

MINT, Delhi

Friday 11th September 2015, Page: 9

Width: 24.40 cms, Height: 15.60 cms, a4r, Ref: pmin.2015-09-11.35.32

FIRE-SALE

# Elder Pharma to sell assets to clear debt

The company is also in discussions with a domestic NBFC to take over its NCDs in return for collateral

BY REGHU BALAKRISHNAN & JOEL REBELLO

MUMBAI

Debt-ridden Elder Pharmaceuticals Ltd may sell its factories in Maharashtra and Uttarakhand, as well as some real estate, to raise money and repay creditors, two people involved in the negotiations said.

The drug maker is facing a "severe financial crunch," it said in a statement to the stock exchanges on 5 September. Several executives have quit the firm and its audited financial results for the three months ended 30 June will be delayed, Elder Pharmaceuticals said.

The firm posted a loss of ₹46 crore in the March quarter, compared with a loss of ₹74 crore in the year-ago period. It had a debt of ₹848 crore on June 2014, the most recent data available, down from the ₹1,344 crore

reported in June 2013, *Bloomberg* data show. It is this debt that has prompted the fire sale.

"It has two factories in Maharashtra and near Dehradun, which may be worth some ₹100-150 crore, but that will take some time because they have to find a buyer which has a similar business model and needs those factories," said one of the people cited earlier. Both the people declined to be named.

Elder's plant at Patalganga in Maharashtra makes active pharmaceutical ingredients (APIs) and has accreditation from Japan's health regulator. The factory is engaged with contract research and manufacturing for US and European clients.

Elder's Langa Road facility in Dehradun, which started commercial production in March 2010, produces tablets.

The company is also looking to sell some real estate owned by the promoter, said the second person cited earlier.

Besides selling assets, Elder is also in discussions with a domestic financial institution that will take over Elder's non-convertible debentures (NCDs) in return for collateral, said the first person.

Repeated calls and emails addressed to managing director and chief executive officer Alok Saxena did not respond to repeated phone calls and emails.

Elder has defaulted on repayments of over ₹250 crore in fixed deposits and NCDs. Current negotiations are focused on finding a way to make good on these payments, according to the two people cited earlier.

"A non-banking finance company is in negotiations with the company for a loan to tide over the immediate crisis," said the second person, who is in touch with the company, adding that the firm has managed to pare its debt marginally after an asset sale in 2013.

The firm raised ₹2,004 crore by selling its branded domestic formulations business in India and Nepal to Torrent Pharmaceuticals Ltd in December 2013.

It used this money to pare a part of its debt.

Elder, which makes anti-infectives, multivitamins and cardiovascular medicines, started to face trouble after debt-financed overseas acquisitions did not work out as planned.

"This company suffered

because they took debt for overseas expansions but their sales have not picked up for the last two years, which has impacted their profitability. Their execution strategy has suffered. They still have some patents and brands like Shellcal and a

Elder has defaulted on repayments of over ₹250 cr in FDs and NCDs. Talks are focused on finding a way to make good on these payments

contract with Torrent Pharma," said the first person cited earlier.

In 2007, Elder acquired a controlling stake in Bulgaria-based Biomedica group for €5 million (around ₹28 crore then) in an all-cash deal. In 2010, Elder acquired NeutraHealth, a UK-based supplier of vitamins and supplements, for about £12.2

million (around \$19.1 million then) in cash.

The company's stated financial statements are not easy to understand, an expert said.

It is strange that the company is still struggling to repay its debt, said J.N. Gupta, managing director of corporate governance advisory SES Governance.

"The company had total liabilities of ₹1,538 crore (including long-term and short-term provisions, etc.) and net worth of ₹753 crore by June 2014. Normally, an inflow of ₹2,004 crore would be sufficient to pay off every single rupee. However, the company has written off ₹1,354 crore of advances and sundry debtors, which is strange, since in the 2013 annual report, such advances were not there. Notes to account says advances written off includes advances made during the year. This is surprising, how can one write off advances made during the year?" asked Gupta.

A forensic audit may provide more clarity, he said.

On Thursday, Elder Pharmaceuticals closed down 2.78% at ₹84 on BSE. In the past six months, Elder has fallen 23.08%.

reghu.h@livemint.com

Company