



PHARMACEUTICALS EXPORT PROMOTION COUNCIL

(Set up by Ministry of Commerce, Govt. of India)

COPY

Date : 03-06-2010

News / Story reproduced with thanks:- [Hindu Business line](#)

Sun Pharma rejects US firm's offer on Taro *Guggenheim deal would have doubled Sun's initial investment.*

Direct link to the News/Story:-

<http://www.thehindubusinessline.com/2010/06/03/stories/2010060353750100.htm>

The story so far

- Sun Pharmaceutical's \$454-million proposal for Israel's Taro Pharmaceuticals made in May 2007
- Sun's offer price was \$7.75 per share
- Taro terminates deal in May 2008
- New York-based investment banking firm Guggenheim Securities offers to buy out Sun equity in Taro for \$15 per share in May 2010
- Sun holds 36 percent equity in Taro, and has invested \$110 million

Three years after Sun Pharmaceutical made its \$454-million proposal to acquire Israeli drug-maker Taro Pharmaceuticals it finds itself in an intriguing situation, having rejected a third-party offer to buy out its stake in Taro for a higher price.

In a letter to the Sun Pharma Chairman, Mr Dilip Shanghvi, on May 27, New York-based investment banking firm Guggenheim Securities offered to buy out Sun's stake in Taro at \$15 a share, on behalf of its clients, Taro said in its filing to the US Securities and Exchange Commission.

The estimated \$215-million offer would have allowed Sun “to monetize an illiquid, minority position, while realising a profit of over \$140 million — more than double the size of its initial investment,” the letter to Mr Shanghvi said.

Rejects offer

Sun Pharma holds 36 per cent equity in Taro, with \$110 million invested in it. However, Taro's board has, in the past, said that Sun's offer price for Taro shares at \$7.75 per share was “woefully inadequate.”

Hours after the Guggenheim letter, though, Sun responded saying it was not interested in pursuing the latest offer, Taro said. In its response, Sun Pharma's Whole-Time Director, Mr Sailesh Desai, said, “Our goal is to acquire control of Taro, as we are entitled to under the agreements that we signed. Therefore, we have to reject your offer.”

Intrigue

Sun Pharma and Taro have been locked in a cross-country legal battle, ever since Taro unilaterally terminated the agreement between them, a year after it was formalised in May 2007. And price has been the bone of contention.

If Sun accepts Guggenheim's offer price — at a 7.2 per cent premium to the closing price of Taro's shares as of June 1, 2010 – it would seem that Sun's management are interested in Taro just for profit. And if Sun rejects the offer, it would seem that Sun sees value in Taro, but was unwilling to pay the right price for it, an

industry representative observed.

In the past, Sun smoothened unruffled feathers when it bought out disgruntled minority shareholder Brandes for \$10.25 a share in 2008. Significantly, in a dramatic U-turn last December, global asset management firm Templeton switched sides and cast its lot with the Sun management, concerned with Taro's financial health and efforts to distance its promoters from the accounts.

With mediation and alternative attempts seeming to drawing a nought, the companies now await a decision from the Israeli Supreme Court, related to an on-going case between them.