



## Team

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Brocair Partners, founded in 2004, is a financial advisor to businesses serving the healthcare, wellness, and pharmaceutical industries. We provide mergers & acquisitions, corporate finance, and strategic advisory services to companies worldwide.

Brocair Partners clears securities transactions through Billow Butler & Company, LLC, member FINRA.

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## Buy-Side M&A for Indian Publicly-Traded Company

### Plethico Pharmaceuticals Ltd.

December 2007

M&A Buy-Side Advisory

### Our Client

Plethico Pharmaceuticals Ltd., trading on the Bombay Stock Exchange under the symbol "532739".

### Industry/Sector

Healthcare: Nutritional Ingredients / Generic Pharmaceuticals / OTC Pharmaceuticals

### Business Description

Plethico Pharmaceuticals Limited, founded in 1963, manufactures, markets, and distributes pharmaceutical and allied healthcare products, with a focus on the nutraceutical and herbal segments in India and internationally. The company offers herbal healthcare products for treating lifestyle-related disorders, such as diabetes, cholesterol, sleep disorders, digestive disorders, and pain management; and a range of consumer healthcare products and nutraceuticals, including sports nutrition, confectionery, over-the-counter pharmaceuticals, and herbal supplements, as well as oral hygiene, foot care, digestive care, and cough and cold treatment products. It also provides pharmaceutical formulations for anti-malarial,

anti-tubercular, anti-infective, pain, cardiac, gastro, and cough and cold treatment; and hospital consumables, disposables, sutures and diagnostic kits, and veterinary products. The company offers its products under Travisil, Mountain Herbz, Coach's Formula, Effertabs, Fastorik, Relievo, and Therasil brand names. In addition, it provides dietary supplements under the Laci Le Beau teas, Nu Hair, Shen Min, Promensil, and Trinovin brand names. At time of the transaction, Plethico's approximate enterprise value was INR 15.6 billion (approximately \$400 million).

### Transaction

Brocair Partners, in conjunction with its exclusive Indian partner, Singhi Advisors, advised Plethico

Pharmaceuticals on a buy-side process that culminated in Plethico's acquisition of a 100% stake in Nasdaq-listed, nutritional products manufacturer, Natrol, Inc. (former symbol "NTOL"), for \$100 million.

Brocair worked with the Chairman, CEO and CFO of Plethico to refine the strategy for the company's entry into the North American and European markets, which required a manufacturing base in those regions. Brocair then prepared a list of suitable target companies that would give Plethico the scale and expertise they were seeking.

Brocair then made contact with the short listed businesses, and organized meetings between the target companies and Plethico's management team in the U.S. After an initial discussion, Management decided to enter into negotiations with Natrol, Inc., a company headquartered in Southern California. Natrol had a portfolio of health and wellness brands that included nutritional supplements, functional herbal teas and sports nutrition products. The company also manufactured supplements for its own brands and on behalf of third parties. Natrol distributed products in the U.S. and internationally in over 40 other countries through distribution partners and subsidiaries in the United Kingdom and Hong Kong.

Brocair advised Plethico management and participated in negotiations with Natrol, and oversaw on-site due diligence activities at the target, ensuring that all teams—legal, accounting, and operations—were positioned to close during the complex tender offer period.

The two-step acquisition was effected by means of a front-end, cash tender offer by a wholly owned subsidiary of Plethico Pharmaceuticals for all of the outstanding shares of Natrol's common stock, at \$4.40 net per share in cash. This was followed by

a second-step, cash-out merger in which untendered Natrol shares were acquired at the same net cash price per share. All Natrol option holders received cash equal to the excess, if any, of \$4.40 over their exercise price.

### **Notable Aspects**

This cross-border transaction involved the cooperation of deal teams in both New York and Mumbai, and overcame both cultural differences as well as the credit market hiccups that were beginning to occur in the summer of 2007. The day after the announcement of the acquisition, Plethico's share price rose by 5.4%, adding approximately INR 860 million (\$22 million) to the company's market capitalization—an endorsement of the transaction by the financial markets.

### **What Difference Did We Make?**

Brocair Partners brought its industry knowledge to bear in its effort to identify attractive, strategic acquisition targets, and to qualify these candidates prior to organizing initial meetings by Plethico management. By cultivating close relationships both with the Mumbai-based senior management team of Plethico and with the Australian-born, Southern California-based, CEO of Natrol, Brocair was able to help both parties navigate potentially challenging cultural issues and differing business philosophies, and kept both parties engaged in negotiations. Brocair also played a key role in facilitating Plethico's due diligence efforts, which involved operational, legal, and accounting issues that often needed interpretation and explanation in order to be clearly understood by the Plethico's internal team, which had limited experience with the U.S. market.