

COMMENT

Ranbaxy Laboratories (RANB.BO) Rs458.25

First take: 1Q2010 beat on one-offs; estimates, TP under review

News

Ranbaxy posted 1Q2010 revenues, EBIT, and net income of Rs24.9 bn (up 9.7% qoq, 22% above Bloomberg consensus), Rs9.5 bn, and Rs9.61 bn (up 288% qoq), respectively. Net income included one-offs on account of (1) Rs1.3bn forex gain on loans, (2) Rs3.2bn forex gain on derivatives and other operations and (3) Rs2.25bn (US\$50 mn) from the one-time settlement for Flomax drug from Boehringer Ingelheim. Normalized net income came at Rs2.86bn, which was in line with Bloomberg consensus estimate.

Analysis

(1) Management maintains its 2010 net income guidance of US\$100 mn (Rs4.6bn at US\$/INR = Rs46) but has indicated upside risks to it. On a normalized basis, the company has already achieved about 62% of its full-year guidance; (2) 60% yoy growth in revenues was primarily due to one-time revenues from Valacyclovir (generic version of GSK's Valtrex) and launch of Oxycodone in the quarter. Ranbaxy has exclusivity on Valacyclovir till May-end and now has about a 64% market share in the US, as per management; (3) Operational EBITDA margin, excluding forex gains, came at 42.3% due to monetization of First-to-File (FTF) opportunities in the US and cost controls; and (4) the company continues to cooperate with the US FDA and Department of Justice for early resolution of all outstanding issues and is ready for the inspection of the Dewas plant.

Implications

We put our estimates and target price for Ranbaxy under review, pending further clarity on (1) the outlook on revenue growth and performance in different geographies; (2) uncertainty on timelines for resolution of FDA actions; and (3) sustainability and outlook for margins.

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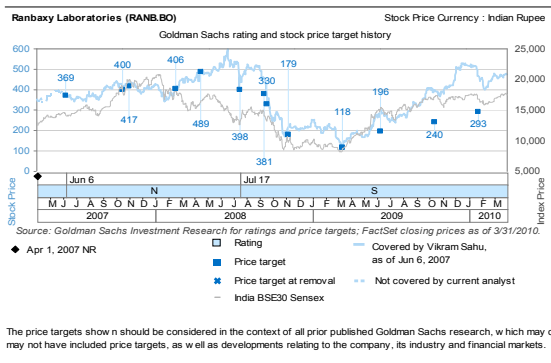
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Price target and rating history chart(s)



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