

Bilcare completes Rs 607-cr acquisition of INEOS unit

MUMBAI: Indian pharmaceutical product packaging company Bilcare has completed a Rs607-crore acquisition of the plastic film-making unit of petrochemical company INEOS, the company's chairman said. The acquisition will give Bilcare access to clients like Pfizer, Novartis and Johnson & Johnson that have had preferred relations with the Switzerland-headquartered acquired entity, Mohan Bhandari, chairman, told ET. The operating margin of INEOS' plastic film making division is merely 7.5% on revenue of about Rs1,458 crore in the year 2009. "We should be able to bring that up to the company's average," said Mr Bhandari.

Analysts said with the increasing emphasis on generic and low-cost pharmaceutical products in developed countries, a squeeze on operating margins of packaging companies is imminent. "Perhaps Bilcare will be able to repatriate some of the manufacturing to India, save costs and hence manage margins that its global peers won't be able to match," an analyst with a domestic brokerage had said when Bilcare first announced plans to acquire the company.

However, Mr Bhandari said the increase in margin will not be from manufacturing at low cost centres. Instead, the ability to cross-sell existing Bilcare products and packaging solutions to the INEOS customers would account for this. Bilcare has, so far, struggled to enter European and US markets. He said Bilcare has 140 patented solutions to address regulatory compliance and cost of handling requirements of pharma companies. "A pharma product has a shelf life of three-four years. During this time, packaging is critical to retain the potency and safety of the medicine," Mr Bhandari said.

After the acquisition, Bilcare will have annual revenue of about Rs2,500 crore, with the India business growing between 25 and 30%. Bilcare's shares ended 3% up at Rs555.40 on Wednesday. Mr Bhandari said this is an all-cash deal that will be one-third funded by the company's internal accruals and the rest raised in the form of bank loans. INEOS Films is a producer of polymer films for pharmaceutical blister packaging, printing and decoration, shrink film for sleeves, capsules, and plastic credit cards. The company employs around 1,300 people across manufacturing sites in Germany, Italy, India and North America.

Source: <http://economictimes.indiatimes.com/news/news-by-industry/indl-goods/-/svs/packaging/Bilcare-completes-Rs-607-cr-acquisition-of-INEOS-unit/articleshow/6477359.cms>