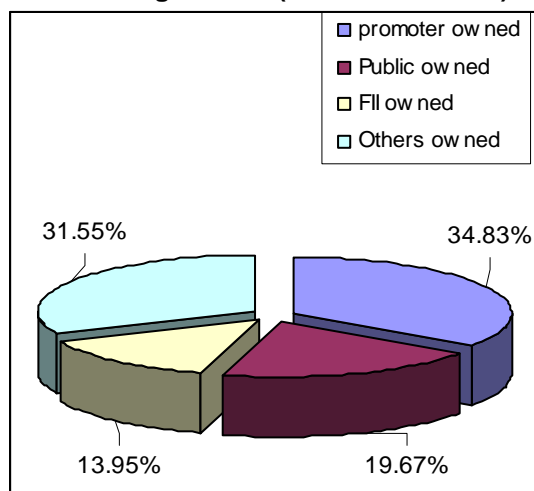


Stock statistics	18 March 2008
Market Cap (Rs Mn) :	165680.22
52-Week high/low (Rs) :	299/490
Face value :	5
BSE Code :	500359
NSE Code :	RANBAXY
Industry :	PHARMA
Shares outstanding :	373,153,659
Avg. daily vol. (30 days) :	201.70

**Shareholding Pattern (as on 31 Dec. '07)**



**Key Statistics (as on 18 March 2008)**

CMP	:	444
BV (FY'07)	:	77.16
PE	:	20.96
PB	:	5.75
Beta	:	0.75
Turnover (Rs Mn)	:	155.93
Net worth (Rs Mn)	:	23500.10

BUSINESS BACKGROUND

Ranbaxy Laboratories Limited, India's largest pharmaceutical company, is an integrated, research based, international pharmaceutical company, producing a wide range of quality, affordable generic medicines, trusted by healthcare professionals and patients across geographies. It is ranked amongst the top ten global generic companies and has a presence in 23 of the top 25 pharma markets of the world. The Company with a global footprint in 49 countries, world-class manufacturing facilities in 11 and a diverse product portfolio, is rapidly moving towards global leadership, riding on its success in the world's emerging and developed markets. Ranbaxy was incorporated in 1961 and went public in 1973. Ranbaxy is focused on increasing the momentum in the generics business in its key markets through organic and inorganic growth routes. It continues to evaluate acquisition opportunities in India, emerging and developed markets to accentuate its business and competitiveness. The Company's growth is well spread across geographies with near equal focus on developed and emerging markets. Ranbaxy has entered into new specialty therapeutic segments like biosimilars, oncology, peptides and limuses. These new growth areas will add significant depth to its existing product pipeline.

INVESTMENT RATIONALE

- The company has received approval from USFDA to sell the generic version of Risperdal used in the treatment of schizophrenia in the US.
- The company is all set to de-merge its new drug discovery research (NDDR) unit into a subsidiary, Ranbaxy life science research (RLSRL). The de-merger will result in cost savings of approximately \$25 million this year, which is likely to increase significantly in coming years. It will also enable RLSRL to create intellectual property at a faster pace while positioning it for the future.
- The company has also entered into 2 independent litigation settlements with GlaxoSmithKline Pharma and Astellas Pharma for VALACYCLOVIR and TAMSULOSIN. The products have a combined market share of 3.5 billion USD. These products are set to be launched in 2009 and 2010, therefore provide certainty of revenue flows and product visibility in the future.
- The share of the emerging markets in the revenues of the company has increased from 49% in 2006 to 54% in 2007 reducing the dependency of the company on the US markets. Significant growth of 24% has been achieved in the European markets.
- The company has also signed a multi year R&D agreement with Glaxo which would provide the company with expanded drug development responsibilities and further financial opportunities. The company expects to receive over USD 100 million in potential milestone payments for a product developed by the company and double digit royalties on worldwide net sales.

## FINANCIAL STATEMENT ANALYSIS

Particulars	Rs. mn				
	2003	2004	2005	2006	2007
Revenues	48232.26	54512.00	52815.87	61434.06	65904.00
Growth (%)	--	13.02	(3.11)	16.32	7.28
Total Expenditure	37459.25	44507.01	49704.77	52608.87	56277.00
Operating profit	10773.01	10004.99	3111.10	8825.19	9627.00
Growth (%)	--	(7.13)	(68.90)	183.67	9.09
OPM	<b>22.34</b>	<b>18.35</b>	<b>5.89</b>	<b>14.37</b>	<b>14.61</b>
Other Income	485.57	808.84	616.28	564.35	3748.00
EBIDT	11258.58	10813.83	3727.38	9389.54	13375.00
Depreciation	1210.65	1214.83	1444.52	1842.88	2228.00
EBIT	10047.93	9599.00	2282.86	7546.66	11147.00
Interest	251.89	334.88	671.16	1036.32	1443.00
PBT & exceptional items	9796.04	9264.12	1611.70	6510.34	9704.00
Exceptional items	350.99	(371.90)	(121.80)	---	267.00
Tax	2538.13	1881.08	(697.57)	1356.74	2070.00
PAT	7608.90	7011.14	2187.47	5153.60	7901.00
Growth%	--	(7.86)	(68.80)	135.60	53.31
Minority interest	14.58	25.53	25.53	50.21	--
Net profit	7594.32	6985.61	2161.94	5103.39	7901.00
NPM	<b>15.75</b>	<b>12.81</b>	<b>4.09</b>	<b>8.31</b>	<b>11.99</b>
Equity capital	1855	1858.90	1862.20	1863.40	1865.40
EPS	20.47	18.79	5.80	13.69	21.18*

\*EPS calculated as per consolidated net profit after extra ordinary items.

The company has posted winning results for the year ended Dec 07. The total revenues stood at Rs 69427 million, showing a growth of 13% over revenues earned in 2006. The operating profits have posted an increasing trend since 2005, showing the strength of the company, growth over 2006 being 9%. The operating profit margins have also improved over the last two years. The earnings before interest depreciation and tax stood at Rs 13375 million, posting a sharp growth of 42.44% over 2006. The profit after tax excluding the foreign exchange gains/losses on translation and other extraordinary items stood at 6069 million. The net profit stood at Rs 7901 million against Rs 5103 million posted in 2006 showing a whopping growth of 53% and portraying the enormous strength of the company. The net profit margins have also improved steeply from 8.31% in 2006 to 11.99% in the year ending Dec 2007. The earnings per share stood at Rs 21.18.

### VALUATION

The hiving off the NDDR shall lead to huge reduction in the expenses at the same time it would also help to de risk its core business. The alliances with other pharmacy giants have created enormous revenue opportunities for the company, approvals from USFDA also have opened up the doors to enter new segments which till now remained untouched. Whopping 20 % growth in the global sales signifies the increasing entry of the company into the emerging markets.

Keeping in mind the company's steady financial performance and future visibility of earnings, we initiate a BUY signal on the stock at the current market price of Rs 444 which is at 20.96 times to its consolidated earnings and 5.75 times to its book value of Rs 77.16 with a target price of Rs 530 in medium to long term investment horizon expecting an appreciation of 20 % from its current value.

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