

Sanofi was Frontrunner

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The pharma market grew 6.9% in November after three months of continuous fall.

"This acquisition strengthens our position in the women's healthcare and pain management business," said Sudhir Mehta, chairman, Torrent group.

Elder shares lost early gains and fell 8.17% to Rs 298.30 on BSE as investors worried about its future. The branded formulations unit contributes nearly 90% to Elder's turnover. Torrent shares fell as much as 4% to Rs 479.50 as investors feared the company had paid a high price and had taken on too much debt.

The deal was done at a valuation of three times the market capitalisation of Elder Pharma. Though Sanofi was the frontrunner to acquire the assets of Elder, the deal swung towards Torrent as it was ready to acquire the business along with its employees. "Acquiring employees was not acceptable to some multinationals. That is why the deal took time to consummate," said a person close to the transaction.

A number of Indian pharma companies have recently cashed out at a valuation of three to four times their annual sales. The most prominent example is that of Piramal Healthcare which sold its domestic formulations business to Abbott Labs for more than Rs 17,000 crore in May 2010. Strides Labs sold its injectibles business to Mylan for Rs 9,000 crore.

Elder has accumulated debt of Rs 1,300 crore after expanding operations through acquisitions. The company predominantly earns its revenues from the domestic market and the ongoing slowdown seems to have impacted its performance. The Mumbai-based company, promoted by Jagdish Saxena, began operations in 1987 largely by selling basic antibiotic products. Alok and Anuj Saxena, the two sons of the founder, now run the business, where Alok is the joint MD.

Company.