



PHARMACEUTICALS EXPORT PROMOTION COUNCIL

(Set up by Ministry of Commerce, Govt. of India)

COPY

Date : 11-05-2010

News / Story reproduced with thanks:- **Financial Chronicle**

US generic sales, forex boost for Ranbaxy profits

By Rakesh Khar & FC Research Bureau May 11 2010

Direct link to the News/Story:-

<http://www.mydigitalfc.com/companies/us-generic-sales-forex-boost-ranbaxy-profits-653>

Ranbaxy Laboratories reported its fourth straight quarter of profit on favourable foreign exchange and surging US sales. India's second largest pharmaceutical company recorded a consolidated net profit of \$210 million (Rs 963.1 crore) in the January-March quarter of 2010 against a loss of \$153 million (Rs 761 crore) in the corresponding period of the previous financial year.

In its standalone financial results for the quarter ended March 2010,

Ranbaxy's all-time high total income of Rs 2,417 crore has come on the back of an unusually high other income figure of Rs 488 crore. This is the second largest other income figure in the last 12 quarters after Rs 835 crore in the quarter ended June 2009.

The reason behind the sharp rise in other income of Ranbaxy in the March 2010 quarter is not clear. The other income in the

quarter ended December 2009 was just Rs 146 crore. In the

latest quarter, without the other income Ranbaxy's net profit would

have been Rs 384 crore, lower than December quarter's

of Rs 488 crore. With it, Ranbaxy's net profit has registered an

impressive quarter-on-quarter rise of 78 per cent from Rs 488 crore to

Rs 872 crore.

This is perhaps why the Ranbaxy scrip moved only marginally up on Tuesday to close at Rs 457.9 from Monday's Rs 454.4. The stock has been struggling to stay above Rs 450 in the last one month. The one-year high for Ranbaxy was Rs 530 on December 18, 2009.

Analysts Financial Chronicle spoke to said regulatory woes in the US would remain a drag on the company.

HFDC Securities senior vice president of institutional research Ranjit Kapadia said, "This is a one-time opportunity and would be difficult to sustain. There is no immediate solution in sight to the regulatory issues in the US." But he cited the synergy plan with Daiichi Sankyo, entry into vaccines and the rapid progress on anti-malaria molecule as big pluses for the company.

Agreed Sharekhan Securities, pharma practice head, Sapna Jhavar.

“This is an encouraging performance. But it is difficult to sustain in the second quarter even as gains this time are evenly spread out,” she said.

PwC India pharmaceutical practice head Sujay Shetty said the lead in the US market on account of the generic would give Ranbaxy good results ahead as well. Though he did admit that the FDA issue would be a negative till it was resolved.

“We have sent a reminder following our formal request last year to US FDA to inspect our Dewas facility but would not be able to commit any timeline to resolve the regulatory issue,” Ranbaxy chief executive Atul Sobti told reporters on Tuesday

The company would launch anti-diabetic drug Actos in the US by 2012. The Japan story is going to be big but will take some time to unfold in the next couple of years under the synergy plan underway with Daiichi, Sobti said. Japan is the second biggest pharmaceutical market after the US,

The company is undertaking corrective action at its other facility under the FDA radar, the Ponta Saheb plant.

The popularity of a generic version of the anti-viral Valtrex in the US helped drive up sales 266 per cent and garner around 64 per cent of prescription market share there. Ranbaxy launched the generic in US in the fourth quarter of 2009 and enjoys 180 days of exclusive marketing rights.

The company’s consolidated net sales grew by 65 per cent to \$542 million (Rs 2,490 crore).

Analysts have had mixed interpretations of Ranbaxy’s stock price compared with its financials. In a research analysis in March on the impact of US healthcare reforms on Indian pharmaceutical

companies, Macquarie Group had suggested that the impact would be

positive. But Ranbaxy and Cipla were the only two pharma stocks that

Macquarie’s research report suggested had a downside potential, of 19

per cent and 20 per cent respectively, from their March 23 prices