

March 11, 2013

RANBAXY LABORATORIES LTD.

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Ranbaxy Laboratories Limited (Ranbaxy) is an integrated international pharmaceuticals company, engaged in the marketing, production and distribution of pharmaceuticals products. It operates in two segments: pharmaceuticals and other business. The Company has manufacturing facilities in seven countries, namely India, the United States of America, Ireland, Malaysia, Nigeria, Romania and South Africa. Its major markets include the United States, India, Europe, Russia/ Commonwealth of Independent States and South Africa.

Investor's Rationale

Revenue declined sharply by 28.8% YoY on sharp dip in North America sales

Ranbaxy has registered a decline in consolidated revenue by 28.8% YoY in to ₹27 bn in Q4CY'12 driven by sharp fall of 59% in revenue from North America region. The Sales in USA impacted due to absence of large exclusivity sales compared to the corresponding previous quarter. However, it continued to maintain strong market share in post exclusivity products. Further, sales from the Asia Pacific region declined by 7% YoY to ₹1.3bn. Also, sales from the Latin America fell 8% YoY to ₹59.10 crore due to product supply disruption in the region and adverse currency movement.

Lower EO and forex losses in Q4 reduced PAT losses YoY

Ranbaxy's forex losses during the quarter were down by 78% YoY to ₹2.1bn. Also, after adjusting for the lower EO losses (down by 93% YoY ₹1.9bn) related to the voluntary recall of Atorvastatin Calcium tablets from the USA market, the loss at PBT was abridged at ₹4.5bn. With 54% fall in provisions for taxation to ₹0.3bn, PAT losses were down to ₹4.8bn.

OPM crashed by 1,889 bps on sharp jump in consumption cost

The company's EBITDA declined 93.4% YoY to ₹1bn due to higher operating expenses of ₹27 bn. Thus, OPM crashed sharply by 1,889bps YoY at 1.9% against 20.8% on the back of sharp jump in consumption cost (up by 1,180 bps YoY), other expenses (up by 1600 bps YoY) and rise in staff cost (up by 880 bps YoY) despite the fall in Claims and Contractual expense (down by 1,640 bps YoY) as percentage to sales and net of stock adjustments.

Well-focused on ramping-up the construction activity

The company has entered into an in-licensing agreement with Alembic Pharmaceuticals to exclusively market Desvenlafaxine Base Extended Release Tablets in the US healthcare system. Alembic Pharmaceuticals is the sponsor and manufacturer of the New Drug Application (NDA) Desvenlafaxine Base Extended Release Tablets.

Market Data

CMP (₹)	402.9
Target Price	443
Stop Loss	382
Duration	Short-term
52-week High-Low (₹)	578.3/370.5
Rise from 52WL (%)	8.7
Correction from 52WH (%)	(30.3)
Beta	1.2
1 year Average Volume (mn)	0.8
	3M- (20.5)
Stock Return (%)	6M- (27.8)
	1Y- (3.2)
Market Cap (₹bn)	170.4
Book Value (₹)	67.8

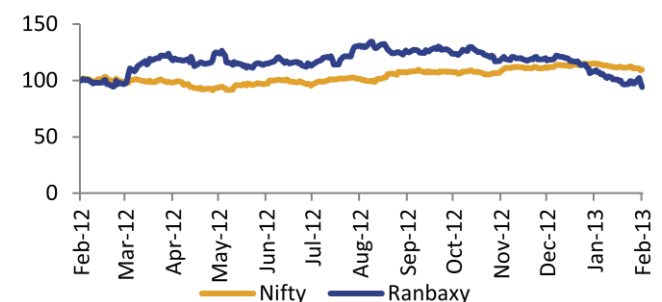
Shareholding Pattern

	Dec'12	Sep'12	Chg
Promoters (%)	63.54	63.64	(0.10)
FII (%)	10.65	10.57	0.08
DII (%)	10.39	10.63	(0.24)
Public & Others (%)	15.42	15.16	0.26

Quarterly Performance (Consolidated)

(₹bn)	Q4 CY'12	Q4 CY'11	Q3 CY'12	YoY Change(%)	QoQ Change(%)
Revenue	27	38	27	(28.8)	0.1
Op. exp	27	30	23	(12.2)	16.1
EBITDA	1	8	4	(93.4)	(87.5)
OPM (%)	1.9	20.8	15.4	(1889bps)	(1348bps)
Net profit	(5)	(30)	8	-	-
NPM (%)	(17.5)	(77.1)	27.3	-	-
EPS (₹)	(11.7)	(70.7)	17.9	(83.5)	(165.2)

One Year Price Chart





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