Orchid Chemicals & Pharmaceuticals Ltd.

Corp. Off. 'Orchid Towers' 313, Valluvarkottam High Road, Nungambakkam, Chennai - 600 034. India. Tel : (91) - 44- 2821 1000 Fax : (91) - 44 - 2821 1002

August 29, 2012

The Manager
Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor, Plot No: C/1
G - Block, Bandra - Kurla Complex
Bandra (East), Mumbai - 400 051

Dear Sir,

We wish to inform that the Board at its meeting held on August 22, 2012 considered the proposed sale & transfer of its Penem (including carbapenems) and penicillins API business and facilities and the NPNC (Non-penicillin, Non-cephalosporin) API facility located in Aurangabad and the associated process R&D infrastructure in Chennai to Hospira Healthcare India Private Limited (Hospira).

The Board further authorised Shri K. Raghavendra Rao, Chairman & Managing Director to discuss, negotiate, finalise and sign the Business Transfer Agreement (BTA) with Hospira.

Subsequently, the BTA between Orchid and Hospira was signed today (ie) August 29, 2012.

This transaction is subject to Orchid's shareholders', regulatory and legal approvals, as well as customary closing conditions.

A copy of the press release issued by the Company on this subject today is enclosed for your reference and records.

Thanking you,

Yours faithfully,

Bhoomijha Murali
Sr. GM – Legal & Company Secretary

Encl.: a/a

Orchid Chemicals & Pharmaceuticals Ltd.

BSE: 524372 NSE: ORCHIDCHEM Bloomberg: ORCHPH Reuters: ORCH.BO

Media Release **Chennai, India – August 29, 2012**

Orchid Pharma enters into agreement to transfer its Penicillin & Penem API business & its API facilities in Aurangabad to Hospira for approximately US$ 200 million

Deal to help Orchid de-leverage its debt position and fund new growth plans

Chennai-based global pharma major, Orchid Chemicals & Pharmaceuticals (Orchid) today announced that it had entered into a **Business Transfer Agreement (BTA)** with **Hospira** 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 for a total **cash consideration** of approximately **US$ 200 million.**

This business transfer includes the related Penicillin and Penem product portfolio and pipeline. Approximately **830 employees** would be transferred to Hospira, as part of this business transfer.

As some of Orchid's API requirements for the Non-penicillin, Non-Penem, Non-cephalosporin (NPNC) business were supplied by the Aurangabad facility, Hospira will supply such NPNC API to Orchid through a long-term agreement that both companies have entered into. This agreement builds on the existing product development and commercialization relationship between Hospira and Orchid.

Orchid would continue to supply its Cephalosporin APIs to Hospira in accordance with the long-term supply contract.

This business transfer agreement also demonstrates Orchid's ability to build value in its chosen product domains and successfully monetize them to create value for the stakeholders.

The proceeds from this business transfer will be utilized for de-leveraging Orchid's debt position and also pave the entry for the company's foray into newer product verticals.

From the Chairman & Managing Director

"Orchid's business model has crossed many milestones over the years. With investments across the pharma value chain ranging from research to API & FDF

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manufacturing, we have harnessed key product opportunities and built a strong revenue base. Moving on, we would like to replicate this success by creating more niche product and therapeutic verticals which will continue to power our growth. This business transfer agreement with Hospira will help us fast-track our future growth while maintaining a healthy debt profile in our balance sheet. Given the current scenario, it is a prudent decision for Orchid to monetize these verticals and bring in cash to de-leverage its debt position and fund newer growth horizons," said Mr K Raghavendra Rao, Chairman & Managing Director, Orchid Chemicals & Pharmaceuticals Ltd.

Transaction Details

The transaction has been unanimously approved by Hospira's and Orchid's boards of directors. It is subject to Orchid's shareholders, regulatory and legal approvals, as well as customary closing conditions. Assuming all necessary approvals are secured, the transaction is expected to be completed in the third quarter of Orchid's 2012-13 fiscal year, corresponding to the fourth quarter of the calendar year 2012.

Advisors

Latham & Watkins LLP acted as the international legal advisor and Amarchand, Mangaldas & Co. acted as the Indian legal advisor to Orchid.

About Orchid Pharma

Orchid Chemicals & Pharmaceuticals Ltd. (Orchid Pharma) is a leading global pharmaceutical company headquartered in Chennai, India involved in the development, manufacture and marketing of diverse bulk actives, formulations and nutraceuticals. With exports spanning more than 75 countries, Orchid is a globally acclaimed pharmaceutical major with presence across the pharmaceutical value chain starting from drug discovery & development, to delivering high-value finished dosage forms.

Orchid's world-class manufacturing infrastructure is approved by several leading international regulatory agencies including the US FDA and UK MHRA.

Orchid has dedicated state-of-the-art GLP compliant R&D centres for API research, drug discovery and pharmaceutical research at Chennai. Orchid is listed on the National Stock Exchange (NSE), Bombay Stock Exchange (BSE) and the Madras Stock Exchange (MSE) in India.

Additional information is available at the company's website at www.orchidpharma.com

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Safe Harbour

This release may include forward-looking statements and information that involve risks, uncertainties and assumptions. Forward-looking statements are all statements that concern plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including, but not limited to, those that are identified by the use of words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects" and similar expressions. Risks and uncertainties that could affect us include, without limitation:

- General economic and business conditions in the markets we operate in;
- The ability to successfully implement our strategies, our research and development efforts, growth and expansion plans and technological changes;
- Changes in the value of the Rupee and other currency changes;
- Changes in the Indian and international interest rates;
- Changes in laws and regulations that apply to our customers, suppliers, and the pharmaceutical industry;
- Increasing competition in and the conditions of our customers, suppliers and the pharmaceutical industry

Should one or more of such risks and uncertainties materialize, or should any underlying assumption prove incorrect, actual outcomes may vary materially from those indicated in the applicable forward-looking statements. Any forward-looking statement or information contained in this presentation speaks only as of the date of the statement. We are not required to update any such statement or information to either reflect events or circumstances that occur after the date the statement or information is made or to account for unanticipated events.

For ORCHID CHEMICALS & PHARMACEUTICALS LTD.

Sr.GM - Legal & Company Secretary