

## M&A Lab

April 07, 2009

### SUN PHARMA - TARO PHARMA DEAL DISSECTION

What kicked off as a friendly outbound acquisition by an Indian company is now being fought as a battle in the court room. This is one battle which has shaken the two top pharma corporates of the world and has taken them through a roller coaster ride. One of India's leading drug maker Sun Pharmaceutical Industries Limited ("**Sun India**") would have expanded its base to include another giant drug making company of Israel i.e. Taro Pharmaceutical Industries Limited ("**Taro Israel**") by way of a reverse triangular merger. Strikingly, what was supposed to be the second largest outbound acquisition by an Indian company in the pharma space is now into disputed waters.

Sun India intended to acquire Taro Israel with the vision to increase its portfolio, strengthen its position in USA and get an entry into the European markets. The parties executed a series of agreements to accord their understanding of the merger and also provided for a back-up arrangement to counter the situation if the merger fails.

However, Taro Israel witnessed a financial turnaround converting it from a company in losses to a profit yielding enterprise which as Sun India contends may be because of its injection of suitable amount of funding into Taro Israel by releasing Taro Israel from its debt. This financial turnaround raised the expectations of Taro Israel claiming that Sun India's offer was unjust and did not reflect the real worth of the company.

It would be interesting to understand the factors attributable to the said behavior of the parties. This M&A Lab dissects the commercial, legal, regulatory and tax aspects with respect to India, Israel, Hungary and U.S.A. For the sake of convenience and better understanding, this M&A Lab is divided into 2 parts – (Part A) Pre termination of Merger Agreements; and (Part B) Post termination of Merger Agreements.

**For a detailed analysis of the commercial, legal, regulatory & tax considerations, [please click here for the document](#).**

As you would be aware, we have been providing regular information on latest legal developments. M&A Lab is our latest initiative to provide you in depth and knowledge based analysis of latest M&A deals. We will be happy to have your views / comments on our initiative. Please read the disclaimer carefully.

– Abir Roy, Sambhav Ranka & Nishchal Joshipura  
You can direct your queries or comments to Team M&A

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