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Column: Ranbaxy needs a booster

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By failing to launch the generic version of the blockbuster urinary drug Flomax in the US on March 2, Ranbaxy has not simply lost a \$50 million opportunity. The issue has also raised fresh concerns about the company faltering on more such 'first to file' drugs that it has in its pipeline. It is now clear that the September 2008 US FDA ban on import of products from two of its manufacturing facilities in India will continue to haunt Ranbaxy for some more time. The FDA ban list included 28 drugs from the company's sites in Dewas and Paonta Sahib. Ranbaxy had begun to face the heat of the ban right from its financial year ending December 2008, when it posted losses of Rs 915 crore, including an 8.8% drop in its US sales.

However, it was a different story in the financial year ended December 2009, when it showed a net profit of Rs 460 crore. One of the drivers for this was the launch of the generic version of GSK's Valtrex in the US market in the last quarter. Ranbaxy was the first to file an application for the drug in the US and was granted a 180-day exclusivity by the US FDA.

Despite its gains from Valtrex, Ranbaxy has given a tepid revenue guidance for 2010. Although its sales from North America grew close to 70% in the quarter ending December 2009, the performance in Europe was unimpressive. Add to this the loss from Flomax, the delay in Nexium supply (Ranbaxy entered into an out-of-court settlement with AstraZeneca for Nexium in April 2008), and the FDA woes, and the company's own low estimates do not come as a surprise. Some analysts have revised their revenue estimates for the firm in the current financial year by 12-14%. This is why the company needs to come of the FDA muddle, quick and clean. Daiichi Sankyo, which controls Ranbaxy, has reiterated that it will "help" the latter overcome its FDA problems by "working together". But words won't help. Already, the announcement of a three-year plan for exploiting synergies in operations to enhance both companies' global generic and branded business has been delayed by two months. Both firms can no longer drag their feet on putting forward firm plans to realise synergies and tackle issues with the FDA.

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