

**Notice of Voting through Postal Ballot  
Pursuant to Section 192A of the Companies Act, 1956**

To  
The Members

**Notice is hereby given pursuant to Section 192A of the Companies Act, 1956 read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 that the resolution appended below is proposed to be passed as Ordinary Resolution by way of Postal Ballot:-**

**Sale of Business**

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a), Section 192A and other applicable provisions, if any, of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 and the Memorandum and Articles of Association of the Company and subject to such other approvals and permissions as may be required, consent of the shareholders be and is hereby accorded to the Board of Directors of the Company to convey, sell, transfer, assign, deliver or otherwise dispose of its Penem (including Carbapenem) and Penicillins API business and facilities and the NPNC (Non-Penicillin, Non-Cephalosporin) API manufacturing facility located at Aurangabad together with associated process R&D infrastructure at Shozhanganallur, Chennai including all assets both tangible and intangible assets along with all the employees associated therewith including all governmental authorizations, registrations, intellectual property, licenses, permits, consents and approvals to the extent used in, or related to the said business, as well as assumed liabilities together with rights for operating the business subject to the terms and conditions set out in the Business Transfer Agreement dated August 29, 2012 among the Company, Mr. K. Raghavendra Rao and Hospira Healthcare India Private Limited as a going concern on a slump sale basis, for a total consideration of the Rupee equivalent of US\$ 202.50 million (United States Dollars Two-Hundred Two Million Five Hundred Thousand only) subject to any adjustments and terms and conditions as set out in the Business Transfer Agreement and as may be decided by the Board of Directors (which shall include a Committee of Directors constituted for the purpose), the consideration being receivable on the date of Closing, which would be the date of completion of the transaction contemplated in the Business Transfer Agreement.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to do and perform all such acts, matters, deeds and things, as may be necessary, without further referring to the Members of the Company, including finalizing the terms and conditions, accept any changes, modification, methods and modes in respect thereof, determining the exact effective date, if need to be changed, and finalizing and executing necessary documents including schemes, agreements, deeds of assignment / conveyance and such other documents as may be necessary or expedient in its own discretion for completion of transfer, sale and/or disposal of the Penicillin and Penem API business, the NPNC (Non-Penicillin, Non-Cephalosporin) API manufacturing facility located at Aurangabad together with associated process R&D infrastructure at Shozhanganallur, Chennai in the best interest of the Company, including the power to delegate all or any of the powers herein, to give effect to this Resolution."

By Order of the Board

Chennai  
August 22, 2012

Bhoomijha Murali  
Sr. G M – Legal & Company Secretary

**Notes:**

1. An Explanatory Statement as required under the Companies Act, 1956 in respect of the business specified above is annexed hereto.
2. In terms of Section 192A of the Companies Act, 1956, read with Companies (Passing of the Resolution by Postal Ballot), Rules 2011, the item of business set out in the Notice above shall be passed by Postal Ballot.
3. The Board of Directors has appointed Mrs.S.Lalitha, Practising Company Secretary, Chennai, as the Scrutinizer to receive and scrutinize the completed Ballot Papers from the Members in a fair and transparent manner.
4. The shareholders are requested to carefully read the instructions printed on the attached Postal Ballot Form. The Postal Ballot Form, duly completed and signed, should be returned in the enclosed self-addressed, postage prepaid envelope directly to the Scrutinizer so as to reach the Scrutinizer before the close of working hours on or before the 6<sup>th</sup> October, 2012. Postal Ballot forms received after 6<sup>th</sup> October, 2012 shall be treated as if no reply is received from such Member(s). Members are requested to send the duly completed Postal Ballot Forms well before 6<sup>th</sup> October, 2012 providing sufficient time for postal transit. Facility of voting through electronic mode is not being provided by the Company.
5. The shareholders are requested to exercise their voting rights by using the attached Postal Ballot Form only. No other form or photocopy of the form is permitted.
6. The Scrutinizer will submit the report to the Chairman of the Company after completion of scrutiny of the Postal Ballot Forms.
7. The results of the Postal Ballot will be announced by the Chairman or in his absence, the Executive Director-Finance of the Company on Monday, October 8, 2012 at 4.00 p.m. at the Registered Office of the Company and the date of declaration of the result shall be deemed to be the date of passing of the said resolution. The results of the postal ballot will also be published in the News Papers after the declaration of the results and will also be placed on the website of the Company at [www.orchidpharma.com](http://www.orchidpharma.com).

**EXPLANATORY STATEMENT  
[Pursuant to Section 173(2) of the Companies Act, 1956]**

Your Company is mainly engaged in the business of development, manufacture, marketing and sale of pharmaceutical products in various therapeutic areas and has presence in many countries around the globe. The products manufactured by the Company include oral products in Cephalosporin, Penicillin, Carbapenem and Non-Penicillin and Non-Cephalosporin (NPNC) domains, as applicable. The products cover active pharmaceutical ingredients (APIs) and formulations or finished dosage forms (FDFs). The Company also conducts drug discovery and development and undertakes contract research and manufacturing services (CRAMS) for innovator firms.

Your Company's API and formulation facilities at Alathur, Aurangabad and Irungattukottai have been approved by various regulatory agencies such as US FDA, UK MHRA, DMA and Australian TGA, among others, as applicable. Your Company's R&D infrastructure at Shozhanganallur has been accredited by the National GLP Authority of India, aligned to OECD Principles of Good Laboratory Practice.

Your Company and Mr. K. Raghavendra Rao, Chairman & Managing Director of the Company have entered into a Business Transfer Agreement dated August 29, 2012 (hereinafter referred to as the "BTA") with Hospira Healthcare India Private Limited (hereinafter referred to as "Hospira India"), a wholly owned subsidiary of Hospira, Inc. for sale and transfer of your Company's Penems (including Carbenem) and Penicillins API business comprising its Penem and Penicillin API Manufacturing Facilities located in Aurangabad, Maharashtra (which includes the Non-Penicillin, Non-Cephalosporin (NPNC) API manufacturing facilities) and the related process Research and Development infrastructure relating to, and including, the Penem and Penicillins Products which are developed / under development, situated at Old Mahabalipuram Road, Shozhanganallur, Chennai, Tamil Nadu together with their respective tangible and intangible assets along with all the employees associated therewith as well as assets of the said undertakings including all governmental authorizations, registrations, intellectual property, licences, permits, consents and approvals to the extent used in, or related to the said business, as well as assumed liabilities together with rights for operating the business (hereinafter referred to as the "Penem and Penicillin API Business") for a total consideration of US\$ 202.50 million payable subject to any adjustments and other terms and conditions as set out in the BTA. The employees dedicated to the Penem and Penicillin API Business and the associated research and development activities would move along with the business to Hospira India. It is proposed that the Company sells the Penem and Penicillin API Business as a going concern, on a slump sale basis. As part of the arrangement, Hospira India would acquire working capital, comprising a mix of accounts receivables, inventory and other current assets.

In addition to the BTA, your Company has a long-term supply agreement with Hospira India under which Hospira India would supply to your Company NPNC APIs. As the NPNC API facility is an integral part of the facility to be acquired by Hospira India, Hospira India has agreed to contract manufacture NPNC APIs for your Company. In addition, both parties would have a transition services agreement to render to each other certain transition services in the initial period to ensure smooth operational continuity wherever applicable.

The transaction envisaged in the BTA will help your Company de-lever the Balance Sheet and focus its attention on further strengthening and developing the retained businesses, which include the business of Cephalosporin and NPNC APIs, oral formulation products (cephalosporins and non-cephalosporins) business globally and generic injectable formulations business in India and certain CIS countries through toll manufacturing under certain conditions, drug discovery and development business and CRAMS for innovator firms.

The de-leveraging exercise will entail the Company to use the net sale proceeds of the transaction to repay a substantial portion of the rupee debt, thereby resulting in saving in interest cost. In addition, your Company will also have enhanced flexibility to grow the retained businesses and pursue new growth opportunities.

Post this transaction your Company has agreed not to compete with Hospira for a period of about 8 years (ending March 2020) in the Penems and Penicillins API Business (except in India, certain CIS countries through toll manufacturing under certain conditions). This will not impact your Company's ability to develop all the retained businesses and explore new growth opportunities.

The Board of Directors has considered the transaction envisaged in the BTA at their meeting held on August 22, 2012. The Board has considered the valuation offered by Hospira India for the Penicillin and Penem API business to be fair and competitive. The Board further authorised Mr. K. Raghavendra Rao, Chairman & Managing Director to discuss, negotiate, finalise and sign the BTA with Hospira India.

The Board, by its resolution dated August 22, 2012, has accordingly approved the sale of the Penem and Penicillin API Business as outlined above, subject to the approval of shareholders as well as regulatory and legal approvals, and also customary Closing conditions. The above transaction requires consent of the shareholders of the Company through postal ballot under Sections 293(1)(a) and 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011. Assuming all necessary approvals are secured, the transaction is expected to be completed in the third quarter of your Company's 2012-13 fiscal year, corresponding to the fourth quarter of calendar year 2012.

Your approval is sought by voting through postal ballot in terms of Section 192A of the Companies Act, 1956 read with the provisions of the Companies (Passing of Resolutions by Postal Ballot) Rules, 2011.

The Board of Directors is of the opinion that the sale of the Penem and Penicillin API Business as set out in the aforesaid resolution is in the best interests of the Company and hence recommends the resolution for your approval.

The list of assets and liabilities which will be transferred will be available for inspection at the Registered Office of the Company between 10.00 a.m. till 1.00 p.m. on all working days (except Saturdays, Sundays and Holidays), up to September 30, 2012.

As a Promoter and Chairman & Managing Director of the Company, Mr. K. Raghavendra Rao has undertaken not to compete in the Penem and Penicillin API Business for a period of 5 years from the date of the transfer of the Penem and Penicillin API Business, subject to certain terms and conditions and therefore, Mr. K. Raghavendra Rao may be deemed to be concerned or interested in the said resolution. None of the other Directors of the Company is deemed to be concerned or interested in the resolution as set out in the notice, except to the extent of their respective shareholding in the Company as would appear in the Register of Directors' Shareholding. None of the Directors have any concern or interest in Hospira India.

By Order of the Board

Place : Chennai  
Date : August 22, 2012

Bhoomijha Murali  
Sr. GM – Legal & Company Secretary