

Orchid sells penicillin business to Hospira

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Bangalore: Chennai-based global pharma major Orchid Chemicals & Pharmaceuticals has entered into an agreement with US firm Hospira for the sale and transfer of Orchid's penicillin and penem API business and the API facility located in Aurangabad, Maharashtra. It will also sell its associated process R&D infrastructure located in Chennai. The agreement involves a total cash consideration of approximately \$200 million.

The business transfer includes the related penicillin and penem product portfolio and pipeline. Approximately 830 employees would be transferred to Hospira, as part of this business transfer.

As some of Orchid's API requirements for the non-penicillin, non-penem, non-cephalosporin (NPNC) business were supplied by the Aurangabad facility, Hospira will supply such NPNC API to Orchid under a long-term agreement between the two companies. This agreement builds on the existing product development and commercialization relationship between Hospira and Orchid.

Orchid would continue to supply its Cephalosporin APIs to Hospira in accordance with the long-term supply contract. The proceeds from this business transfer will be utilized for de-leveraging Orchid's debt position and pave the entry for the company's foray into newer product verticals.

"Orchid's business model has crossed many milestones over the years. With investments across the pharma value chain ranging from research to API & FDF manufacturing, we have harnessed key product opportunities and built a strong revenue base. Moving on, we would like to replicate this success by creating more niche product and therapeutic verticals which will continue to power our growth. This business transfer agreement with Hospira will help us fast-track our future growth while maintaining a healthy debt profile in our balance sheet. Given the current scenario, it is a prudent decision for Orchid to monetize these verticals and bring in cash to de-leverage its debt position and fund newer growth horizons," said Mr K Raghavendra Rao, chairman & managing director, Orchid Chemicals & Pharmaceuticals. The transaction has been unanimously approved by the boards of directors of the two companies. It is subject to Orchid's shareholders, regulatory and legal approvals, as well as customary closing conditions. The transaction is expected to be completed in the third quarter of Orchid's 2012-13 fiscal year.

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