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भारत सरकार

Business Standard, Delhi
Wednesday 18th June 2014, Page: 3
Width: 20.51 cms, Height: 12.97 cms, a4r, Ref: pmin.2014-06-18.36.24

Decks cleared for $218-mn Orchid Pharma-Hospira deal

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Chennai, 17 June

The debt recovery tribunal (DRT) here on Tuesday cleared the decks for Orchid Chemicals and Pharmaceuticals Ltd (Orchid Pharma) to transfer its penicillin and penem active pharmaceutical ingredient (API) business, along with a few facilities, to US-based Hospira, according to a $200-million deal announced in August, 2012.

On Tuesday, the DRT vacated a stay on a business transfer agreement between the two companies, issued about a year ago in favour of ING Vysya Bank, a lender to Orchid Pharma. During the hearing, ING Vysya Bank argued Orchid Pharma had to pay ₹44 crore, which the bank had given as working capital. Before implementing any agreement, ING the bank's accounts should be settled, it said.

It added it had opposed corporate debt restructuring (CDR) for the company, as it would get only a few crores if CDR was carried out. However, Orchid Pharma argued the CDR proposal was accepted by an empowered group on CDR.

According to the CDR proposal, the company's 22 lenders were to let go of ₹364 crore, mostly interest.

Recently, a dispute between the company and one of its largest shareholders, billionaire investor Cyrus Poonawalla and his group (including biotech firm Serum Institute), was heard by the Chennai bench of the Company Law Board (CLB). Poonawalla and his group, together holding 14 per cent stake in the company, alleged oppression and mismanagement in the affairs of Orchid Pharma. They also argued against the business transfer agreement. The CLB, however, refused to issue a stay on the implementation of Orchid Pharma's CDR programme.

The business transfer agreement between Orchid Pharma and Hospira (India) Pvt Ltd was signed in August, 2012. According to the deal, Hospira would buy Orchid Pharma's facility in Aurangabad, as well as affiliated facilities, for about $200 million (which was later increased to $218 million).

According to earlier reports, the CDR scheme for Orchid Pharma included sale of the company's penicillin and penem API business, along with its manufacturing facilities at Aurangabad, Maharashtra, and an associated research and development facility at Sholinganallur, Chennai, for ₹1,348 crore to Hospira. It also included repayment of ₹681 crore to lenders out of the sale proceeds, as well as restructuring the remaining debt of ₹2,866 crore. About ₹430 crore from the sale proceeds would be used to meet the company's working capital requirements.

The restructured debt, along with the loans, would have to be repaid through eight years starting April 2015, subject to regulatory approvals.

STRESS BUSTER

₹44 crore Amount that Orchid Pharma had to pay ING Vysya Bank, according to the bank

₹364 crore Amount the company's 22 lenders were to let go of, according to the CDR proposal

14% Share of stake that Poonawalla and his group hold in the company

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