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## High manpower costs, expanding price control forced Bafna deal

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The looming threat of price regulations and increasing manpower costs forced Bafna Pharmaceuticals to look for a partner to continue its India generics business, Chairman Mahaveer Chand Bafna told *Business Line*.

The company has sold its iron tablet Raricap and anti-infertility drugs to Bangalore-based Strides Arcolab in a ₹48-crore deal, with drawing from the Indian drugs market after being in business for a little over three years.

It will hold 26 per cent in the new special purpose vehicle, but the focus will shift to exports. The company ships cardiovascular, anti-diabetic, and anti-depressant drugs to 18 countries. Exports contributed to 85 per cent of total consolidated income of ₹185.3 crore in 2013-14.

Bafna Pharma, originally a purely export-oriented unit, had entered India by acquiring Raricap from Johnson & Johnson for ₹21 crore in April 2011. Since then, Raricap sales have gone up from ₹6 crore to ₹20.5 crore. "Personally I am sad. It had to be done to cut

debt, and was in the interest of stakeholders," said Bafna. The expansion of price control into non-scheduled drugs recently unsettled the company, which believed regulations will only get tougher in the future. "We had no idea how far the regulator might go in cutting prices, and we do not have deep pockets to absorb price cuts," said the Chairman.

With expanding domestic operations weighing on its balance sheet and break-even for Raricap still an elusive prospect, Bafna Pharma had to scout for a buyer. Its debt will be cut from ₹80 crore to ₹50 crore with this sale, and the remaining ₹18 crore will be invested in product development.

The company's 400 field staff will be transferred to Strides, relieving Bafna of manpower expenditure of ₹10-11 crore a year. The deal does not entail any asset transfer - Bafna's Chennai factory will be a contract manufacturer of Raricap for five years.

Chairman Bafna does not rule out a complete takeover by Strides in the coming years, but not without a "handsome" remuneration for his company.

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