Aurobindo ends $900-million Sandoz product acquisition deal

The transaction would have helped Aurobindo to double its US revenues on a consolidated basis, surpassing $2 billion

B DASARATH REDDY
Hyderabad, 2 April

Indian drug major Aurobindo Pharma on Thursday announced the termination of a $900-million buyout agreement it had entered into with Sandoz for its US generic oral solids and dermatology businesses in September 2018.

A mutual decision to terminate the agreement was taken as the approval for the transaction from the US Federal Trade Commission was not obtained within the anticipated timeline, Aurobindo said in a filing.

Though the wait for the nod to conclude the transaction was extended multiple timelines in the past 19 months, Thursday's announcement came as a surprise, because the Aurobindo leadership had as recently as the first week of February said they were about to get the approvals in a month or two.

The transaction would have not only have been the biggest among Aurobindo's acquisitions, but would have helped it more than double its US revenues on a consolidated basis, surpassing $2 billion.

Focused on further expanding its US business, Aurobindo had entered into a deal to buy Sandoz's dermatology business and a portfolio of oral solids comprising 70 per cent of products on offer for divestment by Novartis AG's subsidiary.

The proposed deal also included three manufacturing facilities in the US, and 100 per cent share-holding in Sandoz's subsidiary Eon Labs, besides 300 products among several authorised generics, in-licensing products and branded dermatology products.

Talking to analysts on February 7, Aurobindo Chairman P V Ram Prasad Reddy said they were hoping to receive approval that month, while Managing Director N Govindarajan explained that the approval would not stretch beyond March, as it was in the final leg. The firm was preparing to present the consolidated financials from April 1.

With the deal falling through, Aurobindo will lose the opportunity of immediately becoming the second largest generics player in the US, though its aim to become debt-free could be achieved quicker as the transaction was to be funded through debt.

Aurobindo had reported ₹16,993 crore in consolidated revenues for the nine months ending December 2019, about half of it generated from the US.

Zydus Cadila gets final nod from USFDA to market seizures drug

Drug firm Zydus Cadila on Thursday said it had received final approval from the US health regulator to market generic Lamotrigine extended-release tablets, used to treat certain types of seizures. The company has received final approval from the United States Food and Drug Administration (USFDA) to market Lamotrigine extended-release tablets USP, Zydus Cadila said. The product will be manufactured at the group's facility at special economic zone in Ahmedabad, it added. PTI

SP group flagship firm averts crisis

Pays ₹3,000 crore dues to lenders

DEV CHATTERJEE
Mumbai, 2 April

Shapoorji Pallonji & Co, the flagship firm of the Pallonji Mistry group, has crossed an important financial milestone by repaying/refinancing ₹3,000 crore of bank dues as on March 31.

The dues were paid without pledging the group's 18.5 per cent stake in Tata Sons, said a source close to the development. A private equity (PE) source said though the SP group wanted to offer Tata Sons shares as pledge, they were hesitant to take these shares as pledge because there could be potential litigation by the Tatas and lack of liquidity in the private limited firm's shares. The PEs are also worried that the Tata group will invoke the right of first refusal and will not transfer at a later date, if need be, said a PE source. In order to make sure the flagship firm repays its loans, the company promoters, the Mistry family, infused ₹870 crore into the company in the second half of FY20.

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A source in SP group said the promoters had infused over ₹2,500 crore over the past 18 months and there is a strong interest among global banks and institutions to lend against Tata Sons shares. The fund infusion in the flagship company includes ₹1,900 crore from the proceeds of the Sterling & Wilson Solar's initial public offering. "All our existing bankers have been supportive to us," said a SP group official.

The official said the group, on a consolidated level, had a strong order book in excess of ₹1.2 trillion as of March 2020 with multi-year revenue visibility. As of September last year, the flagship company SPCPL alone had an order book stood of ₹37,813 crore.

The company also assured lenders that it would sell its land bank and solar, road and overseas assets to reduce its debt in the coming quarters. The group also has made investments in the real estate, electrical contracting, water purification, infrastructure development via JVs. Some of these investments will be monetised by way of stake sale of fresh PE investments in these companies.

As on September 30, 2019, the total external debt of the flagship firm on standalone basis stood was ₹9,019 crore, which reduced the overall gearing ratio of Shapoorji Pallonji & Co below 2.5 times as on March 31, 2020. The firm also reduced its financial guarantees to ₹2,428 crore as of September last year from ₹2,943 crore as on March 31, 2019. This does not include debt covered in form of letter of comfort given by Shapoorji Pallonji & Co to its various subsidiaries/ associates/JVs and the principle outstanding, according to a statement by Care Ratings.

Reliance to raise ₹25,000 crore through NCDs

AMRITHA PILLAY
Mumbai, 2 April

Reliance Industries (RIL) said on Thursday the company's board had approved the proposal to raise ₹25,000 crore through non-convertible debentures (NCDs) in multiple tranches.

"The board of directors, at its meeting held on Thursday, has approved the proposal for raising of funds through issuance of NCDs up to ₹25,000 crore in tranches from time to time, on a private placement basis," RIL said in a statement to BSE.

While the company did not disclose the purpose for the fundraising, the management earlier guided the company's capex cycle will slow down going forward. For the quarter ended December 2019, RIL turned free cash flow positive.

In August 2019, group chairman and managing director Mukesh Ambani told shareholders that the company will be a zero net debt company before March 2021.

As part of the debt-reduction plan, RIL also plans to find global partners for its retail and telecom businesses and unlock value in real estate and financial investments. The company looks to sell 20 per cent stake in its oil to chemicals division to Saudi Aramco for around $15 billion. The plan also includes monetising its telecom tower and fibre assets through the infrastructure investment trust (InvIT) model.