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NCLT approves okays Dhanuka Laboratories' resolution plan for Orchid Pharma

Creditors to get Rs 1,116 crore, which is lower than liquidation value

Gireesh Babu | Chennai June 25, 2019 Last Updated at 16:28 IST

The National Company Law Tribunal (NCLT), Chennai Bench, has approved the resolution plan of Dhanuka Laboratories for debt-ridden Orchid Pharma. The tribunal rejected the application filed by Accord Life Spec, another resolution applicant.

Creditors would get Rs 1,116 crore, including the Rs 570 crore quoted by Dhanuka as well as cash. The liquidation value of the company was Rs 1,300 crore. The earlier resolution plan by Inoen, which was approved by the NCLT in the first attempt, was for a total of Rs 1,450 crore.

The selection of a prospective plan by the committee of creditors (CoC) had met with trouble with

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one of the CoC members — Punjab National Bank (International) — sending an email seeking to change its e-voting to dissent before the voting period was over.

Dhanuka's reolution plan, which initially got 67.07 per cent votes against the regulatory requirement of 66 per cent, would have gone down to 65.53 per cent if the change was considered. It would thus fall short of the regulatory requirement.

Vipin Warrier, partner, IndiaLaw LLP appeared for the Resolution Professional, while Senior Counsel P H Aravind Pandian appeared for Accord Life Spec at the NCLT.

The NCLT bench, comprising B S V Prakash Kumar, member (juducial), and S Vijayaraghavan, member (technical), observed that while Punjab National Bank (International) has sent an email, it has not placed any grievance before the NCLT. Simply sending an email against the voting need not be taken into consideration, it added.

Around 1,400 employees are making their livelihood from the company, and if there is no solution, the immediate effect will be on the employees. Besides, if the company is revived and generates revenue, it will also be beneficial to the state, observed the Bench.

The application by Chennai-based Accord Life Spec, a pharmaceutical company, against the resolution professional (RP), considering the plan of Dhanuka, was dismissed by the Bench. The RP argued that while Dhanuka has placed material related to the source of funds and its expertise in the business of Orchid Pharma, Accord could not show the source of funds for the proposed plan.

Accord Life Spec, part of the Rs 1700 crore Accord group, which approached the NCLT against the RP's decision to submit Dhanuka's resolution plan, had said it is ready to revise its quote to Rs 615 crore if there is a favourable order from the NCLT.

This is the second attempt to find a successful resolution plan for the pharmaceutical manufacturer, as NCLT annulled the resolution plan of Ingen Capital after approving it for implementation earlier, as the investor allegedly failed to remit the upfront payment as per norms. Ingen Capital's resolution plan was approved by the NCLT on September 17, 2018, and Ingen was expected to deposit Rs 1,000 crore upfront to the financial creditors.

It, however, sought more information, which was not allowed by the RP.

In the second attempt, three pharmaceutical companies — Dhanuka Laboratories, Accord Life Spec and Covalent Laboratories — were in the fray.