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Dr Reddy's to buy IP rights of Alchemia's Fondaparinux

28 September 2015 | News | By BioSpectrum Bureau

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Alchemia, an Australian drug discovery and development company, has announced that it has entered into a binding term sheet for the sale of the worldwide exclusive intellectual property rights to fondaparinux sodium, its generic anti-coagulant drug, to Dr Reddy's Laboratories.

Under the binding terms of the sale, Alchemia will receive $17.5 million (approximately AU$24.3 million) in cash from Dr Reddy's upon the closing of the transaction. In addition to the agreed sale consideration, the Company received a payment of $1.15 million for its share of net profit from US-only sales of fondaparinux for the quarter ending 30 June 2015. Should the transaction be approved by shareholders and the transaction subsequently closed, the Company will not be entitled to receive any further profit share revenues from fondaparinux sales.

The sale is conditional on shareholder approval, as the sale constitutes a disposal of the Company's main undertaking per the ASX Listing Rules. Shareholder approval is expected to be sought at the Company's upcoming annual general meeting to be held in November this year. The Company is in the process of seeking an independent expert's report to assist shareholders in their decision on how to vote on the transaction.

In 2007, Alchemia granted Dr Reddy's non-exclusive rights to the manufacture of fondaparinux sodium in API (Active Pharmaceutical Ingredient) form, and exclusive rights to market fondaparinux in the North America. In exchange for these manufacturing and marketing rights, Alchemia was entitled to receive 50 percent of the net profit generated from sales of fondaparinux in North America. Dr. Reddy's is responsible for finishing of the product, all regulatory filings, and market launch.

The Company's generic fondaparinux was approved by the US Food and Drug Administration ("FDA") in July 2011, and launched by Dr. Reddy's in the US shortly after. To date, the Company has received a total of $21.4 million (AU$23.3 million) in revenues from its share of net profits for US sales of fondaparinux. These revenues are net of (after) the Company's contribution of $5.0 million (AU$5.5 million) towards cost of goods improvements.

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In 2012, the Company granted Dr Reddy's exclusive rights to market fondaparinux in all territories, other than North America, in exchange for an agreed share of the net profits generated from sales in those territories. In addition to the US, fondaparinux is currently being sold in Canada and India, however sales of fondaparinux in these territories are yet to generate any profits. Fondaparinux is yet to be launched in any other territory.

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