

Strides says evaluating Mylan's claims on USFDA rule breach

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Pharma major Strides Shasun Ltd has doubled its outlay for potential compensation of \$200 million (₹1,300 crore) after US Pharma major Mylan, which bought the Indian firm's unit Agila Specialities in 2013, raised red flags over regulatory concerns over its factories and the deal agreement.

Strides also said it is evaluating each claim made by Mylan. Mylan bought Agila Specialities, a drug firm with factories in Karnataka, for \$1.75 billion in 2013.

This is one of the major pharmaceutical deals in the country. Strides says the money was deposited in December 2013.

In August, the US Food and Drug Administration (USFDA) had warned Mylan of not complying with cur-

rent good manufacturing practice (CGMP) in three factories, including two that it bought from Strides.

Strides, earlier known as Strides Arcolab, had initially deposited \$100 million for potential damages in an escrow account, which it has increased to \$200 million.

It accounts for provisions for potential claims under the sales and purchase agreements in relation to certain regulatory concerns, Badree Komandur, chief financial officer and company secretary, said in a notification to the BSE on Tuesday.

"The company believes it can successfully defend these claims and is in the process of evaluating each claim notified by Mylan," Komandur said, adding that claims, if honoured, would not exceed the amount that has been provisioned. Strides did not disclose the

charges. Strides stock on the BSE closed 0.03 per cent or ₹0.35 up at ₹1,278.35 on trading on Tuesday.

The USFDA in August had questioned Mylan's corporate quality system to achieve compliance of CGMP on these facilities that had recurrent violations such as not following written procedures that are designed to prevent microbiological contamination of drug products that need to be sterile.

"If there is a liability, it will be around 10 per cent of the total deal value. The shareholders would have an impact of that amount," said Shriram Subramanian, founder and managing director of InGovern Research Services. "Strides got a high premium for the Agila deal."

Mylan had valued the deal at \$1.65 billion, holding \$100 million for potential fines by regulators.

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