

Ranbaxy Ltd.

INR:444

In good health!!

HOLD



### Ranbaxy Launches GSK's blockbuster drug in US.

Ranbaxy Laboratories has launched generic Valtrex (valacyclovir hydrochloride) tablets in the US market, two years after it settled a patent dispute with GlaxoSmithKline (GSK) and secured a 180-day sales exclusivity for it. Though Industry had an apprehension that whether Ranbaxy will be able to monetize this opportunity or not because of ongoing issue at Dewas facility from where this molecule was filed earlier. But company has managed to get Valacyclovir manufactured from the production facility of its US subsidiary, Ohm Laboratories, thereby salvaging the six-month exclusive marketing opportunity.

#### Impact

- As it is the only other player to launch this drug after innovator company Glaxo Smith Kline Pharma (GSK), we expect the company to garner about 11-12% market share of US\$ 2.2 billion annual market of Valtrex for next six months (exclusivity period). At topline level, we expect drug to contribute Rs 1,000-1,050 crore in next 6 months.
- Launch would strengthen Ranbaxy's presence in the antiviral segment- Valtrex (valacyclovir) is an antiviral drug used to treat genital herpes, cold sores and shingles.

#### Our View

We have revised our earnings estimate keeping in view the revenue inflow from the launch of Valtrex. Going forward, we will see further improvement in topline as it has entered into various strategic alliances i.e. with Medy-Tox Inc. & Validus Pharmaceuticals. We believe the company would post good numbers in Q4 CY09 and outperform its own guidance, sales target of Rs 7,000crore.

We believe the alliances with GSK and Merck in the area of New Drug Discovery Research and upcoming first-to-files (FTFs) *Flomax* (market size of ~ US\$1.2 billion) are the positive triggers for the company. Company also holds marketing exclusivity rights of another drug *Flomax* whose patent expires in March 2010. The company is hopeful of getting the US FDA clearance for its Dewas plant in the next few months.

#### Key Financials

Rs. Crore

Particulars	CY07	CY08	CY09E	CY10E
Revenue	6781.0	7421.4	7216.5	8678.5
EBITDA	914.7	-533.2	642.3	781.1
OPM	13.5%	-7.2%	8.9%	9.0%
Adjusted Net Profit	1282.9	-951.2	246.9	431.9
NPM	18.9%	-12.8%	3.4%	5.0%
EPS	30.5	-22.6	5.9	10.3
P/E	14.5	-	75.6	43.2
RONW	46%	-23%	6%	9%
ROCE	12%	-7%	7%	10%

Source: KRC Research

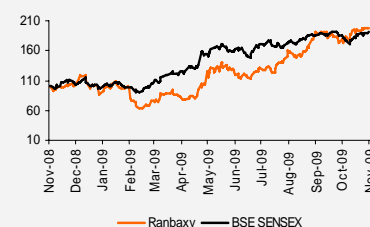
Price Outlook (INR): 456

Market Data	Nov 27 <sup>th</sup> , 2009
Shares outs (Cr)	42.0
Equity Cap (Rs. Cr)	210.2
Mkt Cap (Rs. Cr)	18,648
52 Wk H/L (Rs)	448/133
Avg Vol (1yr avg)	6,70,832
Face Value (Rs)	5
Bloomberg Code	RBXY IN

#### Market Info:

SENSEX	16,632
NIFTY	4,941

#### Price Performance



#### Share Holding pattern (%)

Particulars	31-Sept	31-June	Chg
Promoters	63.9	63.9	-
Institutions	12.4	12.1	0.3
FII	5.0	4.4	0.6
Public/Others	18.7	19.6	(0.9)
Total	100	100	-

#### Analysts :

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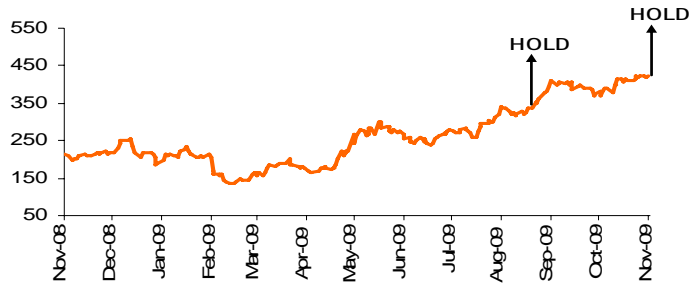
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**Ranbaxy Ltd.**

**Rating Legend**

<b>Our Rating</b>	<b>Upside</b>
<b>Strong Buy</b>	More than 25%
<b>Buy</b>	15% - 25%
<b>Hold</b>	10% - 15%
<b>Reduce</b>	Nil - 10%
<b>Sell</b>	Less than 0%

**Other Stocks in the sector under our active coverage: Pharmaceuticals**

Ticker	Company	Recommendation	As of	Return	Bmk	Outper	BARR
<b>Summary</b>	<b>Coverage 12</b>	<b>Avg Rating: 4.0</b>		<b>18.08%</b>	<b>15.02%</b>	<b>3.06%</b>	
DIVI	IN Divi's Laboratories Ltd	Hold	11/12/09	0.00%	4.18%	-4.18%	
DISH	IN Dishman Pharmaceuticals & Chemicals Ltd	Hold	11/04/09	0.00%	48.83%	-48.83%	
ARBP	IN Aurobindo Pharma Ltd	Buy	11/03/09	2.50%	14.72%	-12.23%	
SUNP	IN Sun Pharmaceutical Industries Ltd	Hold	10/30/09	0.00%	9.06%	-9.06%	
CIPLA	IN Cipla Ltd/India	Hold	10/30/09	0.00%	7.25%	-7.25%	
GNP	IN Glenmark Pharmaceuticals Ltd	Buy	10/30/09	4.88%	-16.27%	21.16%	
UNTP	IN United Phosphorus Ltd	Buy	10/27/09	1.11%	40.24%	-39.14%	
DRRD	IN Dr Reddys Laboratories Ltd	Hold	10/26/09	0.00%	82.01%	-82.01%	
JOL	IN Jubilant Organosys Ltd	Buy	10/23/09	25.55%	56.12%	-30.57%	
BIOS	IN Biocon Ltd	Hold	10/22/09	0.00%	36.49%	-36.49%	
TTCH	IN Tata Chemicals Ltd	Hold	08/03/09	21.80%	14.23%	7.58%	4th

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