

India Daily Views

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Ranbaxy Laboratories Ltd

US Supreme court denies Ranbaxy's appeal on atorvastatin - ALERT

- Ranbaxy appears to have moved a lead into pre-clinical studies, pursuant to its new agreement with GSK on collaborative research. This molecule is in respiratory inflammatory segment. As per the agreement, Ranbaxy can generate potential milestones of up to \$100mn and up to double-digit royalties if the candidate is launched by GSK.
- Ranbaxy's appeal of the federal court decision on atorvastatin (Pfizer's Lipitor) has been rejected by the US Supreme Court. Specifically, Ranbaxy had appealed against the patent term extension on the '893 patent claiming that the extension was invalid as Pfizer had failed to disclose material information to the patent office when applying for the extension.

Impact

- Ranbaxy had two projects in its GSK collaborative research agreement and it appears that one of these projects has moved from lead-optimisation to pre-clinical stage, pursuant to the new agreement. Under the new agreement, Ranbaxy will be eligible to complete proof-of-concept studies on this project and eventually get the milestone payments if the product gets commercialized. Since the molecule is only now entering preclinical studies, we do not think Ranbaxy will get significant milestone income for at least 2-3 years.
- Since we now assume Ranbaxy being able to launch its generic only in 2011 – after the expiration of '995, this loss does not impact our view.

Neutral

Rs341.30

02 April 2007

Pharmaceuticals

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Tata Motors

Mar'07 Unit Sales - Growth moderates on high base! -
ALERT

- TAMO reported moderate unit sales growth of 11% yoy for March. Overall, local sales grew 13% yoy while exports were down 13% yoy.
- M&HCV sales grew by 10% yoy, while LCV sales moderated to 15% yoy. After witnessing strong growth through FY07, sales moderated in March due to the high base effect.
- Passenger car sales increased 8% yoy while UV sales grew 17% yoy. Sales growth for passenger cars has been on the back of domestic sales, while exports continue to witness a decline. UV sales have been boosted by the recent price cuts on the Safari and the new variant of Sumo.
- For the year FY07, sales growth for Tata Motors has been at a healthy 28% yoy – led by CV's which grew at c.37% yoy. CV sales growth has been on the back of the overloading ban and strong growth in manufacturing.
- Interest rates have moved up sharply over the past few months, with rates rising by as much as 400bps over the past year. We believe that the base effect and high interest rate will lead to a moderation in CV sales growth, but we expect growth rates to be sustained at 10% given strong economic growth.
- The tie up with Tata Motors and Fiat is progressing well - with Fiat restarting its plant at Ranjangaon. The company is rolling out the Fiat Palio Stile in the B segment, which will be jointly marketed by Tata Motors and Fiat through their network of dealers.
- Over the month TAMO underperformed the market - the stock was down by 14% vs. 3% for the broad market on fears that rising interest rates would dampen auto sales.

Overweight

Rs669.30

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Automobile Manufacture

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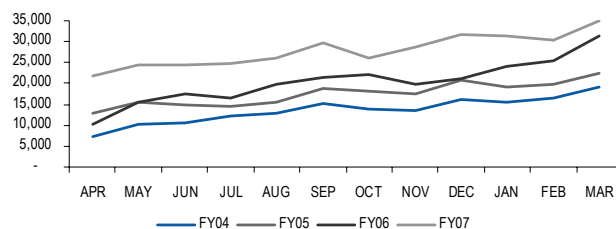
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Table 1: Tata Motors Unit Sales

	Mar 07	Mar 06	%YoY	Feb 07	%MoM	FY07 YTD	FY06 YTD	% YTD
HCV's	19,083	17,348	10.0	17,699	7.8	185,405	136,969	35.4
LCV's	15,995	13,892	15.1	12,842	24.6	149,258	108,104	38.1
Cars	21,474	19,845	8.2	17,802	20.6	195,408	169,101	15.6
UV's	6,227	5,321	17.0	5,364	16.1	49,526	39,783	24.5
Total Sales	62,779	56,406	11.3	53,707	16.9	579,597	453,957	27.7
M&HCV -exports	1,410	1,036	36.1	1,393	1.2	11,465	8,255	38.9
LCV -exports	2,948	2,915	1.1	1,289	128.7	21,827	21,868	-0.2
Cars -exports	1,823	2,190	-16.8	1,786	2.1	15,266	18,150	-15.9
UV's -exports	118	367	-67.8	58	103.4	1,633	1,881	-13.2
Exports	6,299	6,508	-3.2	4,526	39.2	50,191	50,154	0.1
M&HCV -domestic	17,673	16,312	8.3	16,306	8.4	173,940	128,714	35.1
LCV -domestic	13,047	10,977	18.9	11,553	12.9	127,431	86,236	47.8
Cars -domestic	19,651	17,655	11.3	16,016	22.7	180,142	150,951	19.3
UV's -domestic	6,109	4,954	23.3	5,306	15.1	47,893	37,902	26.4
Domestic	56,480	49,898	13.2	49,181	14.8	529,406	403,803	31.1

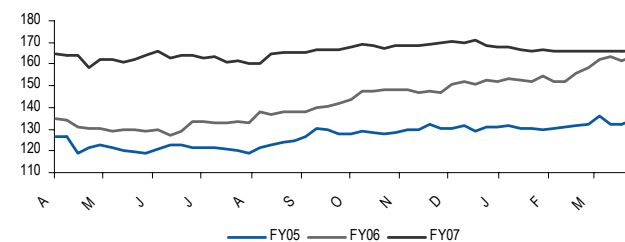
Source: Company

Figure 1: Tata Motors CV Sales (in Unit Nos)



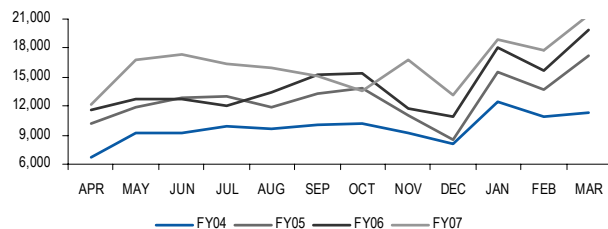
Source: Company

Figure 2: Weekly Freight Index



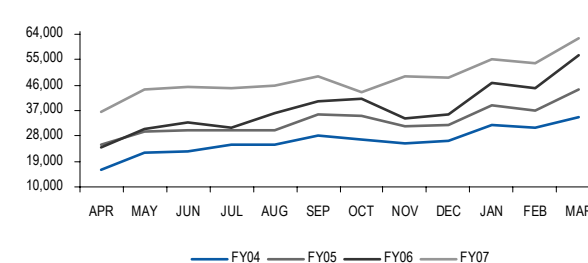
Source: Transport Corporation of India

Figure 3: Passenger Car Sales (In Unit No's)



Source: Company

Figure 4: Total Sales (In Unit No's)



Source: Company

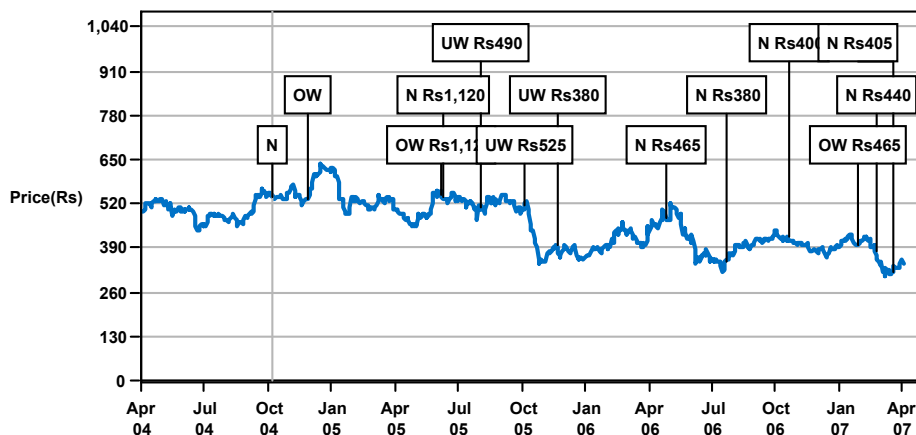
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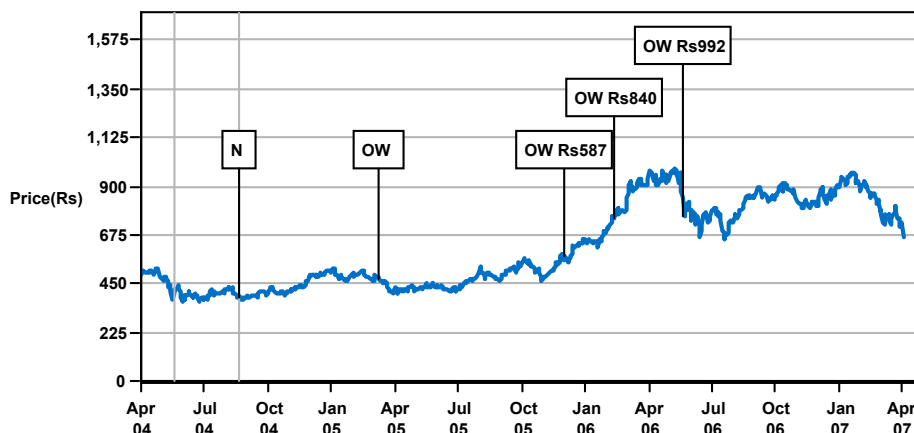
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Ranbaxy Laboratories Ltd (RANB.BO) Price Chart



Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
 Break in coverage Mar 04, 2004 - Oct 07, 2004. This chart shows JPMorgan’s continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 JPMorgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

Tata Motors (TAMO.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
19-Aug-04	N	385.85	--
10-Mar-05	OW	468.00	--
30-Nov-05	OW	575.20	587.00
10-Feb-06	OW	750.95	840.00
21-May-06	OW	761.95	992.00

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
 Break in coverage May 19, 2004 - Aug 19, 2004. This chart shows JPMorgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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