

OPEN OFFER: RANBAXY LABORATORIES

June 11, 2008

Ranbaxy Laboratories has announced Daiichi Sankyo proposal to acquire the entire 35% promoter stake at INR 737 per share. In addition to this Ranbaxy would be issuing 23,834,333 warrants and 46,258,063 fully paid up equity shares of INR 5 at a premium of INR 732 through a preferential allotment. The 35% promoter stake transfer will trigger an open offer for a minimum of 20% as per SEBI Substantial Acquisition of Shares & Takeovers code. To put it in a nut shell, the deal involves the following events

1. **Stake Sale:** The promoters will sell their 35% stake in Ranbaxy Laboratories to Daiichi Sankyo which will trigger an open offer as per SEBI Substantial Acquisition of Shares & Takeovers code.
2. **Preferential Allotment:** The stake sale will be followed by a preferential allotment (subject to shareholders approval) of 46,258,063 fully paid up equity shares of INR 5 at a premium of INR 732 to Daiichi Sankyo.
3. **Warrant issue:** The deal also comprises of 23,834,333 warrants (subject to shareholders approval) to be issued to Daiichi Sankyo which will be converted into equity shares between six to eighteen months from the date of allotment at a price of INR 737 per share.

Putting these things in perspective the minimum acceptance ratio for the offer works out to be 30.68%. For calculating the minimum acceptance, we have considered the pre diluted equity base i.e. 373.15mn shares (Preferential Allotment and Warrant would not be the part of equity during the open offer).

Pre dilution shareholding pattern**Shareholding Pattern Ranbaxy Labs**

Description as on 31st Mar 08	No of Shares	% of Holding
Total Foreign	78,257,249	20.97%
Total Institutions	87,074,373	23.33%
Total Non Promoter Corporate Holding	8,731,394	2.34%
Total Promoters	129,936,214	34.82%
Total Public & Others	69,154,429	18.53%
Totals	373,153,659	100.00%

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Since the Share Purchase Agreement for stake sale is signed the time lines will be announced in a few days. We expect the open offer process to take more than 3 months duration after the announcement.

Approvals required:

1. Shareholder approval for preferential issue and warrant issue.
2. High court approval if any case is pending
3. Antitrust approval for Daiichi

Ranbaxy has a 30% FII cap. The acquisition by Daiichi would be considered as an FDI and not as FII stake, resulting into no need to increase the FII Cap.

The time lines are not announced till date. We do not recommend any open offer arbitrage at current point of time. Directional exposure in the equity at INR 560 with 30.68% acceptance will result in the break even at INR 458.

On the F&O front

After the announcement of the deal the July & Aug month futures started trading at a discount of INR 4 and INR 10 respectively to the cash price of Ranbaxy. At any point of time the probability of the process getting completed before Aug expiry is least. We expect the discount of August to come back to the normal levels.

Risk arbitrage

Initiate a calendar spread between July Aug if the discount widens further.

We will keep you updating as and when the information flows in.

Ranbaxy Labs. Share holding Pattern		
Description as on 31-Mar-08	No of Shares	% of Holding
Ranbaxy Holding Company	99,192,856	26.58
LIC of India	59,118,156	15.84
Oscar Investments Ltd	17,751,468	4.76
Deutsche Securities Mauritius Ltd	11,837,117	3.17
GIC of India	5,381,858	1.44
Merrill Lynch Capital Markets Espana SASV	4,200,569	1.13
Malav Holdings Pvt Ltd	3,000,000	0.8
Malvinder Mohan Singh	2,636,682	0.71
Shivinder Mohan Singh	2,089,992	0.56
Nimmi Singh	1,388,888	0.37
Malvinder Mohan Singh Trustee - Bhai Hospital Trust	866,226	0.23
Ranbaxy Lab Ltd Employees Welfare Fund Trust	852,216	0.23
Oscar Pharmaceuticals Pvt Ltd	676,078	0.18
Delta Aromatics Pvt Ltd	499,078	0.13
Ranbaxy Management Employees Welfare Fund Trust	432,472	0.12
Japna Malvinder Singh	144,640	0.04
Aditi Shivinder Singh	144,000	0.04
Modland Wears Pvt Ltd	121,480	0.03
Oscar Holdings Pvt Ltd	75,760	0.02
Malvinder Mohan Singh Karta	32,320	0.01
Shivinder Mohan Singh Karta	32,000	0.01
Kabir Parvinder Singh	60	0

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Alternative Research

Regular Products

Derivatives Daily (DD)
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Insider Trades
Pair Strategy
Rollovers Analysis
RSC Tracker (RSC)

Special Situation Trades

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Alpha Trades
Buy Back
Delisting
De-Merger
Directional (Long / Short)
Merger
Open Offer
Option Trading
Restructuring (Value Unlocking)
Rights Arbitrage
Secondary Offerings
Spread Trade

Date	Special Reports
10-Jun-07	Edelweiss Value Scanner; Adding Value to investments
29-Jan-08	IPO Matrix 2008- A snapshot
05-Jun-08	Enhanced Nifty: Nifty with an edge
05-Jun-08	Edelweiss Style Analysis: What's hot

Date	Monthly Reports
15-May-08	Edelweiss Fund Insight - EFI
29-May-08	Rollover Analysis
06-Jun-08	hEDGE: The alternative insights monthly
06-Jun-08	RSC: Relative Strength Comparison

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