

Mylan, two Indian companies line up to buy Bafna Pharmaceuticals

By [Maulik Vyas](#), ET Bureau | 26 Nov, 2013, 04.00AM IST

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MUMBAI: US-based generic drug maker [Mylan](#) and two Indian pharma companies are in the race to acquire Chennai-based Bafna Pharmaceuticals, which makes haemoglobin drug 'Raricap' among other products, said two people privy to the transaction.

Founded in 1981, Bafna Pharmaceutical, which makes indictable, generic drugs and haemoglobin drug 'Raricap', is in talk where promoters are intending to divest their stake from the company. "The talks are primarily for a slump sale in nature," said one of the person, who is directly involved into the talk.

"The due-diligence is over and the transaction is in its final stages as the promoters are negotiating on price." On the Bombay Stock Exchange, the market value of Bafna Pharmaceuticals was pegged at Rs 56 crore but the asking price is several times that, a source said.

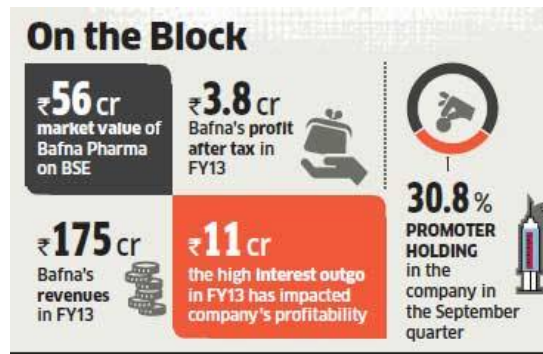
"The company owns a good brand along with US and EU certified manufacturing facilities in India. This makes it an attractive investment," said one of the persons, with direct knowledge on the deal.



Deal size likely to be around 1.7% of the company's annual revenue; sale to help Chennai-based drug maker get rid of its Rs 100-crore debt.

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ET could not independently confirm the valuation of the deal. Mylan and its Indian subsidiary did not respond to queries mailed by ET.



According to person involved in the deal, company's trophy brand 'Raricap' in 2011 was acquired from Johnson & Johnson. The drug is anti-anemia brand, popular globally for over four decade.

The ticket size of the deal would be around 1.7% of its current annual sale. Currently, [Bafna Pharma](#) has two manufacturing units in Chennai and company's substantial revenue comes from export to Sri Lanka, Africa and the UK. When contacted, company's chairman Mahavirchand Bafna declined to comment on specific queries.

Although Bafna's revenues have grown by 75% from FY11-FY13 to Rs 175 crore, its profit after tax have remained almost flat at Rs 3.8 crore in FY13. Currently, the high interest outgo of Rs 11 crore has impacted company's profitability.

"There continues to be interest in Indian pharmaceutical sector because of domestic growth as well as export capability," says [Mehul Savla](#) of boutique investment bank [RippleWave Equity](#). "We will see more such activities in future, specially where companies have good export facilities."

At the end of first half of FY14, the company's total debt stood at Rs 100 crore, 75% of it was short-term borrowing, part of which is due in the over the next few months.

The sale would help the company get rid of this debt. In the last six months, promoter holding has also come down sharply from 37.4% in the March 2013 quarter to 35% in of June quarter to only 30.8% in the September quarter.

If Mylan completes the transaction, this will be the second acquisition by the US company in India after it had completed \$760-million acquisition of vaccine and injectable-drug unit of Strides Arcolab in current year.

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