions	8	523.98	771.97
		106,440.40	125,194.08
<b>3 CURRENT LIABILITIES</b>			
a Short term borrowings	9	152,489.48	64,706.04
b Trade payables	10	59,739.60	44,700.45
c Other current liabilities	11	105,256.67	40,695.82
d Short term provisions	12	3,117.18	5,002.84
		320,602.93	155,105.15
<b>TOTAL</b>		<b>465,103.91</b>	<b>393,812.00</b>
<b>II ASSETS</b>			
<b>1 Non current assets</b>			
a Fixed Assets	13		
Tangible assets		244,428.04	191,877.57
Intangible assets		13,928.96	15,510.45
Capital work in progress		33,220.70	32,891.06
Intangible assets under development		2,820.92	2,334.35
b Non current investments	14	94.82	81.19
c Long term loans and advances	15	51,158.02	16,782.68
d Other non -current assets	16	9,310.44	9,005.96
		354,961.90	268,483.26
<b>2 CURRENT ASSETS</b>			
a Inventories	17	50,623.91	66,872.54
b Trade receivables	18	17,906.39	11,323.70
c Cash and Bank Balances	19	2,342.35	17,691.70
d Short term loans and advances	20	39,269.36	29,440.80
		110,142.01	125,328.74
<b>TOTAL</b>		<b>465,103.91</b>	<b>393,812.00</b>

As per our report of even date

For **SNB Associates**

Chartered Accountants

Firm Registration No. 015682N

On behalf of the Board

**T.K. Shanmugam**

Partner

M.No: 016195

**S Krishnan**

Director

**K Raghavendra Rao**

Chairman &amp; Managing Director

Place : Chennai

Date : November 29, 2013

**L. Chandrasekar**

Executive VP - Finance &amp; Secretary

## Consolidated Profit & Loss Statement for the eighteen months period ended September 30, 2013

Rs lakhs

Particulars	Note	30.09.2013	YE 31.03.2012
I Revenue from operations	21	194,769.88	187,360.17
II Other income	22	4,072.14	5,619.27
<b>III Total Revenue</b>		<b>198,842.02</b>	<b>192,979.44</b>
IV Expenses			
Cost of materials consumed		85,468.99	89,767.62
Purchases of stock in trade		5,062.03	3,438.65
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade		8,481.03	(5,575.39)
Employee benefits expense	23	25,270.13	17,641.35
Finance costs	24	52,268.71	17,975.31
Depreciation and amortisation expenses	13	25,192.28	15,373.65
Other expenses	25	59,461.39	46,426.49
<b>Total Expenses</b>		<b>261,204.56</b>	<b>185,047.68</b>
V Profit / (Loss) before exceptional and extraordinary items and tax		(62,362.54)	7,931.76
VI Exceptional items	26	(5,111.08)	8,388.14
VII Profit / (Loss) before extraordinary items and tax		(57,251.46)	(456.38)
VIII Extraordinary items		-	(8,000.00)
IX Profit / (Loss) before tax		(57,251.46)	7,543.62
X Tax expense			
Current tax		-	129.72
Deferred tax	31	(1,252.26)	(2,333.93)
XI Profit / (Loss) for the period		(55,999.20)	9,747.83
Share of Minority Interest		(196.50)	-
Net Profit / (Loss) for the period		(55,802.70)	9,747.83
XII Earnings per equity share of face value of Rs 10/- each:			
Basic		(79.21)	13.84
Diluted		(79.21)	13.67

As per our report of even date  
For **SNB Associates**  
Chartered Accountants  
Firm Registration No. 015682N

On behalf of the Board

**T.K. Shanmugam**  
Partner  
M.No: 016195

**S Krishnan**  
Director

**K Raghavendra Rao**  
Chairman & Managing Director

Place : Chennai  
Date : November 29, 2013

**L. Chandrasekar**  
Executive VP - Finance & Secretary

## Notes to the Consolidated Accounts as at September 30, 2013

### 1 a) THE COMPANY AND DESCRIPTION OF BUSINESS

Orchid Chemicals & Pharmaceuticals Limited was incorporated in India in July 1992 and started commercial production in February 1994. The Company manufactures Active Pharmaceutical Ingredients as 100% export oriented unit, and manufactures and sells finished dosage forms (formulations) in domestic and export markets. The Company also has a fullfledged R & D facilities. The Company has invested in the following companies:

- a) Orchid Europe Limited, a company formed in the United Kingdom initially to market nutraceuticals through mail order/ direct marketing in the United Kingdom and Europe.
  - b) Bexel Pharmaceuticals Inc., USA engaged in Pharmaceutical research and development.
  - c) Orchid Pharmaceuticals Inc., USA to provide services in USA. It has a wholly owned subsidiaries "Orgenus Pharma Inc, USA" which provides services in USA and "Orchid Pharma Inc./Karalex Pharma, USA" which sells pharmaceutical products in USA.
  - d) Orchid Pharmaceuticals SA ( Proprietary) Limited, South Africa to register and market formulations in South Africa.
  - e) Diakron Pharmaceuticals Inc., USA engaged in Pharmaceutical research and development.
  - f) Allekra Therapeutics GmbH, Germany engaged in Pharmaceutical research and development.
  - g) Orchid Pharma Singapore Pte. Ltd., Singapore dealing in Pharmaceutical products.
- The Company, its Subsidiaries and its Associate are collectively referred as "the Group".

### b) Consolidation

The Company's consolidated financial statement has been prepared on the following basis.

Name of Subsidiary/ Associate	Country	Type of Holding	Percentage of holding	Nature of relationship	Accounting Standard adopted for consolidation of accounts
Orchid Europe Limited	U.K	Equity	100%	Subsidiary	A S 21
Orchid Pharmaceuticals Inc.	USA	Common stock	100%	Subsidiary	A S 21
Orgenus Pharma Inc.	USA	Equity	100%	Subsidiary of Orchid Pharmaceuticals Inc.	A S 21
Orchid Pharma Inc./Karalex Pharma	USA	Equity	100%	Subsidiary of Orchid Pharmaceuticals Inc.	A S 21
Orchid Pharmaceuticals SA (Proprietary) Limited	South Africa	Equity	100%	Subsidiary	A S 21
Bexel Pharmaceuticals Inc.***	USA	Convertible Preferred stock with equal voting rights as Common stock and Common stock	100%	Subsidiary	A S 21
Orchid Pharma Singapore Pte. Ltd.	Singapore	Common Stock	100.00%	Subsidiary	A S 21
Diakron Pharmaceuticals Inc. ***	USA	Convertible Preferred Stock and Common stock.	76.40%	Subsidiary	A S 21
Allekra Therapeutics GmbH	Germany	Common Stock	20.64%	Associate	AS 23

\*\*\* Preferred stock has been considered as common stock for the purpose of calculating the percentage of holding since Preferred stock has the same voting rights as common stock.

As the financials for the current year have been prepared for a period of 18 months, the consolidated statements have been prepared on the basis of unaudited financial results of subsidiaries and associates for corresponding period.

## Notes to the Consolidated Accounts as at September 30, 2013

### c) Convenience Translation

The accounts of the subsidiary companies and the Associate company have been prepared in their respective currencies. For the purpose of convenience the balances are translated into Indian currency, being the reporting currency in the consolidated financial statements, at the closing rate as at September 30, 2013.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### a) Accounting Convention

The Financial Statements are prepared under historical cost convention. The presentation of the accounts is based on the Revised Schedule VI of Companies Act, 1956. Revenues are recognised and expenses are accounted on their accrual with necessary provisions for all known liabilities and losses.

### b) Fixed Assets

- (i) Fixed Assets are stated at the original cost inclusive of inward freight, incidental expenses related to acquisition and related pre-operational expenses and technical knowhow fees where applicable.
- (ii) Machinery spares which can be used only in connection with specific fixed assets and the use of which are irregular, are charged over the period of the life of such fixed asset, in accordance with Accounting Standard 10.
- (iii) Brands represent brands acquired by the Company and includes IPR & Licences purchased for a consolidated consideration. The cost of brands, patents and trademarks are amortised over a period of 60 months from the month of acquisition.
- (iv) The cost of patents / registrations acquired by subsidiaries / joint ventures are amortised over their useful life after they are put to use.
- (v) INTERNALLY GENERATED INTANGIBLE ASSETS - DMF & ANDA  
DMF and ANDA costs represents expenses incurred on development of processes and compliance with regulatory procedures of the US FDA, in filing Drug Master Files ("DMF") and Abbreviated New Drug Applications ("ANDA"), in respect of products for which commercial value has been established by virtue of third party agreements/arrangements. This is in accordance with the requirements of Accounting Standard 26.  
The cost of each DMF/ANDA is amortised to the extent of recovery of developmental costs applicable as per the terms of agreement or over a period of five years from the date on which the product covered by DMF/ANDA is commercially marketed, whichever is earlier.
- (vi) Assets are depreciated on straight line basis at the rates specified in Schedule XIV of the Companies Act, except in respect of the following assets, where the useful lives reckoned in computing the depreciation for the year are different from those derived from the rates specified in Schedule XIV of the Companies Act, 1956. The revised useful life of the assets have been determined by the Management based on technical assessment.

Asset Categories	Useful life
Reactors, Pipes, Pipe fittings, Valves, Motors, Pumps, Nitrogen Plant, Gear Boxes, Cables and Centrifuges Evaporator (Indigenous), Jet aeration system (indigenous), Ventilation & Exhaust system, HCL column, ETP (indigenous), scrubber, incinerator (indigenous) & Instrumentation items.	9 years

Depreciation is provided at rate arrived based on useful life or schedule XIV rates whichever is higher.

- (vii) Leasehold assets cost is amortised over the period of the Lease.
- (viii) Depreciation on assets added/disposed off during the year is provided on pro-rata basis from the month of addition or up to the month preceding the month of disposal, as applicable.

**Notes** to the Consolidated Accounts as at September 30, 2013

## (ix) Impairment of assets:

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the assets and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

**c) Borrowing Costs**

Borrowing costs includes interest, amortisation of ancillary cost incurred in connection with borrowings. Cost incurred for raising long term borrowings have been amortised over the period of the loan.

Interest cost on qualifying asset being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, is capitalised at the weighted average rate of the funds borrowed and utilised for acquisition of such assets.

**d) Treatment of expenditure during construction period.**

Expenditure during construction period is included under capital work-in-progress and the same is allocated to the respective fixed assets on the completion of construction.

**e) The excess of cost to the Company of its interest in subsidiaries / joint ventures over its share of net assets of such subsidiaries / joint ventures at the date of acquisition of interest is recognised as goodwill on consolidation. Goodwill arising on consolidation is not amortised.****f) Investments**

Investments considered long term are shown at cost. Diminution in the value of investments other than temporary are provided for. Current investments are valued at lower of cost and market value.

**g) Inventories**

- (i) Stores & Spares - At weighted average cost.
- (ii) Raw Materials - At annual weighted average cost
- (iii) Finished Goods @ - At Lower of cost or net realisable value
- (iv) Work in Progress & Intermediates @ - At Lower of cost or net realisable value

@ After adjustment of unrealised profits on inter division transfer.

**h) Revenue Recognition**

Sales are recognised on despatch of goods from the factory/ warehouse and price differentials are accounted for at the end of each quarter as per the terms of marketing arrangement. Sales are net of returns, discounts and inter-division transfers. Service income is recognised as per contractual terms. In respect of composite contracts involving development and other activities, income is recognised on the basis of contractual terms after considering the quantum of work completed. Benefit on account of entitlement to import duty free materials under the 'Duty Entitlement Pass Book Scheme' is recognised in the year of export.

## Notes to the Consolidated Accounts as at September 30, 2013

### i) Retirement Benefits

Retirement Benefits are accounted on actuarial valuation carried out at the end of the year. The Company's liability towards the gratuity of employees is covered by a group gratuity policy with LIC, SBI and ICICI Prudential Life Insurance Company Ltd and the contribution to the fund is based on actuarial valuation carried out yearly as at the end of the financial year as per the revised AS15. Provision for Leave Encashment has been made based on actuarial valuation as at the year end as per revised AS15. Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account for the year in which the related service is rendered.

### j) Translation of Foreign Currency items

- 1) Non - Monetary foreign currency items are carried at cost.
- 2) All inter-related transactions are recognised at common rates.
- 3) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.
- 4) Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of items which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

The Company has exercised the option provided under the amendment to the Companies (Accounting Standards) Amendment Rules, 2006 dated 31st March, 2009 (AS 11). The Ministry of Company Affairs vide notification dated 29th December 2011 has extended the amortisation of gains or losses arising on reporting of Foreign Currency Monetary items over the balance period of such long term asset / liability. Accordingly Exchange loss on Long term foreign currency loans have been amortised over the balance period of such loans. Adoption of this option has resulted in (a) amount remaining unamortised in the financial statements as on September 30, 2013 is Rs 17657.84 lakhs (previous year (Rs 4824.13 lakhs)) (b) The value of fixed assets adjusted for exchange gain is Rs Nil (Previous year Gain of Rs 467.34 lakhs) (c) profit for the year is higher by Rs 12833.71 lakhs (Previous year - profits higher by Rs 4824.13 lakhs).

### k) Subsidy on Fixed Assets

Subsidy received on fixed assets is credited to the cost of respective fixed assets.

- 3 Sales tax recoverable have been recorded on the basis of the claims submitted or in the process of being submitted, as per rules relating to EOU and which in the opinion of the Company are recoverable.
- 4 Excise duty on finished goods has been accounted on removal of goods from factory, wherever applicable. Finished goods at factory have been valued at cost exclusive of excise duty and no provision has been made for excise duty on such goods. The above treatment has no impact on Profit & Loss account.

## Notes to the Consolidated Accounts as at September 30, 2013

### 5. SHARE CAPITAL

Rs lakhs

	30.09.2013	31.03.2012
<b>AUTHORISED:</b>		
Equity shares		
15,00,00,000 (Previous year 15,00,00,000) Equity Shares of Rs 10/- each	15,000.00	15,000.00
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
704,52,076 (Previous year - 704,42,076) equity Shares of Rs10/- each fully paid.	7,045.21	7,044.21
of the above 1,73,76,940 Equity shares of Rs10/- each were allotted as fully paid bonus shares by capitalisation of reserves.		
The reconciliation of the number of shares outstanding as at September 30, 2013 and March 31, 2012 is set out below:		
Number of shares at the beginning	70,442,076	70,442,076
Add: Allotment on exercise of ESOP	10,000	-
Number of shares at the end	70,452,076	70,442,076

Share Allotments during the preceding five years

ESOP	No. of shares	No. of shares
2011-12	Nil	Nil
2010-11	Nil	Nil
2009-10	Nil	Nil
2008-09	31,300	31,300
2007-08	34,485	34,485

The details of shareholder holding more than 5% shares is set out below :

Name of the Shareholder	as at September 30, 2013		as at March 31, 2012	
	No of shares	% held	No of shares	% held
K Raghavendra Rao	69,25,173	9.83	69,25,173	9.83
R Vijayalakshmi	67,71,155	9.61	68,21,155	9.68
Orchid Healthcare Pvt. Ltd.	36,46,324	5.18	36,46,324	5.18
Serum Institute of India	57,01,524	8.09	35,04,977	4.98

#### a) ORCHID ESOP 2010 SCHEME

In terms of the resolution passed by the Company at the AGM dated July 21, 2010 the shareholders approved the scheme formulated under "ORCHID-ESOP 2010" for allotting 10,00,000 options. Accordingly 9,01,000 options were granted to the eligible Employees and the Executive Director except the Promoter Director by the Compensation Committee of the Board of Directors at a meeting held on October 28, 2010. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 329.55 per share, being the closing share price of Orchid in the National Stock Exchange on October 27, 2010, the day prior to the date of the meeting.

Considering the fall in the price of the shares of the Company and in the interest of the employees, the Compensation Committee of the Board of Directors at its meeting held on November 1, 2011 considered repricing of 8,64,500 options in force on the said date from Rs 329.55 to Rs 166.15 as per the closing share price of Orchid at National Stock Exchange on October 31, 2011. Out of the total options granted 381,500 options have already lapsed and the remaining granted options in force as at September 30, 2013 under ORCHID ESOP 2010 Scheme are 509,500.

The one year vesting period for the scheme ended on October 27, 2011 and the employees can exercise their right to convert the options into equity shares from October 28, 2011 onwards. The options will lapse on October 28, 2013, if they are not exercised within a period of 2 years from the date of vesting of options. As at September 30, 2013, only 10000 options have been exercised and converted in to equity shares.

## Notes to the Consolidated Accounts as at September 30, 2013

### b) ORCHID ESOP – DIRECTORS 2011 SCHEME

In terms of the resolution passed by the Company at the AGM held on July 29, 2011 the shareholders approved a scheme formulated as "ORCHID ESOP – DIRECTORS 2011 SCHEME" for allotting 5,00,000 options to Directors of the Company. Accordingly 3,00,000 options were granted to the Directors of the Company including the Whole Time Director but excluding the Promoter Director, by the Compensation Committee of the Board of Directors at a meeting held on November 1, 2011. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 166.15 per share, being the closing share price of Orchid in the National Stock Exchange Ltd on October 31, 2011, the day prior to the date of the meeting. Out of the total options granted, 200,000 options have already lapsed and 100,000 options are in force as at September 30, 2013 under ORCHID ESOP - DIRECTORS 2011 Scheme.

### c) ORCHID ESOP – SENIOR MANAGEMENT 2011 SCHEME

In terms of the resolution passed by the Company at the AGM held on July 29, 2011 the shareholders approved a scheme formulated as "ORCHID ESOP – SENIOR MANAGEMENT 2011 SCHEME" for allotting 10,00,000 options to senior employees of the Company out of which 7,50,000 options will be granted to the employees of the Company and 2,50,000 options will be granted to the employees of its subsidiary companies. Accordingly 42,700 options were granted to the Employees of the Company by the Compensation Committee of the Board of Directors at a meeting held on November 01, 2011. Each option is convertible into one equity share of Rs 10/- each at a price of Rs 10/- each (i.e. At Par). 42,700 options are in force as at September 30, 2013 under ORCHID ESOP – SENIOR MANAGEMENT 2011 Scheme.

## 6. RESERVES & SURPLUS

Rs lakhs

	30.09.2013	31.03.2012
Reserves & Surplus		
Capital Reserve	894.68	894.68
Securities Premium Account	39,066.22	41,321.16
Add: Premium on issue of Shares/Premium on Redemption of FCCBs	15.62 39,081.84	(2,254.94) 39,066.22
Capital Reserve on Amalgamation	9,004.21	-
Add: Created on account of amalgamation	- 9,004.21	9,004.21 9,004.21
General Reserve	63,712.07	57,712.07
Add: Transferred from surplus	-	6,000.00
Less: Transfers	- 63,712.07	- 63,712.07
Foreign currency Monetary item Translation difference Account	(17,657.84)	(4,824.13)
Foreign Currency Fluctuation Reserve	3,191.65	1,994.00
Add : Adjustments	(2,563.27) 628.38	1,197.65 3,191.65
Surplus in Profit & Loss Account	1,503.39	(240.83)
Add: Surplus / (Deficit) in Profit & Loss account	(55,802.70)	9,747.83
Excess provision of dividend & tax of earlier year written back	25.32	482.25
	(54,273.99)	9,989.25
Less: Transferred to General Reserve	-	(6,000.00)
Proposed Dividend and Tax	-	(2,485.86)
	(54,273.99)	1,503.39
Adjustment on Consolidation	(10,435.89) (64,709.88)	(6,361.81) (4,858.42)
	30,953.46	106,186.28





## Notes to the Consolidated Accounts as at September 30, 2013

The debit to share premium account for premium on FCCBs and for issue expenses during the previous year have been made on the gross value without adjusting any tax impact. Tax benefits accruing to the Company on account of claiming such expenses will be credited to the SPA in the year in which the benefit is enjoyed by the Company.

The provision for premium on redemption of FCCBs debited to SPA is being restated at the exchange rate prevailing at the year end and the loss of Rs Nil (Previous year- Loss of Rs 2254.94 lakhs) on account of such restatement during the year is adjusted to the securities premium account.

### 7. LONG TERM BORROWINGS

Rs lakhs

	30.09.2013	31.03.2012
<b>Secured</b>		
Rupee Term loans	89,028.13	57,401.91
Foreign currency Term loan	99,889.48	78,414.10
Less:- Current maturities transferred to Current liabilities	(98,738.20) 90,179.41	(28,401.31) 107,414.70
	<b>90,179.41</b>	<b>107,414.70</b>

	Repayment terms	Balance No of installments due	Rate of interest	Amount due @
Rupee Term Loan	Monthly	113	14.75% - 16.25%	19,920.87
	Quarterly	67	14.75% - 16%	37,094.90
	Lumpsum	2	16.20% - 16.50 %	14,350.00
Foreign Currency Term Loan	Half yearly	10	LIBOR + 3.75%	31,305.00
	Quarterly	98	LIBOR + 3 to 4.6%	66,022.38

@ amount due includes for all installments in the respective category

**Terms of repayment of loan-** All Indian rupee loan from bank carries interest @14.75% to 16.25% p.a. These loans are repayable in 36 to 54 equated monthly and 8 to 18 quarterly installments from the date of the origination. These loans are secured by Pari Passu charge by way of joint mortgage on immovable and movable assets situated at Factory premises at SIDCO Industrial Area, Alathur, MIDC Industrial Area, Aurangabad, SIPCOT Industrial Park, Irungattukottai and R&D premises at Sholinganallur and current assets, subject to prior charges created/ to be created on current assets in favour of bankers and financial institutions for securing working capital borrowings. Total term loans aggregating Rs 67,616.76 lakhs are additionally secured by personal guarantee of Shri K.Raghavendra Rao, Chairman & Managing Director of the Company.

**Terms of repayment of loan-** All Foreign Currency term loan carries interest @ LIBOR plus 3 to 4.6%. The loan is repayable in 8 to 24 quarterly and 10 half yearly installments from the date of the origination. These loans are secured by Pari Passu charge by way of joint mortgage on immovable and movable assets situated at Factory premises at SIDCO Industrial Area, Alathur, MIDC Industrial Area, Aurangabad, SIPCOT Industrial Park, Irungattukottai and R&D premises at Sholinganallur and current assets, subject to prior charges created/ to be created on current assets in favour of bankers and financial institutions for securing working capital borrowings. Total term loans aggregating Rs 66,022.38 lakhs are additionally secured by personal guarantee of Shri K.Raghavendra Rao, Chairman & Managing Director of the Company. The terms of the foreign currency term loan availed in February 2012 includes covenants pertaining to financial parameters such as limit on aggregate debt outstanding, debt service coverage ratio, ratio of net borrowings to EBDITA, Fixed assets coverage ratio, ratio of net borrowings to tangible network etc., tested on the consolidated financial statements of the Company.

## Notes to the Consolidated Accounts as at September 30, 2013

### 8. LONG TERM PROVISIONS

Rs lakhs

	30.09.2013	31.03.2012
Provision for employee benefits- Leave encashment	523.98	771.97
	523.98	771.97

### 9. SHORT TERM BORROWINGS

a) Secured		
Other loans and advances		
- Working Capital Facilities / Borrowing	143,489.53	64,706.04
Packing Credit and Advances against bills from Banks and Working Capital Loans from Banks are secured by first charge on all current assets namely, Stocks of Raw materials, Semi-finished & Finished Goods, Stores and Spares not relating to Plant & Machinery (Consumable Stores and Spares), Bills Receivable, Book Debts & all other movable property both present and future excluding such movables as may be permitted by the Banks/ financial institutions from time to time and by second charge on immovable properties after charges created/ to be created on immovable assets in favour of Financial Institutions/Banks for securing Term Loans. The borrowings from banks are additionally secured by personal guarantee of Shri. K. Raghavendra Rao, Chairman & Managing Director of the Company.		
b) Unsecured		
- from Banks	6,499.95	-
- from Others	2,500.00	-
	152,489.48	64,706.04



## Notes to the Consolidated Accounts as at September 30, 2013

### 10. TRADE PAYABLES

Rs lakhs

	30.09.2013	31.03.2012
Supplies	20,517.45	32,421.80
Expenses	39,222.15	12,204.86
Others	-	73.79
	59,739.60	44,700.45

### 11. OTHER CURRENT LIABILITIES

Current maturities of Term loans/FCCBs (Refer Note no.7)	98,738.20	28,401.31
Current maturities of finance lease obligations	-	0.51
Interest accrued but not due on borrowings	-	325.35
Advance received from Customer	5,128.84	6,858.47
Income received in advance- Customers	16.38	4,159.90
Unpaid dividends	77.25	78.90
Share Application money refundable	5.42	5.42
Security Deposits received from Agents	439.00	432.25
Statutory liabilities	851.58	433.71
	105,256.67	40,695.82

Hire purchase Loans are secured by the assets acquired through such loans.

Deposit represents security deposits received from customers which are repayable on demand and carries interest @9.5% p.a.

### 12. SHORT TERM PROVISIONS

Provision for employee benefits- Gratuity & Leave encashment	1,425.09	1,216.98
Rebates/Discounts	1,300.00	1,300.00
Others:-		
- Proposed Dividend	-	2,138.88
- Tax on Proposed Dividend	392.09	346.98
	3,117.18	5,002.84

## Notes to the Consolidated Accounts as at September 30, 2013

Rs lakhs

### 13. FIXED ASSETS

S. No	Asset Description	GROSS BLOCK (AT COST)			DEPRECIATION				WRITTEN DOWN VALUE	
		As at 01-04-2012	Additions during the year	Deletions during the year	As at 30-09-2013	Up to 31-03-2012	For 18 Months	On Deletions	As at 30-09-2013	As at 31-03-2012
1	Goodwill on Consolidation*	9,861.25	199.63	-	10,060.88	-	578.56	-	9,482.32	9,861.25
2	Freehold Land & Site Development@	3,268.10	329.78	486.63	3,111.25	-	-	-	3,111.25	3,268.10
3	Leasehold Land	331.55	-	-	331.55	39.71	3.55	-	43.26	291.84
4	Buildings	36,808.49	3,374.00	1,302.27	38,880.22	6,181.53	1,741.29	293.04	7,629.78	30,626.96
5	Plant & Machinery	227,901.58	78,906.20	10,450.82	296,356.96	81,868.06	20,386.72	6,514.53	95,740.25	146,033.52
6	Factory Equipment	726.21	7.77	3.26	730.72	239.21	136.96	3.10	373.07	487.00
7	Laboratory Equipment	12,806.81	16.44	1,316.76	11,506.49	3,702.94	890.79	398.97	4,194.76	9,103.87
8	Office Equipment	1,177.75	136.98	430.67	884.06	523.91	204.22	243.45	484.68	653.84
9	Furniture & Fittings	1,999.35	30.56	77.27	1,952.64	892.41	164.04	11.31	1,045.14	1,106.94
10	Vehicles	527.33	-	102.52	424.81	221.83	67.09	49.20	239.72	305.50
11	Intangible Assets (Disclosure as per AS 26)									-
	INTANGIBLE ASSETS									
	ACQUIRED									
	Brands & Trademarks**	2,778.16	-	-	2,778.16	2,778.16	-	-	2,778.16	-
	Patents & Registrations	1,634.84	155.63	689.28	1,101.19	705.91	211.27	398.12	519.06	928.93
	Internally Generated DMF and ANDA***	6,485.06	-	-	6,485.06	2,575.41	722.85	-	3,298.26	3,909.65
	Computer Software	2,661.12	-	47.97	2,613.15	1,850.50	84.94	-	1,935.44	810.62
	TOTAL	308,967.60	83,156.99	14,907.45	377,217.14	101,579.58	25,192.28	7,911.72	118,860.14	207,388.02
	PREVIOUS YEAR'S FIGURES	261,361.80	49,240.94	1,635.15	308,967.59	87,185.97	15,373.65	980.10	101,579.52	174,175.83

\* Refer Note 2 (e)

\*\* Represents value of registrations and value of applications filed pending registration.

\*\*\* Refer Note 2 (b) (v)

@ Assets acquired pending for registration in favour of the Company.

	Sep 30, 2013	March 31, 2012
Freehold Land	59.09	59.09
Fixed Assets include assets on Hire Purchase (Gross Block)	-	8.30

**Notes** to the Consolidated Accounts as at September 30, 2013**14. NON- CURRENT INVESTMENTS**

Rs lakhs

	30.09.2013	31.03.2012
<b>Quoted investments</b>		
<b>Others-Non-trade</b>		
Bank of India -		
18,600 fully paid up Equity shares of Rs 10/- each	8.37	8.37
Aggregate market value of quoted investments	29.38	67.45
<b>Unquoted investments</b>		
Sai Regency Power Corporation Pvt. Ltd.- Traded	45.00	45.00
450,000 fully paid up equity shares of Rs 10 each		
Madras Stock Exchange- Non Traded	23.99	23.99
911,430 fully paid up equity shares of Rs 10/- each		
MSE Financial services Ltd	3.83	3.83
31,936 fully paid up equity shares of Rs 10/- each		
<b>Associate Companies</b>		
Allegra Therapeutics GmbH	13.63	-
16094 fully paid up equity shares of Euro 1 each		
<b>Total</b>	<b>86.45</b>	<b>72.82</b>
Aggregate provision for diminution in value of investments	-	-
Aggregate value of Un-quoted investments	86.45	72.82
<b>Grand Total of Investments</b>	<b>94.82</b>	<b>81.19</b>

**15. LONG TERM LOANS AND ADVANCES**

<b>Unsecured, considered good</b>		
Capital advances	47,664.23	12,555.23
Prepaid Financial charges	2,569.76	3,351.61
Deposits with Govt. Agencies	576.76	540.44
Other Deposits	347.27	335.40
<b>Doubtful</b>		
Others	205.33	205.33
Less: Provision for doubtful	(205.33)	(205.33)
	<b>51,158.02</b>	<b>16,782.68</b>

**16. OTHER NON CURRENT ASSETS**

<b>Secured, considered good</b>		
Ear-marked balance transferred from Other Bank balances	290.58	471.45
<b>Unsecured, considered good</b>		
Advance Payment of Tax	9,019.86	8,534.51
	<b>9,310.44</b>	<b>9,005.96</b>

## Notes to the Consolidated Accounts as at September 30, 2013

### 17. INVENTORIES

Rs lakhs

	30.09.2013	31.03.2012
Raw materials	8,705.08	12,706.06
Intermediates & WIP	28,568.85	32,502.37
Finished Goods	7,301.10	12,651.69
Traded Goods	1,109.80	3,693.52
Stores and Spare parts	2,979.31	2,984.26
Chemicals and Consumables	1,050.46	1,359.67
Packing Materials	909.31	974.97
	<b>50,623.91</b>	<b>66,872.54</b>

### 18. TRADE RECEIVABLES

Outstanding for a period exceeding six months from the date they are due for payment		
Secured, considered good	-	32.97
Unsecured, considered good	10,613.21	4,305.78
<b>Other receivables</b>		
Secured, considered good	460.48	624.89
Unsecured, considered good	6,832.70	6,360.06
	<b>17,906.39</b>	<b>11,323.70</b>

### 19. CASH AND BANK BALANCES

Rs lakhs

	30.09.2013	31.03.2012
Cash and Cash Equivalents		
Cash on hand	44.24	13.23
Balances with Banks		
In current accounts	2,298.11	16,902.71
Others- Term Deposits	- 2,342.35	775.76 17,691.70
Other Bank balances		
Ear-marked balances		
Margin Money deposit	109.63	100.91
Unpaid Dividend	77.25	78.90
Others- Term Deposits	103.70	291.64
Less:- Ear-marked balance transferred to non- current assets	(290.58) -	(471.45) -
	<b>2,342.35</b>	<b>17,691.70</b>

**Notes** to the Consolidated Accounts as at September 30, 2013**20. SHORT TERM LOANS AND ADVANCES**

Rs lakhs

	30.09.2013	31.03.2012
Unsecured, considered good		
Advances to Suppliers	34,928.01	23,172.43
Prepaid expenses	1,435.12	1,607.91
Balances with Statutory agencies	2,766.00	4,385.93
Rent advances	62.26	62.26
Employees advances	72.31	140.62
Other Deposits	5.66	71.65
	<b>39,269.36</b>	<b>29,440.80</b>

**21. REVENUE FROM OPERATIONS**

Sale of products	189,256.33	175,844.83
Other operating revenues		
Sale of other materials	858.64	486.59
Contract & Technical Research fees	-	3,462.26
Development & License fee	108.62	867.88
Others	5,721.41	8,127.83
(includes Rs Nil (Previous year Rs 188.03 lakhs) towards settlement of the Company's claim under Para IV litigation)		
Less: Excise duty	(1,175.12)	(1,429.22)
	<b>194,769.88</b>	<b>187,360.17</b>

**22. OTHER INCOME**

Dividend income	1.31	1.59
Provision no longer required of Rebates & Discounts written back	-	2,700.00
Profit on sale of assets	13.31	4.54
Net gain on foreign currency translation and transaction	3,968.04	2,774.22
Other non-operating income	89.48	138.92
	<b>4,072.14</b>	<b>5,619.27</b>

**23. EMPLOYEE BENEFITS EXPENSE**

Salaries & Wages	20,629.22	14,969.97
Contribution to provident and other funds	3,006.25	1,099.72
Staff Welfare expenses	1,634.66	1,571.66
	<b>25,270.13</b>	<b>17,641.35</b>

**24. FINANCE COSTS**

Interest expenses	50,106.70	17,597.53
Other borrowing costs	2,162.01	377.78
	<b>52,268.71</b>	<b>17,975.31</b>

## Notes to the Consolidated Accounts as at September 30, 2013

### 25. OTHER EXPENSES

Rs lakhs

	30.09.2013	31.03.2012
Power and Fuel	12,171.52	8,914.21
Conversion Charges	6,165.34	6,242.99
Consumption of Stores, Spares & Chemicals	3,995.37	3,235.10
Rent	75.46	199.84
Repairs to buildings	244.11	277.50
Repairs to Machinery	332.91	154.53
Factory maintenance	3,103.94	2,954.85
Insurance	2,627.47	1,800.83
Rates & Taxes	588.28	232.23
Postage, Telephone & Telex	179.09	154.21
Printing & Stationery	271.50	355.79
Vehicle Maintenance	94.24	72.43
Research & Development Expenses (Refer Note no. 35)	8,704.94	6,932.87
Advertisement	5.55	9.48
Recruitment expenses	38.54	125.88
Auditors' Remuneration		
Auditor	106.42	74.60
Taxation	14.63	9.75
for other services	25.21	17.42
for reimbursement of expenses	3.81	3.68
Cost Audit fee	22.50	15.00
Travelling and Conveyance	2,374.02	2,155.30
Directors' Remuneration & perquisites	859.86	657.80
Directors' travelling		
Inland	41.47	19.76
Overseas	78.49	72.90
Directors' sitting fees	10.60	9.40
Loss on sale of Investments	-	1.93
Loss on sale of fixed asset/written off	991.08	560.24
Freight outward	1,534.86	2,267.26
Commission on Sales	1,278.08	1,980.80
Business Promotion and Selling Expenses	2,733.67	2,068.43
Lease Rentals	308.52	-
Consultancy & Professional Fees	1,714.13	1,790.48
Provision for Diminution in value of Investments	122.49	-
Miscellaneous expenses	8,643.29	3,059.00
	<b>59,461.39</b>	<b>46,426.49</b>





## Notes to the Consolidated Accounts as at September 30, 2013

### 26. EXCEPTIONAL ITEMS

Rs lakhs

	30.09.2013	31.03.2012
Exchange rate loss on FCCB's / FCTL's	5,615.77	6,125.51
Profit on sale of Investments	(5,333.76)	-
Profit on sale of Land	(5,393.09)	-
One time closure expenses of Alathur Plant	-	2,262.63
	(5,111.08)	8,388.14

27. Estimated amounts of contracts remaining to be executed on account of capital account (net of advances) and not provided for.	5,050.70	5,837.11
28. a. Other monies for which company is contingently liable :		
- Bills Discounted	7,872.62	34,337.40
- Unexpired Letters of Credit	3,702.47	13,652.80
- Bank Guarantees outstanding	112.17	112.22
- Claims against the Company not acknowledged as debts		
Excise demands under dispute pending before Excise authorities	942.17	748.58
Service Tax dispute pending before High Court of Chennai	143.38	175.69
Income tax dispute pending before High Court of Chennai	4,054.98	4,054.98
b. Provision and contingencies in accordance with AS 29 :		
Opening Balance	1,300.00	12,000.00
Additions/(deletions) during the year	-	(10,700.00)
Closing Balance	1,300.00	1,300.00

	18 months ended 30.09.2013	Year ended 31.03.2012
29. a) Other Interest and Finance Charges is after crediting interest receipts	97.81	168.12
TDS on interest receipts	8.37	18.99
b) Amount of interest capitalised	3,745.47	6,781.48

**Notes** to the Consolidated Accounts as at September 30, 2013**30. RELATED PARTY TRANSACTIONS**

In accordance with Accounting Standard 18, the disclosure required is given below:

Rs lakhs

Nature of Transaction		Subsidiary	Associate	Key Management Personnel	Relatives of Key Management Personnel/ Companies in which they exercise significant influence.
Finance - Equity Contribution	Allegra	-	13.63	-	-
			( - )		-
Sale of goods	Allegra	-	20.46	-	-
			(-)		
Sale of Intellectual Property	Allegra	-	542.85		
			(-)		
Services Received / Rent Paid	Spectrasoft	-	-	-	82.34
					(268.94)
Remuneration		-	-	859.86	-
				(657.80)	
Reimbursement received against Legal cost	Allegra	-	54.78	-	-
			(-)		
Amounts Due at the end of the year - Debit		-	-	-	-
Amounts Due at the end of the year - Credit		-	4.08	-	38.11
			(-)		(-)

Figures in brackets are for previous year

Names of the related parties and description of relationship.

1 Subsidiary	Orchid Europe Limited, UK
	Orchid Pharmaceuticals Inc., USA
	Orgenus Pharma Inc., USA (Subsidiary of Orchid Pharmaceuticals Inc USA.)
	Orchid Pharma Inc / Karalex Pharma USA, (Subsidiary of Orchid Pharmaceuticals Inc, USA)
	Orchid Pharmaceuticals SA (Proprietary) Limited, South Africa (OCPL, SA)
	Bexel Pharmaceuticals Inc., USA
	Diakron Pharmaceuticals Inc., USA
	Orchid Pharma Singapore Pte Ltd, Singapore
2 Associate	Allegra Therapeutics GmbH, Germany
3 Key Management Personnel	Mr. K Raghavendra Rao, Chairman & Managing Director
	Mr. S Krishnan, Director (worked as Executive Director - Finance till 17/04/2013)
4 Relatives of Key Management Personnel	Mrs. R Vijayalakshmi (wife of Mr. K Raghavendra Rao)
	Ms R Divya and Ms R Sowmya (daughters of Mr.K.Raghavendra Rao)
5 Companies in which relatives of Key Management personnel exercise significant influence.	Spectrasoft Technologies Limited, India.

During the year, the Company exited from the investments in the Joint Venture Company, NCPC Orchid Pharmaceuticals Ltd., China.

All whole time directors have been considered as Key Management Personnel as they are involved in planning, directing & controlling the activities of the reporting enterprise.

**Notes** to the Consolidated Accounts as at September 30, 2013**31. Provision for Deferred Tax for the year Rs (1252.26) lakhs (Previous year Rs (2,333.93) lakhs).**

Rs lakhs

	As at 30/09/2013	As at 31/03/2012
Deferred Tax liability represents the following		
Timing Difference on account of Depreciation	20,202.92	25,688.51
Timing Difference on account of Financial charges	1,044.25	1,087.43
Timing Difference on account of Losses	(5,510.16)	(9,768.53)

In accordance with clause 29 of Accounting Standard (AS22) Deferred tax Assets and Deferred tax Liabilities have been set off. Deferred tax asset for losses have been created on the basis of capital profit that will be available to the Company based on the binding Business Transfer Agreement entered with Hospira Healthcare (India) Private Ltd.

**32. SEGMENTAL REPORTING**

The Company was disclosing segment information classifying the business as Bulk drugs and Formulations till the financial year 2004-05. However in view of integration of bulk actives and formulations business, with the commissioning of Generics formulation facilities from the financial year 2005-06, the Company considers the business as one interrelated and integrated business of "Pharmaceutical products" and hence no separate segmental reporting is provided.

**33. DISCLOSURE ON LEASE RENTALS AS PER AS 19 :**

- A The total of future minimum lease payments under non-cancellable operating leases for each of the following periods;
- |  |          |
|--|----------|
| Not later than 1 year                        | 930.84   |
| Later than 1 year and not later than 5 years | 1,785.61 |
| Later than 5 years                           | —        |
- B The total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date Nil
- C Lease payments recognised in the statement of profit and loss for the period. 308.52
- D Sub lease payment received (or Receivable) recognised in the statement of profit and loss for the period Nil
- E A general description of the lessee's significant leasing arrangements including, but not limited to the following ;
- (1) The basis on which contingent rent payments are Determined - The future rent payments are determined as per the lease agreement executed.
  - (2) The existence and terms of renewal or purchase options and escalations clauses
    - The current lease is for a block of 3 years, subject to renewal at the end of every year.
    - The lease rentals are subject to escalation at the end of every year.
  - (3) Restriction imposed by lease arrangements, such as those concerning dividend Additional Debt and further leasing: There are no restrictions under the lease agreement.

## Notes to the Consolidated Accounts as at September 30, 2013

### 34. RECONCILIATION OF BASIC AND DILUTED SHARES USED IN COMPUTING EARNINGS PER SHARE (EQUITY SHARES OF RS 10/-EACH FULLY PAID-UP)

Rs lakhs

		18 Months ended 30.09.2013	Year Ended 31.03.2012
Profit After Tax before extra ordinary item	Rs lakhs	(55,802.70)	1,747.85
Profit After Tax after extra ordinary item	Rs lakhs	(55,802.70)	9,747.85
No of Shares Outstanding	Nos.	70,452,076	70,442,076
Weighted Average Number of shares	Nos.	70,452,076	70,442,076
Earnings per Share - Basic before extra ordinary item	Rs	(79.21)	2.48
Earnings per Share - Basic after extra ordinary item		(79.21)	13.84
Total No of Equity shares to compute diluted EPS	Nos.	71,104,276	71,296,076
Earnings per Share - Diluted before extraordinary item	Rs	(79.21)	2.45
Earnings per Share - Diluted after extraordinary item	Rs	(79.21)	13.67

### 35. EXPENDITURE ON RESEARCH AND DEVELOPMENT

Rs lakhs

Capital expenditure	104.10	1,449.10
Revenue expenditure charged to the Profit & Loss account (excluding depreciation)	8,704.94	6,932.87
	8,809.04	8,381.97
Revenue Research and Development Expenses includes :		
Power and Fuel	675.43	424.62
Consumption of Stores, Spares & Chemicals	540.43	795.17
Salaries, Wages and Bonus	4,183.07	2,593.35
Contribution to Provident & other funds	456.21	230.77
Staff Welfare	302.78	202.27
Rates & Taxes	27.81	25.09
Insurance	48.38	33.09
Postage, Telephone & Telex	22.61	20.66
Printing & Stationery	19.17	29.17
Vehicle Maintenance	14.29	12.66
Recruitment expenses	3.18	19.66
Traveling and Conveyance	36.61	89.20
Loss on Sale of Asset	10.80	1.35
Testing Charges	386.43	1,531.79
Consultancy & Professional Fees	1,241.70	416.92
Others	736.04	507.10
	8,704.94	6,932.87

**Notes** to the Consolidated Accounts as at September 30, 2013**36. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE :**

The Foreign Currency Exposures that are not hedged by a derivative instrument or otherwise:

Currency	2012-13		2011-12	
	Foreign Currency	Rs lakhs	Foreign Currency	Rs lakhs
i) Receivables Outstanding				
USD	26,115,371	16,350.83	21,719,931	11,010.30
EUR	1,501,080	1,271.41	917,153	621.09
GBP	7,244	7.34	7,244	5.45
ii) Payables Outstanding				
USD	11,743,476	7,352.59	743,272	367.67
EUR	319,093	270.27	-	-
JPY	20,600,744	131.26	23,231,572	142.78
Others	76,841,523	99.77	-	55.12
iii) Advance Paid				
GBP	146,115	148.03	191,976	156.44
USD	36,519,041	22,864.57	-	-
EURO	20,372,542	17,255.30	11,554,412	7,405.23
CHF	79,087	54.73	-	-
Others	152,167	2.45	-	-
iv) Loans availed				
USD	159,438,522	99,824.46	154,115,770	78,414.10

**37.** The financial year of the Company has been extended by 6 months vide order of the Registrar of Companies dated 01/07/2013. Consequent to the extension of financial year by six months, the profit/Loss reported above was for a period of 18 months ending on 30.09.2013 and hence not comparable as such with figures for the previous year (i.e) 2011-12.

**38.** The Company has entered into a Business Transfer Agreement (BTA) dated August 29, 2012 with Hospira Healthcare India Private Limited for the sale and transfer of Orchid's Penicillin and Penem API business and the API facility located in Aurangabad (Maharashtra) together with an associated Process R&D infrastructure located in Chennai. As the Business Transfer is not completed as at 30/09/2013, the results include the figures of those businesses also.

**39.** The Company has applied for Corporate Debt Restructuring and the application has been admitted on 24/08/2013. The accounts have been prepared without considering the restructuring package. The concessions to be given under the restructuring package including reschedulement of loan repayments, concession of interest rate etc. will be accounted in the year in which package is sanctioned and implemented.

**40.** Previous year's figures have been regrouped wherever necessary to conform to current year's classification.

As per our report of even date

For **SNB Associates**

Chartered Accountants

Firm Registration No. 015682N

On behalf of the Board

**T.K. Shanmugam**

Partner

M.No: 016195

**S Krishnan**

Director

**K Raghavendra Rao**

Chairman & Managing Director

Place : Chennai

Date : November 29, 2013

**L. Chandrasekar**

Executive VP - Finance & Secretary

## Consolidated Cash Flow Statement for the eighteen months period ended September 30, 2013

Rs lakhs

	For the 18 months ended 30/09/2013	For the year ended 31/03/2012
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit / (Loss) before taxation	(57,251.46)	7,543.62
Adjustment for		
Depreciation	25,192.28	15,373.65
Dividend Income	(1.31)	(1.59)
Provision for doubtful debts/advances written back	-	(10,700.00)
Loss/(Profit) on sale of Investments	(5,333.76)	-
Loss/(Gain) on redemption/cancellation of FCCBs-net	-	4,933.70
Loss / (profit) on sale of Fixed Assets	(4,415.33)	557.05
Expenses on Employees Stock Option Plan (ESOP)	70.88	-
Foreign Exchange Rate Fluctuations - Unrealised	(1,661.99)	5,216.34
Interest Expense	52,268.71	17,975.31
<b>Operating Profit before Working Capital Changes</b>	<b>8,868.02</b>	<b>40,898.08</b>
Adjustments for:		
Trade and other Receivables	(15,617.92)	32,318.40
Inventories	16,248.61	(5,110.03)
Trade Payables	7,318.13	8,473.95
Cash generated from Operations	16,816.84	76,580.40
Income Taxes Paid	-	(2,878.42)
Cash Flow before extraordinary item	16,816.84	73,701.98
Extraordinary item	-	-
<b>Net Cash from Operating Activities</b>	<b>16,816.84</b>	<b>73,701.98</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(111,597.93)	(29,404.44)
Proceeds from Sale / Deletion of Fixed Assets	7,672.33	97.99
Investments in Associates	(13.63)	-
Profit on sale of Investments in Joint Venture Company	5,333.76	-
Dividends received	1.31	1.59
<b>Net cash used in Investing Activities</b>	<b>(98,604.16)</b>	<b>(29,304.86)</b>

## Consolidated Cash Flow Statement for the eighteen months period ended September 30, 2013

Rs lakhs

	For the 18 months ended 30/09/2013	For the year ended 31/03/2012
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of Share Capital ( net of expenses )	16.62	-
Proceeds from /(Repayment) Working Capital Borrowings	73,339.94	15,719.96
Proceeds from Long Term Borrowings	36,775.64	70,807.32
Repayment of Long Term Borrowings	(17,346.71)	(25,090.99)
Proceeds from Short Term Borrowings (Unsecured)	8,999.95	5,000.00
Cancellation of issue of FCCBs (net of expenses)	-	(82,408.17)
Repayment of Short Term Borrowings (Unsecured)	-	(5,000.00)
Proceeds from /(Repayment of) HP Finance	-	(24.06)
Interest paid	(35,347.47)	(24,528.45)
Dividend paid including dividend distribution tax	-	(2,490.16)
<b>Net cash from Financing Activities</b>	<b>66,437.97</b>	<b>(48,014.55)</b>
<b>D. NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(15,349.35)</b>	<b>(3,617.43)</b>
Cash and Cash equivalents at the beginning of period	17,691.70	21,309.13
Cash and Cash equivalents at the end of period	2,342.35	17,691.70

As per our report of even date

For **SNB Associates**

Chartered Accountants

Firm Registration No. 015682N

On behalf of the Board

**T.K. Shanmugam**

Partner

M.No: 016195

**S Krishnan**

Director

**K Raghavendra Rao**

Chairman &amp; Managing Director

Place : Chennai

Date : November 29, 2013

**L. Chandrasekar**

Executive VP - Finance &amp; Secretary

## Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies

Sl. No.	Particulars	Orchid Europe Limited United Kingdom		Orchid Pharmaceuticals Inc., and Subsidiaries USA		Bexel Pharmaceuticals Inc., USA		Orchid Singapore, Singapore		Orchid Pharmaceuticals SA (Proprietary) Limited South Africa		Diakron Pharmaceuticals Inc, USA	
		April '12 - Sept '13	April '12 - Sept '13	April '12 - Sept '13	April '12 - Sept '13	April '12 - Sept '13	April '12 - Sept '13	April '12 - Sept '13	April '12 - Sept '13	April '12 - Sept '13	April '12 - Sept '13	April '12 - Sept '13	April '12 - Sept '13
		£	Rs lakhs	US \$	Rs lakhs	US \$	Rs lakhs	S \$	Rs lakhs	Rand	Rs lakhs	US \$	Rs lakhs
1	Capital	10,000	10.13	100	0.06	35,895	22.47	1,000	0.50	303,638	18.83	-	-
2	Reserves	(377,665)	(382.61)	(6,011,895)	(3,763.45)	(5,549,232)	(3,473.82)	-	-	(304,591)	(18.88)	(623,227)	(390.14)
3	Other Liabilities	860,047	871.31	7,299,805	4,569.68	5,819,990	3,643.31	-	-	30,620	1.90	1,559,357	976.16
4	Total Liabilities	492,382	498.83	1,288,010	806.29	306,653	191.96	1,000	0.50	29,667	1.84	936,130	586.02
5	Total Assets	492,382	498.83	1,288,010	806.29	306,653	191.96	1,000	0.50	29,667	1.84	936,130	586.02
6	Details of investment	-	-	-	-	-	-	-	-	-	-	-	-
7	Turnover	1,012,840	1,026.11	9,376,443	5,869.65	594,126	371.92	-	-	56,044	3.47	-	-
8	Profit/(Loss) before Taxation	356,562	361.23	(3,712,446)	(2,323.99)	(165,100)	(103.35)	-	-	(8,666)	(0.54)	(1,016,154)	(636.11)
9	Provision for Taxation	76,294	77.29	-	-	-	-	-	-	-	-	-	-
10	Profit/(Loss) after Taxation	280,268	283.94	(3,712,446)	(2,323.99)	(165,100)	(103.35)	-	-	(8,666)	(0.54)	(1,016,154)	(636.11)
11	Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-
12	Dealt with or provided for in the accounts of the holding company	-	-	-	-	-	-	-	-	-	-	-	-
	a) Net aggregate of the profit/(loss) for the current period of the subsidiary	-	Nil	-	Nil	-	Nil	-	Nil	-	Nil	-	Nil
	b) Net aggregate of the profit/(loss) for previous financial years of the subsidiary	-	Nil	-	Nil	-	Nil	-	Nil	-	Nil	-	Nil
13	Not dealt with or provided for in the accounts of the holding company	-	-	-	-	-	-	-	-	-	-	-	-
	a) Net aggregate of the profit/(loss) for the current period of the subsidiary	-	283.94	-	(2323.99)	-	(103.35)	-	-	-	(0.54)	-	(636.11)
	b) Net aggregate of the profit/(loss) for previous financial years of the subsidiary	-	(13.06)	-	(819.73)	-	(62.87)	-	(1.09)	-	(0.88)	-	(793.35)

i) Indian equivalent of figures have been arrived at by applying the year end rate 1£ = Rs 101.31, 1 South African Rand = Rs 6.20, 1US\$ = Rs 62.60 and 1 Sing\$ = Rs 49.87 and do not form part of the reports of Orchid Europe Limited, Orchid Pharmaceuticals Inc., Bexel Pharmaceuticals Inc., Orchid Singapore Pte. Ltd., Orchid Pharmaceuticals SA (Proprietary) Limited and Diakron Pharmaceuticals Inc.,

ii) Holding Company's interest is as stated in Notes to accounts no. 37(a).

iii) Shares held by the holding company in the subsidiary are as stated in note no.13 of the audited accounts

On behalf of the Board

**S Krishnan**  
Director

**K Raghavendra Rao**  
Chairman & Managing Director

**L. Chandrasekar**  
Executive VP - Finance & Secretary

Place : Chennai  
Date : November 29, 2013





# Corporate Information

## Board of Directors

Shri K Raghavendra Rao

*Chairman and Managing Director*

## Directors

Shri S Krishnan

Shri S Yuvaraj

Shri K Biju George (IDBI Nominee)

## Management Team

Dr B Gopalan	<i>Chief Scientific Officer</i>
Ms Edna Braganza	<i>Chief Operating Officer – API</i>
Mr M S Rangesh	<i>Chief Human Resources Officer</i>
Mr V Vijayendran	<i>Chief Executive – Domestic Formulations</i>
Mr S Mani	<i>President – Process Research &amp; SH&amp;E</i>
Mr L Chandrasekar	<i>Executive Vice President – Finance &amp; Secretary</i>
Mr P N Deshpande	<i>Executive Vice President – Manufacturing</i>
Mr V S Padalkar	<i>Senior Vice President – Engineering &amp; Production</i>
Dr U P Senthil Kumar	<i>Senior Vice President – Process Research</i>
Dr J Surya Kumar	<i>Senior Vice President – Formulation Development</i>
Mr Deepak M B Nayyar	<i>Vice President – Domestic Formulations</i>
Mr Sampath Parthasarathy	<i>Vice President – Domestic Formulations</i>
Mr A Suresh Babu	<i>Head – Corporate Affairs</i>

## Board Committees

### Audit Committee

Shri K Biju George, Chairman

Shri S Krishnan

Shri S Yuvaraj

### Compensation Committee

Shri K Raghavendra Rao, Chairman

Shri K Biju George

### Investor's Grievance Committee

Shri S Krishnan, Chairman

Shri K Raghavendra Rao

### Allotment Committee

Shri K Raghavendra Rao, Chairman

Shri S Krishnan

## Bankers

Allahabad Bank

Andhra Bank

Axis Bank Ltd.

Bank of Baroda

Bank of India

Canara Bank

Central Bank of India

City Union Bank

Exim Bank

ICICI Bank Ltd.

IDBI Bank Ltd.

Indian Bank

Indian Overseas Bank

ING Vysya Bank

Punjab National Bank

State Bank of Hyderabad

State Bank of India

State Bank of Mysore

State Bank of Travancore

Union Bank of India

## Auditors

### Statutory Auditors

SNB Associates

Chartered Accountants

No 12, 3rd Floor,

Gemini Parsn Complex

121, Anna Salai,

Chennai 600 006

Tamil Nadu, India

### Cost Auditors

Shri V Kalyanaraman

Cost Accountant

No.4 (Old No.12),

Second Street,

North Gopalapuram

Chennai 600 086,

Tamil Nadu, India

## Notes

[illegible]

## Notes

## Notes

[illegible]

## Notes





Regd. Office : 'Orchid Towers'  
313, Valluvar Kottam High Road, Nungambakkam  
Chennai 600034, India  
Tel : (91)-44-28211000 • Fax : (91)-44-28211002  
e-mail: [corporate@orchidpharma.com](mailto:corporate@orchidpharma.com)  
Web site: [www.orchidpharma.com](http://www.orchidpharma.com)  
Health portal: [www.healthorchid.com](http://www.healthorchid.com)