

American drug firm Mylan in talks for a juicy piece of SMS Pharma

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New Delhi, Sept 13: Mylan, the second-largest US generic drug firm with annual sales of over \$6 billion, is in late-stage talks with the Hyderabad-based SMS Pharma to acquire a part of its business. Sources said the US giant is keen on SMS units manufacturing lucrative cancer therapy drugs—both raw materials and finished drugs—and others.

"The two companies are in the final stages of negotiations and a deal may be finalised shortly. The part of the business Mylan proposes to buy from SMS Pharma is one of the most advanced oncology facilities in the country, providing almost end-to-end solutions in cancer therapies. Some of them manufacture active pharmaceutical ingredients (APIs) while a part also deals with finished formulations including a range of injectables," a banker told *FE*. The banker said though there was no final agreement on price yet, a deal could be in the range of ₹160-200 crore.

The SMS Pharma scrip closed at ₹200 on the Bombay Stock Exchange on Wednesday, up ₹2.40 or 1.21%.

Before announcing the deal, SMS is expected to restructure its businesses, spinning off seven to eight business units under consideration for sale.

A top executive in a Hyderabad-based drug company said the plants in question were a tempting proposition for at least two other leading domestic firms that were chasing a similar deal, but the premium that Mylan was ready to pay has made it the likely winner.

A Mylan spokesperson said the company has a poli-



BITE SIZE

Acquiring company	Target company	Year	Nature of transaction	Deal value ₹ crore
Mylan Inc, US	Matrix Labs	2006	51.0%	3,238
Daiichi Sankyo Japan	Ranbaxy Labs	2008	64.0%	22,000
Freseus Kabr AG, Germany	Dabur Pharma	2008	73.0%	872
Sanofi Aventis France	Shantha Biotech	2009	80.0%	3,000
Hospira US	Orchid Chem	2009	Injectable business	1,860
Reckitt Benckiser UK	Paras Pharma	2010	100	3,260
Abbott, US	Piramal Health	2010	100	17,000

cy not to comment on "rumours and market speculation of this nature".

SMS Pharma promoter Ramesh Babu did not answer an email query on Wednesday and his Hyderabad office said he was not in the office. Babu, who is also SMS chairman and managing director, was formerly with Dr Reddy's.

Late last month, Chennai-based Orchid Chemicals and Pharmaceuticals had said it would sell various assets including its API business and an R&D facility to the US-based injectables giant Hos-

pira for \$200 million (₹1,112 crore).

After several big-ticket acquisitions of domestic firms by MNC pharma firms since 2006, a period of relative passivity set in, prompting the government to review the policy on foreign investment in the sector.

The review also stemmed from fears that access and availability of drugs may be threatened once control over manufacturing units passed on to foreign hands.

For Mylan, the latest buy could become its second major Indian acquisition after it

bought Hyderabad-based Matrix Labs for \$736 million (₹ 3,424 crore at the time) in 2006. The top management has clearly indicated that the US firm aims to boost operations in India, work towards building its brand equity in five years and eventually scale up presence with a hope to break into the top 10 pharma firms in India.

Last year, it re-branded Matrix Labs as Mylan. Earlier this year, it began commercialising 18 HIV drugs in India, a therapy in which Matrix has a strong foothold.

SMS Pharma recorded ₹226-250 crore revenues in 2011 and 2012. The firm covers gastro-enterological, anti-retroviral, anti-migraine, anti-fungal and anti-cancer segments among other verticals. Two of its manufacturing facilities, (in Hyderabad and Vijayanagar districts) are qualified by US Food and Drug Administration, according to a company report. It also claims to be the largest manufacturer of anti-ulcer products in world.

Among the pharma deals in recent past, Piramal Healthcare's acquisition by US-based Abbott and Ranbaxy Labs acquisition by Japan's Daiichi Sankyo led the pack in terms of size of the deals. Many other buys such as Matrix Lab by US-based Mylan Inc, Dabur Pharma by Singapore's Fresenius, Shantha Biotech by France's Sanofi Aventis, Orchid Chemicals by US-based Hospira followed the government decision taken in 2002 to allow 100% FDI in pharma sector under automatic route. However, under the current interim policy, Mylan may have to take a FIPB clearance for this deal if it is finalized.

Industry