

Hospira takes rupee cover for Orchid

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US generic drug maker Hospira is hedging its pending acquisition of the active pharmaceutical ingredients (API) business of Orchid Chemicals & Pharmaceuticals against future currency fluctuations by entering into option contracts, with an aggregate notional value of ₹1,000 crore.

The move comes even as the closing of the business transaction, announced in August 2012, has been pending following financial issues in Orchid. Hospira is expecting the deal, at a revised purchase price of \$218 million, would be completed in the first half of 2014, said the company's annual report.

A spokesman said, "We do not provide financial details beyond what is provided in the 10K annual report."

The company has entered into foreign exchange option contracts with an aggregate notional value of ₹750 crore, at a net premium of \$1.6 million, payable at inception. In January, it entered into another foreign currency exchange option contract to hedge the pending Orchid acquisition, with an aggregate notional value of ₹250 crore and a net premium of \$300,000, payable at inception.

"These transactions have been entered into to mitigate a portion of the exposure resulting from movements of the dollar against the rupee in connection with the future anticipated purchase price," said the annual report.

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