

Breather for Orchid as CLB refuses to stay debt recast

To go ahead with Hospira India deal

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In a breather to Orchid Chemicals & Pharmaceuticals, the Company Law Board has dismissed an application filed by Serum Institute of India, seeking an interim injunction on Orchid's debt recast and a business transfer deal with Hospira India.

Raghavendra Rao, Managing Director of Orchid, confirmed that the Chennai Bench of the CLB had on Monday dismissed the application. "This will allow us to continue with the debt restructuring and our deal to sell off the API business to Hospira," Rao told *Business Line*.

The petitioners, Cyrus Poonawalla-backed Serum and associate firms, hold 14.19 per cent in Orchid. They had earlier approached the CLB seeking the an injunction



Raghavendra Rao, MD,
Orchid Chemicals

on the restructuring and the deal with Hospira till an independent firm of auditors checks the balance sheets of Orchid for mismanagement. However, the CLB dismissed their petition, following which the case was taken to the Madras High Court. The court asked the CLB to consider the matter afresh and dispose the interlocutory application.

Orchid's financial trouble started after investors redeemed for-

eign convertible currency bonds in February 2012, triggering a working capital crunch. This, coupled with high debt, forced Orchid to sell its active pharmaceutical ingredients (API) businesses to Hospira for ₹1,348 crore, but the deal got included in the debt recast, which was cleared this March. A portion of the proceeds, ₹430 crore, will be used for working capital, while ₹681 crore will go towards paring its ₹3,547-crore debt.

With the Alathur plant's pollution issues sorted out, it is gearing up for full capacity. This will help the company further narrow down losses in the coming fiscal, said Rao.

TK Bhaskar, a member of the legal counsel for Orchid Chemicals, said the board has asked for detailed statements from both parties. The law board, on July 22, will deliver the order on an original company petition questioning the valuation of the API business in its deal with Hospira.

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